

BPM Report # 121
BUSINESS AND POLITICS IN THE MUSLIM WORLD
Weekly Report on Global Islamic Finance and Business in the Muslim World
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Report Outline

- FOREIGN AFFAIRS BOOK REVIEW SUMMARY 04
 - Globalization and Labor Conditions: Working Conditions and Worker Rights in a Global Economy, By Robert J. Flanagan

- GLOBAL FINANCE & GLOBAL ISLAMIC FINANCE 05
 - Islamic finance flourishes in CIS
 - Good outlook for Islamic finance in Malaysia
 - Global Islamic Finance Players Face Challenges
 - Pakistan reaching out globally
 - DBS makes partial retreat from Islamic banking
 - Zaid Ibrahim & Co hails Aussie review of Islamic finance
 - Bahrain Islamic Bank: a strategic Platinum partner in the Islamic Capital Markets and Investment Funds Conference
 - Kenya sees potential of Islamic banking
 - Domestic debt up by Rs 738bn in only 10 months
 - Islamic finance market set to hit \$1 trillion mark
 - UAE Central Bank to launch Islamic liquidity facilities
 - Australia to get Islamic finance friendly
 - University of Peshawar to start Islamic banking courses
 - Tunisia launches its first Islamic Bank

- ISLAMIC BANKING & INSTITUTIONS 24
 - Noor Islamic Bank Introduces Innovative Card Based Salary Payment Scheme
 - Dubai Islamic Bank launches two-year Islamic certificate with 88% capital return in two months
 - Ahli United Bank (AUB) Offers Islamic Banking Services to its Customers in Cooperation with ITS
 - Türkiye Finans best Islamic bank in Turkey
 - Sharjah Islamic Bank and MasterCard ink strategic collaboration
 - Malaysia: New banking licenses expected in June
 - Dew takes charge as MD at SABB

- SUKUK (ISLAMIC BONDS) 32
 - Malaysia Airports, Qatar Islamic Plan Sales: Global Sukuk Alerts
 - Indonesia says no winning bids in Sukuk auctions
 - Cagamas Woos Gulf Cash with New Sukuk
 - Tabreed in Talks to Restructure \$1 Billion in Loans
 - Malaysia Said to Be Selling \$1 Billion of Global Islamic Bonds
 - CIMB Group Keeps Mum on Launch of Sukuk
 - Malaysia Dollar Sukuk Rises on Debut as Investors Favor Asia
 - Opportunities in non-Ringgit Sukuk market

- TAKAFUL (ISLAMIC INSURANCE) 41
 - Allianz Malaysia Sees Takaful Openings through Government Policies
 - HLTM Takaful new Syariah plan

- ISLAMIC INVESTMENTS; EQUITIES/SECURITIES & FUNDS 44
 - ASM Investment's Al-Aiman Fund Records 6.15 Per Cent Return
 - BLME gears up to launch Shariah-compliant fund
 - E&Y: Global Islamic fund assets level at \$52b in 2009
 - Kuwait Finance House not out of the woods

- ISLAMIC FINANCE EVENTS; SEMINARS, WORKSHOPS & CONFERENCES 50
 - The 6th Annual World Islamic Funds & Capital Markets Conference (WIFCMC 2010 / Conference
 - Islamic finance set to be a \$2 trillion global industry; Rushdi Siddiqui, Global Head of Islamic finance of Thomson Reuters
 - Tanzania: Islamic Banking Workshop Opens in Zanzibar
 - Basel 3 framework has room to improve, say speakers

 - ISLAMIC FINANCE: ARTICLES / COMMENTARIES 54
 - Need to Combine Islamic Economic History with Islamic Institutional Economics Prof. Murat Cizakca

 - GENERAL ECONOMIC & BUSINESS DEVELOPMENTS 58
 - Banking reforms pass US Senate
 - US pushes for more trade with China
 - Eurozone Crisis Forces Gulf to Pause Monetary Union
 - IMF wants 'urgent' Spanish reforms
 - Financial Crisis Showed Up 'Shortcomings' in UAE
 - Dubai World announces debt plan
 - Banks Positive on Dubai World Debt Plan - UAE Central Banker
 - Gulf States back Efforts to Stabilize Euro, Merkel
 - Egypt Competes for Investor Money amid Global Crisis
 - OECD upbeat on world economy
 - Qatar Wealth Fund Keen to Buy U.S. Citi Shares
 - Apple 'world's biggest tech firm'
 - Emirates finance chief: Dubai can resolve new woes
-

Foreign Affairs Book Review Summary;

Globalization and Labor Conditions: Working Conditions and Worker Rights in a Global Economy, By Robert J. Flanagan
Oxford University Press, 2006, 272 pp.

Reviewer: Cooper, Richard N.

In this book, the Stanford economist Flanagan analyses the evolution of working conditions in today's world and supports his impressive arguments with empirical evidence. He addresses the contention, advanced aggressively in political discussions, that globalization worsens the conditions of labor, spurring a "race to the bottom." Based on analyses of 30 years of data from many countries, Flanagan concludes that, to the contrary, the three economic dimensions of globalization - greater foreign trade, foreign direct investment, and international migration - are associated with improved working conditions (higher wages, fewer hours of work, fewer accidents at work) and improved workers' rights (less child labor, greater freedom of association, less forced labor); open economies have significantly better working conditions than more closed economies. Although he does not oppose increased regulation on behalf of labor at the national or international level, Flanagan is skeptical, on the basis of the evidence, that such regulation will by itself improve the conditions of the average worker. Too often, it improves the circumstances of some workers while worsening the circumstances of others. His book offers the general advice that any proposed policy action should be evaluated on the basis of whether it enhances or narrows the opportunities available to workers. Expanded opportunities, such as those created by greater economic growth, are more likely to succeed in improving working conditions.

Source: Foreign Affairs; Mar/Apr2007, Vol. 86 Issue 2, p164-165, 2p

GLOBAL FINANCE & GLOBAL ISLAMIC FINANCE

Islamic finance flourishes in CIS

Sunday, May 23, 2010

Judging by the spate of conferences on Islamic finance organized in the Russian Federation and the rest of the CIS countries in recent months, interest in Islamic finance is fast developing in a region that should be a natural market for the global industry.

The region is rich in natural resources, especially oil, gas, minerals and cotton, and has a combined Muslim population in excess of 120 million. Not surprisingly, the Jeddah-based Islamic Development Bank (IDB) is organizing the annual meeting of its board of governors in Baku, Azerbaijan on June 23-24. Last year, the IDB held its annual meeting in Ashkhabad, the capital of Turkmenistan - this is the second successive year that the IDB has held its annual meeting in the CIS.

In fact, the IDB recently took out an equity stake in the Tatarstan International Investment Company, an Islamic investment company that will invest in projects in the Muslim-populated regions of the Russian Federation and in the CIS.

On Wednesday, bankers and allied professionals from all over the world will converge on the Russian capital for the Moscow Forum on Islamic Finance and Investments, which is sponsored inter-alia by the newly-established Shariah-compliant asset management firm, Al-Shams Capital, which is authorized by the Securities Commission of Russia. Al-Shams CEO, Adalet Djabiev, believes that there is significant demand for Islamic financial products and services in CIS countries and in Eastern Europe, especially retail, investment, Takaful (insurance) and capital markets products such as Sukuk.

As such, the Moscow Forum on Islamic Finance and Investments is a window for Islamic bankers and others looking into the Russian and CIS markets for new opportunities; and for Russian banks, companies and entities looking for new investments, partnerships and co-financing opportunities in sectors which impact especially on the real economy and in wealth creation. Not surprisingly, the forum will focus on the latest trends in the global industry, developments in Russia and Europe, Sukuk, project finance, insurance, developing the Halal food business activities, and small and medium enterprises.

There are already encouraging signs that Sukuk issuances may prove to be an attractive alternative for Russian banks and corporations raising financing from the international markets for projects in the federation and the region. VTB Capital, a subsidiary of Vneshtorgbank (VTB Bank), the Russian foreign trade bank, for instance, has resumed work to facilitate Sukuk in the Russian market, while VTB itself is looking at Islamic retail finance products.

At a recent conference in Moscow, Masroor Haq, head of Middle East and Africa at VTB Capital Dubai, stressed that the "Islamic bond (Sukuk) market has just stepped on the growing path. A number of non-Islamic international issuers are focusing on attracting Shariah-compliant funds, GE and IFC being recent examples. Russian corporations should also benefit from this avenue by using appropriate structures."

He sees a good fit between Islamic finance and project finance and infrastructure investments in Russia and the CIS. The Russian Federation needs more than \$1 trillion in infrastructure investments over the next 10 years. In this respect, an investor-friendly framework that facilitates ease in attracting international capital flows including Shariah-compliant funding is critical. At the end of last year, VTB Capital signed a memorandum of understanding with Liquidity Management House (a wholly owned subsidiary of Kuwait Finance House - one of the largest Islamic banks in the world) to develop Sukuk and other Islamic products for Russian corporations.

Other recent developments include the launch by Malaysia's AmanahRaya Investment Bank Ltd. (ARIB), a wholly-owned subsidiary of Amanah Raya Berhad, and Capital Partners Holdings (Bahrain) (CPH) of the Global Halal Ventures Fund earlier in May 2010.

The launch took place in Manama, Bahrain, as part of the Malaysia International Islamic Finance Centre (MIFC) promotional program on Islamic finance in the presence of Nezar Al-Baharnah, the Bahraini minister of state for foreign affairs, Mahatir Mohamed, BNM Deputy Gov. Mohd Razif Abd Kadir and several other dignitaries from Bahrain and Malaysia.

The Global Halal Ventures Fund is a catalyst for business flow between various regions of the world. The global Halal food market alone, according to one estimate, is in excess of \$500 billion, and Malaysia is an acknowledged pioneer and leader in this industry. Chairman Ayub of ARIB confirmed that the focus of this fund is Halal-related businesses in Muslim countries, which have a limited number of Halal products but for which the demand is huge and untapped.

A major target is the CIS countries and Russia, which has a combined Muslim population of about 120 million. The fund plans to initiate projects in this sector involving SMEs in Tataristan and Kazakhstan.

ARIB and CPH have also forged a partnership with the Islamic Corporation for the Financing of the Private Sector (ICF), the private sector funding arm of the IDB Group, to establish a fund to invest in Halal-related SMEs in Tatarstan.

Even India's largest asset management company, Reliance Capital Asset Management (RCAM), part of the Reliance Anil Dhirubhai Ambani Group, is getting into the act.

Through its wholly-owned Malaysian standalone Islamic subsidiary, Reliance Asset Management (Malaysia) Sdn Bhd (RAMMy), which got a license from the Securities

Commission Malaysia (SC) last August, RCAM is soon to launch an Islamic BRIC (Brazil, Russia, India and China) Fund, which will inter-alia investment in the equities of selected Russian companies.

Aziza Atta, associate, Islamic Finance Team, Norton Rose LLP, the international law firm which has pioneered many Islamic transactions over the last two decades, speaking at a recent Islamic finance conference in Moscow, stressed that there is a growing interest in Russia (as well as elsewhere in the CIS) among banking and corporate borrowers as well as potential arrangers in the diversification of sources of financing through access to the Islamic financial markets.

"However," she added, "Islamic finance is very new to Russia and marrying the principles of Islamic finance with the legislative framework in Russia is going to be an interactive process. The London and Moscow offices of Norton Rose LLP have recently been involved in structuring a Russian Murabaha trade financing as well as a Russian Sukuk. During this process, we identified a number of corporate, commercial and tax issues that should be noted by parties seeking to engage in similar transactions in the Russian market. In the current economic climate, Islamic finance is a real alternative for financiers who face a lack of liquidity in the debt capital markets and are looking for alternative ways of raising finance."

<http://arabnews.com/economy/islamicfinance/article56957.ece>

Good outlook for Islamic finance in Malaysia

Sunday, May 23, 2010

ISLAMIC finance in Malaysia has positioned itself as not only a viable and comprehensive alternative to conventional finance but also as an integral component of the country's financial system.

This has been reinforced by a robust legal, regulatory and Syariah framework, an across-the-board and healthy financial infrastructure as well as an environment conducive for product innovation, said Association of Islamic Banking Institutions Malaysia (AIBIM) president Datuk Zukri Samat.

He said the total assets of Islamic banking were now around RM303.3bil or 19.2% of the total market share.

"This places importance on the development of the Islamic financial sector as an important component in the country's financial system," he said at the opening of the 6th National Symposium on Islamic Banking and Finance in Kuching yesterday.

To further promote Islamic banking, Zukri said that AIBIM together with the Bar Council and Associate Association of Sarawak (AAS) had taken the initiative to organise a nationwide series of symposiums by region.

He said that AIBIM, AAS and the Bar Council were committed to advocating the Islamic banking industry by presenting it as a modern and progressive industry that catered to the ever-changing needs of increasingly discerning customers.

Zukri said it was crucial for the Islamic financial services industry to push for vigorous human capital development to create a wide pool of Islamic finance experts and high-caliber professionals. This, he said, involved enlarging not only the existing talent pool but also building a robust pipeline of skilled human resources for the future.

AAS president Frank Tang said the symposium was timely for legal practitioners and bankers in Sarawak. "All stakeholders including lawyers must constantly acquaint and equip themselves with the knowledge and latest developments in the law and current Syariah issues related to Islamic finance," he said.

The Star Online

<http://thestar.com.my/news/story.asp?file=/2010/5/22/sarawak/6313588&sec=sarawak>

Global Islamic Finance Players Face Challenges

Monday, May 24, 2010

Kuala Lumpur - Islamic financial institutions are faced with several challenges which have to be addressed before their products can be marketed at a global level, experts said.

Humphrey Percy, chief executive of the Bank of London and the Middle East, said there were 1.6 billion Muslims in the world, but only 14 per cent use banks and Islamic finance represents less than one per cent of global finance systems.

"The challenges include lack of education on Islamic financial products in Western countries and the narrow range of products offered in Islamic financial markets with few instruments that hedge and manage risks," said Percy during a discussion at the World Islamic Economic Forum (WIEF) here last week.

The session, entitled "Islamic banking and finance : Riding the wave of economic transformation", brought together Tan Sri Dr Zeti Akhtar Aziz, the governor of Bank Negara Malaysia; Khaled Abdulla-Janahi, executive vice-chairman of Ithmaar Bank BSC Britain; Mumtaz Khan, CEO of Maybank Pte Ltd Singapore; and John Sandwick, a specialist from the Islamic Wealth and Asset Management in Switzerland.

'Another major challenge is the lack of standardization of terms among countries offering Islamic financial instruments," Percy said.

He said London was an emerging Islamic financial market and the largest in Europe, but currently there is little room for growth as most central banks in Europe do not have the ability to regulate Islamic financial instruments.

Sandwick agreed with Percy while pointing out that there is a large untapped market in Muslim countries.

He said that US\$65 trillion (\$91 trillion) worth of funds are under wealth management and of this amount only US\$2.5 trillion (\$3.5 trillion) are owned by Muslims with most of the wealth being invested in deposits, bonds, stocks and real estate and less than two per cent in equity.

He pointed out that the Swiss banking system handles about US\$200 billion (\$2.8 billion) worth of funds, but the country does not have an Islamic finance system.

He added that traditional methods of wealth management are part of the problem as most of the wealth in the Muslim world was invested in real estate which has lost some of its value due to the global economic crisis.

"These funds could have been invested in Sukuk and other Islamic financial instruments, but these are not available in most European nations," he said.

Khaled agreed that there is a need to educate regulators and bankers on Islamic financial products, but there is also a need to regulate investors and depositors to direct their fund managers to invest in Islamic financial products.

Maybank Khan said in order to move Islamic financial products forward, there was a need to put in place a new world order with more equitable distribution of wealth.

"The Group of 20 is one of the platforms for the new world order, but there are only three Muslim nations in this group, Saudi Arabia, Turkey and Indonesia. The global financial system is still defined by the International Monetary Fund and the World Bank.

The Islamic Development Bank (IDB) is not a key player in the G20 or the G8. There is a need for the WIEF, IDB and Malaysia to be part of the G20 as many Islamic institutions based in Malaysia have strong ties with the West, Islamic nations, India and China. This group will be able to bring Islamic finance to the same global level as other global financial players," he said.

The central bank of Malaysia and the Malaysian government have successfully established programs to educate central banks in other parts of the world on regulation of Islamic financial systems.

Bank Negara Malaysia governor, Zeti, said in addition to that local universities offer programs to educate and train bankers on Islamic financial products.

She believes that Islamic financial products are innovative and competitive and about 50 to 70 per cent Islamic financial products are used by non-Muslims in Malaysia, while multinationals have issued Sukuk bonds from the Malaysian bond market and this is a testament to the success of Islamic financial products.

Before the opening of the sixth WIEF, the foundation's chairman, Tun Musa Hitam, also pointed out that there is a lack of standardization in Islamic finance rules.

"The standardization is necessary. In understanding rules and regulations and compliance, we cannot afford to be vague.

"We cannot afford to say: yes maybe, I don't quite understand. Islamic finance is a new thing, people are going into it with very sketchy knowledge," Tun Musa said.

Brudirect.com (Courtesy of The Brunei Times)

<http://www.brudirect.com/index.php/2010052321809/Local-News/global-islamic-finance-players-face-challenges.html>

Pakistan reaching out globally

Monday, May 24, 2010

In conjunction with the World Islamic Economic Forum held in Kuala Lumpur last week, Pakistani Prime Minister Yusuf Raza Gilani talks about the current situation in his country, which has been plagued with terrorism in recent years, and the potential for investment and development.

