

BUSINESS AND POLITICS IN THE MUSLIM WORLD

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

Period: December 12 – December 18

Report # 150

Submitted By: Zain Arshad

1. GLOBAL FINANCE & GLOBAL ISLAMIC FINANCE

- Australia unveils Islamic Finance e-learning program
- Nigeria: CBN Identifies Hindrances to Islamic Bank's Take-Off
- UK leading the world in Islamic Finance
- Dubai World Looks to Restructure in Islamic Finance Assets
- France aims to secure 10% of Islamic Finance industry
- Dubai May Raise Stake in Amlak For Emaar

2. ISLAMIC BANKING & INSTITUTIONS

- Maldives Islamic Bank to deploy iMAL Islamic core banking solution
- Kuwait Finance House won the best Islamic Bank Website Award
- Kuwait Finance House Delivers Renewed ATM Cards to Clients Free of Charge
- Capital Intelligence affirms AlBaraka Islamic Bank's ratings
- Maldives Islamic Bank to deploy iMAL Islamic Core Banking Solution
- Abu Dhabi Islamic Bank signs MoU with Higher Colleges of Technology to create region's first Institute for Islamic Economics and Ethics
- Abu Dhabi Islamic Bank arranges syndicated Islamic finance deal for Majid Al Futtaim

3. SUKUK (ISLAMIC BONDS)

- QInvest debut sukuk opens door for more Qatari corporates
- Gulf Bond Issuers See Opportunity in Malaysia
- GCC Finance Companies Debt Poised for Record Annual Gain
- Sudan Revives Local Sukuk After Global Bond Sale Failed

- Malaysia Sukuk Target for National Bank of Abu Dhabi
- Sukuk Funds See a Rebound as Returns Tumble in Malaysia

4. ISLAMIC FINANCE EVENTS; SEMINARS, WORKSHOPS & CONFERENCES

- IFSB 8th Summit - Enhancing Global Financial Stability: Challenges and Opportunities for Islamic Finance

Summary:

Path Solutions and Maldives Islamic Bank Pvt. Ltd. (“MIB”) today announced that MIB, the first Islamic bank to be set up in Maldives, has selected Path Solutions’ iMAL for its core banking solution to infuse innovation and accelerate growth. By virtue of this agreement, Path Solutions shall roll out its sophisticated iMAL suite including Islamic Invest, Trade Finance, SWIFT, and reporting modules, MIB is collaboration between the Islamic Corporation for the Development of the Private Sector (“ICD”) - the private sector arm of the Islamic Development Bank - with 70% interest and the Government of Maldives which holds the remaining 30%. It received a banking licence to conduct Islamic banking business from the Maldives Monetary Authority (“MMA”) in August 2010.

Following the successful closure in October by Qatar Islamic Bank (QIB), the largest Islamic bank in Qatar, of its debut \$750 million fixed-rate Wakala Sukuk issued on its behalf through a special purpose vehicle (SPV), QIB Sukuk Funding Limited, more Qatari corporates are coming to the market to raise funds through the issuance of Shariah-compliant commercial papers, Qatari corporates have been slow in joining the global Sukuk origination market, especially in the Gulf Cooperation Council (GCC) market. It remains a moot point whether this was due to uncertainty relating to sukuk structures from a Shariah-compliance point of view, or whether the economic impact of the financial crisis has paved the way for raising funds from the market, or whether it is merely an exercise in benchmark issuances to set the price for a Qatari risk at least in the Islamic capital market space.

The Islamic Financial Services Board Islamic Financial Services Board (IFSB) is organising its 8th Summit which is themed: "Enhancing Global Financial Stability: Challenges and Opportunities for Islamic Finance" on 10-13 May 2011 in Luxembourg. Banque centrale du Luxembourg is hosting the Summit.

1. GLOBAL FINANCE & GLOBAL ISLAMIC FINANCE

Australia unveils Islamic Finance e-learning program

Sunday, December 12, 2010

Ethica Institute, leader in Islamic finance training and certification, and La Trobe University have launched Australia's first ever Islamic Finance e-learning program.

This will be the first time ever that a 100 per cent online course in Islamic finance is offered as part of an on-campus course.

Enrolment for the award-winning Master of Islamic Banking and Finance (MIBF) program is now open and online classes begin on January 10, 2011.

The international education industry is Australia's largest services export, contributing over 550,000 students and \$12 billion annually to the country's economy. Moreover, the Australian government actively began promoting Islamic finance in recent years by exploring tax neutrality for Shariah-compliant products.

This year, La Trobe's Islamic finance program won numerous awards including the prestigious Australian Learning and Teaching Council (ALTC) Award for excellence.

'E-learning is the best way to address Australia's growing demand for certified Islamic finance graduates. La Trobe is already a pioneer in the field with one of the world's only Master's programs in Islamic banking and finance, and now with an e-learning component, they scalably grow their campus across the globe,' said Ethica's managing director, Atif Khan.

Earlier this year Mashreq Bank rolled out Ethica's e-learning program across its entire Islamic banking network. Dow Jones affiliate Zawya.com and New York

http://www.tradearabia.com/news/EDU_190290.html

Nigeria: CBN Identifies Hindrances to Islamic Bank's Take-Off

Monday, December 13, 2010

The Central Bank of Nigeria (CBN), has identified the dearth of knowledge, skills and technical capacity to regulate, supervise and operate Islamic bank (the non interest banking model), as major hindrances to the successful take off of the model.

The non interest banking model is a banking regime that offers services, products and financial instruments based on compliance to Islamic laws.

Special Adviser to the CBN Governor, Dr. Bashir Umar, made this known at a workshop organized by the Nigeria Deposit Insurance Corporation (NDIC), at the weekend where he also noted that higher quality personnel who had experience in project management and Islamic jurisprudence would also be required for the smooth implementation of the banking regime.

