Report # 159
BUSINESS AND POLITICS IN THE MUSLIM WORLD
Weekly Report on Global Islamic Finance and Business in the Muslim World
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Summary:

Qatar's decision to force conventional banks to close down their Islamic branches has not been taken well by the market and could show a lack of transparency.

Banks had already been forced to stop selling Islamic products through Islamic 'windows' in existing branches as in much of the rest of the Gulf, and open up whole new sites purely for Islamic products. That led to costly investments in new branch networks.

The lack of consultation and failure to give banks time to even comply with rulings paints an unfortunate picture for Qatar, which has ambitions to be a global player in diplomacy, culture and finance.

Conventional lenders stand to lose between 8 and 16% of their deposit base, total assets and profits with the Qatar Central Bank's stipulation to close down their Islamic banking operations, according to Moody's ratings agency.

"The loss of Islamic banking franchise is credit negative for Qatari conventional banks, which derive 10-15% of their yearly earnings from Shariah-compliant banking," Moody's credit analyst Elena Panayiotou said.

On the other hand, Islamic banks should benefit from the new directive given that the segregation of Islamic and conventional banking will provide access to a large pool of customers, strengthen their franchise dynamics in Qatar as fewer institutions will be competing for the same business and potentially provide greater bargaining power with customers, resulting in better profit margins.

Qatar's central bank will meet with conventional banks to discuss opt Ions for their Islamic operations, including pooling Islamic assets into a newly created Islamic bank, a Qatari newspaper said on Tuesday.

Under the proposal, conventional banks, which were told by the central bank to close their Islamic operations by the end of the year, would move their Islamic assets to a new Islamic bank and stakes in the bank would be set by deposits and funds transferred, the daily Al Sharq said, citing banking sources.

The unnamed sources told Al Sharq that the banks would ask for an extension of the Dec. 31 deadline to liquidate and close their Islamic operations.

Emirates Islamic Bank (EIB) announced the launch of their new personal finance product: 'Investment Murabaha'. With this product, customers will now be able to purchase Sharia Compliant Shares listed on the Abu Dhabi Securities Exchange (ADX) or Dubai Financial Market (DFM).

The customers can hold or sell their shares depending on their objectives i.e growth in their investments or enhancing their funds flow. The product is for UAE Nationals as well as expats and is based on the Wakalah / Murabaha structure.

1. GLOBAL FINANCE & GLOBAL ISLAMIC FINANCE

Central Bank Forecasts Islamic Bank Assets to Jump by Up to 55% This Year

Sunday, January 13, 2011

The assets of the nation's Islamic banks are expected to grow by half this year as people in the world's largest Muslim-majority state increasingly turn to the sector for their financial needs, according to a report by the central bank released over the weekend.

"If Indonesia's economy grows at a decent pace, the assets of Islamic banks will increase by 55 percent,'' said Mulya Siregar, director of Shariah finance at Bank Indonesia.

"With total assets exceeding Rp 100 trillion ($11.2 billion) last year, that should become a solid base for Indonesia's Islamic banks, which now have more than six million customers and employ more than 20,000 workers."

The central bank forecast that Shariah assets would reach Rp 155 trillion by the end of this year, after rising 47 percent to Rp 100.26 trillion last year, with Rp 2.74 trillion of that held by rural banks, the report said.

Indonesia's economy, which grew 6.1 percent last year, is forecast to expand by 6.5 percent this year, Bank Indonesia said.

Islamic banking has emerged as one of the most rapidly expanding sectors in the nation's economy and is expected to play a significant role in the coming years, the report said. Lending by such institutions is expected to grow by 40 percent this year, the same pace it recorded last year, Mulya said

Although Indonesia's population of about 240 million people is 90 percent Muslim, Shariah banking only accounts for about 3.5 percent of the total finance sector, providing plenty of room for growth.

Shariah finance complies with Islam's prohibition on charging interest, with gains coming through a system of profit sharing.