Q: What did Pakistan hoped to achieve at WIEF 2010?

A: This forum is the premier platform for exploring opportunities in Islamic countries, including an excellent opportunity for informal business interaction, networking, and regional consultation. It offered the opportunity of identifying and developing new partnerships in energy, agriculture, industry, trade and services and will contribute to the evolution of the global, economic and social agenda.

The forum helped evolve strategies for creating a better understanding of business opportunities in emerging markets, integration with the global economy, participation in the global supply chain and harnessing modern technologies for the mutual advantage of Islamic countries.

Concerned and caring: Gilani (right) holding a child displaced from her village during his visit at a makeshift camp in Hunza district of northern Pakistan last Friday. Flooding from a lake in northern Pakistan has affected 40,000 residents of some 34 villages already evacuated to safety.

Q: Are you satisfied with Pakistan's role in WIEF and how can WIEF be improved to enable it to effectively respond to the aspirations and needs of its members?

A: Pakistan has played an active role in WIEF, starting from its inception, and hopes to continue to enlarge this role in future. We should evolve an effective dispute resolution

mechanism to resolve our issues and problems and put in place a sound framework for mutual cooperation. We must promote unity among and within our countries. We should broaden and deepen our economic relations. With a growing population and depleting resources in the world, such intra-Islamic cooperation is becoming increasingly important for ensuring our energy security, water security and food security.

We must undertake necessary political, economic and social reforms to create an enabling environment to harness our individual and collective potential. For this, we need to ensure political stability and continuity, good governance, transparency and accountability as well as consistent economic policies and improved delivery of social services, especially in health and education.

We should focus on education and catch up in the field of science and technology. Skill development through vocational training should receive high priority to equip our growing workforce with capabilities which are in demand in national and international markets.

We must evolve a comprehensive growth model to provide a strategy for balanced development. More-over, we should provide for sharing of financial and commodity surpluses through institutional mechanisms driven by public-private partnerships.

Q: How do you evaluate Malaysia's role in WIEF?

A: Malaysia's contribution in establishing WIEF has been very significant and defining. Since its inaugural session in October, 2005, Malaysia's efforts have been aimed at turning WIEF into a platform for dialogue and exchange of cross-cutting ideas, and business networking between governments and business leaders across the Muslim world and beyond.

Beyond the event, the WIEF Foundation has also spearheaded the development of several important initiatives, such as WIEF Businesswomen Network, WIEF Education Trust and WIEF Young Leaders Network. Malaysia's contribution in these spheres is laudable.

Q: What are the key areas of Pakistan-Malaysia cooperation?

A: I understand that a vast scope exists for trade and investment between these two brotherly countries. Pakistan is deficient in edible oil production and can benefit from the rich Malaysian experience in palm plantation. Malaysia can render technical assistance and also come forward for investment in palm plantation projects and canned food industry. Electricity generation and particularly electricity generation from coal will be the focal areas. Pakistan has made strides in the area of defence production, which serves as an area where Malaysia can join hands both for trade and investment.

In addition, greater investment and trade cooperation can occur in electronics, biotechnology, light engineering and financial services.

Q: One of the main themes of WIEF 2010 is Islamic banking, finance and entrepreneurship. Do you foresee banking and financial institutions of Pakistan and Malaysia forging closer cooperation in this area?

A: The recent international financial crisis was primarily related with banking and non-banking financial institutions. Financial institutions of various countries were more affected by the crisis proportional to the extent of their integration with the international financial system. Yet no financial set-up of a country can stay in isolation.

I understand both Pakistan and Malaysian financial institutions can share their experience in this regard to forestall and hedge any such future situation. Pakistan can benefit from the practical manifestation of the Islamic banking system in Malaysia for its replication in Pakistani conditions.

Already, significant investments have been made in Pakistan's financial sector by one of Malaysia's biggest banks, Maybank. We look forward to more such partnerships.

Q: What is Pakistan's commitment to climate sustainability? Are there policies in place that would encourage investors, including Malaysian and other foreign investors to go "green" when investing in Pakistan?

A: Pakistan is a very low-level GHG (Green House Gas) emitter and an insignificant contributor to total global GHG emissions, yet it faces challenges like any other developing country and needs large increases in energy supplies to fuel its much needed socio-economic development. As a responsible member of the world community, Pakistan intends to check its future GHG emission.

The government of Pakistan is committed to ensuring climate sustainability and has taken a number of initiatives for the purpose, such as a National Operational Policy for Clean Development Mechanism (CDM) which was approved in February 2006. Under this strategy, all types of unilateral, bilateral and multilateral CDM projects are eligible in areas of energy, land use, forestry, agriculture and livestock, waste management, transportation and industrial processes.

Pakistan, via the Ministry of Environment, has taken a number of initiatives to promote CDM project activities and has so far granted approval to 23 CDM projects. The expected benefits in the form of Foreign Direct Investment from these approved projects are US\$719.39mil and GHGs 3.83 million tons CO₂ eq/year. And 110 CDM projects are in the pipeline in the country. The implementation of the total 133 CDM projects would provide a FDI of US\$2.29bil and 30.02 tons CO₂ eq/year.

Q: Malaysian companies have been keen to invest in Pakistan. Renexus plans to develop a US\$500mil water treatment plant, and another company wants to construct low-cost housing in Pakistan. Is there any progress on these interests?

A: Renexus has offered to invest US\$500mil to build water treatment plants at various locations in Pakistan, especially in the province of Punjab aimed at providing potable water for public as well as industrial use.

According to the proposal, Renexus will arrange all the required funding on a build-own-and-operate (BOO) basis. Their plants will sell the water bulk to government-related agencies, which in turn, would effect the distribution to end-users and collect utility charges.

The proposal is presently being studied by the Economic Affairs Division. We hope this would be another milestone in our mutually beneficial cooperation with Malaysian investors. Renexus has also expressed interest in constructing low-cost housing units in Pakistan.

The Star Online

<http://thestar.com.my/news/story.asp?file=/2010/5/24/nation/6296683&sec=nation>

DBS makes partial retreat from Islamic banking

Monday, May 24, 2010

SINGAPORE/KUALA LUMPUR: DBS Group (DBSM.SI), Southeast Asia's largest lender, is shrinking its Singapore-based Islamic unit in yet another sign that the city-state's efforts to promote Shariah banking is struggling.

Islamic Bank of Asia (IB Asia), in which DBS has a just over 50 percent stake, has transferred 10 of its 65 staff to DBS and redeployed others to new roles within the Islamic bank, a spokeswoman said.

"IB Asia will continue to focus on wholesale banking but prioritize its business focus on fee-based investment banking business activities and in private equity," she added in response to queries from Reuters.

"We remain committed to growing our Islamic banking franchise in this region."

IBA, Singapore's only wholly-owned full licensed Islamic bank, suffered a loss of \$77.1 million in 2009 after making specific allowances on debt owned by customers in the Gulf region. The bank had \$725 million in assets as at end-2009, including \$453 million in payments due from non-bank customers.

A source had earlier told Reuters the Islamic unit of DBS planned to get out of the lending business entirely. The bank has also not replaced departing staff, including former CEO Vince Cook who left in December.

Islamic finance has been slow to take off in Singapore despite the central bank's support and the city state's reputation as an Asian banking hub.

Sukuk sales have been sporadic and there has been little interest from retail investors and Shariah-compliant funds.

A thriving Islamic finance industry would complement Singapore's position as a regional banking centre and enable it to tap cash-rich Gulf investors who can only invest in Shariah-compliant assets.

But practitioners see little growth in Singapore's Islamic finance industry in the coming years.

"Islamic finance will take off in Singapore but it's going to be quite slow," said Haszeri Hussain, Islamic treasury head at the Malaysian unit of Singapore's No. 2 lender Oversea-Chinese Banking Corp (OCBC.SI).

"Singapore must encourage more issuance of Sukuk. The MAS (Monetary Authority of Singapore) must be able to issue more, then they can create a lot of liabilities to match assets. Retail doesn't have the critical mass to make it a big presence in Singapore."

Kuwait Finance House Singapore, which was set up to manage regional funds of Islamic bank Kuwait Finance House (KFIN.KW), recently cut its workforce, citing an internal restructuring. It had not managed any funds since its inception.

To encourage the growth of Islamic finance, Singapore has removed double stamp duties and given similar tax treatment for Sukuk investors.

But there haven't been many Sukuk issuances. Singapore saw \$123.6 million of Sukuk issuance last year, compared with \$8 billion for Malaysia and \$1.2 billion for Indonesia, its nearest Islamic banking competitors, according to Thomson Reuters data.

Reuters

<http://www.reuters.com/article/idUSSGE64N1FS20100524>

Zaid Ibrahim & Co hails Aussie review of Islamic finance

Monday, May 24, 2010

MELBOURNE: Leading law firm Zaid Ibrahim & Co (ZICO), has welcomed Canberra's decision to review the treatment of Islamic finance in Australia.

"It puts Australia on par with other financial centres, including the UK, Hong Kong and Singapore, that have tax neutrality provisions to facilitate the development of Islamic finance in their respective jurisdictions," said ZICO chairman and senior partner, Datuk Dr Nik Norzrul Nik Hassan Thani.

He said the creation of an "enabling environment" for Islamic finance, including a dynamic tax infrastructure, would be a key criterion for the successful implementation of Islamic finance in Australia.

Australia assistant treasurer Senator Nick Sherry last Tuesday announced the Australian Board of Taxation would undertake a comprehensive analysis of the country's tax laws to ensure, where possible, it does not inhibit the provision of Islamic finance, banking and insurance products.

Zaid Ibrahim & Co, the first Asian law firm to gain approval from Australia last December to practise in Sydney and Melbourne, said this was an opportune and strategic initiative by Australia, as it positioned itself as a key player in global Islamic finance.

Islamic finance is a rapidly growing part of the global financial system and it is estimated, the Islamic finance, banking and insurance market alone is worth almost RM3 trillion and is envisaged to reach RM15 trillion.

ZICO said it planned to leverage on the Australian Islamic finance initiatives and was eager to be part of this emergent but potentially vibrant sector in Australian banking and finance through its two Australian offices.

ZICO's commitment to the Islamic finance community, particularly in Australia, is reflected in the firm's road-shows in Melbourne and Sydney on May 24 and May 28, respectively.

On May 27, ahead of the Sydney road-show, ZICO will launch its own enterprise to establish and reaffirm its role in raising public awareness and promoting opportunities for Islamic finance in Australia.

Business Times

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

Bahrain Islamic Bank: a strategic Platinum partner in the Islamic Capital Markets and Investment Funds Conference

Monday, May 24, 2010

Bahrain Islamic Bank announced its platinum sponsorship of the Sixth World Conference of the Islamic capital markets and investment funds which will be held this year under the slogan (Renewal of Islamic Capital Markets), which is hosted by the Kingdom of Bahrain in the period from 24 to May 25, 2010 at the conference hall, Gulf Hotel.

On this occasion, Mr. Mohammed Ebrahim Mohammed, CEO of **Bahrain Islamic Bank**, said: (we are proud to have sponsored this important economic conference which is attended by more than 400 researchers and experts in banking and Islamic investment funds. Being a leading banking institution, it is our duty to support this event which would contribute to the progress and development of Islamic finance sector, in a time when Islamic Economics is considered an important means of benefiting humanity).

Mr. Mohammed Ebrahim Mohammed, then added: (The conference will focus on many important issues, including: restoring growth in Islamic capital markets, business strategies and new economic realities, to revitalize the investment funds and arbitration and risk management in Islamic investments industry).

The Chief Executive of Bahrain Islamic Bank then concluded by saying: We hope that all participants in the conference will benefit, and we invite them to visit BisB stand to acquaint themselves with the products and services offered by BisB to its clients.

It should be noted that Bahrain Islamic Bank has steadily sponsored this conference every year, and a number of its management and staff also participated in a number of the various sessions of the Conference in order to develop their abilities and to earn the experience and skills required in this field.

ZAWYA

<http://www.zawya.com/story.cfm/sidZAWYA20100524053707>

Kenya sees potential of Islamic banking

Monday, May 24, 2010

NAIROBI: Kenya is considering allowing Islamic financial products as the east African country tries to tap into funding from the Middle East.

The effort by the Central Bank of Kenya comes two years after the country licensed its first Islamic banks. Gulf African Bank, the first Islamic bank in the country, has found its niche and was looking to capitalize on the call for new financial products.

Islamic or Shariah-compliant banking is a fast-growing segment of the financial sector in Kenya. Its principles include banking without giving or receiving interest payments and investing in Muslim-friendly enterprises.

Gulf African Bank, partly owned by the Dubai equity company Istithmar World, and First Community Bank, Kenya's other Islamic lender, control 1 per cent of the banking sector's net assets after less than two years of operation.

"This is a testimony of the vast potential of Islamic finance in Kenya, which should be tapped," said Njuguna Ndugu, the head of the central bank. "Opportunities should be explored in the insurance and capital market segments using Shariah-compliant vehicles."

Mr Ndugu spoke this month at the second East and Central Africa Islamic Finance Conference in Nairobi. The central bank is clearing the way for the issue of Shariah-compliant bonds, known as Sukuk. It is also exploring Islamic-based co-operative insurance or Takaful.

Sukuk, which are structured to avoid payment of interest, have a set maturity. They are backed by an asset that makes it possible for the investor to earn a return from the profits

derived from the assets. The central bank is pushing for a law that would allow the Kenyan government to soon issue Islamic bonds.

“There is a huge appetite by business people from the Gulf region to invest in Africa,” Suleiman Shahbal, the chairman of Gulf African Bank, said at the conference.

Takaful is based on a community-pooling system in which participants contribute to a common fund to help those who need it in times of financial difficulty. It is rooted in the concept of brotherhood and mutual solidarity.

The 134 Takaful operators worldwide share a US\$4.3 billion (Dh15.78bn) market but have made little penetration in Africa.

In Kenya, investors from the Gulf have bought into banks and property. Arab governments also have bought farmland in Kenya to grow crops and help ensure food security.

Islamic banking and financing has grown since the global financial crisis. It is seen as an attractive alternative to the risky practices of conventional banking that partly caused the crisis.

Last year, global issuance of Sukuk grew 40 per cent from the previous year. The total amount of outstanding Shariah-compliant debt is estimated at about \$1 trillion, according to the Islamic Financial Services Board. Experts say that the Islamic finance market in Africa could be worth \$235bn.

But Islamic banks need to appeal to a wider customer base, not just Muslims, if they want to make inroads in mainly Christian sub-Saharan Africa, industry leaders say.

In addition to Kenya, Islamic banking operates on a small scale in a few African countries including Nigeria, South Africa and Tanzania. Uganda, Malawi and Zambia could be next.

“The biggest challenge we face is the perception that this is a bank only for Muslims, which is not correct,” Mr Shahbal said. “This is a business and frankly we are indifferent to whether you are Muslim, Christian, Hindu, a non-believer or whatever.

“Some people are extremely hostile and they see a political agenda in Islamic banking. It is not political at all. We have no political agenda.”

THE NATIONAL

<http://www.thenational.ae/apps/pbcs.dll/article?AID=/20100524/BUSINESS/705249942/1005>

Domestic debt up by Rs 738bn in only 10 months

Thursday, May 27, 2010

KARACHI: Domestic outstanding debt of the country rose by Rs 738 billion during the first 10 months of the current fiscal year, from Rs 3,860 billion to Rs 4,598 billion, according to data released by State Bank of Pakistan.

Permanent debt rose from Rs 678 billion at the end of June 2009 to Rs 773 billion at the end of April 2010. Floating debt rose from Rs 1,904 billion to Rs 2,390 billion, whereas un-founded debt rose from Rs 1,270 billion to Rs 1,427 billion.

The State Bank of Pakistan said on Monday in its monetary policy statement that persistent borrowing from the banking system for budgetary support coupled with expected borrowings for commodity operations in Q4-FY10 is jeopardizing the space for private sector credit, causing inertia in market interest rates, running the risk of excess domestic credit creation, and increasing the debt burden of future generations.

The need for heavy government borrowings for budgetary support from the banking system emanates from the unsustainable equation of revenues and expenditures and uncertain external borrowings of the fiscal authority.

It also said that for Q3-FY10, the government breached its quarterly borrowing limits from SBP by about Rs 30 billion. Since the beginning of Q4-FY10, government borrowings had increased by another Rs 150 billion, reaching Rs 1,310 billion (on cash basis) on May 14, 2010 against the end-June target of Rs 1,130 billion. Similarly, government borrowings (net of deposits) of Rs 206 billion from scheduled banks during July 1 – May 14, FY10 is also substantial, it further said.

Debt accumulated through Pakistan Investment Bond rose from Rs 441 billion to Rs 493 billion. Amount of prize bonds in circulation rose from Rs 197 billion to Rs 226 billion. Borrowing through three-year government of Pakistan Ijara Sukuk rose from Rs 27.8 billion to Rs 42 billion.

Amount borrowed through Treasury bills increased from Rs 796 billion to Rs 1,136 billion. MTBs for replenishment surged from Rs 1,107 billion to Rs 1,253 billion.

Amount raised through special savings certificates shot up from Rs 288 billion to Rs 344 billion, regular income certificates from Rs 91 billion to Rs 128 billion, Bahbood saving certificates from Rs 307 billion to Rs 357 billion, special savings accounts from Rs 88 billion to Rs 119 billion and pensioners' benefits accounts from Rs 110 billion to Rs 125 billion.

