

## **BUSINESS AND POLITICS IN THE MUSLIM WORLD**

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

**Period: October 10 -- October 16**

**Report # 4**

**Submitted By: Zain Arshad**

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## 1. GLOBAL FINANCE & GLOBAL ISLAMIC FINANCE

### **Mashreq Al Islami launches ATM Debit Card**

*Sunday, October 10, 2010*

Mashreq Al Islami, the Islamic banking division of Mashreq, announced the launch of 'Mashreq Al Islami Debit Card.' The card is set to provide secure access to over 3,900 ATMs in the UAE and over 1.76 million ATMs around the world (VISA/PLUS logo), and add an additional layer of convenience to Islamic banking customers. Available across all Mashreq branches, the debit card comes with an embedded microchip that prevents replica and safeguards against counterfeit, opening up a world of secure banking. The offering is set to be a welcome addition to Mashreq Al Islami's growing line of flexible banking services that enable customers to manage their finances securely.

Commenting on the launch, Douglas Beckett, Head of Retail Banking Group of Mashreq, stated, "Customers want to know that their cards are safe, secure and well protected. Consumer spending habits show that shopping is on the uptake, making it vital for cards to come with embedded security. In addition, debit cards are a safer alternative to carrying large amounts of cash when travelling. With the launch of Mashreq Al Islami Debit Card, customers can shop or make payments with the knowledge that they are protected. The strong combination of innovation and progressive Islamic Banking service products, we continuously look forward to offering convenient financial solutions based on customer requirements."

Mashreq Al Islami offers progressive Sharia'h Compliant banking solutions across Mashreq branches in the UAE. It focuses on offering a full suite of Sharia'h Compliant products and services, with a host of new products to be rolled out to both retail and corporate customers. Mashreq Al Islami will also provide Islamic Advisory Services, Structuring Finance Solutions, Sukuk Advisory, Islamic Investment Products and Islamic Treasury Products etc.

Moinuddin Malim, CEO of Mashreq Al Islami, included, "At Mashreq Al Islami, we strive to provide both our retail and corporate clientele with a full suite of Sharia'h Compliant products and services that meet the demands of their everyday lives. Mashreq Al Islami Debit Card is highly beneficial for retail customers and is truly representative of the nature of our business, which revolves around our customers."

The Mashreq Al Islami debit card provides convenient access to cash around the world, enabling customers to withdraw money from a multitude of ATMs both locally and globally. Customers can also make direct payments from their bank account at over 27,000 retail outlets in the UAE and over 26 million worldwide without the worry of bills, interest or annual fee.

Mashreq Al Islami is being led by a fully independent and experienced management

team. As the Islamic products and services will be marketed throughout all of the existing Mashreq outlets, existing Mashreq personnel are being trained and Sharia'h Certified. All staff operating in Mashreq branches will be qualified to advise on Sharia'h-compliant products and services.

<http://www.ameinfo.com/244552.html>

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### **Islamic lending has surprises in store**

***Sunday, October 10, 2010***

Customers who are eager to be Sharia compliant are flocking to Islamic banks. Yet as Islamic lending boasts that it charges no interest, crunching the numbers churns out something of a surprise. Some Islamic mortgages charge more than already high interest-based traditional mortgages. You could even argue that an Islamic mortgage is, in some cases, so expensive it is akin to usury. And the terms are often less favorable.

Take the current Murabahah rates in Syria and Lebanon. Murabahah is an Islamic equivalent to a mortgage or car loan. Instead of lending the customer money and charging interest, the bank purchases the asset and resells it for a profit to the customer. This profit is the murabaha rate. The going murabaha rate in Syria starts at 5.5 per cent annually, and can go higher than 7 per cent. When you convert these figures to an interest-based mortgage, you get 9.5 per cent and 11.7 per cent respectively. This means that the most competitive murabaha rate is equivalent to the average traditional mortgage rate of 9.5 per cent.

If you purchase a million-dollar home with an annual murabaha rate of 5.5 per cent with 20 per cent down payment and a 10-year term, you end up paying US\$440,000 (Dh1.6 million) in "profits" over the life of the murabaha to the bank. If you finance your home with a 9.5 per cent interest-based traditional mortgage with the same terms, you end up paying about \$442,000 in total interest to the bank. And the terms on Murabaha are often stricter than those that come with a traditional mortgage. Murabaha products are usually for 10 years, compared with the 20-year or more traditional mortgage. Murabaha also requires a higher down payment.

Unlike, say, in the UK, there are no regulatory laws in Syria that require Islamic banks to quote their product in a way that is equivalent to an interest-based traditional mortgage to allow comparison shopping. The only way the average customer can convert murabaha to interest-based is with the help of a financial calculator and a professional. Given this lack of transparency, are customers unknowingly paying a premium to be Sharia compliant?

"Yes, I think people are willing to pay a premium to be with an Islamic bank," says Mamoun Darkazally, the chief executive of Al Baraka Bank in Syria. "We have a very strong Sharia committee." His bank offers an annual murabaha rate of 5.5 per cent "plus or minus two or three points depending on the client". He says the bank has already financed 150 assets worth 170m Syrian pounds (Dh13.5m) since it opened for business in June.

The other two Islamic banks now operating in Syria also boast high demand for their murabaha products. According to their annual reports, Syria International Islamic Bank doubled its income of murabaha products last year compared with 2008, cashing in 1.4 billion Syrian pounds. Speaking on condition of anonymity, one banker at the Islamic Cham Bank said that in spite of its higher annual murabaha rate of 7 per cent, it has had "so much demand the treasury is now full to capacity with assets".

There is another edge to the high lending rates in Syria and Lebanon, which might also explain the increase in demand. Property prices have tripled and quadrupled over the past decade. Beirut has four out of the six most expensive retail locations in the Middle East and Africa, according to this year's report by Cushman & Wakefield, a global property firm based in New York. Damascus Cham Centre, a shopping complex, comes in at seventh place, making it more expensive than Dubai's Mall of the Emirates.

Some bankers are pleased with this, pricing their products on the speculative idea that property prices will continue to rise. Explaining why the traditional mortgage rates are so high, one banker says: "Well, real estate in Syria keeps going up. So even with a high interest rate, the appreciation will still be higher." Mr Darkazally echoes this sentiment. "Real estate prices in Syria will never go down," he says.

Like most Arab consumers, Syrians are averse to borrowing money, which perhaps spared the country repercussions from the global credit crunch. Before 2005, when private banks were first allowed to operate, it was not unusual for the merchants of Damascus to keep their money under their mattress, let alone march into a bank asking for a loan or a murabaha. And Syrians are not flush with cash. The average monthly salary is about \$150, and the most a highly skilled young professional can hope for is about \$1,000 a month. Wages have barely kept up with inflation, which was 8 per cent last year, according to official statistics.

But Syrians are house-rich. Up to 95 per cent of homeowners own their home free and clear, says Mr Darkazally, having paid for it in cash or inherited it from family. So far no one seems to be borrowing against their home equity, and banks do not yet offer this option. Customers taking out traditional mortgages and murabaha seem to fall into three categories: those who cannot afford to purchase a home in full with cash, businesses that expect enough cash flow to cover the high murabaha or interest payments, and speculators with multiple homes.

So does this constitute aggressive lending? And could the speculative behaviour by customers and bankers on a property boom that has not yet gone bust lead down the same road that brought the world to its knees in the recent credit crunch? "Not in our day," says Mr Darkazally

*<http://www.thenational.ae/business/banking/islamic-lending-has-surprises-in-store>*

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## **IFSB sets up International Islamic Liquidity Management Corporation**

*Sunday, October 10, 2010*

The Islamic Financial Services Board (IFSB) has facilitated the signing of the Memorandum of Participation for the establishment of the International Islamic Liquidity Management Corporation (IILM)

The primary objective of the IILM is to issue Shari'ah-compliant financial instruments in order to facilitate more efficient and effective liquidity management solutions for institutions offering Islamic financial services (IIFS), as well as to facilitate greater investment flows of Shari'ah-compliant instruments across borders.

This initiative is in line with the IFSB mandates to enhance and coordinate initiatives to develop instruments and procedures for the efficient operations and risk management; and encourage cooperation amongst member countries in developing the Islamic financial services industry.

Governors and representatives of a number of central banks and multilateral organizations that are members of the IFSB participated in the signing ceremony of the Memorandum of Participation. The ceremony was held on the side of the IMF-World Bank Annual Meetings in Washington DC.

The establishment of the IILM is a major breakthrough in the Islamic financial industry development as it will provide liquid short-term Shari'ah-compliant instruments that would promote further the competitiveness and resilience of IIFS globally.

The official establishment of the IILM is set to take place on 25 October 2010 in Kuala Lumpur, Malaysia, which has been selected to be the host country for the IILM.

<http://www.cpifinancial.net/v2/News.aspx?v=1&aid=6217&sec=Islamic%20Finance>

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## **Shariah-compliant microfinance making inroads in Kerala**

*Monday, October 11, 2010*

KOCHI: Shariah-complaint microfinance cooperatives are making inroads in rural Kerala much to the relief of the poor and needy and the most interesting feature of it is that the bad debt is almost nil, according to a paper presented at the International Conference on Islamic Finance: Products, Institutions and Regulators that concluded here recently.

According to Mohammed Palath, a researcher in economics at the Kannur University in northern Kerala who made a presentation on the role of these collectives called *nidhis* have proved the best tool for poverty alleviation and financial inclusion.

The author who conducted a sample survey among fifty beneficiaries from five interest-free *nidhis* practicing Islamic microfinance in the tiny southern Indian state concludes that they were contributing immensely for poverty eradication in the state and are deeply rooted in the villages.

Under Nidhis, a common fund is formed by collecting savings or through donations and it is utilized to give microloans to the poor and the needy. Most of these loans are for consumption purposes or for meeting emergencies like hospitalization. Some are registered as a cooperative society or charitable trusts though most of them are unregistered. Kerala has the highest number of interest-free funds which has now crossed 500 in number. These institutions lend money charging no interest, ranging from Rs 500 to Rs 25000, and without collateral securities. The borrowers pledge gold or personal securities undertaken by others.

There are local arrangements like paraspara sahaya nidhi (mutual help fund) or palisha rahitha nidhi (interest free fund) which are started and managed by different Muslim organizations, charitable trusts, Mahallu committees and social activists. They pool in a small amount of money or try to collect as donations and grants from others and form a formal body and extend term loans to the needy for three months to a year.

Presently, there are 360 such units registered with Interest Free Establishments Coordination Committee (INFEC), recently formed to coordinate and guide them. Loans are used for small trades, renovation of houses, farming, self-employment, medical treatment and buying consumer durables.

The self-employment projects include vegetable cultivation, manufacturing of fast moving consumer goods like notebooks, umbrellas, schoolbags, school uniforms and textiles. Short-run loans are provided to individuals for various purposes on personal or mutual guarantee. The INFEC gives directions for allowing loans, gives training to the local functionaries and ways to improve service and effectively manage funds. The loan amount could be as small as Rs 1000. Few of them lend Rs 10,000 to 25,000 a person. The small amounts are need for treatment, education, festivals and for bridging purposes. Most of the loans are for creating self employment like purchasing bicycles for fish trading, cargo handling vehicle for daily wage workers (koolis), setting up small shops, purchasing auto rickshaws and repairing of houses. In 2001, the then Kerala chief minister AK Antony, presently India's defense minister, inaugurated Alternative Investments and Credits Limited (AICL), the first such firm to be registered as a non banking finance company under the Reserve Bank of India, the country's central bank.

The company is working since 2003 exposing its funds to trading, manufacturing, real estate, rental buildings, educational institutions, exports and imports, fishing, healthcare, livestock and media besides extending micro-credits in the range between Rs 25,000 to Rs 100,000. It has also since been paying consistent dividends to investors.

The cases of defaults are very rare. Only one institution recorded such instances and it is very low percentage of total transaction. If the borrowers are not able to repay in time, the period is extended. Most of the borrowers are in the age group of 30 to 50. People get access to credit irrespective of caste and religion.

*<http://arabnews.com/economy/islamicfinance/article158487.ece>*

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## **Saudi Arabia, Malaysia discuss Islamic finance**

*Monday, October 11, 2010*

A Malaysia International Finance Centre (MIFC) delegation, headed by Raja Nazrin Shah, crown prince of Perak, visited Saudi Arabia recently to promote Islamic finance relations. The 33-member delegation included representatives of 17 Islamic banks and 12 Islamic fund management companies and some asset management firms, aside from Takaful operators, and legal and other professional services firms.