In his paper titled, "Islamic finance in Nigeria: Issues and Challenges", Umar also said lack of adequate legal, regulatory and supervisory framework, which had restrained potential foreign investors, absence of accountants and auditors knowledgeable in accounting and auditing standards pertinent to non interest banking as well as dearth of Islamic scholars knowledgeable in conventional financial markets are other challenges facing the model.

According to him, "The key challenges facing the model include the dearth of knowledge, skills and technical capacity to regulate, supervise, or operate non interest banks. Higher quality personnel with experience in project management and Islamic jurisprudence are required for financing and marketing activities.

"Lack of adequate legal, regulatory, and supervisory framework, which is restraining potential foreign investors, and the absence of accountants and auditors knowledgeable in accounting and auditing standards pertinent to non interest banks."

"It is evident that from the resilient nature of Islamic finance that enormous opportunities abound and positive and far-reaching impact is highly expected, for the Nigerian economy."

"However, the challenges of operating this system are not to be overlooked. The positive indicators are that regulators are bracing up to address."

To facilitate the smooth take off of the model, Umar called for "an extensive capacity building through collaboration among various stakeholders to develop cognate expertise in non-interest banking, development of an adequate regulatory and supervisory framework for the effective operation of non-interest banking in Nigeria."

He said that considering the tremendous importance of the regime to infrastructure financing, there is an urgent need for these bottlenecks to be removed.

<http://allafrica.com/stories/201012130813.html>

UK leading the world in Islamic Finance

Monday, December 13, 2010

Manama, Bahrain: Following the success of the World Islamic Banking Conference (WIBC) in Bahrain, the UK has been praised as the leading Western centre for Islamic finance and one of the world's most attractive destinations for Islamic banks.

The conference, supported by UK Trade & Investment (UKTI), included an expert panel from the UK, which led debates on the future of the sector, both in the UK and around the world.

This panel included three members of the UK Islamic Finance Secretariat, as well as representatives of leading advisory firms.

They spoke to a large audience of Islamic wholesale and retail bankers from across the Gulf region and beyond, as well as advisors and other professional service providers specialising in Islamic Finance.

The panel looked at the pitfalls and opportunities for Islamic finance in light of the global economic downturn and opportunities for growth in the sector, with some estimates putting its value at over US\$4 trillion in the coming years.

Leading industry speakers said:

"Small corporates looking at sukuk issuance are favouring UK law - it's a safe pair of hands. We have recently been asked to look at several issuances particular for this reason and also due to the experience we have in the UK working with international institutions," said Kazi Rahman, Lawyer, Wragge & Co.

Richard Thomas, CEO, Gatehouse bank said, "The UK is the number one centre for co-operation with other Islamic finance centres such as Bahrain and Malaysia."

"There is a great opportunity for investment and commercial banks to raise awareness of an alternative source of finance," said Sultan Choudhury, Director at the Islamic Bank of Britain.

"The UK is one of the most attractive banking destinations, particularly when it comes to Islamic finance. Rules and laws facilitate the use of Islamic products," said Darshan Bijur, Director of Islamic Finance Advisory, KPMG

The Panel challenged the audience to learn from UK experiences and implement changes within their own institutions.

The UK, and especially London, has been working to move the Islamic Finance sector from niche to mainstream over the last decade, with wide expertise and a financial infrastructure that is uniquely placed to support Islamic banking.

In the UK there are 18 major law firms providing legal services in Islamic Finance; Five stand-alone Sharia-compliant banks; Providers of education in Sharia compliant finance; Five of the largest national professional services firms with Islamic Finance teams based in London providing Sharia-complaint services.

The WIBC has been running for 17 years, and is the world's largest and most influential gathering of Islamic finance industry leaders. This year there were over 1,200 international delegates from more than 50 countries.

<http://www.zawya.com/story.cfm/sidZAWYA20101213110927/UK%20leading%20the%20world%20in%20Islamic%20Finance>

Dubai World Looks to Restructure in Islamic Finance Assets

Wednesday, December 15, 2010

Dubai World is one company that nearly brought the Gulf emirate to its knees a year ago under the weight of massive debt and it is now preparing its management credentials as it moves to raise more debt and to restructure by selling off assets, analysts said.

The conglomerate, a quasi-government holding company whose interests span luxury real estate, iconic retailer Barney's New York and a network of 50 marine terminals around the world, will be chaired by Sheikh Ahmed Bin Saeed Al-Maktoum, the uncle of Dubai's ruler Sheikh Mohammed Bin Rashid Al-Maktoum and also chairman of Emirates Airline, one of Dubai's most successful businesses.

"Dubai will need to raise more debt to roll over existing debt, and it will require strong collateral, that collateral being the profitable businesses that the emirates own," Yazan Abdeen, a Dubai-based fund manager at ING Investment Management (Dubai Ltd.), told The Media Line. "When you have that collateral you need to beef it up with leadership in line with the strategy of focusing on profitable components."

Dubai is sitting on a debt load estimated to be in excess of \$110 billion, which has weighed down on an economy that had been driven by borrowing and real estate development until the global credit crisis struck. Dubai's economy is still struggling, with economic growth forecast by the International Monetary Fund to be 2.5% this year, the lowest in the Gulf, and trailing projections of 4.1% growth for the Middle East and North Africa Region as a whole, as property values continue falling and credit remains tight.

Dubai World set off the debt crisis when it asked creditors on November 26, 2009 to delay repayments on \$24.9 billion of loans. A year later, the company won support from creditors for a \$25 billion restructuring plan, marking a major advance in Dubai's recovery. Dubai's government hired CIMB Investment Bank Bhd., the world's top manager of Islamic finance deals, to raise as much as \$1.5 billion of securities, Bloomberg News reported on November 24.

Sheikh Ahmed will head up a board dominated by members of Dubai's Supreme Fiscal Committee (SFC), a body he headed that has overseen the emirate's efforts to grapple with the crippling debt run up by Dubai World and others.