Daily Times (Online)

http://www.dailytimes.com.pk/default.asp?page=2010\05\27\story_27-5-2010_pg5_1

Islamic finance market set to hit \$1 trillion mark

Thursday, May 27, 2010

MANAMA: Despite the economic downturn in the aftermath of the global financial crisis, the Islamic finance industry has been growing strongly with the opening of new markets such as the Commonwealth of Independent States.

The industry is poised to reach \$1 trillion this year, a major landmark. Crossing this threshold could possibly ignite a new growth path for the industry, which according to some estimates has the potential to become a \$5trn industry.

Given this background, the role of standard setting bodies such as the (Accounting and Auditing Organisation for Islamic Financial Institutions) AAOIFI becomes even more critical than before, according to Ernst & Young's Islamic Financial Services Group (IFSG) partner Sameer Abdi, who was speaking on the sidelines of the AAOIFI annual Shariah conference in Bahrain, which opened at the Crown Plaza yesterday.

"Islamic finance is at a critical juncture in its natural evolution," he said. "Typically when an industry is in early growth phase, the regulator has to play an enabling role and standard setting bodies bring in standardization to a fragmented industry.

"After the industry achieves a critical size it enters a rapid growth trajectory, doubling within a short period of time.

"However, for this to happen, it is absolutely critical that there is industry-wide acceptance of basic standards, which are accepted by mainstream markets and players."

"The role of AAOIFI as the pioneering standard setting body for the last two decades is of paramount importance in this respect," said Ernst & Young Bahrain group head of IFSG Ashar Nazim.

"Islamic banks have weathered the global financial crisis better than their conventional counterparts due to Shariah restrictions on investing in derivatives and other toxic assets.

"Unfettered financial innovation has proven too risky and market participants need to adhere to the letter and spirit of Shariah standards in order to keep their risk at manageable levels."

He welcomed AAOIFI recent announcement that in addition to providing guidelines and standards, it will certify that financial contracts between Islamic financial institutions and their clients comply with AAOIFI standards.

"Banks need to be cautious and proactive about Shariah legitimacy of their products," he said.

"It is a very sensitive issue because even a perception amongst general public that a product is not Shariah-compliant can destroy the reputation of a bank."

Gulf Daily News (The Voice of Bahrain)

<http://www.gulf-daily-news.com/NewsDetails.aspx?storyid=278937>

UAE Central Bank to launch Islamic liquidity facilities

Thursday, May 27, 2010

UAE central bank plans to launch new liquidity facilities within the next three months to expand its policy arsenal and help the Gulf state's Islamic banks manage cash, a senior official said on Wednesday.

Speaking to Reuters, Mohamed al Tamimi, deputy executive director at the central bank's treasury department, said: "I believe that we are the first central bank in the region to issue Islamic certificates of deposit with maturities of one week up to one year."

A lack of liquidity management tools is seen as one of the key challenges to the emerging Islamic finance industry, which has close to \$1 trillion worth of assets globally.

Tamimi said: "This instrument will be one of the central bank's monetary policy tools in the future." He also chairs the Islamic liquidity management committee set up by the OPEC member's central bank.

The move will make liquidity management more effective for the UAE Islamic banks, which now lack access to the central bank as using conventional CD auctions is not in line with Shariah, or the Islamic law.

Tamini said: "This step will help Islamic banks and Islamic banking units within conventional banks to manage their liquidity as one of the main problems for them is the shortage of Shariah compliant instruments for short term liquidity management."

The UAE central bank monetary policy is limited by its dirham peg to the US dollar. It uses CDs auctions and re-purchases facilities among other tools to regulate liquidity in the banking system.

Tamimi said the new Islamic CDs will be Shariah compliant, based on a commodity Murabaha concept and will be offered in daily auctions.

Under a commodity Murabaha deal, an Islamic bank makes a profit on difference between buying and selling any commodities except for gold and silver. This allows them to avoid charging interest, which the religion forbids.

He said: "After the issuance of Islamic CDs the central bank will offer repo facilities for these CDs to support their liquidity."

Tamimi added: "We expect that the issuance of Islamic CDs and repo facilities will be completed within coming three months."

There are eight fully fledged Islamic banks operating within the UAE, although most banks in the federation have an Islamic window alongside their conventional operations. The country's Islamic assets stood at \$84 billion in 2009.

In fellow Gulf Arab state, Bahrain, the central bank expanded in November 2008 acceptable collateral for overnight funds to include Ijara Sukuk, a type of Islamic bond, as part of measures to stabilize money markets.

The instrument, which functions in a similar way to an overnight repurchase facility, allows Islamic banks to borrow funds against Sukuk issued by Bahrain's government as collateral.

arabianBusiness.com

<http://www.arabianbusiness.com/589150-uae-cbank-to-launch-islamic-liquidity-facilities>

Australia to get Islamic finance friendly

Thursday, May 27, 2010

Sydney: Shariah-compliance is fast catching on Down Under too. Australia will outline laws in the second half of 2011 to equalize the tax treatment of Islamic finance and conventional banking, a government official said on Thursday.

The comments from Nick Sherry, Australia's assistant treasurer, mark the first time that the government has indicated a timeline for the change.

Australia joins a growing number of non-Muslim countries, which include Hong Kong, looking to develop their Islamic finance sector by changing regulations to attract investors who can only put their money in Shariah-compliant assets.

Islamic financial transactions can be costlier than conventional deals as they often involve multiple sale and purchase transactions, which create a greater tax liability.

I think in the second half of next year we will be able to outline specific legislative change, Sherry said in an interview.

More countries have been exploring Islamic banking since the global financial crisis and Australia, which is dependent on foreign capital for its growth, is keen to become an Islamic finance centre.

Sherry said the government wanted to develop the industry as a whole, rather than specific areas such as Sukuk financing or wealth management products.

I favour as comprehensive a set of changes as possible in one-go. I don't see (it) as the government's role to target particular areas, Sherry said.

HSBC and Australia's investment bank Macquarie are among those that want to offer Shariah-compliant products in Australia, he said.

Islamic finance is derived from the Shariah which forbids charging interest and favours profit-sharing arrangements or structures that resemble rental agreements. These transactions are underpinned by physical assets.

Sherry, who recently met bankers and investors in the Middle East, said Islamic finance investors were interested in Australian assets such as ports and railways, property, agriculture and resources.

<http://www.expressindia.com/latest-news/Australia-to-get-Islamic-finance-friendly/624508/>

University of Peshawar to start Islamic banking courses

Friday, May 28, 2010

PESHAWAR: Sheikh Zayed Islamic Centre, University of Peshawar, will start degree courses in Islamic banking from the current academic year. The decision was taken at the meeting of board of governors of the centre, which was held here and presided over by Vice-chancellor Prof Dr Azmat Hayat Khan. The meeting also approved construction of hostel for the female students of the centre.

The degree courses in Islamic banking would not only provide useful experts to the banking sectors, but also generate income for the centre, which is facing financial problems these days.

Director of the Sheikh Zayed Islamic Centre Prof Dr Dost Muhammad said since its establishment in early 1980s, the enrollment of students at the centre had increased from 50 to 500 students.

The director said the centre faced a financial deficit of Rs7.8 million this year. He said the centre reimbursed tuition fees and other charges worth Rs2.2 million to the students hailing from the affected areas.

The government or the Higher Education Commission did not made up for this financial burden of the centre, he added. He said the courses like BS computer sciences and Islamic banking courses would help the centre overcome its economic problem.

<http://www.thenews.com.pk/print1.asp?id=241657>

Tunisia launches its first Islamic Bank

Maghreb region has lagged boom in Islamic finance

Bank aims to tap global market worth around \$1 trillion

Friday, May 28, 2010

TUNIS: The son-in-law of Tunisia's president launched the country's first Islamic bank on Friday to tap into growing demand for alternative finance and investment products in the secular-leaning country. North Africa has begun to embrace Islamic finance after years watching from the sidelines, partly to channel more Arab Gulf petrodollars into the region.

Shariah-compliant finance bans the receipt of interest and investments in companies dealing in alcohol and gambling. The global industry is estimated to be worth around \$1 trillion, according to sector analysts.

Azzitouna Bank, set up with capital of \$30 million, will develop Islamic loan and saving products for businesses and individuals, said Sakher Materi, who is married to the daughter of 73-year-old President Zine al-Abidine Ben Ali. "Azzitouna Bank will develop a comprehensive and innovative range of banking products and services ... in accordance with the principles of Islamic finance," Materi said.

Materi leads Princesse Holding, which contributed 51 percent of the capital with the rest shared by local partners. Capital is expected to grow to \$71 million in 2011, he said.

The bank is starting with nine branches and managers want to grow to 20 next year.

State news agency TAP said Azzitouna would have a mission to promote commerce across the Maghreb. North Africa has one of the weakest levels of cross-border trade in the world.

Tunisia has one of the most open economies in the region and attracts substantial investment from the European Union, something that is expected to accelerate after 2014, when the government has said it will make the currency fully convertible. Tunisia and Morocco authorized Islamic finance in 2007, partly to channel more investment into their fast-growing tourism and real estate industries.

Several Moroccan banks now offer Islamic finance products but they have been slow to catch on, with some consumers complaining of uncompetitive commercial terms. Islamists have blamed the government for deliberately hindering their growth.

FOREYARD

<http://www.forexyard.com/en/news/Tunisia-launches-its-first-Islamic-Bank-2010-05-28T121251Z>

ISLAMIC BANKING & INSTITUTIONS

Noor Islamic Bank Introduces Innovative Card Based Salary Payment Scheme

Agreement with C3 Card Provides Corporate Clients with Secure Method of Paying Staff Wages

Sunday, May 23, 2010

Corporate customers of Noor Islamic Bank can now benefit from a new enhanced card based salary payment scheme, which will help boost security and make payroll delivery more efficient for both employers and employees.

The innovative scheme has been introduced following the signing of an agreement between Noor Islamic Bank and C3 Card to provide payroll services. The solution is fully compliant with the Wage Protection System (WPS), which was launched in 2009 by the UAE Ministry of Labour and the UAE Central Bank.

Under the agreement, Noor Islamic Bank corporate clients will be able to provide their staffs that do not have bank accounts with prepaid salary ATM cards, reducing the need to pay salaries in cash. Employees can use the cards to access their salary from over 4,000 ATMs in the UAE and over 22 million ATMs worldwide. The card can also be used at over 20,000 merchant locations in the UAE.

Aamer Zaidi, Head of Corporate Banking, Noor Islamic Bank, said: "The payroll agreement with C3 Cards is a response to the growing demand from our corporate clients for a secure, convenient and efficient way to pay staff salaries. It is yet another example of how we are reshaping the face of banking in the UAE by providing end-to-end account services that meet the different needs of both employers and employees."

Rabih Sfeir, Director of C3 Card, said: "We value our partnership with Noor Islamic Bank as it will maintain our leading position as the perfect partner not only for our valued customers, but also for the registered banks, exchange houses and the service providers. We foresee many new opportunities for the prepaid card usage beyond the current payroll solution and look forward to a successful working relationship with Noor Islamic Bank."

Noor Islamic Bank WPS payroll solution enhances its Global Transaction Services suite of corporate offerings. It is the latest in a series of successfully implemented cash management and trade solutions that are fully Shariah-compliant and which add value across the entire working capital cycle of corporations operating in multiple sectors. Noor Islamic Bank commitment to providing innovative products will be supported by C3 Card's assurance to provide flexible, cost-efficient, and secure solutions.

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

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 Bank 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.

About C3 Card

Incorporated in March 2007, C3 Card is a payroll service provider company that started operations in June 2008; and is servicing banked and un-banked employees. C3 Card is endorsed by the Ministry of Labour in the UAE and is the first Authorized Agent to go live on the WPS system.

<http://www.zawya.com/story.cfm/sidZAWYA20100522080113>

Dubai Islamic Bank launches two-year Islamic certificate with 88% capital return in two months

Sunday, May 23, 2010

Dubai Islamic Bank (DIB), the largest Islamic bank in the UAE, announced today the launch of a two-year Islamic Certificate linked to the RBS Crescent Dynamic Middle East 2 Strategy. This US dollar- denominated certificate is issued by the Royal Bank of Scotland Group, and is available for subscription from Dubai Islamic Bank between May 22 and June 10, 2010. The minimum investment is \$25,000.

About Dubai Islamic Bank:

Dubai Islamic Bank (DIB), established in 1975, is the first Islamic bank to have incorporated the principles of Islam in all its practices and is the largest Islamic bank in the UAE. DIB is a public joint stock company, and its shares are listed on the Dubai Financial Market. The bank enjoys a reputation as a leader and innovator in maintaining the quality, flexibility and accessibility of its products and services. The bank currently operates 62 branches in the UAE.

DIB has been proactive in creating partnerships and alliances at both the local and international level. The bank has established DIB Pakistan Limited, a wholly owned subsidiary which has a network of 37 branches across 15 major cities in Pakistan. DIB also has a representative office in Turkey to enhance its access to that market. DIB has also received a preliminary banking license by the Central Bank of Jordan to operate as an Islamic financial institution through a new entity - Jordan Dubai Islamic Bank.

DIB has won the respect of its peers around the world for many years, and its leading position has been reaffirmed by the 34 awards that it won in 2008 and 24 accolades in 2009, across diversified areas, including retail, corporate and investment banking. The bank was recently named "Best Islamic Bank" for the fourth consecutive year by Banker Middle East magazine. DIB has also received many awards from international organisations, such as the prestigious "Bank of the Year" award from The Banker (Financial Times), along with prestigious accolades from UK-based Euromoney and NY-based Global Finance magazines.

<http://www.istockanalyst.com/article/viewiStockNews/articleid/4145533>

Ahli United Bank (AUB) Offers Islamic Banking Services to its Customers in Cooperation with ITS

ITS Devotes its Experience and Expertise to AUB Customers

Sunday, May 23, 2010

Mr. Hamad Abdul Mohsen Al Marzooq, Chairman and Managing Director of Ahli United Bank (AUB), said that the conversion phase into a bank operating in accordance with Islamic Shariah provisions required the cooperation with a group of partners who could meet the needs of the Bank and its customers, and complete the conversion process within the time frame set out the Central Bank of Kuwait and according to its instructions related to the Islamic banks business.

Mr. Al-Marzouq added that the choice of ITS was a strategic one as the latter's experience was a key factor in the conversion of AUB, formerly known as the Bank of Kuwait and the Middle East, into an Islamic institution, pointing out that the agreement was a preliminary step for a long-term relationship expected to be extended between both organizations.

Al-Marzouq stressed that the conversion of the bank into an Islamic institution would add value to both Islamic banking and the development process and creates a safe investment environment. As such, the Bank formed a Shariah Board embodied a group of prominent Islamic Shariah Scholars. This Shariah Board assumed a pivot role in support and direction of the Bank personnel in banking and management areas for implementing and bringing the conversion plan to success.

Mr. Al-Marzouq added that the banking businesses trends are directed to Islamic banking. This reflects the growth in Islamic investment sector, whereby Islamic banking attains strong support in Kuwait through the rising awareness of its magnitude and the demand by customers for Islamic banking, along with the marked growth in Islamic financial institutions, and the Islamic Shariah investment funds supported by Islamic banks. We expect, on the one hand, to constitute an added value to the Islamic banking business corresponding with the Bank history and reputation; and, on the other hand, we endeavor to adapt the new products which the Bank will render to its present and new customers in line with the Islamic Shariah provisions, Mr. Al-Marzouq added.

Mr. Al-Marzouq concluded his statement saying that the considerable growth in Islamic banking drove world banks to create banking business compliant with the Islamic Shariah provisions. This confirms that Islamic banking occupied distinguished position in the new world trends in banking sectors and that Ahli United Bank will account for a distinctive milestone in this sector within its delineated strategy in the coming phase of its course of action. He went on to say that we are assured, insha' Allah, that our endeavors will succeed and our aspirations will be realized to see Al-Motahid, formerly Al-Awsat, the first bank established in Kuwait since 1941, holding its position it deserves in the forefront of banks which render their service in accordance with Islamic Shariah provisions, and for the protection and development of our shareholders and customers' interest and satisfaction of their ambitions.

In his statement on the occasion of the initiation of the Bank business and customers service as an Islamic Bank, after it had exercised its business for almost seventy years as a conventional bank, Mr. Khaled Faraj Al Saeid, Managing Director and General Manager of ITS stated that ITS possesses cumulative expertise in the area of assisting financial institutions, specifically banks, for conversion from conventional into Islamic systems, whereas ITS has antecedently lent its contributions with one of the Kuwaiti banks for its conversion into an Islamic bank, as well as another bank in the Arab Republic of Egypt. This expertise has been confirmed by the completion of the conversion project of Ahli United Bank in due course without delay.

Mr. Khalid Al Amiri, ITS Regional Director and Assistant General Manager, indicated that the conversion of AUB into an Islamic bank in record time demonstrates the Bank management success to deal with all variables, with profound expertise and considerable strength for managing the conversion phases. Along with the expertise of ITS in the conversion from conventional financial systems to Islamic ones, ITS expertise covers the incorporation of Islamic financial systems from the beginning, as well as the capability to create custom systems for Islamic windows commissioned within conventional banking, Mr. Al Amiri added.

Worth mentioning is that the solutions rendered by ITS accounted for the technological partner with the Bank in several phases of the conversion, through the software, solutions and products which covered all transactions of Islamic banks, including retail and corporate customers accounts and transactions, along with training to staff on the conversion of data and statements from conventional into Islamic systems.