It included Tan Sri Zarinah Binti, chairman, Securities Commission, Malaysia; Mohammed Razif Abd Kadir, deputy governor of Bank Negara Malaysia; Danial Mah Bin Abdullah, deputy director general, Labuan Financial Services Authority; Khazanah Nasional and representatives of Bursa Malaysia, Affin Islamic Bank, Maybank Islamic, AmIslamic Bank, Muamalat Malaysia, CIMB Islamic Bank and Al-Rajhi Baking & Investment Corporation (Malaysia). Also in the entourage were Raja Eleena Binti Raja Azlan Shah and her husband Farouk Abdullah.

Malaysian Consul General Hidayat Abdul Hamid said the delegation was in the Kingdom to introduce the MIFC to this part of the world and study the opportunities available specifically in the financial and investment sectors. "They would like to invite their Saudi counterparts to Malaysia for further interaction," he added.

Osama Fadaak of Attam Est. Commercial Services hosted a reception in honors of the crown prince and his entourage at his residence, which was attended by prominent Saudi businessmen and investors. Raja Nazrin, who is also the financial ambassador of MIFC, which is an initiative to position Malaysia as a hub for Islamic finance, and his delegation discussed bilateral issues and investment opportunities in both countries. The delegation also held discussions with high-ranking ministerial and financial agency officials in Riyadh. The research interests of the Perak crown prince, who has a rich academic and intellectual background including a PhD in political economy and government from Harvard University, are in the area of economic and political development in Southeast and Northeast Asia, historical national income accounting and economic growth in developing countries. He has also written articles and spoken on a wide range of issues including the role of the constitutional monarchy in Malaysia, education, Islam, ethnic relations and economic development.

The discussions centered on promoting business and investment opportunities in Islamic finance in Malaysia, which is globally acknowledged for its highly-developed and diversified Islamic banking and financial market. Delegation leader Yusry Yusoff, manager, MIFC Promotions Unit at Bank Negara Malaysia (central bank of Malaysia), explained that the delegation was seeking to establish relationship with the key institutional investors in Saudi Arabia for potential investment opportunities including sukuk mandate, asset management, as well as interest to set up Islamic banking and Takaful business in Malaysia."



He said the MIFC was launched in August 2006 to position Malaysia in the forefront of Islamic finance. He added that the centre aims to strengthen the international linkages and capitalize the rapid development of the global Islamic finance industry. He explained that MIFC is a collaborative effort by Malaysia's financial and market regulators including Bank Negara Malaysia, Securities Commission Malaysia, Labuan Offshore Financial Services Authority and Bursa Malaysia (Malaysia stock exchange) together with industry participation from the banking, Takaful and capital market sectors in Malaysia.

One of the mandates of the Centre is to strengthen the international linkages in the global Islamic financial system with leading financial centers in the Gulf, especially Saudi Arabia. The discussions were envisaged to pave the way for cross border collaboration between MIFC and stakeholders in Saudi Arabia. The visiting Malaysian officials said Islamic finance is becoming main stream and offers a viable solution to the global financial system. There has been emerging interest from key financial centers in London, Hong Kong and France. The delegation also highlighted the International Centre for Education in Islamic Finance, a university established by the Central Bank of Malaysia for focusing on development of talents for Islamic finance.

With the sukuk market acquiring going global dimensions market education and knowledge, especially of Islamic Capital Markets (ICM), becomes a necessity. This is met by the Islamic Markets Programmed (IMP), which is held annually by the Securities Industry Development Corporation (SIDC), the training and development arm of the Securities Commission Malaysia (SC).

It aims at helping participants to analyse the philosophy and fundamentals of ICM and to distinguish between its various products; to evaluate Islamic equity, sukuk and derivatives as alternatives means of financing and investment to conventional products; and to assess the significance and essentials of corporate governance, risk management and sound regulation in promoting Islamic markets. So far, 175 participants from 27 countries all over the world, including Qatar, have participated in the programmed.

[http://www.khaleejtimes.com/DisplayArticle.asp?xfile=data/business/2010/October/business\\_October164.xml&section=business&col](http://www.khaleejtimes.com/DisplayArticle.asp?xfile=data/business/2010/October/business_October164.xml&section=business&col)

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## **REIT Eyes Shariah-Compliant Listing in Singapore**

*Tuesday, October 12, 2010*

Sabana Shari'ah Compliant Industrial Real Estate Investment Trust, or Sabana REIT, is planning to raise about 600 million Singapore dollars (US\$459 million) in an initial public offering, a person familiar with the situation said Tuesday.

If successful, this would be the first Shariah-compliant listing in Singapore.

The company is planning to list by the end of 2010 on the Singapore Exchange, the person said. Once floated, Sabana REIT is expected to be the largest certified Shariah-compliant REIT in the world, the person added.

Singapore has been pushing the development of Islamic finance in the city-state, encouraging companies to offer a range of Shariah-compliant products such as bonds and other investments, including REITs. Shariah REITs only differ from conventional REITs in the type of assets held by the trust.

The person said that Sabana REIT's initial portfolio will comprise properties in Singapore that have no connection to activities such as gambling or to products such as alcohol or pork.

Sabana REIT is planning to acquire a portfolio of properties valued at about 850 million Singapore dollars (US\$650 million) and the company received a conditional eligibility-to-list letter from the SGX on Friday, the person said. Office buildings with warehouses, logistics warehouses and chemical warehouses may form part of its holdings.

HSBC, United Overseas Bank and Daiwa Capital Markets are advising Sabana on the deal, while HSBC is also the sole financial adviser.

Monday, Singapore's logistics business Freight Links Express Holdings Ltd. said it plans a S\$192.95 million sale and lease-back of five properties to its unit Sabana Investment Partners, which own Sabana REIT.

Freight Links, through its 51% shareholding equity interest in Sabana Investment Partners, said it will participate in Sabana REIT's IPO.

<http://online.wsj.com/article/SB10001424052748703440004575547590550012272.html?>

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## **Islamic Banks Need To Reinforce the Values of Ethical Banking for Profitability**

*Tuesday, October 12, 2010*

The global Islamic banking industry has been forecast to touch US\$ 2 trillion in the next five to seven years from the current US\$ 1 trillion. This growth can be achieved with a strong focus on ethical banking values, where Islamic banks can lead the way. These statements were echoed by industry experts at the International Islamic Finance Forum Abu Dhabi.

As the region's Islamic banks increasingly demonstrate a renewed emphasis on the basic principle of good relations with clients driven by friendly and efficient customer service, this 'ethics and values' themed-industry gathering is a timely opportunity for top tier Islamic financiers to get together to debate a range of critical industry issues.

"The banking industry as a whole needs to revisit and restore the balance. Islamic banks using the foundation of Islam, should lead the way for an ethical banking structure. This will pave way for a profitable future and be an example to conventional banking industry," said Afaq Khan, Chief Executive Officer, Standard Chartered SAADIQ.

Top regional Islamic bankers met in Abu Dhabi today for the start of the International

Islamic Finance Forum Abu Dhabi. The first day witnessed key industry speakers which include Khalid Howladar, Senior Credit Officer for Asset Backed and Sukuk Finance, Moody's Middle East, Samad Sirohey, CEO, Citi Islamic and Simon Eedle, Head of Islamic Banking, Credit Agricole CIB.

The two-day gathering is sponsored by Abu Dhabi Islamic Bank, as the headline sponsor, as well as ITS, Thomson Reuters, Path Solutions and JAJ Consultants. The International Islamic Finance Forum Abu Dhabi features a host of interactive round table discussions as well as the release of an exclusive regional YouGov survey on October 12th, 2010 on 'Consumer Banking Preferences and the Implications for Islamic Retail Banks'.

<http://www.abudhabicityguide.com/news/news-details.asp?newsid=5709&newstype=Local%20News>

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### **Gift to fund new position in Islamic humanities**

*Wednesday, October 13, 2010*

The Corporation formally accepted a \$2 million donation at its October meeting from Prince Karim Aga Khan IV P'95 to fund a visiting professor of Islamic humanities. The Aga Khan, spiritual leader of the Shia Ismaili branch of Islam, has a "long-standing connection" to Brown, said Vice President for International Affairs Matthew Gutmann. His son, Prince Rahim Aga Khan, graduated from the University in 1995. Karim Aga Khan received an honorary degree from Brown in 1996, according to a May 1996 University press release.

The Aga Khan gave the gift in honor of former University president Vartan Gregorian. "Having the Aga Khan Visiting Professor of Islamic Humanities means that we can have a really prominent figure and expert in these areas at a time when the more knowledge about the Muslim world and Islam, the better," Gutmann said.

Gutmann said the University hopes to have someone in the post for one or both semesters of next school year. The position is intended to continue for many years into the future, he said, adding that the position will allow the University to bring in experts from a wide range of disciplines, including religion, history, anthropology and comparative literature. The visiting professor will come from any of the various disciplines depending on who is thought to be the best for the job in a given year, and will be affiliated with the Cogut Center for Humanities, Gutmann said.

Associate Professor of History Vazira Zamindar is heading the search committee to find the first Aga Khan Visiting Professor of Islamic Humanities. She said the search committee includes two other faculty members, Assistant Professor of Anthropology Sherine Hamdy and Associate Professor of Political Science and Director of Middle East Studies Melani Cammett.

"Together we have generated a list of names of people who work in this field or might have an interest in this position," Zamindar said about the search process thus far. She said she plans to "reach out to them and, through them, get the word out about the new position."

<http://www.browndailyherald.com/gift-to-fund-new-position-in-islamic-humanities-1.2363534>

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## **Islamic finance faces political hurdles in US**

*Wednesday, October 13, 2010*

DUBAI - From Australia to Britain and even France, which recently banned the face-veil, Western economies are adjusting their laws to encourage growth in the Islamic finance sector they hope will attract wealthy Gulf investors.

Enthusiasm in the United States has been tempered by politics, however, which could slow the growth of Islamic finance and push business from the oil exporting Gulf elsewhere.

Islamic finance has faced scrutiny in the United States, with critics suggesting the \$1 trillion industry was a front to funnel funds to terrorists or a plot by Muslims to spread a system of Islamic principles known as Sharia, which includes a ban on interest.

The Center for Security Policy, a US think tank, last month issued a report titled "Sharia: The Threat to America", which said that practices promoting Sharia were "incompatible with the constitution" and should be "proscribed." The report was presented on Capitol Hill and endorsed by some Republicans.

Former Speaker of the House of Representatives Newt Gingrich has also been busy on the speaking circuit, calling for a federal law to ensure Sharia, and Sharia-compliant finance by extension, is not recognized by any US court.

"If there's a choice, and the return and risk analysis is comparable but one place is opening their arms to Muslims while politicians in another country are making them feel unwelcome, of course Muslims will go to the jurisdiction that is more welcoming," said Jawad Ali, managing partner and deputy global head of Islamic finance at King & Spalding.

### *Favorable investment destination*

Traditionally, the United States has been a favorable investment destination for Middle Eastern investors and Ali says there is still much to recommend it.

For one thing, the current US tax regime is conducive to the growth of sharia-compliant structured finance. And most Gulf Arab currencies are tied to the dollar, in which their oil exports are priced, which eliminates the significant currency risk involved in doing business across continents.

But the growing political rhetoric in the United States could persuade some investors to delay their decisions.

“Investors aren’t running away from the United States just yet but I have seen a number of potential investors from the region reconsider sharia-compliant investments they were about to make because they’re wary of the climate,” one Gulf-based Islamic banker said. Another Islamic banker said discussions with a US-based firm to raise financing through an Islamic bond, or sukuk, fell through earlier this year after the client feared controversy. The firm is considering a conventional bond instead.

Britain had its first Islamic bond launch in August, when International Innovative Technologies raised financing through a \$10 million sukuk deal. But the size of that bond still pales in comparison to General Electric’s \$500 million Islamic bond last year — the first sukuk ever from a major US company.

In reality, any negative rhetoric surrounding Islamic finance is unlikely to harm the Middle East economically.

US firms have been actively investing in the Middle East this year and when deals require Islamic financing, US corporations have been happy to comply.

With US and European recovery prospects uncertain, Western companies and funds are still looking to the higher returns on offer in growing emerging markets, and that includes the Gulf.

### *Politicization*

What the negative sentiment has done is dampen some of the momentum for the growth of Islamic finance services in the United States, which is home to between 5 and 7 million Muslims.

According to a Pew Research study, 41 percent of American Muslims make over \$50,000 a year. There are about 20 financial institutions that offer Islamic products, such as mortgages and private equity investments, but no fully Islamic banks.

Observant British Muslims, by comparison, are served by the Islamic Bank of Britain.

“There’s a lot of people that don’t know anything about Islam and Muslim countries have done very little to educate the American people,” James Abourezk, a former Senator and the first Arab-American to serve in the US Senate, said.

To that end, the US Federal Reserve has launched an Islamic finance study group and is seeking consultants within the Islamic finance industry.