The sector emerged largely unscathed from the global financial crisis due to its strict rules against investing in risky instruments, such as the derivatives, that saw Wall Street financial *giants brought to their knees.*

http://www.thejakartaglobe.com/business/central-bank-forecasts-islamic-bank-assets-to-jump-by-up-to-55-this-year/422527

State Bank of Pakistan Shows Support for Islamic Banking

Monday, January 14, 2011

The central bank is committed to provide an enabling and supportive legal, policy and regulatory framework for the development of the Islamic banking industry on sound footings in the country, said Yaseen Anwar, Deputy Governor State Bank of Pakistan (SBP) Thursday.

While delivering a welcome note at a talk on "Narrowing the gap between philosophical underpinnings of Islamic finance & its practices" organized by Dr Abbas Mirakhor, a renowned economist & Islamic finance professional and former Executive Director of the International

Monetary Fund at SBP, Yaseen Anwar said that the State Bank is taking a number of initiatives for the promotion of Islamic finance in Pakistan.

He said that in addition to developing the regulatory, supervisory and Shariah compliance framework, SBP is also partnering with the industry to create awareness about the utility of Islamic banking and finance in achieving socio economic prosperity at the individual as well as community and state levels. “SBP is also helping to build human resource capacity which is critically important for the industry for sustaining the growth momentum and improving its footprint and share in the banking system,” he added.

Deputy Governor SBP said that the Islamic banking Industry has grown manifold since its launch in 2001 and presently constitutes about 6.7% of the banking system in Pakistan. The industry now has a network of more than 750 branches across the country and given the strong growth momentum and rising acceptability, it is likely to increase its share to 10-12% over the next 2-3 years, he said. “The overall outlook for the industry in Pakistan is thus positive and its prospects to make further strides in the foreseeable future are very bright,” he added.

Anwar said that the global outlook of the Islamic finance industry is also positive as it has been growing at a fast pace and extending its outreach beyond the Muslim countries. Since 2006 the industry grew on an average 28 percent annually with its asset base reaching about $1 trillion.

He said that the recent crisis in the western financial markets has also given a big boost to the acceptability and promotion of Islamic banking as a more stable and prudent system than its conventional counterpart. “The inherent checks and balances in the Islamic financial system, which prohibits Islamic banks to deal in speculative activities and strongly links growth of financial assets with that of the real economy largely kept the Islamic banks insulated from the financial crisis,” he added.

Anwar said that while the philosophical appeal of the Islamic economic system is very strong, the Islamic banking practices, however, revolve overwhelming around the conventional banking system. Most of the Islamic banking products are Shariah compliant structures of conventional products and produce more or less similar economic results, he said and added that the significant differences between the philosophical underpinnings and practices of Islamic finance give rise to debate and confusion about the real difference between Islamic and conventional banking. SBP Deputy Governor lauded the services of Dr Abbas in the field of Islamic finance.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1391

Qatar ruling catches banks off guard

Monday, January 14, 2011

Qatar’s decision to force conventional banks to close down their Islamic branches has not been taken well by the market and could show a lack of transparency.

Banks had already been forced to stop selling Islamic products through Islamic ‘windows’ in existing branches as in much of the rest of the Gulf, and open up whole new sites purely for Islamic products. That led to costly investments in new branch networks.

The lack of consultation and failure to give banks time to even comply with rulings paints an unfortunate picture for Qatar, which has ambitions to be a global player in diplomacy, culture and finance.

Even if the ruling is now repealed, which seems unlikely as the central bank has said it is acting to "manage the risks" in the Islamic finance industry, executives will be forced to wonder how transparent the operating environment is in Qatar.

Rapid changes in regulation, made without industry-wide consultation and explanation will frighten off firms looking to invest.

Islamic banks in Doha will benefit from the rule change as a large part of the competition will be wiped out, but will the customer? It is unlikely that the purely Islamic banks in Qatar have the capacity to handle the entire market.