“They’re bringing in someone to show that [Dubai World] is a going concern. They are going to try and consolidate and focus revenue-generating segments of the company and try and get it back on its feet,” said Ahmad Alanani, head of Middle East and North Africa fixed income sales at Exotix Ltd.

Other SFC members to join Dubai World’s board include Mohammed Al-Shaibani, whose many roles include chief executive of its sovereign wealth fund; Ahmed Humaid Al-Tayer, governor of the Dubai International Financial Centre; and Abdulrahman Al-Saleh, director-general of Dubai’s Department of Finance.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1266

France aims to secure 10% of Islamic Finance industry

Wednesday, December 15, 2010

How can France partner up with the GCC banking industry and become a key player in Islamic Finance? This was the topic of a DIFC conference held today in Dubai, initiated by the DIFC Authority and Paris EUROPLACE, a government-backed initiative to promote the French banking industry worldwide. While banks in the UK entered into the lucrative Sharia banking industry more than ten years ago, French regulators have been dealing with the topic since 2007, when the French Market Authority accepted Sharia Funds. "French Code laws are not affected, as Islamic Finance is more a technical issue for the country", Michel Collet, Partner at CMS Bureau Francis Lefebvre in Paris told AMEinfo.com. He added that "Sukuk listings have been accepted in July 2008 and Paris is confident to see the establishing of the first Islamic Bank in France in 2011/2012." France's Minister of Economy Christine Lagarde supports the domestic banking industry's efforts to catch up with London, the current Nr. 1 Islamic Banking hub in Europe and estimates the 5th Republic's potential in that field at about 10% of the \$1trn global Sharia finance industry. Key conventional market players offering Sharia-compliant financial products are BNP Paribas, Société Générale and HSBC France, according to Collet.

<http://www.ameinfo.com/251666.html>

Dubai May Raise Stake in Amlak For Emaar

Friday, December 17, 2010

Dubai developer Emaar Properties may raise its stake in troubled Islamic mortgage provider Amlak but has not decided by how much, Emaar's chairman said on al Arabiya television.

The United Arab Emirates' largest listed property firm may also take provisions related to Amlak in the first quarter of 2011, Mohammed Alabbar said on Wednesday TO Reuters.

"I believe if this is part of the solution (for Amlak) we will raise the stake," he said.

Emaar, which holds a 48 percent stake in Amlak, said in September that the Islamic lender may need to restructure its debt obligations which may expose Emaar to loan write offs and a decrease in the value of its investments.

He said currently there are no new companies looking to take a stake in Amlak but added Emaar would welcome other government institutions.

A resolution for Amlak could be found during the first quarter of 2011, Mohammed Al Shaibani, deputy chairman of Dubai's supreme fiscal committee said in November.

Dubai Islamic Bank earlier this year raised its stake in rival mortgage provider Tamweel effectively ending the prospect of a long-awaited Amlak-Tamweel tie up.

Shares in Amlak and Tamweel have not traded since 2008 when the UAE government said it aimed to merge the two firms. Emaar's shares were down 1.7 percent at 0942 GMT, underperforming Dubai's bourse which eased 0.7 percent.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1272

2. ISLAMIC BANKING & INSTITUTIONS

Maldives Islamic Bank to deploy iMAL Islamic core banking solution

Sunday, December 12, 2010

Path Solutions and Maldives Islamic Bank Pvt. Ltd. ("MIB") today announced that MIB, the first Islamic bank to be set up in Maldives, has selected Path Solutions' iMAL for its core banking solution to infuse innovation and accelerate growth. By virtue of this agreement, Path Solutions shall roll out its sophisticated iMAL suite including Islamic Invest, Trade Finance, SWIFT, and reporting modules.

MIB is collaboration between the Islamic Corporation for the Development of the Private Sector ("ICD") - the private sector arm of the Islamic Development Bank - with 70% interest and the Government of Maldives which holds the remaining 30%. It received a banking licence to conduct Islamic banking business from the Maldives Monetary Authority ("MMA") in August 2010.

MIB Chairman Khaled Al Aboodi said the bank hopes to capture up to 25% of its local market share within three years or so by offering Islamic finance products targeting small and medium enterprises (SMEs) and fisheries.

Harith Harun, Managing Director of MIB commented, "MIB is focused on offering

innovative Islamic banking products and solutions of international standards that meet the needs of corporate and retail clients, stimulating the demand for such services in the country. To meet its development requirements, MIB required a highly scalable, pure Islamic banking software system which could support faster product innovation and deliver a differentiated customer experience.”

With a 100% Muslim population of some 330,000 in Maldives, Harun expects strong demand for Sharia-compliant products to drive the bank’s future growth.

According to Mohammed Kateeb, Chairman & CEO, Path Solutions, “We are delighted to have signed this agreement with MIB. This partnership highlights Path Solutions’ commitment to support Sharia-compliant banks all around the world. We are also excited to work with new banks in this segment and we believe in MIB mission. iMAL powerful capabilities in fostering innovation, increasing productivity and meeting diverse customer needs empower start up banks to match in their service large successful conventional banks following a record implementation time.”

As part of the evaluation process, MIB considered several solutions from other major providers before selecting iMAL from Path Solutions, the best fit for product performance, reliability and scalability. The extensive selection process focused on acquiring a new generation technology to support the bank’s imperatives on Sharia compliance, customer centricity and time-to-market for business related changes.

<http://www.mysolutioninfo.com/news-display.aspx?Code=18902&t=Maldives%20Islamic%20Bank%20to%20deploy%20iMAL%20Islamic%20core%20banking%20solution>

Kuwait Finance House won the best Islamic Bank Website Award

Monday, December 13, 2010

Kuwait Finance House (KFH) that offers 150 free services using advanced technology won the best Islamic bank website award in the Middle East.