The US Treasury has launched the Islamic Finance 101 programme to teach government agencies about sharia-compliant business. The programme is run with Harvard’s Islamic Finance Project, which was created in 1995 to study Islamic finance from a legal perspective and foster collaboration among scholars inside and outside the Muslim world. But these initiatives have also been politicized.

## **Shariah U.S. Loans Left to Guidance, Lariba: Islamic Finance**

*Thursday, October 14, 2010*

American Finance House Lariba and Guidance Residential LLC have become the biggest providers of Islamic financial services to the 7 million Muslims in the U.S., a market Citigroup Inc. and HSBC Holdings Plc aren't developing.

Home loans that comply with the religion's ban on interest rose to about \$2.5 billion last year, from \$2 billion in 2006, Yahia Abdul-Rahman, founder of Lariba in Pasadena, California, said in an interview this month. Reston, Virginia-based Guidance had provided more than \$2 billion as of October, according to an e-mail from the company on Oct. 6.

While Islamic mortgages are dwarfed by the total home-loan market, Shariah-compliant services are among the fastest-growing in the global banking industry, the Islamic Financial Services Board, a standard-setting body, said in an April report. HSBC, based in London, said it would focus on the Middle East, Asia and the U.K., where the industry is expanding. New York-based Citigroup is seeking to arrange more sukuk issuance for U.S. companies, according to James Griffiths, a bank spokesman.

"Many of the mega banks are retreating away from community-based financing," said Abdul-Rahman, whose company has \$300 million in assets. The biggest lenders in the U.S. are turning more to "large" corporate deals, he said.

Islamic home loans may increase to \$5 billion by the end of 2010, Abdul-Rahman forecast. Non-Muslims will also be attracted to this type of financing because the investment risk is shared by the banks and borrowers, he said. Lariba and Lariba Bank of Whittier N.A., owned by the same shareholders, lent \$135 million last year, almost double the amount in 2007, he added.

### *'Sustain Growth'*

Guidance Residential saw Islamic mortgages rise 10 percent in August and September, compared with the same period last year, Hussam Qutub, vice president of corporate communications, said in an e-mailed response to questions.

"Guidance has been able to sustain its growth over the last several years and has now set the bar higher for the Islamic home-finance industry," according to a press release on Oct. 4.

HSBC Amanah, the Shariah unit of Europe's largest bank, started Islamic banking in the U.K. in 1998. HSBC is the second-biggest global arranger for sukuk sales this year, while Citigroup, the third-largest U.S. lender, ranks 13th among issuers tracked by Bloomberg.

### *HSBC, Citigroup*

“Islamic finance continues to be a consumer-led industry and is firmly rooted in the emerging markets of the Middle East and Asia,” Razi Fakih, deputy chief executive officer of HSBC Amanah, said in an e-mailed response to questions on Sept. 29.

Griffiths, the Hong Kong-based spokesman for Citigroup in the Asia Pacific, said the bank is “speaking to many U.S. issuers about the attractions of the sukuk market” after arranging a \$500 million Islamic bond for Fairfield, Connecticut-based General Electric Capital Corp. last year.

“The bank expects more U.S. issuers to tap the market in the coming months,” Griffiths said in an e-mail Sept. 30.

Global sales of sukuk, which pay asset returns to comply with the religion’s ban on interest, fell 22 percent to \$11.8 billion this year from the same period in 2009, according to data compiled by Bloomberg. Issuance totaled \$20.2 billion in 2009, up from \$14.1 billion in 2008.

### *GE Capital*

The yield on GE Capital’s 3.875 percent sukuk due in November 2014 rose one basis point to 3.32 percent yesterday, according to data compiled by Bloomberg. The difference in yield with similar-maturity U.S. Treasuries widened to 246 basis points from 175 at the time of issue in November last year.

Shariah-compliant debt returned 12.3 percent so far this year, according to the HSBC/NASDAQ Dubai US Dollar Index, while bonds in developing markets gained 17 percent, JPMorgan Chase & Co.’s EMBI Global Diversified Index shows.

The difference between the average yield for emerging- market sukuk and the London interbank offered rate has narrowed 17 basis points this month to 355, according to the HSBC/NASDAQ Dubai US Dollar Sukuk Index. The spread shrank 112 basis points this year.

The yield on Malaysia’s 3.928 percent note due in June 2015 has dropped 20 basis points to 2.51 percent since the end of September, according to Bloomberg data. Its yield gap with the Dubai Department of Finance’s 6.396 percent sukuk due in November 2014 narrowed 22 basis points this month to 350.

### *U.S. Muslims*

Muslims in the U.S. “enjoy incomes and educational levels that are higher than the American average,” President Barack Obama, who estimated the Muslim population at “nearly” seven million, said during a speech in Cairo last year. Households earned \$52,029 annually in 2008, according to the U.S. Census Bureau, while the Central Intelligence Agency forecast in a 2007 report that Muslims accounted for less than one percent of the 307 million populations.

Lariba helped the Federal National Mortgage Association, known as Fannie Mae, issue \$2.3 million of sukuk in 2003, in what Abdul-Rahman said was the first Islamic bond in the U.S.

To comply with the religion's ban on interest, banks typically buy property on behalf of the borrower in Shariah-compliant home financing and resell it back at a profit, with repayments made in installments. The Federal Reserve said total mortgage lending stood at \$14 trillion in the second quarter.

The Islamic finance industry has been growing 20 percent annually since 2000, led by the Middle East and Southeast Asia, according to the IFSB report issued in April. Malaysia's \$93 billion of Shariah-compliant assets account for 19.6 percent of the total industry, according to Bank Negara Malaysia's website.

### *Debt Burden*

The only institutions in the U.S. offering retail Islamic banking services are Lariba, Guidance Residential, a unit of Guidance Financial Group LLC, Devon Bank in Chicago, and Michigan-based University Bank, said Abdul-Rahman, who visited Kuala Lumpur in September as a member of a seven-jury panel for the Royal Award for Islamic Finance.

Islamic banks need to appreciate the "sensitivity" of the U.S. market, said Abdul-Rahman. "The U.S. is a very difficult market as there is a separation of church and state and to claim that you are Islamic you are working yourself up for potential issues. We need to make it global to all people," he said.

Abdul-Rahman founded Lariba in 1987 to attract American Muslims who had shunned conventional banking for religious reasons. Lariba started promoting itself as an interest-free financing company as opposed to an Islamic bank in 2001 to promote the business beyond the Muslim community, he said. Currently 90 percent of its customers are non-Muslims.

Islamic banks will attract customers in the U.S. because they offer "a new style of life that is free of a heavy debt burden," said Abdul-Rahman.

<http://www.businessweek.com/news/2010-10-14/shariah-u-s-loans-left-to-guidance-lariba-islamic-finance.htm>

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### **UAE to Work on Mortgage Laws**

*Thursday, October 14, 2010*

The UAE is working on a mortgage law which will make it easier for people to buy residential units, UAE Central Bank Governor said.

Without announcing further details, Sultan bin Nasser Al Suwaidi said: "We are now working on new mortgage loan regulations that will make it easier for individuals to purchase units." He also said the UAE also plans to implement new banking sector rules that will regulate credit extended to consumers. He said the UAE real estate market is not well organized and not one unit, they are different units.



"We are going to come up with new regulations to regulate credit extension, for example, for mortgage loans. You will see new regulations coming which will make it easy for individuals to have a sound financial position," Al Suwaidi said. Speaking at the seminar, the Central Bank governor said the government has also set up a committee to look into the Amlak issue.

The UAE government said in late 2008 that it would merge Amlak Finance and Tamweel and has been working on a plan to restructure them. Shares in the two firms have not traded since. But last month, Dubai Islamic took majority stake in Tamweel leaving Amlak's fate hanging in balance.

The three Islamic banks - Emirates Islamic Bank, Dubai Bank and Noor Islamic Bank - are considering merger and then the merged entity will take over Amlak.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1148](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1148)

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### **Tunisia Launches \$3 Billion Islamic Finance Centre**

*Friday, October 15, 2010*

The Bahrain-based Islamic investment banking major, Gulf Finance House (GFH), and the Tunisian government have announced the launch of a \$3 billion North Africa's first offshore financial center as part of Tunis Financial Harbour. The mixed use waterfront development will provide the physical infrastructure for the planned offshore financial center.

GFH in a statement said the landmark project Tunis Financial Harbor would offer a bridge between the \$15 billion EU trade bloc, Tunisia's own dynamic economy and rapidly developing North African and sub-Saharan economies.

The formal announcement was made by the GFH senior management and the governor of the Tunisian Central Bank on the sidelines of a reception for financial services institutions and policy specialists held in Washington, DC held during the International Monetary Fund's (IMF) annual meeting. Both parties' briefed attendees on the project as well as the development of Tunisia's financial services regulatory environment.

Tunis Financial Harbor will further develop Tunisia's vibrant economy, by offering world class commercial infrastructure and an array of modern waterfront living for financial services institutions seeking access to the opportunities Tunisia offers as a strategic gateway between Europe and Africa. The development is projected to have a permanent population of 110,000 residents across its 500 hectares and will create 16,000 jobs for them Tunisian economy.

"Tunis Financial Harbor will be North Africa's first off shore financial services centre," said Esam Janahi, executive chairman GFH.

“Tunisia’s strategic location means that it is the natural base for a financial services hub to cater for the growing demand for financial products and services created by the growth of not only the Tunisian economy but also African economies and international investment flows into the country. Tunis Financial Harbor will offer a world class centre for financial service institutions to base their operations whilst offering a range of modern, waterfront lifestyle options for employees and residents. Tunis Financial Harbor builds on our strategy of creating the economic infrastructure to support the development of economies and societies across the Middle East and we are proud to be partnering with the Tunisian government to support their national objectives,” he added.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1151](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1151)

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### **Investor interest in Sharia-linked products grows**

*Friday, October 15, 2010*

Investors are showing increasing interest in offering Sharia-compliant financial services in the Kenyan market. The two Islamic banks, First Community and Gulf African Bank, last week said they had acquired regulatory licenses to roll out takaful — Islamic insurance covers. Business Daily spoke to Dr Hassan Anandwa, a scholar at the Thika College for Sharia and Islamic Studies, on the new products.

*What is the main difference between conventional financial services and the Islamic versions?*

Conventional financial services involve earning or charging interest. The Islamic versions, however, prohibit interest earning which is called haram. Those that comply with the above condition are called halal.

*What products are halal among Islamic banks?*

Savings and current accounts are halal and so are commissions and fees charged on these and other services like money transfers.

Ordinary banks earn the bulk of their income from interest on loans. How do Islamic banks earn income from the loans they advance?

Instead of earning interest on loans, Islamic banks simply put a markup on the value of the loan a borrower is seeking. There are several ways of doing this. One, the bank and borrower enter into a joint investment funded largely by the bank.

The bank and the borrower share risk and profits from the investment and ownership tilts gradually to the borrower as the bank recovers the principal amount and the markup agreed between the parties from revenues collected.

Alternatively, the bank can buy property such as a car on behalf of a borrower and fully own the log book. The borrower buys the car in a series of installments or as a lump sum payment at an agreed price that gives a profit to the bank.

*Are Islamic banks more profitable than conventional banks?*

They tend to make more money and are generally more expensive than conventional banks. Because of this, some Muslims go to conventional banks. Islamic banks are, however, more flexible in terms of repayments even when there are delays.

Ordinary banks are guided by interest charged by the Central Bank and the capital markets. Are Islamic banks free from such market forces?

They are sensitive to interest rates charged by their peers. They watch the market and try to make their mark-ups competitive. Otherwise, they would lose clients to the interest-based banks.

The profit on loans is often decided on a case by case approach, offering more flexibility than using a simple interest guide. Sharia law does not put a cap on the profit a bank can make.

*Does this mean the Central Bank as a regulator will not interfere even when the mark-ups on loans are higher than the industry average?*

The regulator is not likely to interfere so long as the banks are financially stable and remain profitable.

Islamic banks have announced intentions to start offering halal insurance services. Is there significant demand for such covers?

Muslims have been slow to take up conventional insurance. There is demand for halal covers, where members contribute to a collective fund which covers them all against the stipulated risks.

Contributions differ according to each person's weighted risk. If there is a surplus at the end of the financial year after claims have been settled, the money is distributed to members as profit based on their ratio of contributions.

*Islamic financial services are new and there is no institution in Kenya dedicated to training personnel. Where are these institutions getting their personnel from?*

They take their staff to train in Europe and the Middle East where Islamic financial services have taken root. It is an expensive undertaking and there is a likelihood of increased staff poaching as more investors seek to roll out these new services.

How does the management of an Islamic bank differ from that of a conventional bank?