A better option could be to issue Islamic banking licenses to conventional banks that would require them to keep their Islamic deposits completely separate from their conventional business. Unless some sort of compromise is found, Qatar could find it has created a bigger risk to its economy than the one presented by the Islamic finance industry.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1393

Conventional banks' loss is Islamic's gain

Monday, January 14, 2011

Conventional lenders stand to lose between 8 and 16% of their deposit base, total assets and profits with the Qatar Central Bank's stipulation to close down their Islamic banking operations, according to Moody's ratings agency.

"The loss of Islamic banking franchise is credit negative for Qatari conventional banks, which derive 10-15% of their yearly earnings from Shariah-compliant banking," Moody's credit analyst Elena Panayiotou said.

On the other hand, Islamic banks should benefit from the new directive given that the segregation of Islamic and conventional banking will provide access to a large pool of customers, strengthen their franchise dynamics in Qatar as fewer institutions will be competing for the same business and potentially provide greater bargaining power with customers, resulting in better profit margins.

Stressing that conventional banks could lose 8-16% of their deposit base, total assets and profits, the rating agency said the biggest impact will be on QNB, which has a 39% share in total banking system assets and a high 20% in Islamic banking assets.

Islamic banking comprised around 15% of QNB's net income during the nine months ended September and about 15-16% of its assets and deposits.

Islamic assets and deposits of Commercial bank and Doha Bank, which are the second and the third largest conventional lenders, made up 7-10% of their balance sheets.

Doha Bank derives around 9% of its net operating income from Islamic banking, while Moody's estimated that the contribution to Commercial bank's profit is less (at about 4% of total revenues), which means that the impact on its profitability will be lower compared to the other two rated banks.

Moody's said the new instruction prohibit Qatari commercial banks from extending new Islamic loans and require that they repay all Islamic deposits as they come due.

"Since most deposits are typically short-term, they will be repaid by the end of 2011. Although Qatari banks may be in a position to convert part of their Islamic deposits to conventional deposits, repayment of the Islamic deposits will have a negative impact on their liquidity over the short-term, which nonetheless should remain at adequate levels," it said.

The liquidity of rated Qatari banks and especially of QNB, is supported by their solid funding profile and by the sizeable portion of government-related deposits on their balance sheets (at 25% to total banking system deposits), according to the rating agency.

On the asset side, conventional banks will keep the Islamic assets in a special portfolio and will have the option of selling some of these assets to the Shariah-principled lenders because Islamic assets are typically longer term, Moody's said, highlighting that the conventional banks control a dominant 75% market share of banking system assets, while the Islamic banks account for around 17%.

"While we do not expect major changes in the Qatari banking landscape, the segregation of the Islamic business from the conventional banks will provide room for growth for the Islamic banks, which operate in a highly competitive market," Panayiotou said.

http://www.gulftimes.com/site/topics/article.asp?cu_no=2&item_no=416098&version=1&template_id=48&parent_id=28

Islamic banks 'may see conventional M&As'

Monday, January 14, 2011

Niche Islamic investment banks in the Middle East and North Africa (Mena) may go in for mergers and acquisitions with conventional lenders to achieve the critical mass for reaping economies of scale, according to a report by a global management consulting firm.

"We anticipate first the buildup of national champions driven by major shareholders, as was the case with Emirates NBD in conventional banking. Nice Islamic bank, such as Islamic investment banks (which have been particularly affected by the financial crisis) may diversify through M&as with banks that complement their businesses," the A T Kearney report said.

It cited a Bahrain-based Islamic bank's recent acquisition of a conventional bank with the intention of converting it into a Shariah-compliant business.

"The goal of this acquisition was clearly communicated to market observers: to gain market share, expand the retail and commercial banking presence of the acquirer (previously primarily engaged in corporate and investment banking and wealth management), and achieve the critical mass required to capture economies of scale," said Alexander von Pock and Cyril Garbois, the authors of the report.