It is second award won by KFH bank in the technological field in less than two months, after winning Best Data Warehouse award. The Systems Development Department Manager at the IT Sector Mezyad Al-Mezyad stated that the award cements KFH's unique website. It is worth noting that KFH was the first Islamic bank to launch a website that is secure, fast, and easy to use, since the website uses the best systems worldwide, not to mention its multilevel security. The site offers 150 free banking, investment, commercial, and financing services that can benefit individuals and companies, which is a feature found only on KFH's website.

Moreover, Al-Mezyad mentioned that KFH implements advanced technology in all its services and products, and that the award comes as an appreciation for its continuous efforts in implementing technology to serve clients, attract new segments, and

expand KFH's retail market share. In addition to that, the award serves to highlight the fact that KFH is the first bank to implement technology and use it to enhance its products and services, not to mention that KFH offers a new service every month on its website.

Furthermore, he remarked that the advanced technology that KFH implements necessitates a daily update of the developments occurring in the technology field, in addition to cooperating with the companies working in that field, in order to ensure optimum performance and security. He went on to say that many research companies affirm KFH's supremacy in the technology field, which is underscored by its efforts to achieve the e-bank, despite its various services and products.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1259

Kuwait Finance House Delivers Renewed ATM Cards to Clients Free of Charge

Monday, December 13, 2010

Kuwait Finance House (KFH) began a new service of delivering renewed ATM cards to clients at the time and location they prefer, which is considered to be an unprecedented step among Kuwaiti banks that only deliver credit cards, while clients had to go to the nearest branch to receive their ATM cards.

AGM of Banking Sector Mohammed Al-Fozan stated that the new free service is highlights the importance and care that KFH gives to satisfy its clients, in addition to its focus on the retail market and market share expansion. It is worth noting that TNT Company was selected by KFH to perform this service.

Al-Fozan went on to say that the service is only limited to renewed cards only, not cards that have been issued for the first time. Once the card has been activated, it can be used in all points of sale machines in famous stores, and in all K-net and ATM machines, mentioned Al-Fozan, who also stated that the card can be used overseas, as long as there is credit.

Furthermore, he affirmed that KFH continues to develop and upgrade its services offered to clients, in addition to offering new, innovative products that cement KFH's leading status in the field of client service market. He remarked that KFH can be reached through its banking sectors, electronic channels through kfh.com, the call center that works 24 hours a day, the machines that allow clients to deposits cash and cheques, and the mobile ATM machines found on KFH's vehicles Mobi Baitok.

Meanwhile, TNT's General Manager in Kuwait Muhannad Al-Khayyat said that the company takes pride in its cooperation with KFH that has a large client market share. He added that his company will exert efforts to ensure fast and high quality services, and mentioned that the company offers consumers and companies all over the world a bouquet of services that meet their demands. It is worth noting that the company operates in more than 200 countries and has around 160,000 employees.

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http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1262

Capital Intelligence affirms AlBaraka Islamic Bank's ratings

Tuesday, December 14, 2010

Capital Intelligence (CI), the international credit rating agency, announced that it has affirmed Bahrain-based AlBaraka Islamic Bank (AIB)'s Foreign Currency Long and Short-term ratings at BB+ and A3 respectively.

The Bank's Financial Strength Rating was also maintained at BB in view of the moderate improvement in asset quality and profitability in the first nine months of 2010, notwithstanding ongoing challenges associated with building profitability to a solid footing. The Support Level of 2 reflects AIB's strong ownership through its parent AlBaraka Banking Group in Bahrain. The Outlook for the ratings is Stable.

AIB's asset quality and profitability had suffered a significant setback in 2009 as a result of the sharp increase in non-performing financings (NPFs) related to two large distressed borrowers in Saudi Arabia and Kuwait. In response to the increase in NPFs the Bank stepped up provisioning to unprecedented levels. However the Bank's ongoing weak operating profitability severely restricted its capacity to absorb the substantial provision charges and this resulted in a record net loss. Although the latter had the undesirable effect of eroding the capital base to a discernible degree, the balance sheet remains solidly capitalised. Free capital however is rather strained by the level of unprovided NPFs.

The Bank resumed lending in the current year but rather cautiously given the current challenging economic environment. The liquidity position continued to improve as measured by the net financing to stable funds ratio and the increased pool of liquid assets. AIB nonetheless remains a small bank by all measures and this gives rise to concentrations within funding and assets.

While the recent merger of AIB's Pakistan operation with Emirates Global Islamic Bank in Pakistan has increased geographic exposure to Pakistan, it is noteworthy that the bulk of AIB's asset quality problems have historically related to the Bahrain operation. That said, AIB's exposure in Pakistan poses a comparatively high level of credit risk within the context of sovereign risk factors and the country's challenging operating environment. Emirates Global Islamic Bank is a small bank (total assets \$175m) set up in Pakistan in 2007 by UAE and Saudi investors.

AIB reported total assets of just over \$1bn at end September 2010. Its principal activities include the provision of Shari'a compliant demand and investment accounts (with respect to the latter the Bank shares profits as skill/expertise provider or agency (for a fee); finance and investment on the basis of Murabaha (cost plus profit margin), Mudaraba (the Bank shares profits as capital provider), Musharaka (participation investment) and Ijara.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1264

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http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1267

Abu Dhabi Islamic Bank signs MoU with Higher Colleges of Technology to create region's first Institute for Islamic Economics and Ethics

Saturday, December 18, 2010

Abu Dhabi Islamic Bank (ADIB), a top-tier Islamic financial services group, and the Higher Colleges of Technology (HCT), signed a memorandum of understanding (MoU) to create the region's first Institute of Islamic Economics and Ethics in the presence of and under the auspices of HE Sheikh Nahayan Mubarak Al Nahayan, Minister of Higher Education and Scientific Research and Chancellor, Higher Colleges of Technology.