The management is the same, comprising of shareholders, board of directors and management. Islamic banks have an additional committee made up of Islamic scholars who advise the board on compliance to the Sharia code.

<http://www.businessdailyafrica.com/Investor%20interest%20in%20Sharia%20linked%20products%20grows/-/539444/1033080/-/bry7mn/-/>

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## **Banks must comply with Islamic banking principles**

*Friday, October 15, 2010*

A number of Kenyan banks recently introduced sharia friendly financial products, which target the Muslim population in the country.

Few know that in Kenya - unlike other markets - Sharia banking focuses on profit sharing with a customer, so if a loss should arise the customer bears all costs.

This is Haraam, or forbidden, according to the Sharia principles guiding financial transactions, because a bank must share portion of a loss for it to comply with the Sharia guideline.

In addition, in the Kenyan market, where commercial banks are highly regulated by the Central Bank of Kenya, additional financial services that Sharia banks can offer are not approved by the regulator.

Islamic banking refers to a system of banking or financial services that is consistent with the principles of the Sharia which prohibits payment or acceptance of interest (riba) on loans, bills, bonds and bank deposits or on any other transaction between a borrower and a lender.

Investing in businesses that provide interest earnings is considered to be Haraam, or forbidden in the Sharia context.

However businesses that provide return on investment such as provision of services, manufacturing, livestock trading, farming, professional services, foreign exchange, and information technology are considered to be clean businesses by the sharia as long as the seed capital was obtained from Halal sources, which are not associated with bank borrowings and the business activities are free from haraam activities.

Sharia banking has the same purpose as conventional banking except that it operates in accordance with the rules of the sharia known as Fiqh-almuamalat (the Islamic rules on transactions).

The basic principle of sharia banking is the sharing of profit/ loss and prohibition of riba.

In a sharia compliant mortgage transaction, instead of loaning the buyer to purchase the property, the bank purchases the property from the seller and resell it to the buyer at a profit while allowing the buyer to pay the bank in installments.

In addition, the banks profit cannot be made explicit and therefore there are no additional penalties for a late payment.

Unlike sharia banking in Kenya, in more advanced markets like the Middle East, the customer and the bank share profit and loss based on predetermined ratio agreed at the time of the agreement.

Banks conduct a thorough credit analysis of the customer and the viability of the intended use of an asset to minimise volatility of earnings the investor might get.

Interest on loans is strictly prohibited by the sharia. Should a loss arise on the normal trading, bank must share the losses and prevent hidden charges on the customer accounts something sharia banking in Kenya has not yet realised.

One hopes that commercial banks in Kenya that offer sharia banking will soon comply with the principles of islamic banking.

<http://www.businessdailyafrica.com/Opinion%20&%20Analysis/Banks%20must%20comply%20with%20Islamic%20banking%20principles/-/539548/1032996/-/g2qwc2z/-/>

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## **Malaysia's Islamic Banking Assets Climb to 20 Percent of Total**

*Friday, October 15, 2010*

Islamic banking in Malaysia, the world's biggest market for sukuk, rose 21 percent in the first seven months of 2010 from a year earlier, and accounted for 20 percent of the total, the government said in a report.

Assets that comply with the religion's ban on interest climbed to 337.6 billion ringgit (\$109 billion), according to the 2010-2011 Economic Report from the Ministry of Finance issued today. Shariah-compliant household loans increased 26 percent to 134.4 billion ringgit and made up 64 percent of total Islamic financing, it said.

"Malaysia remains at the forefront of Islamic finance, with average growth of 20 percent in the past five years" as the nation promotes itself as the global hub for products and services that adhere to Shariah law, the report said. "The Islamic capital market plays a significant role in providing an alternative source for capital fund raising."

The Southeast Asian nation, where about 60 percent of the 27 million populations are Muslim, lowered foreign-ownership limits in financial institutions in 2009 to attract more international investors. The central bank has issued Islamic licenses over the past year to global funds that include Aberdeen Asset Management Plc and Franklin Templeton Investments.

### *Islamic Insurance*

Sukuk issued in Malaysia total \$83.5 billion, accounting for 65 percent of the global amount outstanding, the ministry said. The \$1 trillion Islamic finance industry has expanded 20 percent annually since 2000 and is among the fastest-growing in the global banking industry, according to an April report from the Kuala Lumpur-based Islamic Financial Services Board.

Malaysia will intensify measures to make the capital market more efficient and competitive to support sukuk issuance, the ministry said, without providing details.

Islamic insurance, or takaful, which is based on the Koranic principle of mutual assistance whereby members are the insurers as well as the insured, rose to take a 9 percent share of the total industry as of July, from 8 percent at the end of last year, the ministry said.

Total Islamic insurance assets increased 20 percent to 13.9 billion ringgit at the end of July from a year earlier, it said.

“The government has implemented several initiatives to promote Islamic finance” including developing “innovative Islamic financial products,” according to the finance ministry. “The attractiveness of Islamic financial products stems from the fact that the instruments or certificates represent ownership of the underlying assets, benefits, services or investments.”

<http://www.businessweek.com/news/2010-10-15/malaysia-s-islamic-banking-assets-climb-to-20-percent-of-total.html>

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## 2. ISLAMIC BANKING & INSTITUTIONS

### **World Bank to Address Critical Middle East and North Africa Infrastructure Gap** *Sunday, October 10, 2010*

The World Bank Group, in cooperation with the Islamic Development Bank, is setting up a regional initiative that could raise up to \$1 billion to close the infrastructure gap in the Middle East and North Africa, which will undermine the region’s growth if not urgently addressed.

The Middle East and North Africa (MENA) region needs to invest between \$75 billion and \$100 billion a year to sustain the growth rates that have been achieved in recent years and to boost economic competitiveness. That said, private sector investment in infrastructure in MENA countries is limited, especially outside the Gulf countries despite huge unmet demand for infrastructure services.

Today’s announcement aims at addressing this shortfall and brings together the World Bank Group with the Islamic Development Bank as potential anchor investors in a regional investment vehicle to support both conventional and Shariah-compliant investment in infrastructure.

“This regional initiative will unlock new flows of private sector investment to help countries like Egypt, Morocco, Jordan or Tunisia eager to push ahead with critical infrastructure projects that will drive competitiveness and boost much needed job creation,” said Robert B. Zoellick, World Bank Group President.

He added that the proposed regional initiative would include technical assistance to help governments tackle legal, policy and institutional constraints to public-private-partnerships and develop cross-border infrastructure projects vital to regional integration and competitiveness.

“The Islamic Development Bank is excited to be part of this initiative as we know there is

a pipeline of viable infrastructure projects out there and unmet demand,” said Dr Ahmad Mohamed Ali, President of the institution headquartered in Jeddah. “The facility will have the flexibility to structure investments in accordance with Shariah principles which will attract untapped, alternative sources of financing.”

Both the Islamic Development Bank and the International Finance Corporation (IFC), the private sector arm of the World Bank Group, will work together to explore ways of providing project finance in both conventional and Shariah-compliant products, which would seek to attract private investors, especially from Gulf countries.

“Infrastructure is one of our most important priorities in the Middle East and North Africa,” said Lars Thunell, Executive Vice President and CEO of IFC. “Large investments in infrastructure are needed across the region. This facility will demonstrate the viability of infrastructure investments for both the private sector and governments, which in turn will help increase investments in this sector and improve services for a rapidly growing population.”

IFC's approach to infrastructure projects includes advising governments in structuring innovative public-private partnerships and financing precedent-setting transactions. In particular, IFC supports cross-border projects from Gulf countries into emerging markets that commercial banks would consider too risky without IFC's involvement. Over the past four years, IFC has invested more than \$1 billion in infrastructure projects in MENA.

“The World Bank, jointly with IFC, has been helping governments in the region to expand their capacity to develop Public Private Partnerships,” said Shamshad Akhtar, Vice President of the MNA Region of the World Bank. “With this facility we are ready to take this one step further and support cross- border infrastructure projects which will foster regional integration.”

World Bank lending to the MENA region for infrastructure, including electricity, transport and water, has exceeded \$1 billion a year and is expected to increase further in the years ahead to help close the infrastructure gap

*<http://www.english.globalarabnetwork.com/201010107579/Real-Estate/world-bank-to-address-critical-middle-east-and-north-africa-infrastructure-gap.html>*

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## **Islamic Banks Grasp 6.1 per cent Market Share**

*Monday, October 11, 2010*

Islamic banking institutions have improved their market share in the country's banking industry despite prevailing of a depressive economic situation.

The State Bank of Pakistan in its recent report noted that Islamic banking continued to flourish and increased its share in banking system to 6.1 per cent at the end of June 2010 from 5.1 per cent in June 2009.

The Islamic banking witnessed a double digit growth in assets during the second quarter (May-June) 2010 despite the fact that a couple of Islamic banks went through consolidation phase affecting the Islamic banking activities,” said the report.

Disaggregated analysis of the assets showed seven per cent growth in investments over the first quarter (January-March 2010). The growth mainly resulted from investments in energy sector Sukuks and in foreign Sukuks.

Other assets also underwent a significant increase of 39 per cent due to placement of some of the disbursements as advance against financing under this head due to accounting treatment. Once the products are materialised, these amounts will be moved to financing.

On liabilities side, deposits remained the key source of Islamic banking institutions (IBIs) funding which increased by 14.1 per cent (YoY growth 38.4 per cent).

Islamic banks dominated the rise in deposits increasing their share to around 70 per cent of the total deposits of Islamic banking, said the report. Financing saw a modest increase. The break-up of financing show that Murabaha, the major source of financing, increased by 19 per cent, while Musharaka financing doubled over the quarter. Salam and Istisna after seeing staggering growth in previous quarter, declined considerably during the 2nd quarter.

The segment-wise analysis indicates an overall decrease in corporate sector financing. However, increase in commodity financing under Murabaha mode for wheat procurement, lead to overall increase in financing.

The increase in auto loans (under Ijarah), coupled with marginal increase in other personal loans and a decrease in mortgage loans (under diminishing Musharaka) led to a marginal increase in consumer financing portfolio of Islamic banks. Strong growth in deposits with minor increase in financing led to further decline in financing to deposit ratio indicating improved liquidity profile of IBIs.

The financing risk remained subdued. NPFs (non-performing finances) actually declined by 10.9 per cent during the 2nd quarter. Improved recoveries with increase in value of equity securities held as collateral against the financing decreased the NPFs during the quarter.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1140](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1140)

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## **Standard Chartered Sees 2010 U.A.E. Murabahah Product**

*Monday, October 11, 2010*

The United Arab Emirates central bank will issue its first Murabahah-based Islamic certificate of deposit this year, providing banks with more investment options, said the chief executive officer of Standard Chartered Saadiq.

The debt market needs short-term notes to help “increase the liquidity pool” for Islamic banks, Afaq Khan said today at an Islamic banking conference in Abu Dhabi. Standard Chartered sits on the U.A.E. central bank’s Islamic liquidity management committee, he said.

Short-term liquidity management at Islamic banks and other financial institutions is a challenge, central bank Governor Sultan bin Nasser al-Suwaidi said at an Islamic banking conference in Singapore in June. Banks that adhere to Shariah principles “are facing a maturity mismatch,” said Ahmed Talhaoui, Abu Dhabi-based head of investment at Royal Capital, in an interview that month.

Malaysia, the world’s biggest market for Islamic bonds, Bahrain and Indonesia sell bills to help soak up cash in the financial system and set benchmarks for short-term bond sales. Global assets held by financial institutions that comply with Shariah law may climb to \$1.6 trillion in 2012 from about \$1 trillion, the Islamic Financial Services Board said in April.

A Murabahah transaction is a sale and deferred-payment agreement based on an asset in which the cost and profit margin are pre-agreed between a bank and its customer. Transactions in Islamic finance are based on the exchange of assets rather than interest to comply with Shariah principles.

*<http://www.businessweek.com/news/2010-10-11/standard-chartered-sees-2010-u-a-e-murabahah-product.html>*

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## **RHB Islamic introduces Commodity Murabahah**

*Wednesday, October 13, 2010*

RHB Islamic Bank recently garnered the Most Outstanding Islamic Consumer Financing Product at the KLIFF Islamic Finance Awards 2010, the bank now offers yet another innovative product with the newly launched Commodity Murabahah Deposit-i (CMD- i). Zulkhairi Zabiri, head of Islamic retail banking, said CMD-i is different from normal fixed deposit products as customers earn instant profit payment upon signing up.

"CMD-i is based on the concept of Murabahah Tawarruq, whereby the customer's deposit is invested in the buying and selling of commodities by the Bank," he said.