They found cross border consolidation still "hampered" because of regulatory "hurdles" and countries' competition.

The Islamic banking market, which has recently grown faster than the conventional banks, has seen little consolidation and has become more fragmented in recent years, it said, adding that with the room for further organic growth limited, M&A is an avenue to consider for sustained growth.

The global economic crisis highlighted the need for further consolidation in the Islamic banking industry, A T Kearney said.

"Growing out of their niche and becoming mainstream is a major challenge and if Islamic do not succeed, the room for further organic growth is limited in an overcrowded market," it added.

M&A opportunities for banking in Mena are greater than it might seem on first glance, the report said, adding bank density is high in most countries throughout the region, and the G3 ratio (the market share of the top three companies) is fairly high.

Stating that a closer look indicated some fragmentation, it said no single bank dominates in the region, and the six countries of the GCC have a low G3 ratio of 16%.

Finding that there were only a few regional expansion M&A deals in Islamic banking, it said Islamic banks compete against conventional banks for the same targets, and conventional banks closed the vast majority of M&As in Egypt and Turkey.

Moreover, turning acquisition targets into Shariah-compliant entities after acquisition adds an extra layer of complexity to the integration process, it said, adding Islamic banking is still relatively young; with relatively few "big players," there were simply not enough potential buyers.

Observing that from an international perspective, banks throughout Mena are still small when compared to their large multinational counterparts, it said "long-term survival will mean either growing externally to compete against these larger companies, or running the risk of becoming easy targets."

http://www.gulftimes.com/site/topics/article.asp?cu_no=2&item_no=415852&version=1&template_id=48&parent_id=28

Kuwait banks fail to lift stock market index

Tuesday, February 15, 2011

Despite gains in the banking and industry sector, the KSE Market Index weakened by 0.14% to close at 6,651.4 points. Financial heavyweights National Bank of Kuwait (up 2.94% at KD1.400) and Islamic bank Kuwait Finance House (up 1.72% at KD1.180) were the main gainers in the banking segment. International Finance Co. posted the largest loss, declining by 8.1% to close at KD0.248.

http://www.ameinfo.com/256708.html

Abu Dhabi's Sorouh sees fourth quarter loss as provisions rise

Wednesday, February 16, 2011

Sorouh Real Estate booked a net loss of AED199m ($54m) in the fourth quarter after setting aside money to cover impairments and provisions, the company said Monday.

Abu Dhabi's second largest developer by market value said the loss compared to a profit of AED28.1m during the same period in 2009.Sorouh took AED370m of provisions and impairments last year, adding to AED363m set aside in the previous year.

Full-year revenue dropped 61 percent to AED1.2bn, while revenue for the three months to December 31 fell 51 percent to AED214m, the developer said in a statement to Abu Dhabi bourse.

"In the short-term, 2011 and 2012 will be years of delivery for us," Sorouh's managing director Abubaker Seddiq Al Khouri said in the statement.

Sorouh said it would deliver 1,500 new homes by the end of 2011 and focus on profit growth from its existing real estate portfolio.

"This means significant cash generation for het business and profits for shareholders," his said.Sorouh raised AED2.35bn in loans to repay Islamic bonds and finance projects in Abu Dhabi, the company said on July 1. The company has AED2.35bn of outstanding debt due in 2014, according to data compiled by Bloomberg.

Sorouh said it has a cash balance of AED1.3bn at the end of 2010 compared with AED2.8bn dirhams a year ago.Abu Dhabi, the capital of the UAE, suffered more than a 45 percent decline in property values from its 2008 peak following the financial crisis.

Sorouh's earnings comes after Abu Dhabi's struggling developer Aldar Properties reported a full-year loss of AED12.7bn, as it booked massive write downs on its assets.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1399

Malaysia Pioneers Islamic Finance Framework

Wednesday, February 16, 2011

Malaysia is stepping up its push to become a world centre of Islamic finance with the release of a Shari'ah Governance Framework for Islamic Financial institutions that will apply to Islamic organizations from June this year.