ITS is distinguished in its expertise in the area of conversion of financial institutions in Kuwait and in the region, owing to its awareness of the Central Bank of Kuwait requirements and its knowledge of its regulations and instructions, specifically Islamic banks, along with the innovated solutions ITS renders which make it distinct from its competitors, whereas new products can be supplied and commissioned during record time.

[http://www.zawya.com/Story.cfm/sidZAWYA20100523071808/Ahli%20United%20Bank%20\(AUB\)%20Offers%20Islamic%20Banking%20Services](http://www.zawya.com/Story.cfm/sidZAWYA20100523071808/Ahli%20United%20Bank%20(AUB)%20Offers%20Islamic%20Banking%20Services)

Türkiye Finans best Islamic bank in Turkey

Monday, 24 May 2010

The US-based Global Finance magazine has named Türkiye Finans Turkey's best Islamic financial institution, the bank has announced.

In a written statement released on Saturday, Türkiye Finans said the bank was awarded the title after an examination jointly carried out by shares analysts, banking counselors and sector analysts based on certain criteria such as growth, profitability, geographical access, strategic relations, business development and innovation in products. The bank also won the award last year.

Founded in 2005, Türkiye Finans was a merger of Anadolu Finans and Family Finans, companies owned by two leading groups in Turkey, Boydak and Ülker, respectively. The bank currently serves over 1 million customers at 182 branches with over 3,350 employees. A 60 percent share in the bank was handed over to the Saudi Arabia-based National Commercial Bank (NCB) in March 2008.

TODAY'S ZAMAN, İSTANBUL

<http://www.todayszaman.com/tz-web/news-210993-105-turkiye-finans-best-islamic-bank-in-turkey.html>

Sharjah Islamic Bank and MasterCard ink strategic collaboration

Monday, 24 May 2010

United Arab Emirates: Sharjah Islamic Bank (SIB) has signed a strategic agreement with MasterCard Worldwide to issue MasterCard debit and credit cards. According to the agreement, which was signed at the bank's headquarters in Sharjah by H.E Mohammed Abdullah, CEO of Sharjah Islamic Bank, and Raghu Malhotra, General Manager, Middle East (Gulf countries) of MasterCard Worldwide, Sharjah Islamic Bank will be a strategic collaborator for MasterCard in the UAE.

The agreement signing ceremony was attended by senior officials from SIB and MasterCard. This agreement forms part of the bank's expansion strategy within the Retail Banking sector, and is in line with the bank's intention to grow their debit and credit card base in the country. Additionally, the deal will enable SIB to extend real and tangible added value benefits to its customers.

H.E Mohammed Abdullah commented on the strategic agreement: "This agreement between Sharjah Islamic Bank and MasterCard Worldwide is in line with the strategies set out by SIB Board of Directors, which focused on the necessity of continuously developing new solutions to customers. We look forward to working closely with MasterCard Worldwide to provide the best solutions, services and products not only to our consumers, but to the entire market".

"At SIB we will spare no effort to enhance our product proposition and customer

experience, and our ongoing efforts will certainly help to further develop the bank's services and enable it to maintain our market lead. Globally, there is huge demand for MasterCard, due to the multitude of services, facilities and privileges that make the shopping experience easier and more rewarding for cardholders. With a reputation for reliability, MasterCard debit and credit cards offer numerous options for banking transactions worldwide", said Abdullah.

According to Ossama Salah El Din, Head of SIB Retail Banking Group, "The agreement will help SIB to develop innovative and flexible programs that are tailor-made to support cardholders, in line with the bank's objectives of providing the best and most innovative banking services. Furthermore, MasterCard will offer our client the convenience and security to pay at more than 29.9 million locations worldwide".

Speaking of the agreement with SIB, Raghu Malhotra of MasterCard Worldwide said: "We are very pleased that Sharjah Islamic Bank has upgraded its portfolio to MasterCard. As an industry thought leader, MasterCard has grown increasingly involved in the Islamic banking community, as we seek to provide customized offerings that are in line with the cultural and religious values of our customers. We believe that this strategic alliance with Sharjah Islamic Bank further highlights MasterCard's commitment to Islamic banking across the region".

<http://www.ameinfo.com/233394.html>

Malaysia: New banking licenses expected in June

Several insurers eagerly awaiting Bank Negara announcement

Tuesday, May 25, 2010

PETALING JAYA: Come June, there will be some excitement in the banking industry when Bank Negara reveals some of the successful recipients for foreign commercial banking licenses in line with the financial sector liberalisation plan.

Up to five new banking licenses are expected to be issued in niche and up to two new Takaful licenses will also be announced.

ING, Allianz, Manulife, Great Eastern and AmAssurance are some of the insurers believed to have submitted their applications. An industry observer felt Great Eastern might be one of the successful applicants for the Takaful license.

It is learnt that the proposed two Islamic banking licenses expected to be issued next month may be delayed as the central bank is still assessing the applications of suitable candidates.

Although industry observers are still speculating on the possible foreign commercial banking licensees, names like DBS Bank, UOB, The National Bank of Abu Dhabi

(NBAD) and Sumitomo Mitsui Banking Corp have been popping up of late on analysts' radar as among the potential candidates.

Bank Negara has been tight-lipped about this matter but hinted that the licenses to be issued would be to banks from Asia, Europe and the Middle East.

Last year also saw the central bank issuing banking licenses to Industrial and Commercial Bank of China Ltd and this year, it issued a new commercial banking license to a consortium of Indian banks.

An analyst from a foreign brokerage felt DBS was a possible candidate for the banking license as the Singapore government's investment arm, Temasek Holdings, was believed to be consolidating its banking assets under its unit, DBS Group Holdings Ltd.

Since Alliance Financial Group (the parent company of Alliance Bank) is 29% owned by Fullerton Financial Holdings Ltd, which is in turn fully-owned by Temasek, it would make business sense for DBS to enter the local market via Alliance Bank, he added.

But, then again, there was a possibility that the central bank might not agree to this for the time being, the analyst added.

An analyst from an investment bank said NBAD, which had, among others, niche expertise in the small and medium enterprises, would be a good fit for the local small and medium enterprises industry.

Malaysian Rating Corp Bhd (MARC) vice-president and head of financial institution ratings Anandakumar Jegarasasingam added that it was very likely that these new international banks that would be given licenses would focus on the corporate sector to finance specialized activities and to use Malaysia as a base to access the broader regional market.

Therefore, he added, it was unlikely that these new international banks would be an immediate threat to the retail banking operations of the existing banks.

While banks from the Middle East, India and Indonesia might be aggressive in their operations, banks from countries like Japan were likely to be less aggressive in their operations, he noted.

As Malaysia's pool of bankers was rather limited, he said the entry of new banks was likely to offer attractive remuneration packages and might create a "talent crunch" in the banking sector.

RAM Ratings head of financial institution ratings Promod Dass believed that the new entrants were likely to focus on their niches at the onset, for example, facilitating international trade flows of companies domiciled in their home countries.

All said, RAM Ratings views the liberalisation initiatives in a positive light. An “open” financial sector would promote diversity in the Malaysian financial marketplace, encourage innovation and promote best practices, Dass added.

Pitted against the existing and already-established banking franchises, carving a significant foothold in the consumer, SME and wholesale banking segments would be challenging as their domestic incumbents would have a head start in terms of their first-mover advantage, he said.

<http://biz.thestar.com.my/news/story.asp?file=/2010/5/25/business/6328029&sec=business>

Dew takes charge as MD at SABB

Thursday, May 27, 2010

RIYADH: David Dew, MD, the Saudi British Bank (SABB), took up his duty effective Wednesday. Dew was previously the deputy chief executive of HSBC Amanah and chief of administration, Global Banking and Markets, Middle East & North Africa for HSBC.

Prior to that, Dew served as chief operating officer (COO) for HSBC Bank USA and chief auditor for HSBC North America. Earlier, Dew gained his firsthand experience in Saudi Arabia and the GCC when he worked as deputy managing director and COO of SABB from 2001 to 2004. He is a member of the board of SABB.

"I am very pleased that we have David Dew as managing director of SABB. With his extensive experience, I am quite confident that he will carry on the great heritage of SABB, put our customers at the forefront of everything we do, and lead the bank into a new era of sustainable growth." said Fuad Bahrawi, acting chairman of SABB.

Dew received his MA in Economics from the University of Cambridge in the UK. He joined HSBC in 1977. Previously, he held senior positions with HSBC in Singapore, Italy, Oman and UAE.

SABB was incorporated in 1978 as a joint stock company. HSBC Group, one of the world's largest banking and financial services organizations, owns 40 percent of SABB shares with the remaining 60 percent owned by individual and institutional shareholders in Saudi Arabia. SABB operates through 90 branches and some 500 ATMs in the Kingdom. It is a full financial services group providing services in the areas of personal banking, corporate banking, investment banking, private banking, Islamic banking, treasury services, equity brokering and custody, mutual funds, and insurance.

ARAB NEWS

<http://arabnews.com/economy/article58081.ece>

SUKUK (ISLAMIC BONDS)

Malaysia Airports, Qatar Islamic Plan Sales: Global Sukuk Alerts

Monday, May 24, 2010

The following borrowers are expected to sell Islamic bonds, which use asset returns to pay investors to comply with the Religion ban on interest.

Sales of Sukuk globally increased to \$20.2 billion last year from \$14.1 billion in 2008, according to data compiled by Bloomberg. They climbed 31 percent to \$4.8 billion so far this year.

MALAYSIA AIRPORTS HOLDINGS BHD.: The state-controlled airport operator plans to sell 1 billion Ringgit (\$301 million) of Sukuk and \$500 million of conventional bonds to finance its second low-cost airport project in Sepang, near Kuala Lumpur; Reuters reported, citing unidentified people with knowledge of the matter. Malaysia Airports hired CIMB Group Holdings Bhd. and Citigroup Inc. for the planned sale, the report said.

MALAYSIA began marketing its five-year Sukuk on May 19, with the road show set to end in New York on May 27, when the final size will be determined, said Steven Clayton at Barclays Capital Markets Malaysia, one of three arrangers along with HSBC Holdings Plc and Malaysia's CIMB Group Holdings Bhd. Stops are also planned in Europe and the Middle East. The sale may raise \$1 billion to \$1.5 billion, a finance ministry official with direct knowledge of the plan said on May 14. The bonds are rated A3 at Moody's Investors Service and A- at Standard & Poor's.

QATAR ISLAMIC BANK SAQ: The Gulf state's biggest Shariah-compliant bank plans to sell as much as \$750 million of Sukuk in its first Islamic debt offering, Chief Executive Officer Salah Mohammed Jaidah said in an interview last week. Talks with rating service providers have been completed and the bonds are likely to be sold in the second half of this year, he said.

CAHAYA JAUHAR SDN: The unit of Malaysian developer UEM Land Bhd. plans to sell 114 million Ringgit (\$35 million) of Islamic bonds, according to a statement from RAM Holdings Bhd., a Malaysian rating service company. RAM assigned a preliminary rating of AAA, its highest, to the bond. Proceeds will be used to repay loans and pay contractors and suppliers working on the first phase of the project, RAM said.

ABU DHABI: Tourism Development & Investment Co., a state-owned developer of hotels in Abu Dhabi, hired banks including Standard Chartered Plc, Citigroup Inc. and BNP Paribas to sell bonds as it seeks long-term financing for projects, two people familiar with the transaction said. TDIC may seek 10-year funding, one of the people said.

GENERAL ELECTRIC CAPITAL CORP: The unit of General Electric Co. plans to issue its second Islamic bond in late 2010 or 2011, Reuters reported, citing Aris

Kekedjian, chief executive of GE Capital Middle East and Africa. It sold \$500 million of Shariah-compliant bonds in November.

NAKHEEL PJSC: The property unit of Dubai World, which is restructuring \$10.5 billion of debt, plans to sell Islamic bonds that will give an annual return of 10 percent to trade creditors, two people familiar with the proposal said last month. The deal is conditional on trade creditors representing at least 95 percent of the value of all claims agreeing to the deal. On May 13, the company reached agreement with trade creditors for more than 50 percent of the claims and repaid \$980 million of bonds due on the same day.

QATARI DIAR REAL ESTATE INVESTMENT CO.: The Qatari developer may raise about \$1.5 billion selling 10-year conventional bonds and five-year Islamic securities, a person familiar with the sale plan said. HSBC Holdings Plc and Barclays Capital are among banks expected to manage the sale, which could be completed during the next three months, according to the person.

INDONESIA: The government will trim the size of its planned sale of Islamic bonds from \$750 million because of concern that Greece's debt crisis will spread, said Rahmat Waluyanto, director general at the finance ministry's debt management office. It also plans to sell Rupiah-denominated Islamic bonds to individual investors in October or November, Waluyanto said. The nation's debt is rated Ba2 by Moody's and BB by S&P.

LUXEMBOURG: The country is considering selling Islamic bonds, central bank Governor Yves Mersch said at a conference in Bahrain on May 4 without disclosing the size.

CAGAMAS BHD.: The Malaysian buyer of mortgage loans plans to develop a new type of Islamic bond with Saudi Arabia's Al-Rajhi Bank, said Chief Executive Officer Steven Choy. Cagamas will issue a "sizeable" amount of such notes this year, which will be partly subscribed by Al-Rajhi, said Choy. Cagamas is rated AAA by RAM Holdings Bhd. and Malaysian Rating Corp., the country's two rating companies.

KENCANA PETROLEUM BHD.: The Malaysian oil and gas contractor plans to sell 250 million Ringgit (\$78 million) of Islamic bonds to help finance vessel purchases. Danajamin Nasional Bhd., a state bond insurer, agreed to guarantee the notes, allowing them to have the highest AAA rating for local bonds.

WAHA CAPITAL PJSC: The Abu Dhabi-based investment and leasing company said its shareholders approved a plan to issue mandatory convertible bonds or Sukuk worth 1 billion Dirhams (\$272 million).

VTB BANK OJSC: VTB Bank plans to sell Islamic bonds worth about \$200 million in the second half of the year, Reuters reported last month, citing an unidentified person familiar with the plan.

EMIRATES INTEGRATED TELECOMMUNICATIONS CO.: The Dubai-based phone operator known as Du may consider selling Islamic bonds in coming years to fund expansion, Chief Executive Officer Osman Sultan said last month without disclosing the amount.

PAKISTAN: Pakistan plans to sell Islamic bonds in the local debt market in the next three months to help plug its budget deficit, said Asad Qureshi, executive director of financial markets and reserve management at the central bank. The country also may sell \$500 million of global Sukuk in the coming months, according to the finance ministry in February. Pakistan is rated B3 at Moody's and B- at S&P.

SUDAN: Sudan expects to raise \$300 million selling Islamic bonds at the end of the third quarter to fund development projects, central bank Governor Sabir Mohamed Hassan said April 5. Sudan had initially planned the bond sale last year.

AXIATA GROUP BHD.: Southeast Asia's second-biggest mobile phone operator plans to sell 1 billion Ringgit and 1.5 billion Ringgit of Islamic bonds this year to refinance debt, according to Chief Executive Officer Jamaludin Ibrahim.

LAFARGE MALAYAN CEMENT BHD.: Malaysia's largest cement maker plans to sell as much as 350 million Ringgit of Islamic bonds under a seven-year program to fund expansion, the company said March 26. The debt is rated AA2 by RAM Rating Services Bhd., its third-highest ranking for long-term corporate debt instruments.

SAUDI ARABIAN OIL CO.: Saudi Aramco, the world's largest state-owned oil company, and Total SA expect to raise \$8 billion in debt financing for a joint refinery and petrochemical project in the "coming months," according to Saleem Shaheen, chief executive officer of Saudi Aramco Total Refining and Petrochemical Co. The debt package will include the sale of Islamic bonds, he said.

KAZAKHSTAN: Kazakhstan has drafted a bill to allow it to sell Islamic bonds this year for the first time, Finance Minister Bolat Zhamishev said in the capital Astana. The funds will be used to help finance the budget deficit, he said. The central Asian country is rated Baa2 by Moody's and BBB- by S&P.

LEBANON: Lebanon may sell Islamic bonds in 2011, according to the central bank in February. The country has more than \$2 billion of dollar-denominated debt maturing this year, according to data compiled by Bloomberg. It is rated B2 by Moody's, five levels below investment grade.

KUVEYT TURK KATILIM BANKASI AS: The Islamic lender owned by Kuwait Finance House KSC plans to sell Sukuk worth between \$100 million and \$150 million, Sabah newspaper reported, citing Chief Executive Officer Ufuk Uyan. The bonds will be based on the bank's leasing receivables and have a maturity of between three and five years, according to the Istanbul-based newspaper.

AL AQEEQ REAL ESTATE DEVELOPMENT CO.: The unit of Taiba Holding Co., a developer of the Saudi Arabian city of Medina, appointed NCB Capital to help sell Islamic bonds and manage a share offering to finance projects and investment, NCB said in a statement on the Saudi bourse website.

THAILAND: The government plans to sell as much as 50 billion baht (\$1.5 billion) of Shariah-compliant debt to help finance its infrastructure projects, according to state-owned Islamic Bank of Thailand, which will help arrange the sale. The bonds may be sold in the third quarter, said Dheerasak Suwannayos, the bank's president.

Bloomberg

<http://www.businessweek.com/news/2010-05-24/malaysia-airports-qatar-islamic-plan-sales-islamic-bond-alert.html>

Indonesia says no winning bids in Sukuk auctions

Tuesday, May 25, 2010

JAKARTA: Indonesia's finance ministry said it rejected all incoming bids, worth 1.2 trillion Rupiah (\$129.6 million) in total, at its Sukuk auctions on Tuesday, as debt woes in Europe prompted investors to demand high yields.