To coincide with the launch of the latest deposit product, the bank has also launched the Save and Snap Deposit Campaign that offers customers profit rates as high as 3.50 per

cent. The campaign that runs from now until the end of the year also sets to reward the 100th depositor of every week with a free Panasonic digital camera. There are 12 digital cameras to be won.

Zulhairi said customers can enjoy attractive profit rates with flexible tenures ranging from three months to 60 months. "Apart from knowing the profit rate at the time of deposit, customers can also opt to receive the payment on a quarterly, half-yearly or annual basis or upon maturity of the deposits," he said.

RHB Islamic Bank is located in Malaysia and adopts Shariah compliant standards to offer Islamic products and services to its clients. RHB Islamic serves clients with more than 180 RHB Banks and RHB Islamic branches throughout the nation. The customer-centric and committed brand of banking - be it for personal or business - assures a rewarding experience for all customers at RHB.

Both form and substance shape Islamic banking. RHB's substance is proven by their ability to serve the needs and aspirations of the clients, from all religions, as they blend their banking experience with Shariah expertise.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1146](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1146)

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### **Three Islamic banks consider merger with eye on Amlak**

*Wednesday, October 13, 2010*

Emirates Islamic Bank, Dubai Bank and Noor Islamic Bank may merge and then bail out Amlak: source

The option to merge three Islamic banks - Emirates Islamic Bank, Dubai Bank and Noor Islamic Bank - is being considered. (SUPPLIED)

The option to merge three Islamic banks - Emirates Islamic Bank, Dubai Bank and Noor Islamic Bank - is being considered, with the idea that the merged entity will then bail out Amlak Finance, a source told Emirates 24/7.

"As far as we understand, there is a proposal to merge the three Islamic banks, who will then bail out Amlak," the source said on condition of anonymity.

"The merger of the three entities will create an Islamic bank of substantial size, which can then bail out Amlak. Emaar is unlikely to put more money into Amlak," he added.

In early October, reported Dubai Bank and EIB were holding merger talks in order to create a large Shariah-compliant bank in the emirate.

The move is part of the new economic vision of the Government of Dubai to integrate small and medium-sized banks so that they are able to compete and keep pace with the new developments and challenges taking place in the industry, the source said.

EIB is 99.8 per cent controlled by Emirates NBD, while the government of Dubai holds about 29.8 per cent of Dubai Bank, which is controlled by the Dubai Banking Group, an

affiliate of Dubai Holding. Noor Islamic Bank is 25 per cent owned by Dubai Group, a subsidiary of Dubai Holding, and 25 per cent owned by the Investment Corporation of Dubai.

Last month, Dubai Islamic Bank said it had increased its shareholding in the UAE's other major mortgage lender Tamweel to 57.3 per cent.

Trading in the shares of Tamweel and Amlak have been suspended for sometime now, pending their restructuring.

*<http://www.emirates247.com/business/economy-finance/three-islamic-banks-consider-merger-with-eye-on-amlak-2010-10-13-1.303307>*

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### **Gatehouse Bank strengthens corporate growth strategy**

Gatehouse Bank plc (Gatehouse), a wholesale Shariah compliant investment bank in the City of London, introduced Mr Ibrahim Attia as the bank's Chief Placement Officer and Global Head of Business Development, to the media in Kuwait.

In an informal media briefing held at GSH headquarters, Gatehouse's sister company; Mr Attia talked to the media about Gatehouse's progressive track record of achievements and renewed corporate strategy.

A veteran banker, Mr Attia has over 30 years of experience in investment banking including several senior level roles at the Commercial Bank of Kuwait and NBK in London and Kuwait.

Mr. Attia is poised to bring the same level of commitment and success to the task at Gatehouse; stating, "Its position in London, world class products, expertise and promising pipeline of activity capture a broad international market from Europe to the Middle East and Asia. We will be focused on strengthening our presence across these markets and converting these business opportunities into solid results."

In the media briefing, Mr. Attia highlighted Gatehouse's recent track record of achievements. "As witnessed by the latest Oxford Brookes £29m acquisition, delivered to market in conjunction with GSH, we cater to an investor base that recognises strong sustainable returns, and the balance of risk and suitable rewards in investments that are delivered in a transparent and mature market in the UK," he commented.

Since founding, Gatehouse Bank has delivered high quality real estate assets, secured by long leases with reputable tenants, with an average cash yield return on investments of up to 10%. These include acquisitions in Procter & Gamble UK headquarters, Watkin Jones Student Accommodation, VA Oceanside Outpatient Clinic, British Telecommunication's Leeds Regional Headquarters building, and the Oxford Brookes Student

Accommodation.

Mr Attia said that the right mix of product, service excellence within London's location provides a strong foundation for growth. Another pillar of support is also provided with the unwavering support by the UK Government to help promote Gatehouse's business interests in the region. For example, in 2009 Gatehouse Bank was honoured to accompany the Lord Mayor of the City of London's special business delegation to the US, as the sole Islamic bank represented to promote UK Islamic finance to international audiences. In May 2010, HRH Prince Andrew, the Duke of York, on his much publicized visit to Kuwait, paid a special visit to the Gatehouse's Chairman's office and toured the GSH premises. HRH reiterated his esteemed support the advancement of Islamic finance in the UK and the close ties Gatehouse shares with Kuwait.

"With the infrastructure in place, we move into the next quarter on a positive note of growth and success, we are setting our sights on strengthening existing business lines and introducing new ones such as Asset Finance and Structured Trade finance," said Mr. Attia.

"At the heart of our message to our investors - as we move forward for positive change and growth, we want to stay committed to bringing the best opportunities to our investors and indeed to ensure that our product and expertise capability is matched to our investor requirements. From strengthening our business lines to finding new business solutions, our aim is to foster growth for the perpetuation of long term relationships with our investor clients," concluded Mr Attia.

<http://www.ameinfo.com/245089.html>

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### **Bahraini Saudi Bank Opens Two New Branches**

*Thursday, October 14, 2010*

Bahraini Saudi Bank, a subsidiary of Al Salam Bank - Bahrain today opened two new branches in two prominent locations in the Kingdom, the University of Bahrain and Mashtan road, Riffa. With this addition, the branch network serving Bahraini 7 Saudi and Al Salam customers has now increased to 10 across the Kingdom making it more convenient for our customers.

The two branches were officially inaugurated by the Executive Director, Banking Supervision of Central Bank of Bahrain Mr. Khalid Hamad, Al Salam Bank-Bahrain Vice Chairman Mr. Habib Ahmed Kassem and the President of the University of Bahrain, Dr. Ebrahim Janahi. Also attended the event Mr. Yousif Taqi, Director & CEO of Al Salam Bank - Bahrain, Dr. Anwar Al Sadah, the Chairman of Bahraini Saudi, and Mr. Hussain Sharaf, Director of Islamic Financial Institutions Supervision of Central Bank of Bahrain as well as i. number of Al Salam Bank Bahrain and Bahraini Saudi board members and many other senior officials and representatives from the Central Bank of Bahrain,

University of Bahrain, Bahraini Saudi and Al Salam Bank-Bahrain and the Banking Community.

Dr. Anwar Al Sadah, Chairman of Bahraini Saudi said "We are extremely pleased with our commercial banking strategic expansion program and delighted to have the opportunity to contribute to our national higher education institution by opening the first banking branch on the UOB campuses."

"The opening of these two branches in addition to Al Hamala branch opened in March this year has almost doubled our network, delivering on our promise we made earlier in the year to get closer to our customers to serve them better. The branch expansion combined with the launching of new and competitive products and services forms part of our strategy to expand our commercial banking business in the Kingdom" Dr. Al Sadah added.

Meanwhile, Dr. Al Sadah extended his appreciation to H. E. Mr. Rashid Al Maraj, Governor of Central Bank of Bahrain, Mr. Khalid Hamad and Mr. Hussain Sharaf for their valuable support to Bahraini Saudi Bank. Also he thanked Dr. Ebrahim Janahi, the President of the University of Bahrain for his unwavering support in facilitating the establishment of the branch at the University.

For his part, Dr. Ebrahim Janahi thanked Al Salam Bank-Bahrain and said that the opening of Bahraini Saudi's branch in the University forms a distinguished addition to the banking services which are particularly suitable to the students' and UOB staff needs. The branches will offer attractive and competitive Shari'a compliant banking products and services for both retail and business clients including the famous Dari property finance, Moteri vehicle finance, Jiwan credit card and Tayseer personal finance. A unique product "Falla" has been developed specially for the University students offering them no-cost \*9+savings account with many free services and preferential terms on motoring and computer purchase financing.

The Mashtan branch will service retail, private banking clients, small and medium enterprises and corporate customer's resident in Riffa and from the other nearby areas.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1147](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1147)

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### **Doha Bank teams up with Allianz Takaful**

*Thursday, October 14, 2010*

Doha Bank has joined hands with Allianz Takaful, a major player in the takaful insurance segment, to promote Islamic risk cover products in Qatar.

Doha Bank CEO R Seetharaman and Allianz Takaful chairman Abdul Rahman Tolefat entered into a bancassurance partnership agreement through which the bank will promote and sell family takaful products comprising

plans for protection, savings, investment and child education; developed and underwritten by Allianz Takaful.

The products, which are denominated in dollars and riyals, will be available to both conventional and Islamic banking customers.

"The new partnership with Allianz, one of the largest financial services groups in the world will be a key step in that initiative. We are looking forward to this mutually beneficial relationship," said Seetharaman.

Tolefat said Allianz was proud to be associated with one of the oldest and leading banks of the region to sell its insurance products.

On the distribution model, Doha Bank, head of retail banking, Louis Anthony Scotto said the products will be initially served through the bancassurance unit in retail banking and later it will be extended to all the conventional and Islamic branches.

[http://www.gulf-times.com/site/topics/article.asp?cu\\_no=2&item\\_no=391945&version=1&template\\_id=36&parent\\_id=16](http://www.gulf-times.com/site/topics/article.asp?cu_no=2&item_no=391945&version=1&template_id=36&parent_id=16)

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## **Bank Islam to Lower NPF Ratio to Industry Average by End of Next Year**

*Thursday, October 14, 2010*

KUALA LUMPUR, Oct 14 (Bernama) -- Bank Islam Malaysia Bhd aims to lower its non-performing financing (NPF) ratio to the industry average by the end of next year, said managing director Datuk Seri Zukri Samat.

The bank's NPF stood at 3.24 per cent as of June 30, 2010, relatively higher than the industry average of about 2.1 per cent.

"We will continue to monitor the quality of assets and ensure our underwriting standard is in line with the risk appetite," he told reporters at the Business Financing Clinic organised by the Malaysian Islamic Chamber of Commerce and Persatuan Pemaju Hartanah Bumiputera Selangor.

Bank Islam recorded a 34.3 per cent or RM 79.9 million higher profit before zakat and tax of RM313.0 million for the 12 months to June 2010, compared to a year ago.

"Based on September figures, we expect the good trend to continue for the remaining quarters," Zukri said.

He said the positive momentum will be driven by strong growth in consumer financing that contributed 90 per cent to the bank's net financing of RM11.3 billion as at June this year.

Bank Islam's current financial year consists of 18 months following the change of its financial year-end from June 30 to December 31, to be in line with that of its holding company, Lembaga Tabung Haji.

## **UAE Central Bank to Introduce a Pearl of Shariah Products**

*Thursday, October 14, 2010*

UAE Central Bank have planned to introduce Shariah compliant CDS which will only be available to fully Islamic banks and then extended to the Islamic banking units of other commercial banks.

“Test transactions could take place as early in November, Standard Chartered Saadiq Chief Executive Officer Afaq Khan said in Abu Dhabi on Monday.

The Shariah-compliant instrument, on the lines of Islamic Murabahah transaction will help soak up the excess liquidity in the Islamic money market, he told reporters on the sidelines of an International Islamic Finance Forum being held in the capital.

A banker welcoming the move told Khaleej Times that Islamic banks with this offering can invest their surplus liquidity in Shariah-compliant certificates of deposit which will also offer them financial gains.

Earlier, they could only buy the interest bearing certificates of deposit, which is against the principles of Islamic finance; he said. He said that Islamic banks in the country will be able to effectively manage their short term liquidity positions, which has been a challenge.

Malaysia, the world’s biggest market for Islamic bonds, Bahrain and Indonesia sell bills to help soak up cash in the financial system and set benchmarks for short-term bond sales. A Murabahah transaction is a sale and deferred-payment agreement based on an asset in which the cost and profit margin are pre-agreed between a bank and its customer. Transactions in Islamic finance are based on the exchange of assets rather than interest to comply with Shariah principles.

Islamic finance accounts for 16 per cent of the UAE’s banking assets, compared to just five per cent for Pakistan which already has a local currency Islamic treasury in place, said Khan. Standard Chartered Saadiq is one of the banks on a liquidity management committee set up by the central bank this year. The group is also looking at an Islamic repurchase facility.