ADIB Institute of Islamic Economics and Ethics will provide information and raise public awareness of the importance of doing business ethically and help organisations strengthen their ethics culture. Its activities will encourage high standards of ethical behavior in business and provide guidance to employees on it. It will deliver training for corporations and SMEs and publish research and surveys about ethical practices and business conduct.

Publishing reports to identify solutions to ethical dilemmas of business, organizing workshops and debates to facilitate best practice sharing and educating business by including business ethics in various curricula will form part of the institute's activities.

Speaking at the MoU signing, Dr Tayeb Kamali, Vice Chancellor of the Higher Colleges of Technology, said: "HCT is pleased to work closely with ADIB to establish the Institute, which will help meet the increasing growth of, and demand for, specific Islamic banking and finance services in the UAE and the region. This new institute will give HCT students the opportunity to learn about ethics in business and also strengthen their understanding and appreciation of cultural issues and ethics, so that they are able to operate effectively in today's business environment."

Signing the MoU, HE Jawaan Awaidha Suhail Al Khaili, Chairman of ADIB said: "ADIB is committed to develop Islamic finance in the region and a large part of what we do is based on following best ethical practices. ADIB Institute of Islamic Economics and Ethics will launch a pioneering program designed to promote business ethics in the region. It will help organisations strengthen their ethics culture and encourage high standards of business behaviour based on ethical values. We expect the institute to strengthen ADIB's leadership in ethical business and showcase our contribution to regional economic development."

The ADIB Institute for Islamic Economics and Ethics will be an independent, self-sustaining organization that will generate revenues from subscriptions to its workshops/seminars, reports on code of ethics for corporations, consulting services, developing university curriculum and annual memberships.

By signing the MoU, ADIB joins the HCT Foundation which works to support students with many initiatives and to provide society with a cadre of qualified and well-trained national graduates.

The HCT Foundation is part of HCT's efforts to enhance its communications and interaction with society and organizations specialized in financial, commercial and industrial sectors. HCT is keen to develop these relationships and work to achieve cooperation and coordination with various industry sectors. It will present high-quality

academic output commensurate with the nature and needs of various commercial and industry sectors.

The HCT Foundation will facilitate real partnerships between institutions of higher education and corporations. A wide range of financial, banking, economic, real estate and commercial institutions have participated in its activities and have also met their needs for qualified UAE national cadres. HCT invites all sectors of business and industry to take advantage of this valuable opportunity offered by the Donors Fund to invest in the promising future of the UAE, especially in workforce development.

<http://www.ameinfo.com/251830.html>

Abu Dhabi Islamic Bank arranges syndicated Islamic finance deal for Majid Al Futtaim

Tuesday, December 14, 2010

Abu Dhabi Islamic Bank (ADIB), a top-tier Islamic financial services group, announced today that it had arranged a syndicated, Dhs1.14bn Islamic financing deal for UAE's Majid Al Futtaim (MAF) Group.

ADIB acted as the Initial Mandated Lead Arranger, Sole Bookrunner, Investment Bank and Security Agent Bank for the deal. Other banks that participated in the financing deal include Al Khaliji Commercial Bank as Mandated Lead Arranger, Al Hilal Bank, First Gulf Bank and United Arab Bank as Lead Arrangers and Ajman Bank as Arranger. In addition Clifford Chance LLP was the syndicate's counsel and Norton Rose was MAF counsel.

Commenting on the syndicated Islamic financing, Tirad Mahmoud, CEO of ADIB said: "We are pleased to lead the largest Islamic structured syndication in Dubai in 2010. This is a significant milestone as it is the first Islamic deal for MAF. The deal was extremely well received in the market and was upsized by 15% due to strong demand. The financing of one of the leading GCC corporations represents our continuing commitment to the growth and development of the UAE as we continue to invest in its expansion. This transaction is further proof that ADIB has built a world-class Corporate Finance and Investment Banking organization with a full suite of Islamic Corporate Finance, investment and equity solutions. We are addressing the market's needs and are confident about realizing our ambitions."

<http://www.ameinfo.com/251553.html>

3. SUKUK (ISLAMIC BONDS)

QInvest debut sukuk opens door for more Qatari corporates

Sunday, December 12, 2010

Following the successful closure in October by Qatar Islamic Bank (QIB), the largest Islamic bank in Qatar, of its debut \$750 million fixed-rate Wakala Sukuk issued on its behalf through a special purpose vehicle (SPV), QIB Sukuk Funding Limited, more Qatari corporates are coming to the market to raise funds through the issuance of Shariah-compliant commercial papers.

Qatari corporates have been slow in joining the global Sukuk origination market, especially in the Gulf Cooperation Council (GCC) market. It remains a moot point whether this was due to uncertainty relating to sukuk structures from a Shariah-compliance point of view, or whether the economic impact of the financial crisis has paved the way for raising funds from the market, or whether it is merely an exercise in benchmark issuances to set the price for a Qatari risk at least in the Islamic capital market space.

The fact that the QIB issuance was oversubscribed to the tune of \$6 billion indicates huge latent demand for "A" rated sukuk. 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 were also the book runners, while the Islamic Development Bank and National Bank of Abu Dhabi were the co-managers.

Now it is the turn of QInvest, in which QIB has a 35 percent equity stake. QInvest was licensed by the Qatar Financial Centre Authority as an investment bank in April 2007 and has authorized capital of \$1 billion and paid up capital of \$750 million.

Recently QInvest also launched its debut Shariah-compliant enhanced yield note which the bank stresses was significantly oversubscribed. No details were released regarding the size of the Note issuance, nor the underlying Shariah structure.

“The subscription for the note has been closed. We have seen an overwhelming response from the market as investors look to maximize returns whilst maintaining capital protection. The reaction of clients shows they were delighted with the risk/return balance that the enhanced yield note achieved and reflects our belief that there is increasing client appetite for innovative products that comply with Shariah,” said QInvest CEO Shahzad Shahbaz in a statement.