Development of the framework reflects concerns the trillion dollar Islamic investment sector, estimated to be equivalent to about 5 per cent of the worldwide investment industry, and is stalling.

"This framework is a catalyst to bring about progress for the industry and to ensure that syriah institutions are being properly operated by all the parties," Dr Mohd Akram, executive director of the International Shari'ah Research Academy for Islamic Finance told the Malaysian Sinchew news service.

Dr Akram's comments coincide with hundreds of Muslims worldwide this week celebrating the prophet Mohamed's birthday, making it a public holiday in both Malaysia and Indonesia. Malaysia’s courting of the Islamic investment world follows the move last year of their $350 billion Malaysia bourse to partner with the Bahrain bourse in the offering of Islamic investment products.

At $7 billion the Bahrain bourse is a minnow but the strategic significance of the link shouldn't be underplayed particularly given the closer links being forged between ASEAN bourses to synchronies their trading platforms to facilitate cross-border share transactions.

Earlier this month, the Malaysian, Singaporean, Philippine and Thai securities exchanges announced plans to develop a common technology framework that is expected to go live by the end of this year.

A study released by consultant Ernst & Young in 2010 found that the Islamic funds industry may be stagnating because its institutions appear slow to add the sophistication cashed-up Islamic investors are able to get from traditional developed world financial powerhouses.

Raja Teh Maimunah, head of Islamic markets at Bursa Malaysia was reported last year saying this lack of diversification among products available from Islamic financial institutions was a major stumbling block holding back the industry.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1401

Uganda set for Islamic banking

Wednesday, February 16, 2011

Uganda has received applications from three Islamic banks in the Middle East to offer Shariah-compliant financial services in the country. "The Middle East investors can start operations either by acquiring a local bank or setting up a new Islamic bank in the country," Grace Stuart Ndyareeba, deputy director of commercial banking at Bank of Uganda, said in an interview in Jakarta, declining to name the banks.

The African nation is changing its banking rules to allow lenders to operate under Islamic law and representatives from its central bank are in Jakarta to learn from Indonesia's experience. Southeast Asia's largest economy, home to the world's largest Muslim population, passed a law in 2008 to allow banks to offer services that comply with Islam's ban on interest.

Uganda hopes to pass amendments enabling Islamic finance by early 2012, Titus Mulindwa, deputy legal counsel at Bank of Uganda told reporters in Jakarta today. "We've been studying amendments to the current banking rules to allow Islamic banks to own assets and are looking at refining tax laws for Islamic banks to operate," Mulindwa said.

Around 12 per cent of Uganda's 33 million people are Muslims, according to the Central Intelligence Agency World Factbook. "The interest in Islamic financial services is driven by the people," Ndyareeba said. "As the central bank, we're facilitating their needs."

http://thenationonlineng.net/web3/business/money/28090.html

Qatar Ban to Benefit Islamic Banks Says Moody

Thursday, February 17, 2011

Qatar's order that conventional banks stop offering Islamic banking services will have a negative impact on those banks and benefit Islamic ones, Moody's rating agency said on Monday.

"The loss of Islamic banking franchise is credit-negative for Qatari conventional banks, which derive 10-15 per cent of their yearly earnings from Sharia-compliant banking," Moody's said in a statement.

It added that Islamic banks will benefit from access to a larger pool of customers and have better profit margins. Qatar Central Bank last week ordered conventional banks to stop offering Islamic banking service and to wind down their existing balances by the end of the year.

The credit-rating agency said conventional banks would lose between eight percent and 16 percent of their deposit base, total assets and profits.

Worst affected will be the largest commercial bank, Qatar National Bank (QNB), which has a 39 per cent share of the Qatari banking market, and a 20-per cent share of the Islamic banking market, Moody's said.

The Commercial Bank of Qatar and Doha Bank, the second and third-largest commercial banks in Qatar, has 12 percent and nine percent of the market respectively.