Indonesian stocks fell more than 4 percent on Tuesday afternoon before closing down 3.66 percent, as most Asian markets declined on concerns that the euro debt woes could trigger a new banking and global economic crisis.

The ministry, which had aimed to raise 1 trillion Rupiah (\$108 million) from the auctions to help fund the state budget deficit, did not give its reasons for rejecting the bids.

It said total incoming bids were 1.2 trillion Rupiah, half of which were for the 5-year Sukuk.

Investors asked for 5-year yields of 8.81-9.50 percent in the Sukuk auction, the finance ministry said, or well above the 8.5 percent yield on comparable conventional government bonds. (\$1=9,255 Rupiah) (Reporting by Adriana Nina Kusuma and Sonya Angraini; Writing by Gde Anugrah Arka; Editing by Sara Webb)

FOREXYARD

<http://www.forexyard.com/en/news/Indonesia-says-no-winning-bids-in-Sukuk-auctions-2010-05-25T095510Z-UPDATE-1>

Cagamas Woos Gulf Cash with New Sukuk

Tuesday, May 25, 2010

Kuala Lumpur: Malaysia national mortgage company, Cagamas, will launch an Islamic bond program worth up to \$3.02 billion, using the new structure to court Gulf investors and bridge the divide on Shariah compliance between the two regions.

Sukuk, or Islamic bonds, being developed with the Malaysian unit of Saudi Al Rajhi Bank, will be structured to enable Middle Eastern investors to trade the securities in secondary markets.

The scheme would raise 5 billion to 10 billion Ringgits (\$1.5 million to \$3 million), Cagamas chief executive Steven Choy said.

“This particular Sukuk is meant to widen the investor base in the sense that more Islamic institutions in the Middle East can subscribe to it,” Choy said.

“Middle Eastern investors are more discerning in terms of the Shariah principles that they adhere to, therefore the current Sukuk that we issue may not appeal to them.”

The Sukuk would be structured to ensure underlying assets existed to support the paper throughout the duration of the program, which would satisfy Middle Eastern Islamic law requirements on secondary trading.

Secondary Sukuk trading is a contentious point within the \$1 trillion Islamic finance industry, with religious scholars divided on whether debt can be sold to a party other than the creditor.

The Hanafi school of thought does not allow debt to be sold to third parties, but some schools sanction it under certain conditions, including that the price must be paid on the spot and that the sale must not lead to interest.

Jakarta Globe

<http://www.thejakartaglobe.com/business/cagamas-woos-gulf-cash-with-new-Sukuk/377010>

Tabreed in Talks to Restructure \$1 Billion in Loans

Thursday, May 27, 2010

National Central Cooling Co., the refrigeration company that delayed payments on an Islamic bond, is in talks with banks to restructure about 3.7 billion Dirhams (\$1 billion) in loans, the chief financial officer said.

“We are in discussions with about a dozen banks,” Stephen Ridlington said in a phone interview from Abu Dhabi today. “We don’t have a proposal on the table yet. Banks need to see the business plan we are developing.”

Tabreed is among Gulf Arab companies seeking to restructure debt after the global economic crisis dried up financing and brought a property boom to a halt. Dubai World, one of the emirate's three main state-owned holding companies, said on May 20 it reached an agreement with its main creditor group to restructure \$23.5 billion of liabilities. Dubai International Capital LLC, a unit of Dubai Holding LLC, today sought a three-month extension on some of its loan payments.

Tabreed main lenders include Standard Chartered Plc, BNP Paribas, HSBC Holdings Plc, First Gulf Bank PJSC and Al-Hilal Bank, Ridlington said.

The provider of cooling services for the Dubai Metro today said it hasn't made coupon payments due last week on its 1.7 billion-dirham Islamic bonds, or Sukuk, after its board on April 26 approved deferring annual payments as part of its recapitalization plan.

Shareholder Support

"This is a deferral of the coupon, and this is a decision we have taken with the support of the majority of holders," Ridlington said. Abu Dhabi's Mubadala Development Co. and ACWA Holding of Saudi Arabia hold more than 50 percent of the convertible Sukuk, Ridlington said.

Tabreed in March sought shareholders' approval to change the terms on its debt after posting its first full-year loss since listing in 2000. That month it got a short-term financing facility of 1.3 billion Dirhams from Mubadala to complete its recapitalization.

Ridlington said Tabreed plans to pay a coupon due in July on its \$200 million floating note. "At some point in the future, we may make a proposal on the \$200-million floater, but we will pay interest on that Sukuk and on bank debt," he said.

Tabreed 7.25 percent Islamic bond due May 2011 traded at a bid price of 23 cents on the dollar and ask price of 28 cents at 5:21 p.m. in Dubai, according to prices from Arqaam Capital Ltd.

Bloomberg

<http://www.businessweek.com/news/2010-05-27/tabreed-in-talks-to-restructure-1-billion-in-loans-update1-.html>

Malaysia Said to Be Selling \$1 Billion of Global Islamic Bonds

Thursday, May 27, 2010

Malaysia is seeking to raise about \$1 billion from its first sale of global Islamic bonds in eight years after pledges from Middle Eastern investors and a stocks rally helped revive the deal, according to people familiar with the fund-raising.

Latest guidance suggested the five-year Sukuk will be priced to yield some 190 basis points more than similar-maturity U.S. Treasuries, the people said, asking not to be identified. U.S. five-year notes yielded 2.11 percent. A decision on the timing and size of the bond was delayed yesterday as concern about Europe's debt crisis and tension on the Korean peninsula deterred investment in the region's assets.

Malaysia is turning to overseas bond investors for the first time since 2002 as the government aims to increase development spending and boost economic growth. The nation has the world's biggest market for Islamic bonds, accounting for 65 percent of outstanding Sukuk in 2009, according to CIMB Group Holdings Bhd., one of the lead arrangers for the latest sale.

"Malaysia is oil-rich, the fundamentals are solid and they don't have funding needs other than to set a benchmark in the fixed-income market," said Paul Chan, Hong Kong-based chief investment officer at Invesco Asia Ltd. "There will be scarcity value in Malaysia's dollar bonds. Asian countries are generally under-rated" given what's happening in Europe, he said.

Petronas Spread

The Sukuk were assigned debt ratings of A- by Standard & Poor's and A3 from Moody's Investors Service last week, the two company's fourth-lowest investment grades. Greece, which sparked the European debt crisis amid concern about its ability to repay investors, has a junk or high-risk grading of BB+ from S&P.

The MSCI Emerging Markets Index of stocks rose 1 percent, after climbing 3.2 percent yesterday. The premium investors demand to hold bonds in developing nations over Treasuries narrowed 18 basis points to 337 basis points, from an eight-month high of 355 basis points on May 25, according to JPMorgan Chase & Co.'s EMBI+ Index.

Malaysia State-owned Petroliam Nasional Bhd.'s 4.25 percent Islamic bonds due August 2014 yielded 3.92 percent, according to Royal Bank of Scotland Group Plc, or 207 basis points more than similar-maturity Treasuries. A basis point is 0.01 percentage point.

Second Finance Minister Ahmad Husni Hanadzlah declined to comment on the bond sale this morning as did CIMB Group's Chief Executive Officer Nazir Razak. HSBC Holdings Plc and Barclays Capital are the other lead managers for the notes, which are due to be priced today in New York.

"The global Sukuk will set a new pricing benchmark not only for future Sukuk issuances but also Malaysia's conventional bond issues going forward," Prime Minister Najib Razak said at a briefing in Kuala Lumpur on May 19.

Bloomberg

<http://www.businessweek.com/news/2010-05-27/malaysia-said-to-be-selling-1-billion-of-global-islamic-bonds.html>

CIMB Group Keeps Mum on Launch of Sukuk

Thursday, May 27, 2010

KUALA LUMPUR: CIMB Group Bhd, one of the joint lead managers and book runners for the sale of Malaysia's US dollar-denominated five year Islamic bond, is keeping mum on the launch date for the Sukuk.

When asked if there would be a delay in launching the Sukuk, its Group Chief Executive Datuk Seri Mohamed Nazir Tun Razak responded with a "No comment".

According to a news report, there could be a delay in launching the Sukuk following the rising turbulence in the global market.

Malaysia, which planned to raise about US\$1 billion via an Ijarah Sukuk, has just ended a series of presentations to global investors.

Pressed further on a timeframe for the Sukuk issuance, Nazir said: "I think you have to wait for the news."

He was speaking to reporters on the sidelines of the 14th Malaysian Banking Summit here on Thursday.

Nazir was one of the panelists at a session in the summit, which touched on the liberalisation and internationalization for the next wave in the Malaysian banking and finance sector.

At the session, he said the country has done the right thing by setting up the Malaysia International Islamic Financial Centre (MIFC) to foster more development in Islamic finance.

However, the MIFC should give more attention to fund management than fund raising, he said.

"Once you have fund management established, the fund raising will come after that," Nazir added.

BERNAMA

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=501579>

Malaysia Dollar Sukuk Rises on Debut as Investors Favor Asia

Friday, May 28, 2010

Malaysia's latest issue of five-year global bonds advanced on their first day of trading after yesterday's sale attracted orders for more than five times the \$1 billion originally sought.

The Islamic notes due June 2015 yielded 3.87 percent early today in Hong Kong, six basis points less than the 3.93 percent the securities were priced at in yesterday's sale, according to data provided by Barclays Plc, one of the deal's three arrangers. That's 171 basis points more than similar-maturity U.S. Treasuries, nine basis points less than when the bonds were sold.

"Malaysia is oil-rich, the fundamentals are solid and they don't have funding needs," Paul Chan, Hong Kong-based chief investment officer at Invesco Asia Ltd., said before the sale. "There will be scarcity value in Malaysia's dollar bonds. Asian countries are generally underrated" given what's happening in Europe, he said.

Malaysia sale of so-called Sukuk notes, its first international debt issue since 2002, will set a new benchmark for pricing bonds in the nation, Prime Minister Najib Razak said on May 19. The government sold \$1.25 billion of the securities, after attracting orders of almost \$5.5 billion, according to a sale document obtained by Bloomberg. CIMB Group Holdings Bhd and HSBC Holdings Plc, along with Barclays, arranged the offering.

Islamic bond sales are growing for the first time since 2007 as yields on securities complying with the religion's ban on interest fall more than those on emerging-market debt even as Europe's debt crisis worsens. Offerings of Sukuk climbed 10 percent to \$6.1 billion so far in 2010, the most since a 47 percent increase in the same period three years ago, according to data compiled by Bloomberg.

Biggest Sukuk Market

The Southeast Asian nation has the world's biggest market for Islamic bonds, which are backed by physical assets and pay profit rates instead of interest that is prohibited under Shariah principles. Malaysia accounted for 65 percent of outstanding Sukuk in 2009, according to CIMB Group Holdings Bhd., one of the lead arrangers for the latest notes.

The Sukuk, which is of the Ijarah structure, were assigned debt ratings of A- by Standard & Poor's and A3 from Moody's Investors Service last week, the two company's fourth-lowest investment grades. Greece, which sparked the European debt crisis amid concern about its ability to repay investors, has a junk, or high-risk, rating of BB+ from S&P.

Narrowing Premium

The premium investors demand to hold bonds in developing nations over U.S. Treasuries narrowed 20 basis points yesterday to 319 basis points, according to JPMorgan Chase & Co.'s EMBI+ Index. A basis point is 0.01 percentage point.

State-owned Petroliam Nasional Bhd.'s 4.25 percent Islamic bonds due August 2014 yielded 3.92 percent yesterday, according to Royal Bank of Scotland Group Plc, or 207 basis points more than similar-maturity Treasuries.

“Usually the trading differential between Petronas and Malaysia is 20 or 25 basis points, so that’s what I was expecting,” said Brayan Lai, a Hong Kong-based credit analyst at Credit Agricole CIB. “The issuer came into a rally in the markets, so they probably got a good deal.”

Bloomberg

<http://www.businessweek.com/news/2010-05-28/malaysia-s-dollar-Sukuk-rises-on-debut-as-investors-favor-asia.html>

Opportunities in non-Ringgit Sukuk market

Friday, May 28, 2010

KUALA LUMPUR: Malaysia is ready to further expand the region’s non-Ringgit Sukuk market, said Deloitte global Islamic finance leader Daud Vicary Abdullah.

However, issues such as cross-border liquidity and currency must be addressed first, he said.

“Malaysia is already a regional leader in Islamic finance. It needs to maintain the status,” he said.

He said Singapore and Indonesia had gone big in the sector too and this would help expand the market further.

<http://biz.thestar.com.my/news/story.asp?file=/2010/5/28/business/6355794&sec=business>

TAKAFUL (ISLAMIC INSURANCE)

Allianz Malaysia Sees Takaful Openings through Government Policies

Tuesday, May 25, 2010

Although Islamic Shariah law has strict limitations on the use of premiums from Takaful sales, Allianz Malaysia said it is open to tapping the market, with its estimated annual growth of up to 20% under positive government support.

"We are interested in Takaful business as it is an attractive and promising segment with a lot of potential for growth," Alexander Ankel, chief executive of Allianz Malaysia, told BestWeek Asia/Pacific.

The emergence of the Takaful sector is "broadening" the competitive horizon of the insurance industry, and customers now have access to a variety of options, said Ankel. "We believe Takaful will help the insurance industry to grow further as Malaysia is set to emerge as a leader in Islamic finance."

With the enactment of the Takaful Act 1984, the first Takaful Company in Malaysia was established in 1985. Since then, Malaysia's Takaful industry has been "gaining momentum" and increasingly recognized as a "significant" contributor to Malaysia's overall Islamic financial system, said the Bank Negara Malaysia, the central bank of Malaysia, in a statement.

Takaful Opening

Globally, the Takaful industry has been growing rapidly, and appeals to both Muslims and non-Muslims. "The industry is expected to grow by 15% to 20% annually, with contributions expected to reach US\$7.4 billion by 2015," according to the Institute of Islamic Finance and Insurance and Investor Offshore Review in February 2006, said the central bank.

Consultancy Ernst & Young recently said the global Takaful market grew 29% to US\$5.3 billion in contributions in 2008, and it is expected to surpass US\$8.8 billion in 2010

There are more than 110 Takaful operations worldwide. In Malaysia, there are eight licensed Takaful operations and an international Takaful operator. They are CIMB Aviva Takaful Berhad, Etiga Takaful Berhad, Hong Leong Tokio Marine Takaful Berhad, HSBC Amanah Takaful (Malaysia) Sdn Bhd, MAA Takaful Berhad, Prudential BSN Takaful Berhad, Syarikat Takaful Malaysia Berhad, Takaful Ikhlas Sdn. Bhd and AIA Takaful International Bhd, according to the central bank.

The country has three licensed reTakaful operators, including MNRB ReTakaful Berhad, ACR ReTakaful SEA Berhad and Munich Re ReTakaful.

As at Dec, 31, 2009, Malaysia total Takaful fund assets amounted to 12.45 billion Ringgit (US\$3.9 billion), up 17.8% from 10.57 billion Ringgit in 2008. Net contributions income from the Takaful sector was 3.52 billion Ringgit, up 16.1% from 3.03 billion Ringgit the previous year, according to the central bank.

Malaysia has been at the "forefront" of the Takaful business, said Allianz in a report. "Takaful insurers in Malaysia, a country of only 27 million, held assets worth some US\$2 billion in 2008. Their counterparts in Indonesia, with nearly 10 times the population, only managed assets worth US\$95 million."

Insurance in its conventional, Western form, is forbidden by Shariah law as Islamic scholars said it resembles gambling and includes interest rates, which are shunned by the Koran. Allianz said while conventional insurers charge money to cover the risks of the insured, Takaful policies spread the risk and eventual rewards among all participants,

creating a system of mutual insurance, which is "basically a different way of risk transfer."

"With the Takaful approach, the insurer is becoming more like a facilitator and administrator for this risk sharing," said Allianz. The German insurance group opened its Takaful subsidiary in Bahrain in 2009 to capture this fast growing market by targeting high net worth individuals and providing tailor-made products for women and youths.

The global financial crisis in 2008 opened opportunities for the company, while its investors in the Middle East region are considering Takaful as "an alternative to conventional products that have suffered from the downturn," said Abdulrahman Tolefat, CEO of Allianz Takaful BSC, in a statement.

Malaysian Markets

While further studying the feasibility of operating Takaful businesses in Malaysia, Ankel said that in 2010 the group will continue focusing on profitable growth, further enhancing its distribution channels, streamlining life and general insurance business on common sales and service platform to improve both product and service standards.

In April, Allianz Malaysia proposed to sell irredeemable convertible preference shares to entitled shareholders under a plan to raise 611 million Ringgit in capital. Of that, Ankel said 490 million Ringgit will be used to repay credit facilities granted by the majority shareholder Allianz SE for the acquisition of Commerce Assurance Berhad, which is now known as Bright Mission, in a transaction that was completed in August 2007.

The raised funds will also be used to increase the capital base in Allianz Malaysia's subsidiaries, Allianz Life Insurance Malaysia Berhad and Allianz General Insurance Company (Malaysia) Berhad. "This will be used to meet their respective capital requirements under the risk-based capital framework imposed by the BNM," Ankel said.

Allianz Malaysia recorded total gross written premiums of 2.07 billion Ringgit in 2009, up 17% from 1.77 billion Ringgit in 2008. Among the total, ALIM accounted for 868.7 million Ringgit and AGIC accounted for 1.2 billion Ringgit.