Both QIB and QInvest stress that the above originations are the first in a series of Islamic commercial papers they plan to launch over the next year or so. QInvest is particularly keen also to structure and lead arrange sukuk for other issuers both in Qatar, the GCC and beyond in countries such as Turkey and Egypt.

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.

At the same time, QInvest has also recently ventured into the Islamic asset management sector by partnering with Ambit, one of India's premier financial services group, to launch the Ambit QInvest India Fund, an open ended Shariah-compliant Indian equities fund.

According to QInvest, the fund is the region's first and India's largest Shariah-compliant equity fund with an investment strategy that will combine dynamic equity allocation to generate returns.

The reality is that India with a Muslim population of some 200 million is potentially a major market for Islamic funds and other investment products. Not surprisingly, a potential niche market that has been identified and acted upon by rival Indian asset management companies.

In late October, for instance, India's Tata Group launched its debut Tata Indian Shariah Equity Fund (TISEF) through its Tata Asset Management (Mauritius) Private Limited (TAMM), which is also the fund manager. This follows the establishment by the rival Reliance Anil Dhirubhai Ambani Group of a dedicated Islamic asset management company in Malaysia, Reliance Asset Management Malaysia Sdn Bhd, a subsidiary of Reliance Capital Asset Management (RCAM), in late 2009 to spearhead its global Islamic asset management activities. RCAM has embarked on a global Islamic asset management and fixed income strategy which will see the launch over the next few months of five Shariah-compliant funds — a global equity fund, an India country fund, a BRIC fund, a money market fund and a global Sukuk fund.

“Our Malaysian company will be the flagship venture in the Islamic asset management business and a global hub for Shariah-compliant products. The long-term objective is to target the retail Shariah market in the region. This is also in line with the strategy to expand our fund management footprint across key global markets,” explained Mazahr Alam, regional head of GCC Islamic Business at Reliance Capital Asset Management (UK) PLC, which is also a subsidiary of RCAM.

Reliance also has an agreement with SFM in Luxembourg to access its Umbrella Fund Structure domiciled in Guernsey, which has conventional and three Shariah-compliant funds. In fact, RCAM was appointed as the investment manager for SFM's Islamic Global Equity Growth Fund that was launched in May 2010 with \$20 million.

GCC investors are slowly recognizing the potential of the Indian market, despite concerns over the country's financial regulatory bureaucracy and the painstakingly slow legal system. According to QInvest CEO, Shahzad Shahbaz, "The Indian equity market provides investors with a highly attractive opportunity to invest in a diversified range of Shariah-compliant equities. The market capitalization of Shariah-compliant companies within the Nifty, stock market index, is nearly 60 percent. Back-tracked, the Ambit QInvest India Fund's performance in the last three months, since inception, is 10.4 percent."

With over 6,000 listed companies with a market capitalization in excess of \$1.3 trillion, the Indian stock market has been ranked as one of the best performing among emerging markets. And while China has outperformed on economic growth, India has provided consistent returns to stock market investors in the last 5 years in overall terms.

Andrew Holland, equities CEO at India's Ambit Capital Pvt. Ltd., in which QInvest has a 25 percent equity stake, is confident that there are good opportunities for Shariah-compliant investment in key growth sectors in the Indian economy including power, roads, automotive, pharmaceutical and consumer staple and non-staple products.

Many global equity and pension funds are increasing their India stock weightings. "We see the Sensex, Indian stock market index, at 23,000 by March 2011. The Indian economy should see robust growth and given that valuations remain attractive, investors are looking to reallocate capital away from more developed equity markets, where their confidence is lower," explained Holland.

<http://arabnews.com/economy/islamicfinance/article214158.ece>

Gulf Bond Issuers See Opportunity in Malaysia

Tuesday, December 14, 2010

Gulf-based banks and companies, struggling to overcome a lack of investor confidence after the Dubai debt crisis, are increasingly looking towards Malaysia, the world's biggest Islamic bond market with a vast pool of cash.

After the burst of the Gulf real estate and asset bubble, institutions are keen to issue bonds in order to restructure debt and rebuild their balance sheets and Malaysia has an estimated US\$79bil in excess liquidity, according to Kuwait Finance House.

The liquidity pool has definitely shifted from West to East, said Nida Raza, senior vice-president at Unicorn Capital. Malaysia is an isolated, internal market that has been relatively unaffected by the global liquidity crunch.

While Gulf-based issuers appear eager to strengthen their ties to growing Asian economies and markets, they are weighing that against the market's ability to absorb debt, currency risks and the time needed to build the right offerings.

In Dubai, worst hit in the Gulf by the financial crisis, the government and state-linked enterprises will have to cover an estimated US\$30bil in debt maturing over the next two years.

Dubai is eyeing a US\$1.5bil, multicurrency sovereign sukuk in Malaysia, the first ever ringgit-denominated foreign sovereign issue. Malaysia accounted for 42% of the global sukuk issuance of US\$19.1bil last year, Thomson Reuters data showed. In the first nine months of 2010, ringgit-denominated sukuk deals made up 63.8% of total Islamic bonds issued globally, KFH said.

The market infrastructure for bonds and sukuk are far more developed in Asia, said Jarmo Kotilaine, chief economist at NCB Capital. There is a fairly sophisticated secondary market in Malaysia that builds broader awareness of a (Gulf company) as an issuer.

Unlike the Gulf, where investors usually opt to buy and hold bonds until maturity, there is a far more active secondary market in Malaysia with larger trading volumes.

Malaysia also has better regulation by the central bank, which has more detailed rules for sukuk issuance, while in the Gulf there is a lack of standards that some experts warn could hobble the growth of Islamic finance. Feeding into Malaysia's pool of liquidity is the country's strong fiscal position, supported by exports this year and robust domestic demand. The International Monetary Fund expects Malaysian GDP to grow 7% this year.