Meanwhile, Qatar Islamic Bank has a nine per cent share of total assets, while Masraf Al Rayan and International Islamic Bank have shares of five per cent and four percent respectively.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1402

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2. ISLAMIC BANKING & INSTITUTIONS

Tamweel announces 2010 net profit of Dhs26m

Sunday, January 13, 2011

Tamweel PJSC, the UAE-based Islamic home finance provider, announced today its positive financial results for the 12 months ending December 31, 2010, demonstrating the company's resilience during a period of increasing stability in the country's real estate sector.

Tamweel reported a net profit Dhs26m for 2010, a turnaround from its financial performance in the previous year, when the company reported a net loss of Dhs54.4m.
In line with this positive financial performance, and as market conditions improve and Tamweel continues to introduce innovative products and services, following a significant increase in the equity ownership of the company by Dubai Islamic Bank, Tamweel is now clearly well positioned to support the country's real estate sector.

In November 2010, Tamweel announced that it would offer up to 80% financing of the current value of ready residential properties in Dubai and Abu Dhabi. Demonstrating its commitment to meeting the needs of end users, the company will extend finance to salaried and self-employed residents who meet the required eligibility criteria. More recently, the company announced the launch of a promotional finance offer starting at just 4.99% per annum.

"We are extremely pleased to share our positive financial results for 2010, which follow Tamweel's recent, successful return to the market," said Abdulla Al Hamli, Chairman of Tamweel. "2010 was clearly a milestone year for Tamweel. Following a period of international and regional financial uncertainty, the global economic outlook has improved substantially, and we are witnessing signs of sustained recovery in the UAE, including in the property market."

"Our strong financial performance over the past 12 months reflects our renewed focus on prudence and conservatism, allowing us to book a high-quality portfolio of select customers and properties," said Varun Sood, Acting Chief Executive Officer of Tamweel. "At the same time, however, we have set ourselves a challenging plan for this year and we remain committed to continue to launch our unique products and services that encourage increased activity among end users, contributing to stability and growth in the UAE real estate sector as a whole."

http://www.ameinfo.com/256465.html

Afghan central bank sees Islamic banking law enacted in 2011

Monday, January 14, 2011

Afghanistan's central bank expects an Islamic banking law to be enacted by September, drawing billions in deposits from citizens wary of the conventional banking system, a senior official said.

The central bank's sharia board will meet Sunday to finalize the law, said Muhammed Qaseem Rahimi, director general of the central bank's Financial Supervision Department. It will then go to the Justice Ministry and parliament for approval.

"Most of the people who can access banking services don't use them just because of the interest, which is not allowed in Islam," Rahimi told Reuters.

"The demand for Islamic bank services is very high in banked and unbanked populations of Afghanistan."Of 17 banks in Afghanistan, six have Islamic banking windows. The central bank hopes to approve the creation of fully fledged Islamic banks after the law is passed, Rahimi added.

Total deposits stood at $3.58 billion as of August 2010, according to a central bank report. But bankers estimate that there is close to $30 billion in circulation that remains untapped by the banking sector.

An Islamic banking law could revive an industry hit by scandal in recent months.The central bank took over

Kabulbank in September, the country's largest private bank, after irregularities of about $579 million raised red flags with authorities.

The crisis added another layer of uncertainty for the country, which already struggles with record levels of military and civilian casualties as well as corruption concerns.Islamic banking could renew trust in the sector, said Alam Hamdard, Kabulbank's head of Islamic banking.

"The crisis showed Islamic banking provides more transparency," he said. "We could show them that their money was safe and secure in tangible projects that were being developed."

Hamdard said Islamic bank customers at Kabulbank did not withdraw funds at the same level as conventional banking customers during the scandal. Reaching the conservative Muslim masses and educating them in how Islamic banking differs from the conventional system is a challenge, with some bankers taking to the airwaves or sitting down at religious gatherings in rural areas to preach Islamic finance.