The combined ratio of AGIC in 2009 stood at 87 as compared to 88 in the previous year. The general insurance unit recorded underwriting profit of 102.4 million Ringgit, up 29% from 2008. Its market share in Malaysia was 10.35% as at Sept. 30, 2009.

ALIM reported 31% growth in new business premiums in 2009, pushing up its market share to 7.3%. Its total assets were 2.53 billion Ringgit.

Ankel said one of the key successful factors of ALIM in 2009 was its multi-distribution strategy emphasizing "agency force expansion and its productivity enhancement" under the company's effective training and agency model.

For the nonlife segment, he said the assured result was mainly attributed to its "well diversified distribution channels comprising about 5,500 agents, corporate brokers and its bancassurance partnership with CIMB Bank."

The bancassurance partnership which began in 2008 has contributed "positively" to the group by "improving our market share and profit generated by the general insurance business side in 2009," said Ankel.

<http://insurancenewsnet.com/article.aspx?id=192609>

HLTM Takaful new Syariah plan

Published: 2010/05/20

HONG Leong Tokio Marine Takaful Bhd (HLTM Takaful) has launched a new five-year Syariah-compliant investment-linked plan that invests in Chinese stocks.

Dubbed the "China Growth Income Plan (CGIP)", the new plan uses the concepts of Murabahah and Wa'ad and offers customers potentially unlimited income on an annual basis and income returns during bull and bear markets.

"So long as the key stocks selected in the portfolio have a value greater than zero, the plan will generate income for customers, subject to its terms and conditions which apply," HLTM Takaful said in a statement yesterday.

The initial investment of CGIP starts from RM15, 000 up to a maximum of RM2 million per investor.

The plan includes a Takaful coverage in the event of death of up to 125 per cent of the initial investment amount.

http://www.btimes.com.my/Current_News/BTIMES/articles/20100520001436/Article/

ISLAMIC INVESTMENTS; EQUITIES/SECURITIES & FUNDS

ASM Investment's Al-Aiman Fund Records 6.15 Per Cent Return

Sunday, May 23, 2010

KUCHING: ASM Investment Services Bhd on Saturday announced distribution income for its Al-Aiman Fund which recorded a 6.51 per cent return for the financial year ending May 15, 2010.

Its chief executive officer Nik Mohamed Zaki Nik Yusoff said the Syariah-based fund was opened to all communities and one of those which had achieved success from the aspect of performance and investors' response.

"The Al-Aiman Fund offers free Takaful protection at the rate of RM1.00 for each unit held and the value is comparable to the net asset value protection offered by other unit trust companies," Nik Mohamed Zaki said.

He said this at the officiating of the company's Sarawak regional office here today by Assistant Minister in the Chief Minister's Department, Naroden Majais, in conjunction with the Investor Appreciation Day 2010 celebrations at the state level.

ASM Investment is a fully-owned subsidiary of Amanah Saham Mara Bhd, the first Bumiputera Company in the country's unit trust industry.

On the Sarawak regional office operations, Nik Mohamed Zaki said it started operations two years ago and officiating of the office showed confidence in ASM Investment's position.

"We find Sarawak a market full of potential to be explored by ASM Investment," he said, adding that the company would continue to contribute towards development of the State financial sector.

In his speech, Naroden said the state government would continue to give its support to ASM Investment in its effort to raise public awareness in investment, particularly in unit trust funds.

ASM Investment is currently managing 14 unit trust funds. Apart from the Sarawak regional office here, the company has opened four regional offices in Seberang Jaya in Penang, Johor Baharu in Johor, Kuantan in Pahang, and Kota Kinabalu in Sabah.

BERNAMA

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=500289>

BLME gears up to launch Shariah-compliant fund

Sunday, May 23, 2010

JEDDAH: In the Kingdom, for a seminar on Islamic finance recently, Nigel Denison, director and head of asset management, Bank of London and the Middle East (BLME) said that the totally-Shariah based bank is currently working on the development of a Shariah-compliant Absolute Return Fund.

"We have been watching the whole scenario of active and passive fund management and have been working with a lot of interest on the development of an absolute return fund," said Denison, who also made sure to include that it was in no way a hedge fund, but a reliable way of producing a Shariah-based strategy to positively produce an absolute return regardless of the direction of the market," he said, adding that they hope to open it in the next few months.

In addition, Denison said that the bank, which has its own Shariah Supervisory Board (SSB), has been doing quite well since opening just 3 years ago and has been providing Islamic investment and finance services to the 15 million Muslim population in Western Europe, as well as customers in Turkey. He also explained that the bank's customer base includes people of all faiths who want a trustworthy place to bank.

"All we do is Islamic finance and currently have five divisions of private banking, corporate advisory, corporate banking, asset management, and markets. We don't do retail banking but have had customers of various faiths who are looking for ethical banking services. Other people have customers who are Muslims and use our services because they must comply with Shariah. We also have non-Muslims who have come to us just because we are a bank and because our financing options and prices were superior over other banks, making our customer bases three-fold," he said.

Marking its one-year anniversary in July, the first European launched Shariah-compliant money market fund, the Shariah Dollar Income Fund has been bringing in returns of just over 30 basis points or 3 percent over the past year, according to Denison.

The fund seeks to achieve a high degree of security and return by investing in a portfolio of money market tools such as Sukuk and Murabaha. "We had initially been looking for a return of 100 basis points or 10 percent but due to global financial crisis, expect the yields to normalize raising in the near future to our previous estimated target," he said.

Explaining the method used to design their financial products, Denison said, "We are trying to build our products around what a family business might look like, while catering to those businesses and other individuals. Currently we see that the property market is a big market to invest in as a majority of people and investors are doing business around property in one form or another. Many people in the Middle East are looking to buy property on the UK while also maintaining their homes and lifestyle in the Middle East. We want to be seen as a reliable bank in the UK that can offer these customers the trust of Shariah-based financial products that they would get back home," Denison said.

He added that the bank currently has predominantly Kuwaiti shareholders and would someday like to build a presence in the Kingdom, possibly partnering with National Bank of Kuwait or another partner. "Certainly with Saudi Arabia as the largest economy in the region we would have to consider opening a branch in Saudi Arabia at some point after the bank grows more," he said.

Denison continued by saying that the reason he feels that the bank is doing so well is that it is fully Shariah-based and does not merely provide, "a window of Islamic products," while trying to utilize conventional finance principles to turn a profit.

"It is because of this that BLME has developed a trustworthy reputation both in Europe and the Middle East and are well-known for providing transparency, a fair deal, and a reliable profit margin because we took the time to develop proper Islamic finance products and services," he said.

Speaking about the progression of the unified GCC currency, Denison said he and other BLME officials had met with the vice governor of the Saudi Arabian Monetary Agency (SAMA) in Riyadh, who said that they were progressing slowly toward the development of the currency and are doing so in order to make sure all aspects are properly dealt with before the launch.

"They said that they were currently watching the global economy and what was going on with Greece and other European as well as US markets because of the region's peg to the dollar. In addition, SAMA said that they realized that since Saudi Arabia was the largest economy in the GCC that they would be the ones making the general decisions. Also with the Central Bank location set for Riyadh they know if there are any errors that they would ultimately be responsible for paying for them because of their economic position in the region; therefore I think they are right to move slowly into the unified currency while getting all the elements right," he said.

<http://arabnews.com/economy/islamicfinance/article56954.ece>

E&Y: Global Islamic fund assets level at \$52b in 2009

Monday, May 24, 2010

The 4th annual Ernst & Young Islamic Funds & Investment Report (IFIR 2010) released today at the World Islamic Funds and Capital Markets Conference states that global Islamic fund assets stagnated at US\$ 52.3 Bn in 2009, remaining at almost the same level as the US\$ 51.4 Bn posted in 2008. In contrast, the global conventional mutual fund assets under management (AuM) exhibited signs of recovery from their lows of US\$ 19 trillion in 2008, reaching \$22 trillion in 2009.

According to Sameer Abdi, Middle East Head of Ernst & Young's Islamic Financial Services Group, "This trend is reflective of a distinct shift in investors' preferences, and requires Islamic fund managers to adapt their strategies and operating models accordingly to meet the new levels of expectations."

The research reveals that only 29 new Islamic funds were launched in 2009, almost offsetting the 27 Islamic funds that were liquidated during the same period. New Islamic funds launched were at their highest number ever at 173 in 2007. Since then, this number has declined dramatically.

The overall Islamic asset management industry, which includes funds and Islamic investment accounts, touched US\$ 292 Bn or 31.1% of the total industry assets. This also underlines the predominance of investor deposits with banks, said Abdi.

Islamic wealth pool still growing

The silver lining for the industry is the continued strong growth in the overall Shariah sensitive investable assets. Ashar Nazim, Director at Ernst & Young's Islamic Financial Services team in Bahrain says: "Shariah compliant investable wealth pool grew by 20%

to reach US\$ 480 Bn in 2009. In 2008, this was US\$ 400 Bn. The GCC remains the single biggest contributor to this growing wealth pool. It clearly represents substantial untapped opportunities for local and international players who can understand and respond to their investors' evolving needs."

Shifting investor preferences

During 2009, there was a shift away from fund investments in traditional asset classes, such as equities and real estate funds, as a number of new alternative asset classes including Shariah compliant ETFs and hedge funds were launched. No real estate focused funds were launched in 2009 compared to 10 in 2008, and 18 in 2007. Also, the lack of investor confidence led to placing higher proportion of deposits with banks, rather than investing in funds.

Half of all Islamic funds may not be profitable

The report revealed that almost 70% of Islamic fund managers are struggling to build scale and have under US\$ 75 Mn in AuM, while 55% have less than US\$ 50 Mn AuM. On the other hand, average fee charged by Islamic fund managers have dropped by almost 25% since 2006, and are expected to continue at this level for the foreseeable future.

"Profitability remains under tremendous pressure especially for smaller fund managers. Clearly, shake-outs and consolidations are the way ahead and will be in the best interest of the industry's long term prospects," says Ashar.

Stronger players that have critical AuM volume and are flexible enough to adapt to investors' evolving financial needs stand to capture a more dominant market share.

Back to strategy

Most leading Islamic fund managers are re-focusing on understanding their investors' appetite post-crises. "Rebuilding investors' trust is of paramount importance and has moved up the priority list for fund managers," adds Ashar. Several investor segments are showing early signs of recovery, also reflected by choice of riskier asset classes. Allocation to cash and money market products decreased in 2009 and there is a clear preference for larger, more established brands in the market.

As fund managers try to re-discover the investors' preferences, they are focusing on enhancing the quality of their offering, moving away from transaction-only approach to comprehensive wealth management solutions. There has been substantial investment in enhancing risk infrastructure, adopting flexible business models, segmented approach to accessing new customers as well as dramatic changes in fee and cost structures including more transparency and incentive based remuneration. All this also feeds into building stronger brands.

“The fact that the Shariah sensitive wealth pool is still showing strong growth, the opportunity is really for the fund managers who can quickly adapt their strategies to address clients’ requirements who are smarter and more demanding than what we saw earlier in the decade,” concludes Ashar.

Ernst & Young’s Islamic Funds & Investment Report builds on more than 400 unique insights from key players in all major financial markets. A better understanding of these strategies can clearly help fund managers articulate new strategies for post-crises era.

MENAFN

http://www.menafn.com/qn_news_story_s.asp?StoryId=1093338894

Kuwait Finance House not out of the woods

Thursday, May 27, 2010

The problems are mounting for the largest Shariah-compliant lender in Kuwait. The asset quality and profitability of Kuwait Finance House (KFH) has “materially deteriorated”, the ratings agency Standards & Poor’s (S&P) says.

In a note late on Wednesday, S&P placed an “A minus” long-term rating on KFH, “with negative implications”.

“The rating action reflects our view that the material deterioration of asset quality indicators and reduced revenue-generating capability, linked to the bad performance of equity and real estate markets, have negatively affected KFH financial profile,” said Nicolas Hardy, a credit analyst with S&P.

Many regional lenders such as KFH invested heavily in local equity markets and had huge direct and indirect exposure to a once red-hot property market through their investment subsidiaries and direct holdings.

But the value of those investments has dropped greatly, putting considerable stress on the banks’ balance sheets.

This has prompted ratings actions from agencies such as S&P that increase the risk profile of these lenders and the cost they have to pay to raise funds.

On the plus side in KFH case, the bank is still a leader in Kuwait’s Islamic finance sector and has adequate capitalization, good financial flexibility and strength from significant government support.

Mr Hardy said S&P would analyse in detail the bank’s exposures to the property and construction sectors, and the performance of the bank’s operations and activities outside of Kuwait.

The agency will pay special attention to KFH banking subsidiaries in Turkey and Malaysia before it resolves the negative rating.

Shares of KFH, the second largest lender in the country by market value, yesterday gained 2 per cent to 1.020 Dinars but they are more than 21 per cent lower than their 12-month peak in June last year.

<http://www.thenational.ae/apps/pbcs.dll/article?AID=/20100527/BUSINESS/705279958/1005>

ISLAMIC FINANCE EVENTS; SEMINARS, WORKSHOPS & CONFERENCES

The 6th Annual World Islamic Funds & Capital Markets Conference (WIFCMC 2010) / Conference

The 6th Annual World Islamic Funds & Capital Markets Conference (WIFCMC 2010) could not come at a more opportune time.

In fact, WIFCMC 2010 will be the most crucial meeting in its 6 years of history as more than 400 leaders in the global Islamic investments industry gather in force to plot new growth horizons and forge winning business models fully in tune with the new economic realities of the Shariah-compliant investments market.

Despite the setback of the global economic crisis, the fundamentals of the Islamic investments industry remain strong. With almost USD50 billion in fund assets under management and a large, expanding and untapped Muslim population, there are likely to be considerable opportunities in the future.

However, notwithstanding this potential, the current recessionary environment has forced the leaders of international & regional financial institutions to fundamentally re-think and adapt their business models and realign them to the new economic realities.

The 6th Annual World Islamic Funds & Capital Markets Conference (WIFCMC 2010), held under the theme mapping the road to recovery for Islamic Investments: Regenerating Islamic Capital Markets, will feature exceptional speaker line-up comprising industry leaders from across the world.

Ernst & Young IFIR 2010 Report will be exclusively launched at the 6th Annual WIFCMC. The report will offer meaningful insights into the leading-edge trends that are shaping the future of the Islamic investments landscape, given recent developments in the international financial markets.

Last year Report provided an in-depth analysis of the impact of the global economic crisis on the Islamic funds landscape, with key recommendations for industry leaders on

surviving and adapting in a downturn. The Report concluded with insights into key investor segments, asset classes, and products as well as competition and business model shifts.

The Islamic Funds & Investments Report (IFIR 2010), now entering its 4th annual edition will revisit these findings as well as offer new insights that will kick-start new business strategies in the Shariah-compliant investments industry as crisis begins to give way to recovery.

Location: Gulf Hotel, Bahrain Country: Bahrain
Start Date: May 24, 2010 End Date: May 25, 2010
Sectors: Business/Finance
Organizer: MEGA Events

http://www.menafn.com/events/event.aspx?E_ID=848

Islamic finance set to be a \$2 trillion global industry; Rushdi Siddiqui, Global Head of Islamic finance of Thomson Reuters

Wednesday, May 26, 2010

DUBAI: Islamic finance is set to be a \$2 trillion worldwide industry in the next five years, according to Rushdi Siddiqui, Global Head of Islamic finance of Thomson Reuters.

Speaking at a panel discussion at the Middle East, North Africa and South Africa Forum, or MENASA, entitled “The Challenges Ahead for Islamic finance,” Siddiqui said: “It took the Islamic finance industry 40 years to become a \$1 trillion industry. It will take another two to five years to become a \$2 trillion industry.”

However, there are many challenges that need to be overcome for the industry to realize its potential. Panelists said the lack of standardization in the industry, the lack of consensus among Shariah scholars, the a poor “connectivity” between Islamic finance institutions across the world, and the global shortage of experienced Islamic finance professionals are some of the challenges facing the industry.

Apart from Siddiqui, panelists who participated in the discussion included SABIC Executive Vice-President of Corporate Finance Mutlaq H. Al Morished and Barclays Capital and Barclays Head of Islamic Finance Wealth Harris Irfan. The session was moderated by Standard Chartered Saadiq CEO Afaq Khan.

Talking about the lack of standardization and diversity of Shariah interpretation in the industry, Irfan said it was becoming less of a challenge with the increasing convergence of standards.

“I am 100 per cent convinced that we are seeing the convergence of opinion in Islamic finance across countries, scholars and schools of thought.”

Khan said that as with any fast-growing industry, Islamic finance also faces many challenges as the industry and its stakeholders try to keep pace with developments in human capital, access to Shariah guidance from scholars, changes in regulations aimed at allowing Islamic finance to grow side by side with conventional finance and risk management both for Islamic finance institutions and Islamic customers.

Talking further about the importance of strengthening risk management, he said that as the industry grows and offers a broader suite of products to its clients in home markets or in new geographies, it is exposed to new risks that must be proactively managed. Islamic banks now form a significant part of the financial market in several countries and therefore have a responsibility to manage the risk prudently so as not to disrupt the market as a whole, he added.

Khaleej Times Online

http://www.khaleejtimes.com/biz/inside.asp?xfile=/data/business/2010/May/business_May545.xml§ion=business

Tanzania: Islamic Banking Workshop Opens in Zanzibar

Wednesday, May 26, 2010

Zanzibar: BANK segmentation took a fresh notch in Zanzibar today as the National Bank of Commerce (NBC) introduced it to its current and potential clients.