The global Islamic banking industry has been forecast to touch US\$2 trillion in the next five to seven years from the current US\$1 trillion. This growth can be achieved with a strong focus on ethical banking values, where Islamic banks can lead the way. These statements were echoed by industry experts at the International Islamic Finance Forum Abu Dhabi

## **Yemen's SBYB live with iMAL Islamic core banking system**

*Friday, October 15, 2010*

Path Solutions, the world's number one provider of Islamic banking software solutions, today announced that Shamil Bank of Yemen and Bahrain ("SBYB"), the third largest Islamic bank in Yemen, with a fully paid capital of six billion Yemeni Riyals, has gone live with Path Solutions' iMAL Islamic core banking suite.

SBYB is focused on expanding the range of Islamic products available to retail and corporate customers and improving the level of customer experience. "We want to position ourselves as a leading provider of innovative products and customer-friendly Islamic banking services in Yemen", said Seed Bazara, General Manager of SBYB. "Deployment of effective technology is a key element in enabling SBYB to deliver first-class banking services to its privileged clientele. We have been working closely with Path Solutions' project team to ensure a smooth transition from our bank's systems to iMAL, which we believe will address the challenges of real-time availability, scalability, improved time to market and enhanced modern banking services to our customers", Bazara confirmed.

SBYB has officially gone live on Saturday the 2nd of October, after turning off its old systems. The decision was taken after 2 successful weeks of parallel run. The delivery channel implementation consisted of 10 branches, 5 decentralized using iMAL\*Safe and 5 others centralized connected directly to the HO.

"Path Solutions is proud to be the trusted strategic IT partner to SBYB, and this is a significant step towards consolidating our success in the highly challenging Yemeni Islamic banking market", said Alain Abou Khalil, VP Professional Services at Path Solutions. "The project is part of a modernization program for SBYB, and includes the deployment of a complete front-to-back-office solution with full branch automation, as well as trade finance, fixed assets, financial reporting, SWIFT messaging and e-banking modules. The system was delivered using Sun servers".

SBYB is now benefiting from the most advanced Islamic banking solution available on the market. With Path Solutions' iMAL, the bank has greatly enhanced its ability to process trade finance transactions and grow its trade business as well as improve its local compliance and performance management capabilities.

SBYB is now able to continue its expansion without the disruption that is normally associated with new systems deployment.



## **Mauritania and Saudi-based Islamic Development Bank Sign \$58 Loan Agreements** *Saturday, October 16, 2010*

Saudi Arabia (Jeddah) - Mauritania today won two new loans worth \$58 million from the Jeddah-based Islamic Development Bank (IDB).

Mauritania's Minister of Economic Affairs Wild Al-Tah Basem signed the two loan agreements for his government while Rami Ahmed, Director of Operations Department at IDB, signed for his financial institution.

The first loan was appropriated to finance potable water project at Eastern Aftoot region while the other loan was allocated to finance Tajkaja-Keefat-Silbani 83-km long strategic road that links the two cities of Keefat and Kenkosa with the central region of the country.

Thanking IDB for this support, the Minister said the finance would enable Mauritania to implement two important developmental projects.

*<http://www.english.globalarabnetwork.com/201010167673/Economics/mauritania-and-saudi-based-islamic-development-bank-sign-58-loan-agreements.html>*

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### **3. SUKUK (ISLAMIC BONDS)**

#### **Qatar International Bank Closes Debut Sukuk at \$750 Million** *Monday, October 11, 2010*

Qatar International Bank has closed their debut Sukuk at a staggering \$750 million US dollars which has shown a successful rate and appeal from global investors as well as locals.

Following a series of road shows in key markets in Asia, the Middle East and Europe, QIB went ahead with the offering. The demand was very robust with the order book closing at \$6 billion, which means the issuance was oversubscribed nearly 8 times. This, says QIB, is the largest order book for a GCC financial institution for a 5-year offering. The "A" rating assigned by the international rating agency, Fitch Ratings Services, also boosted appetite for the issuance.

The huge appetite for the issuance is reflected in the tight pricing. The transaction was able to price at a final spread of MS+237.5 basis points (bps), 25 bps through initial price whispers, and at the tight end of guidance. While QIB was targeting to price the deal on par with Central Bank of Qatar (CBQ) bonds, the strength of the order book allowed the bank to price its 2015 sukuk around 10 bps tighter than CBQ's 2014 bond. Not surprisingly, the sukuk has a profit rate of 3.856 percent per annum which will be paid through a fixed coupon. This fixed rate coupon, says QIB, is the lowest ever hard currency coupon from a MENA financial institution to date.

The sukuk which has a tenor of 5 years matures on Oct. 7, 2015, and is listed on the London Stock Exchange and governed by English law, by far the leading legal jurisdiction for international sukuk issuances, although QIB stresses that the sukuk assets are governed by Qatari law.

An elated Sheikh Jassim Bin Hamad Bin Jassem Al-Thani, chairman of QIB, could not be more to the point: Qatar Islamic Bank priced its highly successful debut international sukuk on Sept. 30 representing the first international sukuk transaction from a Qatari financial institution. We are very pleased at the excellent market reception to Qatar Islamic Bank's pioneering sukuk issue. The highly successful offering demonstrates the confidence which international investors place in the State of Qatar and its Islamic banking market and confirms the access to funding which our financial institutions and corporates enjoy from the Islamic capital markets. Investors' strong interest resulted in the order book reaching to \$6 billion, around 8 times of the offer amount. This is a highly successful result that further confirms the credibility of QIB and the investors' confidence in the promising outlook for QIB."

According to QIB, this debut issuance will be the platform for future forays into the Islamic capital markets especially through more sukuk issuance, and will further strengthen QIB's balance sheet and its ability to meet its commitment to national economic development.

In terms of the geographic distribution, Middle East investors subscribed half of the issuance, followed by UK and Asia investors with 16 percent each, US offshore investors with 7 percent uptake, European investors with 6 per cent uptake and the others with 5 per cent uptake of the subscription. Banks were the biggest subscriber to the issuance with an uptake of 40 percent, followed by fund managers with 33 percent, sovereign wealth funds and international agencies with 17 percent and private banks with 10.0 percent.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1141](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1141)

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### **QIB successfully closes its debut \$750m sukuk**

*Monday, October 11, 2010*

It is a step in the right direction, but in terms of adding critical mass to the pool of issuances of international sukuk, it is a mere drop in the ocean. Nevertheless, the successful closure in early October 2010 by Qatar Islamic Bank (QIB), the largest Islamic bank in Qatar, of its debut \$750 million fixed-rate Wakala sukuk underlines the fact that despite the huge latent appetite for "A" rated Islamic commercial paper from investors all over the world, such issuances are too few and far between to stimulate an effective global sukuk market and its attendant secondary trading.

Yes, the originators will heap on the plaudits of the importance and impact of the issuances -- from a domestic, regional and global market perspective -- but in reality once the dust settles, the attention easily moves on to the next such origination offered on the international financial markets.

Despite the fact that QIB stresses that this issue could pave the way for future issuances, it settled for a single transaction as opposed to a program of which this \$750 million sukuk issued on its behalf through a special purpose vehicle (SPV), QIB Sukuk Funding Limited, would have represented the first tranche.

While sovereign Qatar has issued a sole \$700 million Sukuk Al-Ijarah in 2003, of which part of the proceeds went to finance the construction of the athletes' village for the Asian Games in 2006, corporate issuances have lagged in the emirate compared with markets such as Saudi Arabia, the UAE, Bahrain and Malaysia, which have a very active sukuk origination market. The Qatar Central Bank also has an active conventional bond program. This leaves Malaysia and Bahrain as the two most dedicated and supportive issuers of both domestic and international sukuk in the world. With due respect to both Kuala Lumpur and Manama, this is hardly the stuff a functioning and sustainable global sukuk market can be based on.

The QIB issuance, which was jointly lead arranged by QInvest, HSBC and Credit Suisse, is the first international issuance by QIB and the first sukuk by a Qatari financial institution. The three institutions are also the bookrunners, while the Islamic Development Bank and National Bank of Abu Dhabi were the co-managers.

Global sukuk issuances have been meager in 2010 with sovereign Malaysia with its \$1.25 billion Malaysia Global Trust Certificates and the \$450 million Sukuk Al-Ijara issued by Dar Al-Arkan Real Estate Development Company (DAAR) being the notable exceptions. Saudi Electricity Company (SEC) is also finalizing its debut international issuance, having received the go-ahead from the Capital Markets Authority in June 2010.

Following a series of road shows in key markets in Asia, the Middle East and Europe, QIB went ahead with the offering. The demand was very robust with the order book closing at \$6 billion, which means the issuance was oversubscribed nearly 8 times. This, says QIB, is the largest order book for a GCC financial institution for a 5-year offering. The "A" rating assigned by the international rating agency, Fitch Ratings Services, also boosted appetite for the issuance.

The huge appetite for the issuance is reflected in the tight pricing. The transaction was able to price at a final spread of MS+237.5 basis points (bps), 25 bps through initial price whispers, and at the tight end of guidance. While QIB was targeting to price the deal on par with Central Bank of Qatar (CBQ) bonds, the strength of the order book allowed the bank to price its 2015 sukuk around 10 bps tighter than CBQ's 2014 bond. Not surprisingly, the sukuk has a profit rate of 3.856 percent per annum which will be paid through a fixed coupon. This fixed rate coupon, says QIB, is the lowest ever hard currency coupon from a MENA financial institution to date.

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financial institution. We are very pleased at the excellent market reception to Qatar Islamic Bank's pioneering sukuk issue. The highly successful offering demonstrates the confidence which international investors place in the State of Qatar and its Islamic banking market and confirms the access to funding which our financial institutions and corporates enjoy from the Islamic capital markets. Investors' strong interest resulted in the order book reaching to \$6 billion, around 8 times of the offer amount. This is a highly successful result that further confirms the credibility of QIB and the investors' confidence in the promising outlook for QIB."

According to QIB, this debut issuance will be the platform for future forays into the Islamic capital markets especially through more sukuk issuance, and will further strengthen QIB's balance sheet and its ability to meet its commitment to national economic development.

In terms of the geographic distribution, Middle East investors subscribed half of the issuance, followed by UK and Asia investors with 16 percent each, US offshore investors with 7 percent uptake, European investors with 6 per cent uptake and the others with 5 per cent uptake of the subscription. Banks were the biggest subscriber to the issuance with an uptake of 40 percent, followed by fund managers with 33 percent, sovereign wealth funds and international agencies with 17 percent and private banks with 10.0 percent.

QIB, in fact, itself subscribed QR1.25 billion in a recent domestic Sukuk Al-Ijara issued by the Qatar Central Bank on behalf of the government of Qatar. The 8-year sukuk matures in June 2018. The security and returns of the sukuk investment are enhanced by the Qatari government's guarantee to repurchase the shares from investors at maturity. According to Salah Jaidah, QIB CEO, the issuance of the Sukuk Al-Ijara in domestic currency "aims to diversify the financial industry, consolidating local sukuk and supports the dynamic participation of Islamic financial institutions in funding the governmental sector. The investment initiative aims to also attract excess liquidity within the financial industry, and offers well established local banks the opportunity to invest in a high-return investment mechanism."

QIB recently reported encouraging interim results for 2010 with net profit increasing to a record 601 million Qatari riyals and net financing income reaching QR906 million compared with QR845 million for the same period in 2009. Similarly, total equity reached QR8.4 billion in the first half of 2010, an increase of 12 percent compared to same period in 2009, and total assets topped QR45.2 billion, a growth of 27 percent on the same period in 2009.

While banks in the West are reluctant to increase financing especially of small businesses, QIB is financing portfolio, which is 95 percent domestic, increased from QR19.7 billion in first half of 2009 to QR28.6 billion for the same period this year. This included a QR2 billion Murabaha financing facility for the local Barwa Real Estate. Similarly, customer deposits grew by 26 percent from QR20.2 billion to QR25.4 billion for the same period respectively. This says QIB reflects customers' increasing confidence in the bank's performance.

Not that QIB was not affected by the impact of the global financial crisis. However the impact was more on the real economy which affected the bank's customers. Jaidah is confident of the bank's successful strategy in dealing with provisioning of bad loans and reducing the non-performing loans' ratio to 1.4 percent. During the first half of 2010 QIB also consolidated its domestic activities and plans to increase its branch network in Qatar from 26 to 35 by 2012.

Abroad, QIB signed a MoU with the leading French banking group Banque Populaire Des Caisses d'Epargne (BPCE) to promote cooperation between the two banks for launching Shariah-compliant products to the French SME and retail banking sectors. The two banks will also cooperate on the possibility of arranging sukuk origination out of France for French corporate and other issuers.