The Gulf bond market is staging a tentative revival with a Dubai sovereign bond and issues from Qatar Islamic Bank and the Saudi-based Islamic Development Bank among others in recent months. Potential ringgit issuers are treading cautiously though to see how others fare before aggressively issuing, said Rizwan Kanji, a Dubai based debt capital markets lawyer. Although bankers said it was too early to speculate on how much total debt was being prepared for issuance in Malaysia, each will probably near the scale of existing ringgit sukuk.

In recent months, both National Bank of Abu Dhabi (NBAD) and Abu Dhabi Commercial Bank (ADCB) tested the waters with NBAD issuing a RM500mil (US\$158.6mil) sukuk while ADCB followed with a RM750mil conventional bond. Both issues were widely oversubscribed and have held up well in the secondary market with both rising since their launch, indicating good demand, regardless of the yield.

For Asian investors, ringgit-based bonds with Gulf names provide a way to diversify their portfolios while avoiding risk related to currency fluctuations.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1263

GCC Finance Companies Debt Poised for Record Annual Gain

Monday, December 13, 2010

Islamic bonds issued in the Gulf Cooperation Council (GCC) are heading for their best year on prospects of debt restructuring and demand for higher-yielding assets in emerging markets as depicted by Bloomberg data.

Funds focused on developing nations' debt attracted \$51.8 billion this year as of Nov. 17, exceeding annual tallies in EPFR Global data going back to 1995 as reported by Bloomberg. Investors took money from emerging-market bond funds in the week that ended as stated by the Cambridge, Massachusetts-based research report, Gulf banks are depicting certain signs of recovery after spending more than \$20 billion on loan loss provisions and investment impairments since 2008 as per Standard & Poor's September report . United Arab Emirates lenders are "cleaning up, internally," by streamlining policies, loans and provisions, stated Ala'a Eraiqat chief executive officer, Abu Dhabi Commercial Bank PJSC's this October at a conference in London.

Dubai is expected to sell stakes in some companies to the public to reduce debt as the Persian Gulf emirate alters loan terms and restructures two of its main investment groups, Dubai World and Dubai Holding LLC, Sheikh Ahmed bin Saeed Al Maktoum, chairman of the Dubai Supreme Fiscal Committee, told a conference in the emirate Nov. 28. Dubai is on sound financial footing, he said.

According to recent Bloomberg report, Shariah-compliant debt from Gulf Cooperation Council financial institutions returned 15.7 percent so far in 2010, HSBC/NASDAQ Dubai GCC Financial Services US Dollar Sukuk Index shows the most since HSBC started tracking their performance in July 2005. DIFC Investments LLC's floating-rate note maturing in June 2012 gained 33 percent in price terms to 82.75 cents on the dollar. The 3.172 percent sukuk due September 2014 sold by Islamic Development Bank, a Jeddah-based multilateral lender, returned 9.9 percent, as depicted by prices provided by Royal Bank of Scotland Group Plc.

State-owned Dubai World reached an agreement with creditors in September to alter terms on \$24.9 billion of borrowings, reducing the risk the state-owned company will default and bolstering investor appetite for debt from the region. Economic growth in the GCC will accelerate to 4.5 percent this year and 5.9 percent in 2011, from 0.4 percent last year, as forecasted by the International Monetary Fund in its October Regional Economic Outlook report.

"Financials are among those names which have benefited from Dubai's debt resolution and a greater risk appetite for regional bonds," said Ahmed Talhaoui, the Abu Dhabi-based head of investment at Royal Capital PJSC, which is 44 percent-owned by United Gulf Bank BSC, an investment bank in Bahrain.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1260

Sudan Revives Local Sukuk After Global Bond Sale Failed

Thursday, December 16, 2010

Sudan is selling Islamic bonds to local banks after attempts to issue global notes this year failed on investor concern over the country's conflict in Darfur and a possible breakup after more than two decades of civil war.

The government is selling 800 million Sudanese pounds (\$336 million) of seven-year sukuk this week to complete plans to raise 1.89 billion pounds, said Azhari Eltayeb Elfaki, general manager of the Sudan Financial Services Co., 99 percent-owned by the central bank, in an interview in Khartoum Dec. 13. Faisal Islamic Bank (Sudan), Sudan's oldest Shariah-compliant lender, and Financial Investment Bank are among lenders that bought 570 million pounds of a second portion this week, he said.

Sudan, which needs funds to bridge its budget gap and diversify the economy, has been classified by the U.S. as a sponsor of terrorism and been subject to economic sanctions since 1997. Sub-Saharan Africa's third-largest oil exporter is facing dissolution next month as the south, which accounts for as much as 80 percent of the nation's oil output, prepares to vote on a referendum to secede from the north.

Sudan's difficulty in selling bonds outside is "aggravated by the fact that it has high political risk associated with Darfur and its incumbent president," said Sergey Dergachev, who helps manage the equivalent of \$8.5 billion in emerging-market debt at Union Investment in Frankfurt.

The International Criminal Court has issued arrest warrants for Sudanese President Umar al-Bashir on allegations of genocide, crimes against humanity and war crimes in Sudan's western Darfur region.

Growth in the \$65.9 billion economy will accelerate to 5.5 percent this year and 6.2 percent in 2011, from 4.5 percent last year, the International Monetary Fund said in its October Regional Economic Outlook report. The government is targeting 5 percent economic growth next year, Finance Minister Ali Mahmoud Abdel Rasoul said Nov. 10 in Omdurman, a suburb of Khartoum.

The budget deficit may narrow to 3.2 percent of gross domestic product in 2011, Abdel Rasoul said. Central Bank Governor Sabir Hassan estimated in November 2009 a shortfall of 4.9 percent for this year. The government plans to fund with domestic borrowing including sales of Islamic bonds, and from external loans of 4.4 billion Sudanese pounds from such nations as China, Arab states and India, he said. The government delayed an overseas sale of \$300 million of Islamic bonds originally planned for 2008 because of "political uncertainty," Hassan said Nov. 3. Sudan isn't rated by Moody's Investors Service or Standard & Poor's, according to data compiled by Bloomberg.