Speaking during a workshop at which the segmentation module was introduced, Islamic Banking, the Managing Director of NBC, Mr William Kallaghe said it is important that clients and potential clients understand what the service is offering to them and what makes it a better option for them.

"NBC is always looking at ways to satisfy as many of our existing clients as possible while also opening the doors to others who may wish to join us. It is our belief that through Islamic Banking we have managed to find a way to meet both goals," he emphasised.

"NBC felt it very necessary to introduce Islamic Banking on a personal basis as it is a service slightly more complex than our usual products. The Islamic Banking service is open to everyone interested in having an account and should not be deterred by the name as it is merely derived from the basics that will guide the way in which the service is handled. It does not discriminate against anyone," he pointed out.

The Islamic Banking workshop in Zanzibar is a follow up to one held in Dar es Salaam recently at which sheikhs, scholars and individuals were invited to be informed about the new service and its benefits not only to the Muslim community but Tanzanians in general. Similar workshops will also be held across the country in an effort to impact and share knowledge about Islamic Banking.

NBC's Islamic Banking offers the options of Cheque Account and Saving Account. The products are built around Shariah Laws which govern the way in which Muslims live their lives, and conduct their daily business including their financial affairs.

NBC becomes one of the first fully-fledged banks in Tanzania to offer Islamic Banking services, combining the best of traditional Islamic values with the technology and innovation that characterize the best of modern banking.

<http://allafrica.com/stories/201005261219.html>

Basel 3 framework has room to improve, say speakers

Thursday, May 27, 2010

KUALA LUMPUR: Although the Basel 3 proposal is heading in the right direction, it can be improved by putting in more focus on regional (Asia) and Islamic finance perspectives, according to speakers at the 14th Malaysian Banking Summit yesterday.

The Basel Committee on Banking Supervision had last December proposed Basel 3, an enhanced banking framework, primarily related to regulation, supervision and risk management in response to the recent global financial crisis.

The framework, among other proposals, will require banks to beef up their tier-1 core capital ratio with predominantly common shares and retained earnings, more liquidity and greater regulatory intervention.

The improved framework, that is still obtaining feedback from industry players, is expected to come into force by end-2012.

RAM Rating Services Bhd head of financial institutions ratings Promod Dass said Malaysia would embrace Basel 3 from a strong standpoint given the healthy environment of the industry after surviving the recent crisis.

The local banking industry remained financially sound throughout the crisis with an average capital adequacy ratio of 14.7% as at December 2009, unlike the financial players in the West.

“But, if you read the Basel 3 documents, it somewhat lack the development of Islamic banking which is an important financial service in Malaysia and a growing industry sector globally,” he said.

Basically, Dass said, Basel 3 was designed to build buffers for banks to weather the next storm although the “protection” would only work to an extent.

“A regulatory framework is like the safety features of a car where the driver still controls the speed,” he said.

Booz & Co director Arthur Calipo said from the feedback on Basel's website, there were a few major issues that caught his attention, including the lack of regional perspectives and some of the measures could be overly conservative.

"In this case, no one size will fit all. And although Basel 3 is still open for discussion, there are three clear directions, namely additional capital requirement, improved liquidity and regulatory intervention," he said.

KPMG Malaysia partner Dr John Lee said Asia need not worry so much on Basel 3 implementation as it could be considered an effort to level the playing field.

"Furthermore, after the Asian financial crisis, our banks are more prudent and we always have very good core capitals," he said.

<http://biz.thestar.com.my/news/story.asp?file=/2010/5/27/business/6344297&sec=business>

ISLAMIC FINANCE: ARTICLES / COMMENTARIES

Need to Combine Islamic Economic History with Islamic Institutional Economics Prof. Murat Cizakca

Born in 1946, Prof. Cizakca is one of the leading faces of Islamic economics from the land of Ottoman. An author of six books and over 45 research papers to his credit, Prof. Cizakca obtained Ph.D. in Economics from the University of Pennsylvania and recognized as "internationally distinguished scholar" by the Turkish Higher Education Council. He has about three decades of teaching and research experience and presented over fifty research papers in various international conferences. He is also Member of the Selection Board, Islamic Development Bank Prizes in Islamic Economics and Banking. In an interview with Dr. Shariq Nisar, Prof. Cizakca shares his thoughts and experiences;

Emergence of Islamic economics has given a new dimension to the subject of economics. Please comment.

Initially, that's during the seventies, there was hope that indeed this would happen. Some well-known western economists, such as professors Weitzman and Schlicht, had already been working on what they called "share-economics" and it was thought that application of the basic principles of share economics by the bulk of the Islamic world would provide a global boost to the idea.

But two impediments surfaced. First, some of the theoretical problems of share economics, such as the reluctance of hard working workers to share the profits they generate with those who work less could not be solved (This is not surprising, for had it

been solved, socialism would not have collapsed either). Second, the principles of share economics have not been applied by the Islamic countries themselves.

Consider, for instance, the problem Saudi Arabia faced after the first Gulf war. When, after the war, Americans forced the Saudis to purchase all the military material they had transported to the region, the Saudi budget went overnight into the red. Thus, for the first time in its history the Saudi state was forced to borrow. But how was this to be realized? How could an Islamic government borrow from the public without interest? An intense debate materialized within the Saudi ruling family. Led by Prince Mohammed b. Faisal, a segment of the family was in favor of borrowing from the public resorting to the interest free instruments of public finance. For this purpose the Prince even consulted Ottoman economic historians, who were familiar with the Ottoman methods of interest free domestic borrowing. But under pressure from the American government and banks, the Saudi state was forced to borrow resorting to conventional methods. Had Prince Mohammed's vision accepted by the Saudi state, Islamic economics would have received an immense boost.

How far Islamic economics has been able to fulfill its promises and what are the major concern areas that still need attention?

To answer this question we need to look at the basic instruments of Islamic economics. What exactly are these instruments? We all talk about Islamic banks. It is as if Islamic economics is tantamount to Islamic banks. This is, of course, not true. The most urgent problem, therefore, must be first of all, to review the basic principles of Islamic economics and then identify the basic institutions, which would translate these principles into reality. A redesigning or even a process of invention of the pertinent institutions should then follow. Concerning the fulfilling of the promises, we must face the fact that even countries such as Iran and Saudi Arabia, which declare themselves as Islamic, cannot be considered as truly Islamic economies: Saudi Arabian government has been borrowing with interest and has been quite inhospitable to Islamic banking and Iran, nor for that matter any other Islamic country, has been able to eliminate interest. Therefore, we need to look into Islamic economic history. The three great Islamic empires of the relatively recent times, the Ottoman, the Safevid and the Mughal may yield important insights. Of these the Ottoman is the most promising one thanks to the enormously rich archives that have survived in Istanbul.

These efforts should strengthen, what we may call, Islamic Institutional Economics. Much of Islamic Economics has concentrated so far on the theory, itself greatly influenced by abstract western economic theory. We even emulate the methodology of western economics and try to write essays as mathematically sophisticated as possible. In view of this, there is an urgent need to combine Islamic Economic History with Islamic Institutional Economics. We should take notice that even the Nobel committee is trying a balanced approach and granting its prizes not only to theoretical economists but also to institutional economists (Coase, North), economists/economic historians (North, Fogel, Friedman, Kuznets, Hicks) and even to social (Becker) and psychological economists (Kahneman). In short, as acknowledged by the Nobel committee, western economics is a

synthesis. This is at least equally true for Islamic economics, which should encompass not only the disciplines just mentioned but also traditional Islamic wisdom such as *fikh*, *tafsir* and *kalam*. If even the western economics needs synthesis, the need is far more urgent for Islamic economics, which has its own formidable tradition.

Waqf has been your special interest area. How do you see its potential as a tool for economic development?

This question leads us directly to Islamic economic history and confirms the point I was trying to make above. You see, in order to envisage about the current potential of the waqfs, we need to understand its achievements in the past. If we look at Islamic/Ottoman economic history, we would note that throughout the Ottoman realms, the waqf, was without any doubt, the most important philanthropic institution. For six centuries, the Ottomans tried and largely succeeded to eradicate poverty through this institution. It was primarily through the Waqfs that a voluntary transfer of wealth from the rich to the poor took place and the latter were fed and taken care of. More importantly, health and educational services, essential conditions for the development of human capital, were provided by this institution. Moreover, it was thanks to the waqfs that property rights violations by a powerful state were avoided; magnificent architectural heritage of Islamic civilization was financed and maintained through the centuries; urban districts could cope with the crashing tax burden imposed by an occasionally desperate state; excessive fragmentation of land could be avoided; old age and disability pensions were provided; in an age when insurance as an institution was unknown, rudimentary insurance for the members of a guild or an urban district was provided; infrastructure projects such as bridges, roads, ports, lighthouses, libraries, water conduits, aqueducts, public fountains and pavements were built and maintained; in short practically all the services one can expect to have in a civilized society, save defense, were financed, organized, built and maintained by this system. The waqfs, actually, even aided the defense effort by building and maintaining urban walls and fortresses. Finally, it was through the waqfs and the services they provided that Islam could spread first in Anatolia and then in the Balkans.

Waqf ships even made the pilgrimage possible by providing a regular transport of the Egyptian grain from Suez to Mecca's port Jeddah. Moreover, all these services were provided through de-centralized decision-making, i.e., not by a powerful but aloof central authority but by concerned philanthropists determined to address social and economic problems in their own neighborhood.

All of this means further that with a well functioning waqf system bulk of the government expenditure can be substantially reduced. A reduced government expenditure leads to a lower government borrowing, a reduced crowding-out effect and a reduced rate of interest. A reduced rate of interest, on the other hand, leads to higher private investment and finally growth. Moreover, cash waqfs are structurally very close to banking. Indeed, if we look at western economic history, we would note that deposit banking in the West had developed from the Italian cash foundations, *Monti di Pieta*. American economic historians have discovered direct linkages between the American philanthropic foundations in the northern states and massive capital accumulation that led

to the northern industrial revolution and eventual victory of the northern states versus the South (McCarthy, 2003, ch.4). In short, there is a very serious potential for waqfs as a tool for modern economic growth in the Islamic world. But recent research has shown that with the possible exception of Turkey and India, waqfs are largely forgotten in the Islamic world. Everywhere, including Turkey, the states have replaced bulk of the functions of the waqfs with the result that decisions to provide services are taken by indifferent and often corrupt bureaucrats, quality of the state provided services are often dismal and the costs are sky high. Moreover, to finance these dubious results, the states either borrow with the consequences I have just explained or impose taxes. Taxation, on the other hand, curbs private initiative, reduces consumers' and producers' surplus and impedes growth. The situation is much more acute in the rest of the Islamic world. A thorough waqf reform sensitive not only to the formidable waqf tradition in the Islamic world but also to the achievements of this institution in the West is therefore urgently needed.

Islamic economics is said to have re-emerged in the 1970s. Being a student of Islamic history as well, do you believe Islamic economics was ever practiced before?

The first century of Islam probably witnessed the true Islamic economy. But our knowledge of Islamic economic history in this period is unfortunately very inadequate. We are probably best informed about the Ottoman economy as I mentioned above. So, was the Ottoman economy an Islamic economy? The answer is a frustrating “yes and no”. Ottomans certainly were devoted Muslims and respected Islamic law. But, at the same time, they were engaged in a constant struggle of life or death *vis a vis* the entire Europe and therefore had to form a powerful state. In this, they were influenced by the Roman and Sasanid empires with the result that they deviated from some of the basic teachings of Islam, which promotes private initiative and entrepreneurship. I have described the Ottoman economy as “proto- pseudo socialist”: proto because it antedated Marx by several centuries, and pseudo because rather than being based on class conflict, it promoted harmony between the classes. Our challenge as Islamic economists/economic historians is therefore to look at our own past with a critical perspective and observe where we failed. If we can do this adequately, we can then begin to attempt institutional reforms with the goal of creating modern economic systems, which can both be more loyal to the Islamic economic principles than those in the recent past and at the same time be more efficient to face the challenges of the modern times.

<http://www.financeinislam.com/article/9/1/301>

GENERAL ECONOMIC & BUSINESS DEVELOPMENTS

Banking reforms pass US Senate

Sunday, May 23, 2010

The US Senate has approved a sweeping overhaul of banking regulations, capping months of wrangling over the biggest reform of laws governing Wall Street since the Great Depression of the 1930s.

The reforms were passed 59 in favour to 39 against in a vote late on Thursday that marks a major victory for Barack Obama, the US president, who has made banking reform a key platform of his domestic agenda.

Obama has been pressing for tighter rules governing US banks and capital markets, which he has said is necessary to prevent a repeat of the global financial crisis that slammed the economy and led to massive taxpayer bailouts.

The Senate bill must now be merged with a measure approved in December by the US House of Representatives, before it goes to the president to be signed into law.

Obama has said the final version of the bill will hold financial firms accountable but not stifle the free market.

"Over the last year, the financial industry has repeatedly tried to end this reform with hordes of lobbyists and millions of dollars in ads, and when they couldn't kill it they tried to water it down," the US president told reporters earlier on Thursday after the bill cleared a key 60-vote hurdle in the Senate.

"Today, I think it's fair to say these efforts have failed."

However he warned that there was still some work to do, ironing out the differences between the two bills approved by the House and Senate.

"There's no doubt that during that time the financial industry and their lobbyists will keep on fighting," Obama said.

Meltdown

The sweeping reforms cover virtually all aspects of the banking and finance industry, touching Wall Street CEOs and first-time home buyers, high-flying traders and small town lenders.

The legislation is aimed at preventing a recurrence of the near-meltdown of big Wall Street investment banks and the tax payer-funded bailouts that ran into tens of billions of dollars.

The reforms call for new ways to watch for risks in the financial system and make it easier to liquidate large failing financial firms.

They also write new rules for complex securities trades blamed for helping precipitate the recent economic crisis, and it creates a new consumer protection agency.

In addition they would impose new restraints on the largest, most interconnected banks and demand proof that borrowers could pay for the simplest of mortgages.

"Our goal is not to punish the banks but to protect the larger economy and the American people from the kind of upheavals that we've seen in the past few years," Obama said.

Al Jazeera

US pushes for more trade with China

Sunday, May 23, 2010

Hillary Clinton, the US secretary of state, has pressed China for a "more balanced economic relationship" with the United States.

Speaking in China's commercial epicenter Shanghai on Sunday, a day before the start of the Strategic and Economic Dialogue in Beijing, Clinton stressed the importance of US economic concerns for relations with China.

"In the coming days, officials at the highest levels of our two governments will be discussing issues of economic balance and competition," Clinton said in a speech given in a vast hangar at Shanghai airport, referring to the Beijing meeting.

"Transparency in rule making and standard setting, non-discrimination, fair access to sales to private sector and government purchasers alike, the strong enforcement of intellectual property rights are all vitally important in the 21st century global economy," Clinton told the audience of US and Chinese business executives.

"For trade to work in any economy and for it to produce the benefits we know it can, there must be a level playing field where domestic and international companies can compete freely and openly."

Clinton and Timothy Geithner, the US secretary of treasury, are leading a delegation of nearly 200 officials to Beijing as part of an effort to help Barack Obama, the US president, deliver on his pledge to double US exports within five years and create two million jobs.

Chinese currency

One issue likely to come up is the trade advantage Beijing has because of an undervalued Chinese currency.

As the European financial crisis deepens, Beijing appears to be pulling back from expected moves to loosen its currency's peg to the US dollar.

China has kept the yuan at a rate of about 6.83 per dollar for nearly two years, seeking to cushion its exporters from the global financial crisis.

Some economists reckon the yuan is undervalued by up to 40 per cent against the dollar, giving Chinese exporters an unfair advantage in overseas markets.

In comments published on Sunday, Xie Xuren, China's finance minister, said cooperation with the United States was all the more important in the face of the European debt crisis.

"At present, risks from European sovereign debt have increased factors of instability in the course of global economic recovery," Xie wrote in a statement released on his ministry's website.

Clinton said that increased trade is a "win-win" situation for both countries, adding how American companies want to compete in China and sell goods made by American workers to Chinese consumers.

Al Jazeera

Eurozone Crisis Forces Gulf to Pause Monetary Union

Monday, May 24, 2010

JEDDAH, Saudi Arabia: The eurozone crisis has convinced Gulf States to "pause" for reflection in their push toward a monetary union, a top Gulf official said on Sunday.

Kuwaiti Foreign Minister Sheikh Mohammad al-Sabah said it would be "irresponsible" for the Gulf Cooperation Council to push ahead without studying the implications of the problems in Europe.

"The new development is the crisis in the eurozone," he said at the end of a meeting of GCC foreign ministers in Saudi Arabia's Red Sea city of Jeddah.

"There are a lot of lessons, (so) that we should pause," he said.

The decision to ease the push toward a regional single currency was taken at the Jeddah meeting on Sunday.

Four GCC members -- Saudi Arabia, Kuwait, Bahrain, and Qatar -- agreed last year to begin a move toward monetary union.

Two others -- Oman and the United Arab Emirates -- have not endorsed the union yet due to policy differences, including the UAE unhappiness that the eventual Gulf central bank is to be based in Riyadh.

Sabah insisted a "pause does not mean delay", saying it was mainly "for reflection."

But he said the GCC needed to study issues relating to their respective fiscal situations on top of monetary policies.

"We have to think about fiscal policy," he said.

"That requires harmonization of our budgetary policy."

"We want to do it at the right time and the right format," he said of the planned monetary union.