<http://www.americanchronicle.com/articles/yb/150875365>

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### **Saudi Aramco, Total eye \$1 bln sukuk for Jubail**

*Monday, October 11, 2010*

- \* Credit Agricole, Deutsche Bank, Samba arranging sukuk
- \* Saudi Aramco, Total completed \$8.5 bln financing in June
- \* Refinery expected to be operational in 2013

ABU DHABI, Oct 11 (Reuters) - State-owned Saudi Aramco and France's Total (TOTF.PA:) will launch a \$1 billion Islamic bond, or sukuk, in the fourth quarter, for their joint venture in the kingdom, a banker at a lead arranger said on Monday.

The sukuk is related to the financing of a venture between the oil majors to build 400,000 barrels per day (bpd) crude refinery in Jubail, on the Gulf coast.

"The long delayed \$1 billion sukuk, which was part of the financing for the Jubail refinery, will launch in the fourth quarter," Simon Eedle, global head of Islamic banking at Credit Agricole, said at a conference.

Credit Agricole, Deutsche Bank and Samba Financial are the lead arrangers for the sukuk.

The Jubail refinery, 62.5 percent owned by Saudi Aramco and 37.5 percent by Total, is scheduled to begin operating in 2013, and is among the new plants planned by Saudi Arabia, the world's top oil exporter, as it looks to boost domestic refining capacity.

Last year, it was estimated that the Jubail refinery could cost more than \$12 billion and funding for the project may include an Islamic bond portion to meet demand from Saudi investors. In June, Saudi Aramco and Total said they had completed an \$8.5 billion financing for the refinery from multiple sources. [nLDE65O1KK] (Reporting by Shaheen Pasha; Writing by Rachna Uppal; Editing by David Cowell)

## **Growth in Sukuk Issuance Offers Islamic Funds an Opportunity, Says Report**

*Monday, October 11, 2010*

LONDON: In a report published today, Standard & Poor's Ratings Services said that it believes that the sukuk market has grown large enough to support a transformation in the Islamic fund industry (see "Sukuk Funds Poised to Grow as Sukuk Market Continues to Expand").

The sukuk market returned to growth in the first half of 2010. Global sukuk issuance topped \$13.7 billion during this period, nearly twice the \$7.1 billion recorded during the same period last year. In our view, the slight improvement in market conditions since the significant slowdown in 2008 has contributed to this performance.

"Sukuk funds are increasingly popular among investors as they produce fixed-income returns similar to those from traditional fixed-income investment products," said Standard & Poor's credit analyst Samira Mensah. "Sukuk funds also help investors to diversify away from pure equity and real estate funds, which suffered heavily during the last credit cycle."

Ms. Mensah commented: "The expansion of the sukuk funds industry will, in our opinion, go hand in hand with the growth of the sukuk market, which continues to face obstacles. We believe the success of efforts by governments and other market participants to remove those obstacles will shape the direction the sukuk market and funds industry will take in the future."

<http://www.zawya.com/story.cfm/sidZAWYA20101012060459>

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## **Egypt to Issue Sukuk Rules in 2011 to Compete With Gulf: Islamic Finance**

*Monday, October 11, 2010*

Egypt, home to the Arab world's largest Muslim population, will issue its first Islamic debt guidelines in 2011 to catch up with the Persian Gulf and Southeast Asia and help spur sales.

"The target of issuing these regulations is to help companies that want to issue sukuk," Ziad Bahaa El-Din, chairman of the Cairo-based Egyptian Financial Supervisory Authority, said in a telephone interview in Cairo Oct. 7. "Right now, we don't have a framework to help anybody who wants to issue sukuk."

Al Baraka Bank Egypt ESC, a Cairo unit of Bahrain-based Islamic lender Albaraka Banking Group, may sell dollar- denominated Islamic bonds, known as sukuk, in the second half of 2011, the bank's chairman, Adnan Ahmed Yousif, said in an interview on Sept. 29. Al Baraka, Faisal Islamic Bank of Egypt and National Bank for Development are the nation's only Shariah- compliant financial institutions, May El Hagggar, banking analyst at Cairo-based Naeem Holding, said yesterday.

Global assets held by financial institutions that comply with Shariah law may climb to \$1.6 trillion in 2012 from about \$1 trillion, the Islamic Financial Services Board said in April. Egypt, where one of the world's first Islamic financial institutions was established in 1963, has struggled to develop the Islamic debt market because of political and economic reasons, said Samer Sulaiman, professor of political economy at the American University in Cairo.

### *Muslim Brotherhood*

The Muslim Brotherhood, Egypt's largest opposition group, has been officially banned since 1954 when it was accused by the government of involvement in an assassination attempt against then Prime Minister Gamal Abdel Nasser. He became president in 1956. Egyptian law bans political parties based on religion, which means that the brotherhood has to register its candidates as independents in election.

The group "is well organized and of course they would also be part of a financial system based on Shariah," Volker Nienhaus, member of the governing council of the Kuala Lumpur- based International Centre for Education in Islamic Finance and consultant to the Islamic financial Services Board, said in an interview in Dubai Oct. 5. "If you want to create obstacles you shouldn't give licenses" to Islamic financial institutions, he said.

The development of Islamic debt in Egypt also was undermined in the 1980s and early 1990s by the collapse of investment companies such as El Rayan and El Saad, which failed after setting up ponzi schemes that claimed to invest in Shariah-compliant assets, Sulaiman said.

### *Bond Sales*

Shariah forbids gambling, payment of interest and alcohol, so fund managers have to select investments deemed halal, or permissible. Islamic bonds are typically backed by assets or cash flow because of the ban on interest. Investors earn any profit from the assets instead.

Global sales of Islamic debt declined 16 percent to \$11.8 billion this year, according to data compiled by Bloomberg. Shariah-compliant bonds returned 12 percent, according to the HSBC/NASDAQ Dubai US Dollar Sukuk Index, while debt in developing markets gained 16 percent, JPMorgan Chase & Co.'s EMBI Global Diversified Index shows.

Issuance is rebounding after Dubai World, one of Dubai's three main state-controlled holding companies, reached an agreement last month with creditors to change terms on \$24.9 billion of debt. Abu Dhabi Islamic Bank PJSC, the United Arab Emirates' second-biggest lender complying with Shariah, hired three banks to help sell bonds, two bankers familiar with the plan said today.

The spread between the average yield for global sukuk and the London interbank offered rate shrank 115 basis points, or 1.15 percentage point, to 353 this year, according to the HSBC/NASDAQ index

### *Sovereign Debt*

The extra yield investors demand to hold Dubai's dollar sukuk rather than Malaysia's 3.928 percent Islamic note due June 2015 has narrowed 13 basis points to 355 this month, according to data compiled by Bloomberg. The yield on Dubai's 6.396 percent sukuk maturing in November 2014 rose 2 basis points to 6.05 percent today, the data show.

Egypt, where more than 70 million Muslims live, hasn't sold sovereign or corporate bonds that comply with Islam's ban on interest, according to data compiled by Bloomberg.

Egypt is rated BB+ by Standard & Poor's and Ba1 by Moody's Investors Service, the highest non-investment grade. The country's economy expanded 5.3 percent in the fiscal year through June, up from 4.7 percent in the previous 12 months. The central bank kept its benchmark overnight deposit interest rate at a four-year low of 8.25 percent in September.

Egypt's pound-denominated bond maturing in August 2020 was unchanged on Oct. 7, yielding 13 percent.

### *'Very Attractive'*

"Nothing would preclude me from considering a sukuk offering from Egypt, in fact the economic drivers in Egypt are strong, which makes it very attractive from a macro point of view," Ahmad Alanani, the Dubai-based director of fixed-income sales at investment bank Exotix Ltd., said in an e-mailed response to questions on Oct. 3. "The yield would presumably be attractive seeing as the local treasury market yields between 8.5 to 11 percent in local currency terms."

<http://www.bloomberg.com/news/2010-10-10/egypt-to-issue-sukuk-rules-in-2011-to-compete-with-gulf-islamic-finance.html>

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## **Sukuk issuance tops \$13bn in H1**

*Tuesday, October 12, 2010*

Global sukuk issuance topped \$13.7 billion during the first-half of the current fiscal, nearly double the \$7.1bn recorded during the corresponding period last year.

Global ratings agency Standard & Poor's, in its latest study on the Islamic bond market released yesterday, said the sukuk market had returned to growth in the first-half of 2010. The sukuk market has grown large enough to support a transformation in the Islamic fund industry, the ratings agency said.



"Sukuk funds are increasingly popular among investors as they produce fixed-income returns similar to those from traditional fixed-income investment products," said Standard & Poor's credit analyst, Samira Mensah in a statement yesterday.

"They also help investors to diversify away from pure equity and real estate funds, which suffered heavily during the last credit cycle."

Mensah said the expansion of the sukuk funds industry would continue along with the growth of the sukuk market, which still faced some obstacles.

"The success of efforts by governments and other market participants to remove obstacles will shape the direction the sukuk market and funds industry will take in the future."

"Slight improvement in market conditions since the significant slowdown in 2008 has contributed to this performance."

<http://www.zawya.com/story.cfm/sidZAWYA20101012053416>

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### **Sukuk Issuers Dismiss Property Backed Bonds**

*Wednesday, October 13, 2010*

Persian Gulf Islamic bond issuers are avoiding collateral based on real estate after Dubai property prices plunged 50 percent. Debt linked to returns from oil fields, aluminum and manufacturing plants are more popular with investors than property.

Moinuddin Malim, chief executive officer at Dubai-based Mashreq Al Islami, said in an interview in Abu Dhabi on Oct. 11. "Money-making assets provide investors more comfort."

Real-estate prices in Dubai tumbled from their peak in August 2008 after the worst economic crisis since the 1930s forced banks to tighten lending, according to Colliers International. Property, which has been used to back a \$3.5 billion note by Nakheel PJSC, is typically leased out and payments to investors are usually in the form of rental income or profit streams.

Global sales of Islamic debt declined 16 percent to \$11.8 billion so far this year from \$14 billion a year earlier, according to data compiled by Bloomberg. Bonds in the Islamic finance industry need to comply with the religion's ban on gambling, alcohol and interest payments.

Kuveyt Turk Katilim Bankasi AS in August raised \$100 million from the sale of three-year Islamic notes maturing in 2013 that was 51 percent linked to textile machinery and equipment, Ufuk Uyan, chief executive officer of the Istanbul-based bank owned by Kuwait Finance House KSC, said from Istanbul on Aug. 25. Investors demanded 1.5 times the amount on offer, he said.

"You need a productive, tangible asset," Afaq Khan, the Dubai-based chief executive officer of Standard Chartered Saadiq, told reporters in Abu Dhabi Oct. 11. "You can have

a hospital, a toll road, an airport.” Islamic bonds are “still underpinned by real estate, but a lot of research is going on” to diversify, he said.

Global assets held by Shariah-compliant financial institutions may climb to \$1.6 trillion in 2012 from about \$1 trillion, the Islamic Financial Services Board said in April.

Islamic bond sales in the region may reach \$5.8 billion in the fourth quarter of 2010, the highest since Bloomberg began tracking the Gulf’s debt market in 2003, according to data compiled by Bloomberg. Saudi Aramco and Total SA plan to sell \$1 billion sukuk by year end.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1145](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1145)

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### **Sukuk advance to record on thirst for yield**

*Friday, October 15, 2010*

Global Islamic bonds are poised to extend gains after climbing to a record this week, buoyed by Asian economic growth and a pickup in Persian Gulf issuance.

The HSBC/NASDAQ Dubai US Dollar Sukuk Index, which tracks 23 sovereign and corporate securities that comply with the religion’s ban on interest, climbed to 124.47 on October 11, the highest level since its inception in 2005. The notes have returned 12.4 percent so far this year after a gain of 20 percent in 2009 and a 19 percent loss in 2008.

Asia’s developing economies will expand 9.4 percent in 2010, compared with growth of 2.7 percent in advanced countries, the International Monetary Fund forecast on October 6. Persian Gulf sales of sukuk, which pay asset returns to comply with the religion’s ban on interest, are rising after Dubai World reached an agreement with creditors last month to change terms on \$24.9 billion of debt. Companies in the region plan to issue about \$5.8 billion of Islamic debt in the fourth quarter, the most for the period in three years, data compiled by Bloomberg show.

In an email yesterday Naji Nabaa, a Dubai based associate director of fixed income sales for the Middle East and North Africa at Exotix Ltd, an investment bank specializing in illiquid assets, said: “The flurry of new issues in the Gulf Cooperation Council, both Islamic and non-Shariah compliant, has lifted sentiment generally.”\

Investors poured a net \$1.5 billion into emerging market bond funds in the second week of October, bringing year to date inflows to \$41 billion, according to a report from EPFR Global, a Cambridge, Massachusetts based Research Company.