“Sudan is one nation that we don’t consider at all,” Zeid Ayer, who helps manage \$1.6 billion of Shariah-compliant assets at CIMB-Principal Islamic Asset Management Sdn. Bhd., said.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1268

Malaysia Sukuk Target for National Bank of Abu Dhabi

Thursday, December 16, 2010

National Bank of Abu Dhabi has said it will return to Malaysian credit markets this month as it sees an improving outlook for Islamic finance issuances. The Islamic Financial industry is a growing sector which is expected to reach over \$2 trillion dollars by 2012 and is further growing in succession with Islamic financial hubs such as Malaysia expanding the markets.

NBAD said today that it would resume its Islamic bond programme in Malaysia, saying it would soon launch a 10-year sukuk issuance worth 500m Malaysian ringgit (Dh586.62m).

Mahmood Al Aradi, general manager for financial markets at NBAD, told Bloomberg: "December is normally a challenging issuance window but the market conditions and demand for our name remain vibrant," he said. "It's an opportunity for us to price and execute swiftly."

NBAD previously issued another 500m ringgit sukuk in June of this year, before tapping Australian markets in October. Emmanuel Volland, a credit analyst at Standard and Poor's, said: "NBAD has been trying to diversify its funding for the past year in various markets, Malaysia has been one of them."

He said that Abu Dhabi's banks were seeing a revival of attempts to raise money through longer-dated bonds, which had stalled upon the arrival of the global financial crisis.

"Apparently a window of opportunity has been open for the past few months and several of the top tier banks have been trying to benefit," he said.

The National Bank of Abu Dhabi's debts are due to peak at Dh3.4bn in 2014, according to data from Bloomberg. The bank must finance Dh17.5bn in the next decade, much of it maturing before 2015.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1270

Sukuk Funds See a Rebound as Returns Tumble in Malaysia

Friday, December 17, 2010

The Islamic finance industry is spearheading the financial sector especially in the Islamic predominant hubs of Malaysia. Malaysia's Islamic bond funds say returns, which fell 40 percent this year, will improve in 2011 as the government's \$444 billion development plan attracts international investors and spurs trading.

"I'm quite confident we can beat this year's performance," said Nor Hanifah Hashim, who helps oversee 25 billion ringgit (\$8 billion) at Kuala Lumpur-based CIMB- Principal Asset Management Bhd., whose CIMB Enhanced Sukuk Fund was the second-best performer. "I don't think foreign investors will stop pouring money into the region next year."

The 32 Malaysian funds tracked by Bloomberg returned an average 3.8 percent this year as of Dec. 14 versus 6.4 percent in 2009. They lagged the 9.2 percent return in Indonesia and 8.3 percent for Pakistan. Performance worsened for 23 of the funds.

The 10-year government initiative for private-led projects ranging from a nuclear power plant to an underground rail network will spur sales of Shariah-compliant debt, according to RHB Investment Management Sdn., manager of the country's third- best performing fund. Issuance in Malaysia, which accounts for more than 50 percent of the \$144 billion Islamic bonds outstanding worldwide, fell 30 percent in 2010, according to data compiled by Bloomberg.

"The economic transformation program is a very strong catalyst," Sharifatul Hanizah Said Ali, who oversees 12.2 billion ringgit as chief executive officer of RHB Investment she said."The opportunity to outperform will prevail in the conventional and Islamic" bond markets, she said. RHB's Islamic Bond Fund has gained 9.5 percent, up from 5.8 percent in 2009.

"It would be hard to replicate the outstanding returns of 2009 as credit spreads have narrowed remarkably in a dislocated market brought by the recent global financial crisis," Wan Murezani Mohamad, a senior analyst at Malaysian Rating Corp., said in an interview from Kuala Lumpur on Dec. 14.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1274

4. ISLAMIC FINANCE EVENTS; SEMINARS, WORKSHOPS & CONFERENCES

IFSB 8th Summit - Enhancing Global Financial Stability: Challenges and Opportunities for Islamic Finance

Wednesday, December 15, 2010

The Islamic Financial Services Board (IFSB) is organising its 8th Summit which is themed: "Enhancing Global Financial Stability: Challenges and Opportunities for Islamic Finance" on 10-13 May 2011 in Luxembourg. Banque centrale du Luxembourg is hosting the Summit.

The changing façade of the global financial services industry over the last 12 months has been felt in, and impacted, many jurisdictions across the globe. These changes include calls by industry stakeholders for more prudent controls, greater supervision and good governance. The calls also point to greater cooperation among the guardians of the industry be it at the global or regional level. At this point in time, the need for international cooperation in the financial services industry as a key theme in enhancing global financial stability has never been more prominent.

The key challenges and opportunities identified for the Islamic financial services industry (IFSI) to enhance global financial stability will be discussed in this year's Summit. The topics of discussion will cover the international developments in the financial regulatory landscape and what they hold for the IFSI, the impediments and prospects for regional and international cooperation, development of capacity building to enhance financial stability, as well as issues in transparency and market discipline and information environment.

The one-and-half day Summit aims to bring together an experienced international group of chairpersons and speakers, with a projected audience of over 200 delegates from all sectors of the financial services industry across the globe. The Summit will address the following topics:

International Developments in Regulatory Landscape: Implications for Islamic Finance

Financial Stability: Regional and Global Cooperation

Developing Capacity Building to Enhance Financial Stability in the Islamic Financial Services Industry

Enhancing Transparency & Market Discipline and Information Environment

Panel Discussion on Issues in Enhancing Global Financial Stability

Two events will precede the Summit, a Workshop on Islamic Finance and IFSB Standards for Institutions Offering Islamic Financial Services and Islamic Capital

Markets and the IFSBIFS Country Showcases, which the IFSB is organising on 10 May 2011 and 11 May 2011, respectively.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1265