"There are numerous lessons" to be learned from Europe, he said.

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IMF wants 'urgent' Spanish reforms

Monday, May 24, 2010

The International Monetary Fund has called on Spain to implement "urgent" labour and banking reforms as the country struggles to rein in its public deficit amid a mounting European debt crisis.

The government introduced a fresh round of austerity measures earlier this month, including cutting civil service salaries by five per cent, in reforms aimed at saving \$19bn.

The IMF noted that "ambitious" fiscal consolidation was underway but said that these needed to be "complemented with growth-enhancing structural reforms".

Among Spain's challenges, the organisation cited a "dysfunctional labour market, the deflating property bubble, a large fiscal deficit ... anemic productivity growth, weak competitiveness and a banking sector with pockets of weakness".

Monday's report by the Washington-based fund said consolidation and reform of the banking system needed to be accelerated and also called for the government's proposed pension reforms to be "quickly adopted".

European stock markets and the euro fell in afternoon trading as the continent's debt crisis intensified following this weekend's Spanish bailout of a troubled financial firm.

The rescue of CajaSur, a regional savings bank which has been taken over by the Bank of Spain, could cost up to \$3.4bn, a Spanish newspaper reported.

Al Jazeera

Financial Crisis Showed Up 'Shortcomings' in UAE

Monday, May 24, 2010

DUBAI: The global economic crisis showed up the shortcomings which need to be addressed in the Emirati financial system, the governor of the Dubai International Financial Centre said on Monday.

"The UAE is introducing a wide-ranging programme to address regulatory and legal shortcomings in our financial system," Ahmed al-Tayer said on the second day of a MENASA (Middle East, North Africa and South Asia) economic conference.

"It is critical that we urgently address the deeper risks and challenges that the (global) economic crisis has revealed," he said.

Also at the forum in Dubai, Sheikh Ahmed bin Saeed al-Maktoum, chairman of Dubai's Supreme Fiscal Council, said "a clear framework for the financial restructuring and reorganization of companies ... is being put in place."

The United Arab Emirates government is to set up a debt management office for government-related entities at the federal level and a similar committee is planned for Dubai, he said.

Dubai rocked global financial markets in late November when it said it might be forced to freeze debt payments by its largest conglomerate, Dubai World, stoking fears of a state default over sovereign debt.

The conglomerate said last Thursday that it has "in principle" reached an agreement with most of its lenders, but the proposal still requires the approval of remaining creditors.

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Dubai World announces debt plan

Tuesday, May 25, 2010

The Dubai government has announced details of a plan to repay the \$26bn debts owed by the state-owned Dubai World conglomerate.

In a statement on Thursday, officials from the emirate said that the government would pump \$9.5bn of its own money into the company, swap the funds it is owed for shares, and repay \$14.2bn to creditors over the next eight years.

Sheikh Ahmed bin Saeed al-Maktoum, the head of Dubai's supreme fiscal council, said in a statement that the government would provide "significant financial resources" to support the group's proposals to restructure its liabilities.

These resources include a "commitment to fund up to \$9.5bn in new funding over the business plan period".

"This proposal represents the best possible solution for all stakeholders," Aidan Birkett, Dubai World's chief restructuring officer, said.

"It follows extensive discussions with our creditors, a thorough review of Dubai World's business and significant financial support from the government."

'Sound footing'

The plan would also separate Dubai World from its property development arm Nakheel, which will get \$8bn in new funds from the government and become a separate entity fully-owned by the government.

Bank creditors will be asked to restructure their debt at commercial rates, while trade creditors would be offered a significant cash payment and some form of trade-able equity, the government said in a statement.

"Assuming sufficient support for the proposal, the 2010 and 2011 Nakheel Sukuk [Islamic bond] will be paid as they fall due," the statement said.

"The Nakheel business plan allows work to continue as soon as possible and puts Nakheel on a sound footing," al-Maktoum said.

"The government, as shareholder, will work closely with Nakheel so that any future projects are carefully planned and evaluated."

Nakheel is the developer behind Dubai's Palm Jumeirah and other man-made island projects.

Al Jazeera's Dan Nolan, reporting from Dubai, said that it was significant that all the contractors who are owed money by the conglomerate would get immediate cash payment of \$137,000.

"This will cover around 50 per cent of the contractors who are owed, the remaining will get the same \$137,000 and get the rest of their money owed as 50 per cent in cash and the rest in a bond or some other security," he said.

"All the builders have had their work stopped or builders halted ... so getting all the money out to them should have a significant impact on the economy here."

Financial shockwaves

The details of the plans were announced after creditors from international banks met in Dubai on Wednesday.

Dubai World sent shockwaves across financial markets last year when it said it would not be able to repay its debts on time and asked for a six-month freeze on debt payments.

Creditors were asked to allow the conglomerate to delay repayments until at least May this year and Dubai's government received \$10bn from Abu Dhabi, the capital of the United Arab Emirates, to help it keep the company operating.

In a conference call on Thursday, a government official said that no further assistance had been provided by the neighbouring emirate.

"This proposal is based on amounts remaining from the loans provided previously by the government of Abu Dhabi and from internal resources from the government."

Dubai's main stock market index was up 3.48 per cent an hour after opening on Thursday following the government's announcement of support for Dubai World.

Dubai World's holdings include the QE2 ocean liner and Barneys department store. It also controls the world's third-largest ports operator, DP World.

Heavy borrowing

Dubai borrowed heavily during its boom years before the global economic downturn, fuelling its rapid growth into a regional trade, tourism and information technology hub.

The emirate's debt is estimated at between \$80bn and \$100bn, but some analysts have said it could be as high as \$170bn.

Meanwhile, the former head of Dubai's international banking hub has been detained over allegations of fraud.

Omar bin Sulaiman, the former governor of the Dubai International Financial Centre, is being held while prosecutors investigate claims that he wrongly spent \$13.6m, the media office of the emirate's ruler said.

Bin Sulaiman was a senior aide to the government until he and other advisers were removed from their posts in November as the emirate's debt problems came to a head.

Al Jazeera

Banks Positive on Dubai World Debt Plan - UAE Central Banker

Tuesday, May 25, 2010

DUBAI: United Arab Emirates' banks have a positive view on Dubai World's debt proposal, whose terms might improve, and credit growth is reasonable, the Gulf state's central bank governor Sultan bin Nasser al-Suweidi said.

The UAE economy is expected to lag its Gulf peers this year as banks in the world's third largest oil exporter remain reluctant to lend following a Dubai debt restructuring.

"Banks are finding the Dubai World proposal as very much agreeable," Suweidi told reporters on the sidelines of a financial conference on Monday.

Dubai World sealed a deal to restructure \$23.5 billion in debt with its core lenders last week, but it has yet to strike an agreement with remaining creditors.

Suweidi said the final outcome of the deal would have better terms as for the interest rate than proposed by the state-owned flagship conglomerate.

"The final outcome will be somewhat more acceptable than 1 percent," he said.

Dubai World's restructuring chief said last week that the firm can slightly increase the cash coupon offered to banks, depending on which option creditors choose.

Investors, worried about a lack of transparency, are fretting about a risk of more debt problems at Dubai-linked entities.

Speculation has centred on Dubai Holding -- owned by the emirate's ruler, Sheikh Mohammed bin Rashid al-Maktoum -- which has about \$10 billion in outstanding debt.

When asked about Dubai Holding potentially restructuring its debt Suweidi echoed his previous comments saying: "The worst is behind us." He did not elaborate.

CREDIT GROWTH

Suweidi also indicated he was not worried about slow credit growth in the OPEC member country.

"Our opinion is that, under the circumstances, it (credit) is growing at a reasonable rate," Suweidi said.

Bank credit in the UAE grew 2.4 percent year-on-year in April, edging down marginally from March, while provisioning levels for non-performing loans rose to their highest level since at least December 2008.

Suweidi did not comment on 2010 growth prospects for the UAE, the second largest Arab economy after Saudi Arabia. Analysts polled by Reuters saw the UAE growing by 2.5 percent this year after an estimated contraction of 1.4 percent in 2009 .

Suweidi also said rejoining a planned Gulf Arab monetary union was off the table at the moment.

"This is an issue which is beyond discussion in the UAE," he said.

The UAE pulled out of the project last year after losing its bid to host the joint central bank to Saudi Arabia, three years after Oman did the same.

The project, designed to emulate the euro zone, has been delayed by political disagreements in the region dominated by the Saudi kingdom, the world's largest oil exporter. Remaining states pursuing the union include Kuwait, Qatar and Bahrain.

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Gulf States back Efforts to Stabilize Euro, Merkel

Tuesday, May 25, 2010

ABU DHABI: The Gulf Arab states support European efforts to stabilize the euro, German Chancellor Angela Merkel said on Tuesday.

"There's interest in having a strong Europe, but it's clear we need to work on our competitiveness. And this is exactly the German position too," Merkel said in Abu Dhabi after meeting leaders of the United Arab Emirates on a visit to the Gulf.

Asked whether the European single currency could remain a model for efforts among Gulf nations to create their own joint currency, Merkel said: "Yes, of course," adding that the subject had played a prominent part in her talks. In recent weeks, the euro has been hit by investor concerns about debt in a number of euro zone states.

"It's understood here very well that a region like the European Union, which shares a currency, also needs to try to create a shared basis for economic performance," she said.

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<http://www.aawsat.com/english/news.asp?section=6&id=21071>

Egypt Competes for Investor Money amid Global Crisis

Tuesday, May 25, 2010

NEW YORK: Egypt is competing for foreign investors' stock listings at a time when risk tolerance is thin and turmoil in the global economy has reduced confidence that there will be a swift recovery.

Despite investors' aversion to risk, Egypt's stock exchange plans to launch a new derivatives product during the second half of next year. Recently, the exchange launched Egyptian depositary receipts, or EDRs.

"The Egyptian depositary receipts product allows foreign companies to list in our exchange, exactly like ADRs in the New York Stock Exchange," Maged Shawki told Reuters on the sidelines of investment bank Beltone Financial sponsored conference on the Middle East.

Egypt, an emerging market country, with a growth rate close to 5 percent even at a time of global economic downturn, "has the second best stock market performance in the emerging world, according to MSCI," Shawki told investors in New York.

Egypt is likely to attract \$7.5 billion in foreign direct investment in the fiscal year 2009/2010 and could reach \$10 billion in 2010/11, according to government data.

Egypt's stock exchange, with a market capitalization of \$90 billion, has 213 companies trading a daily volume of 150 billion shares.

LIQUIDITY BOOST

The first company to list its shares as EDRs on the Egyptian exchange was Swiss-based Orascom Development Holding (ODHN.S).

Its chief executive, Egyptian Samih Sawiris, told Reuters that by issuing EDRs traded in Egyptian pounds, it creates more liquidity for the company's shares, of which he owns 61 percent.

The firm would enjoy more liquidity because only 12 percent of Orascom total shares free float, as most shareholders, including hedge funds, "hold the stock for years, and buy when the price falls," Sawiris said. "They don't sell."

The stock exchange hopes to attract companies from the Gulf Cooperation Council, or the GCC. Egypt's stock exchange is in discussion with two regional firms, but its CEO would not specify details.

"It's a new product and we started this product in the peak of the crisis," Shawki said.

Sawiris, a billionaire investor who is also Orascom's chairman, said the economic downturn had a positive side because it cleared speculators from the market.

Orascom has projects in major resort towns in Romania, Montenegro, the United Kingdom, Switzerland, Oman, the United Arab Emirates, Jordan, Morocco and Egypt.

"It is a simple formula. The land is for free and we pre-sell all of our real estate before we begin to construct. The carry cost of that is nothing," Sawiris told Reuters on the sidelines of the conference.

The firm has four existing projects, El Gouna being the flagship project, a full-fledged town on the Egyptian Red Sea coast that houses 25,000 people on a permanent basis.

"Governments don't risk anything and the upside is huge," Sawiris said "Give me a piece of desert and I will give you tourism."

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<http://www.aawsat.com/english/news.asp?section=6&id=21072>

OECD upbeat on world economy

Wednesday, May 26, 2010

The world is recovering robustly from the global downturn but eurozone debt and a risk of overheating in emerging economies are still possible dangers, the Organisation for Economic Co-operation and Development (OECD) has said.

The Organization six-month review upgraded the global economic growth forecast for this year to 4.6 per cent after shrinkage of 0.9 per cent in 2009.

Wednesday's report said the recovery was being driven most notably by emerging economies in Asia but it warned that imbalances between regions, widely held to have been a root cause of the global crisis, are rising again.

It put growth in the United States this year at 3.2 per cent, compared to just 1.2 per cent for the eurozone.

'Different speeds'

The report said: "Growth is picking up in the OECD area, at different speeds across regions, and at a faster pace than expected in the previous economic outlook".

The Paris-based organisation forecast that Germany would achieve 1.9 per cent growth, a radical switch from a contraction of 4.9 per cent last year, and France was on track for two per cent growth.

The new British government had to focus on cutting a record public deficit, the OECD said, but predicted the UK was also set to grow 1.3 per cent this year and 2.5 per cent in 2011.

The organisation warned that the continuing debt crisis in Europe and overheating in emerging markets could still endanger the global recovery.

It said that governments in the OECD, made up of 31 countries, should take "urgent" action to curb spiraling government debt levels.

Angel Gurría, the OECD's secretary general, said that correction of public finances was vital.

"We have been accused of being a little schizophrenic," he said, referring to the need to maintain recovery while also cutting crisis stimulus and public deficits.

"We are trying to do both things at the same time."

Referring to the Euro zone debt problems, the report said that procedures need to be reinforced in order to prevent another crisis.

Outside of Europe, it said countries such as China and India may need "much stronger" monetary tightening to counter inflation.

Al Jazeera

Qatar Wealth Fund Keen to Buy U.S. Citi Shares

Wednesday, May 26, 2010

LONDON: Qatar Investment Authority, the country's sovereign wealth fund, is keen to buy part of the U.S. Treasury's stake in Citigroup Inc, the Financial Times reported in its Wednesday edition. Citing people familiar with the matter the paper said QIA was considering purchasing some of the U.S. Treasury's 27 percent stake in Citigroup, but warned any deal would be dependent on price and market conditions.

The U.S. treasury said in April it was launching its plan to sell of its 7.7 billion share stake in Citigroup. Morgan Stanley is advising the U.S. government on the sale of up to 1.5 billion common shares.

The FT said the sale of the first tranche of the stake should be finalized in the coming days, according to a person familiar with the matter. Citigroup declined to comment. QIA could not immediately be reached for comment.

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<http://www.aawsat.com/english/news.asp?section=6&id=21081>

Apple 'world's biggest tech firm'

Thursday, May 27, 2010

Apple Inc has become the world's biggest technology company by market value, overtaking rival Microsoft Corp on the back of the successes of the iPhone and Macbook laptops.

Shares in Apple rose as much as 2.8 per cent on New York's Nasdaq on Wednesday, briefly pushing its market value above \$222bn.

Microsoft's market value stood at \$219bn by the end of the day.

Apple's shares are worth more than 10 times their value a decade ago, and their new ranking is the latest of many milestones in the California-based company's recent history.

The firm has repeatedly released hit products since producing the first iPod in 2001, followed by the iPhone and iPad this year.

Consumer market

It is a huge resurgence for Apple, who almost went bust in the 1990s.

In 1997 it relied on a \$150m share investment from Microsoft to help keep it afloat.

Carsten Sorensen, a senior lecturer in information systems and innovation at the London School of Economics, told Al Jazeera: "At that time Apple was in terrible problems and Microsoft promised to develop Microsoft office further for the Apple platform and that made it much more credible. So that was some sort of bailout as Apple was in dire straits at that time.

"What Microsoft might end up regretting is not paying more attention to the consumer market. Apple for a long time seems to have pitched them against Sony more than against Microsoft. "So Microsoft has spent billion of dollars in the enterprise market. Whereas Apple has always almost single handedly aimed either at the high-end professional market of musicians and graphic artists or the ordinary consumer. And that seems to have paid off for them."

Market battle

Apple, which began its life making the Apple Macintosh computer, last had a higher market value than Microsoft in 1989, according to Thomson Reuters Datastream.

Microsoft's profits are down 20 per cent from 10 years ago, although its operating system is still used by 90 per cent of the world's personnel computers.

Microsoft remains ahead of Apple in sales, with a reported \$14.5bn in revenue in the latest quarter, compared to Apple's \$13.5bn.

Sorensen said: "If you ask some analysts they say Microsoft is on their way to a weaker position, but Michael Dell [the founder of Dell computer firm] wrote off Apple many years ago, saying shareholders should wind down the company.

"I think you should always be very careful in writing off these tech companies because nobody knows what is going to happen in the tech industry in the next ten years."

Al Jazeera

Emirates finance chief: Dubai can resolve new woes

Saturday, May 29, 2010

DUBAI, United Arab Emirates (AP) - The finance minister of the United Arab Emirates is predicting Dubai will ride out its latest debt troubles without a bailout or major restructuring.

Sultan bin Saeed al-Mansoori says he believes Dubai International Capital, or DIC, will not need federal aid.

Such aid was required after another Dubai investment engine, Dubai World, shook financial markets last year when it couldn't meet debt payments.

DIC said Thursday it is seeking a three-month extension on repaying some creditors. DIC is part of a holding company owned by Dubai's ruler.

Al-Mansoori said Saturday that the country expects 2.5 percent growth this year. That compares with 1.3 percent last year as the global economic crisis ended Dubai's boom years.

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<http://www.aawsat.com/english/news.asp?section=6&id=21117>