Qatar Islamic Bank SAQ received orders for \$6 billion as it sold \$750 million of Islamic debt on September 30. Dubai’s government sold \$1.25 billion of bonds last month and Emaar Properties PJSC, the UAE’s biggest property developer, raised \$500 million from selling convertible bonds in non-Islamic sales.

Dubai Electricity & Water Authority, the government run utility, sold \$2 billion of non-Islamic senior unsecured debt yesterday in its largest dollar denominated bond sale.

Islamic Development Bank, a Jeddah based multilateral lender, plans to sell \$1 billion of bonds this quarter under a \$3.5 billion sukuk program, Vice President Abdul Aziz Al Hinai said August 24. Saudi Arabian Oil Co, based in Dhahran, Saudi Arabia, and Total SA, based in Paris, plan to sell \$1 billion in sukuk this year, Simon Eedle, global head of Islamic banking at Credit Agricole SA, the lead arranger of the sale, said October 11. Global sales of sukuk are down 22 percent at \$11.8 billion so far this year, from the same period in 2009, according to data compiled by Bloomberg. Debt in developing markets has outperformed Islamic bonds in 2010, returning 16.5 percent, JPMorgan Chase & Co's EMBI Global Diversified Index shows.

The difference between the average yield for emerging market sukuk and the London interbank offered rate has narrowed 19 basis points this month to 354, according to the HSBC/NASDAQ Dubai US Dollar Sukuk Index. The spread has shrunk 114 basis points this year.

The yield on Malaysia's 3.928 percent Islamic dollar notes due in June 2015 dropped to 2.44 percent on October 8, the least since the debt was sold in June, according to Bloomberg data. It has since climbed five basis points to 2.49 percent. The yield on the Dubai Department of Finance's 6.396 percent sukuk due November 2014 reached 5.92 percent on Oct. 6, the lowest since issuance in November. It was at 6.07 percent today. The extra yield investors demand to hold Dubai's dollar sukuk rather than Malaysia's has narrowed 18 basis points to 353 this month, according to data compiled by Bloomberg. In an interview yesterday, Ahmed Talhaoui, the head of portfolio management at Royal Capital, which is 44 percent owned by United Gulf Bank, an investment bank in Bahrain, said: "Spreads have further room to tighten in Dubai." He added: "There is no sign that we're overheating in terms of bond issuance in the region."

The pickup in issuance is likely to continue as the pace of economic growth in the GCC nations gathers momentum, according to BNP Paribas Investment Partners, which manages \$700 billion and is the asset management unit of France's biggest lender. The GCC member nations are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE. <http://www.arabianbusiness.com/sukuk-advance-record-on-thirst-for-yield-islamic-finance--356741.html>

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#### **4. TAKAFUL (ISLAMIC INSURANCE)**

##### **Five new takaful firms apply for license in the UAE**

*Tuesday, October 12, 2010*

- Most of new Islamic insurance companies are backed by strong existing entities

Currently, less than 10 takaful insurance companies control a small portion of the Dh12bn to Dh15bn insurance premium market in the UAE.

About five new companies offering Islamic insurance, or takaful, are expected to launch in the UAE by mid-2011, boosting competition, industry executives said on Monday. There are now six takaful companies in the UAE with a seventh to be launched in the first quarter of 2011.

"At least four to five companies have applied for licences and they could launch initial public offerings (IPOs)," Ezzeldin Elmassry, chief operating officer of Abu Dhabi National Islamic Finance (Adnif), told a round table.

"There is fierce competition between takaful and conventional insurance companies," he said, adding that there are 54 insurance firms in the UAE. Adnif, the Islamic finance unit of National Bank of Abu Dhabi, plans to launch a takaful company in the first quarter of 2011 in a joint venture with three Abu Dhabi government-backed firms.

Insurance penetration rates in the Middle East are among the lowest in the world at about 1 per cent of per capita expenditure compared to 9 or 10 per cent in Western countries, said Osama Abdeen, CEO of Abu Dhabi National Takaful Company. "Penetration is very low and demand is there and there is money to be made," he said. The new takaful firms are mostly backed by strong existing entities, said Adnif's Elmassry.

An official of the UAE regulator Securities & Commodities Authority said several applications for insurance licences are pending and some would be approved shortly, declining to provide any names.

Currently, less than 10 takaful insurance companies control a small portion of the Dh12 billion to Dh15bn insurance premium market in the UAE, an analyst told Emirates 24/7 earlier this year.

*<http://www.emirates247.com/business/corporate/five-new-takaful-firms-apply-for-licence-in-the-uae-2010-10-12-1.302829>*

### **GE's takaful joint venture hopes to start ops in January**

*Thursday, October 14, 2010*

KUALA LUMPUR: The new joint-venture takaful unit between Great Eastern Holdings Ltd and Koperasi Angkatan Tentera Malaysia Bhd (KAT) hopes to start operations by January next year, subject to receiving the operating licence from Bank Negara.

"Our operations is more of a build and sell concept, whereby we had the team and products in place before we were awarded the licence," said Mohamad Salihuddin Ahmad, the chief executive officer of the joint venture takaful company.

Salihuddin was speaking to reporters on Thursday after a signing ceremony between I Great Capital Holdings Sdn Bhd, a subsidiary of Great Eastern Holdings and KAT yesterday to cement their joint venture.

I great hold a 70% stake in the newly established joint venture takaful company, with KAT holding the balance.

<http://biz.thestar.com.my/news/story.asp?file=/2010/10/14/business/20101014151626&sec=business>

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

### **Iran calls for creation of Islamic fund**

*Tuesday, October 12, 2010*

The 26th session of COMCEC was held in Istanbul last week.

Iran has called for the creation of an Islamic fund and an increase in mutual trade among member states of the Organization of the Islamic Conference (OIC).

"During the Twenty-Sixth Session of the Standing Committee for Economic and Commercial Cooperation of the OIC (COMCEC) in Istanbul, Iran's Minister of Economy and Financial Affairs Seyyed Shamseddin Hosseini urged the OIC members to promote Islamic economy and banking," Iranian Deputy Finance Minister Behrouz Alishiri said Tuesday.

The 26th session of COMCEC was held in the Turkish city of Istanbul on October 5-8, 2010.

The Iranian minister also stressed on the implementation of the preferential tariff system as well as increased cooperation among OIC member states to fight money laundering and terrorism financing, Alishiri said.

Hosseini also invited the heads of OIC's customs administrations to attend an international meeting on the Silk Road which is to be held in the Iranian capital of Tehran next week.

Secretary-General of the OIC Ekmeleddin Ihsanoglu said at the beginning of the summit that regional groupings are building blocks for a pan-Islamic economic integration.

Ihsanoglu urged OIC member states to consider supporting the numerous capacity-building programs undertaken by various OIC institutions as this will certainly pave the way for aligning national trade policies to enhance intra-OIC cooperation in the domain of trade.

The meeting also discussed the implementation of the OIC Ten Year Program of Action, which was approved at the 3rd extra-ordinary OIC summit held in Saudi Arabia's holy city of Mecca in 2005, within the context of the on-going economic activities, programs and projects for promoting rapid socio-economic development in the OIC countries.

<http://www.presstv.ir/detail/146343.html>

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

### **Utiba to participate as Silver Sponsor in 2nd Annual World Islamic Retail Banking Conference 2010, Dubai**

*Wednesday, October 13, 2010*

Utiba, a leading global supplier of mobile financial transaction platforms for mobile operators and financial institutions is pleased to announce its involvement as a silver sponsor at 2nd Annual World Islamic Retail Banking Conference 2010, Dubai.

In addition to the silver sponsorship, Deepak Sachdeva, AVP, Sales Middle East, Utiba, will be presenting and sharing his views on how “Budget banking models paves the way forward”. The presentation will focus on the growing need for mobile banking, how it will help in financial inclusion.

Utiba is delighted to be a silver sponsor for 2nd Annual World Islamic Retail Banking Conference 2010 in Dubai. As a leader in mobile financial transactions systems we have deep experience and success across emerging economies. We are focused in banking the unbanked and making this profitable for banks. We look forward to participating and sharing our experience, expertise and technology in the Islamic market.” says Justin Ho, Co CEO, Utiba.

The conference will bring together 200+ Global Islamic Retail Bankers and finance experts. The theme of the conference is ‘Spearheading Change in the Islamic Retail Banking Landscape’.

The conference will include a series of plenary sessions addressing how the Islamic finance landscape is undergoing a change which bring along with opportunities as well as challenges for Islamic Retail Banking. 2nd Annual World Islamic Retail Banking Conference 2010 will be taking place on 25th-27th October’10 at Park Hyatt Hotel, Dubai.

The Islamic financial conference will help draw attention from investors from around the world and help to further diversify the Islamic financial sector into the \$2 trillion dollar industry.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1144](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1144)

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### **SBP organizing seminar on Islamic Banking and Finance on October 19**

*Friday, October 15, 2010*

ISLAMABAD (October 15, 2010): State Bank of Pakistan (SBP) and another bank in Rawalpindi is organizing a seminar on "Islamic Banking & Finance: Issues, Challenges & Way forward" on October 19, 2010 here at Faisal Masjid Campus of International Islamic University with the objective to create awareness & remove misconceptions/myths regarding Islamic banking.

Renowned speakers from academia, practicing bankers, Islamic micro finance & Takaful experts will be sharing their experiences on their respective topics. Participants from academia, banking industry, representatives of chambers, business & agriculture community, relevant Government officials, students and other stakeholders of twin cities are participating. The seminar would provide a good opportunity to participants to give/share feedback and to understand issues involved in Islamic banking.-PR

<http://beta.brecorder.com/section/49/1/1112590:sbp-organising-seminar-on-islamic-banking-and-finance-on-october-19.html>

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## **7. GENERAL ECONOMIC & BUSINESS DEVELOPMENTS**

### **Germany to set up three Islamic study centres: Berlin**

*Thursday, October 14, 2010*

Germany announced Thursday it would establish and help fund departments for Islamic studies at three universities, a move aimed at assisting the integration of its four million Muslims.

The centres, designed to educate a new generation of imams and students of Islam, will be based at the universities of Tuebingen, Muenster and Osnabrueck, Education Minister Annette Schavan said at a news conference.

"The new centres will not only create an outstanding framework for better theological debate in our universities. We also want to contribute to making the four million Muslims in Germany feel more at home," added the minister.

Berlin would contribute up to four million euros (six million dollars) to the funding for each location, the government added.

The announcement came as Germany is being gripped by a fierce debate on integration, especially of its 2.5 million Turks.

The debate was sparked in August when a member of the country's respected central bank said Germany was being made "more stupid" by immigrants.

His book on the subject has flown off the shelves and polls have shown that his views to some extent reflect public opinion.

[http://www.expatica.com/de/news/german-news/germany-to-set-up-three-islamic-study-centres-berlin\\_103076.html](http://www.expatica.com/de/news/german-news/germany-to-set-up-three-islamic-study-centres-berlin_103076.html)

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## **EthicaInstitute.com Launches First Free 100% Online Islamic Banking Course**

*Thursday, October 14, 2010*

EthicaInstitute.com made history today by launching the world's first free 100% online Islamic banking course. The seven day e-learning course introduces Ethica's popular 4-month Certified Islamic Finance Executive (CIFE) program, now chosen by more professionals than any other Islamic finance program in the world.

"Islamic finance training and certification needs to become much more accessible to everyone, wherever they may be. We are delighted to provide the first 100% online Islamic banking course in the world, and even more excited that the introduction to this course will be free to all," said Ethica's Managing Director, Atif Khan. EthicaInstitute.com recently partnered with Zawya.com to offer 1 million visitors per month with online Islamic finance training and certification.

More than just being online, Ethica's Islamic banking courses also conform to the industry's most stringent Shariah standards. As one graduate of Ethica's program, Liaquat Ali, says, "The best thing about Ethica Institute is that it makes AAOIFI standards accessible to everyone who is eager to learn." AAOIFI stands for the



Accounting and Auditing Organization for Islamic Financial Institutions, the industry's leading standard-setting body.

More about Ethica:

Ethica Institute of Islamic Finance ([www.EthicaInstitute.com](http://www.EthicaInstitute.com)) trains and certifies professionals and students in Islamic finance online and at its training facilities in Dubai. As the most recognized Islamic finance certifier in the world, Ethica was nominated "Best Islamic Finance Training Institution" two years running by IB&F, the industry's leading award-granting body.

*<http://www.your-story.org/ethicainstitute-com-launches-first-free-100-online-islamic-banking-course-219534/>*

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