"Our ultimate goal is to shake out all the money that is lying in pillows and not with the economy in order to contribute to the rebuilding of Afghanistan," Khan Afzal Hadawal, Chief Executive Officer of Bank-e-Millie Afghan, said .

Hadawal said Bank-e-Millie's Islamic banking business has $15 million in deposits and that is projected to rise to $50 million by the end of the year as demand grows.

The Islamic banking sector in Afghanistan could attract up to $6 billion in five years, he said, if the sector starts to offer products such as Islamic credit cards, debit cards and automated teller machine facilities

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1392

Kuwait Finance House posts 29%Q4 profit loss

Monday, January 14, 2011

Kuwait Finance House (KFH) has posted a 29.2% drop in quarterly net income to KD8.7m ($31.13m), compared to KD12.3m in the prior-year period, missing the KD36.4m projected by analysts, Reuters has reported. Nine-month net profit to September 30 stood at KD97.3m, the country's biggest Islamic lender said

http://www.ameinfo.com/256479.html

Barclays head of Islamic products steps down- sources

Monday, January 14, 2011

Barclays Capital's head of Islamic products left the company in January, as the British bank refocuses its attention to core businesses, two sources familiar with the matter said on Monday.

Harris Iran, who joined the company in July 2009, headed global Islamic finance operations for Barclays Capital, Barclays Wealth and Barclay’s corporate divisions.

'The focus of the organization has changed back to its core operations and Islamic finance wasn't seen as part of its core business,' said one source familiar with the matter.

'Barclays will carry on providing the Islamic finance services but in a different way without a global figurehead with expertise in Islamic finance.'

A spokesman for Barclays declined to confirm Iran’s departure or comment on the matter. Iran also declined to comment, referring the matter to the company.

The role of Islamic finance in conventional banking has increasingly come under scrutiny in recent days. Qatar's central bank stunned the industry last week when it asked conventional lenders to close down their Islamic operations amid worries that mixing Islamic and conventional banking could lead to difficulties in financial reporting.

http://www.lse.co.uk/FinanceNews.asp?ArticleCode=mtros3rosln8vba&ArticleHeadline=UPDATE_1Barclays_head_of_Islamic_products_steps_down_sources

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Al Hilal Bank launches new GCC equity fund

Tuesday, February 15, 2011

Al Hilal Bank, one of the UAE's leading Islamic banks, has today announced the launch of the Al Hilal GCC Equity Fund, a Sharia-compliant investment fund that will provide retail investors with access to the Gulf's equities markets.

The open-ended fund will invest in publicly traded stocks of companies that meet strict Sharia law criteria. Al Hilal Bank believes that GCC equity markets offer significant opportunities for investors due to the long-term economic growth potential of the region, coupled with the attractive current valuations of its markets.

Al Hilal Bank has appointed Abu Dhabi-based investment company Invest AD as investment advisor to the new fund and HSBC to provide custodial and administrative services.

Mr. Mohamed Jamil Berro, CEO of Al Hilal Bank, said, "Al Hilal Bank is confident about the exceptional growth potential of the Gulf region, and we are keen to optimally capitalize this growth. Our growing brand and asset management capability partnered with Invest AD's long-standing track record in the region should lead to a highly successful product. This is an opportunity for our clients to invest with us and capture the value that can be found right here on our doorstep."

Al Hilal Bank, one of the most progressive and fastest-growing banks in the UAE, currently has a local network of 19 branches and a strategic expansion plan which aims to establish additional ones across the UAE.The bank is 100% owned by the Abu Dhabi Government and strictly follows Islamic principles across all its operations and services.

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1398

Emirates Islamic Bank launches new personal finance product

Tuesday, February 15, 2011

Emirates Islamic Bank (EIB) announced the launch of their new personal finance product: 'Investment Murabaha'. With this product, customers will now be able to purchase Sharia Compliant Shares listed on the Abu Dhabi Securities Exchange (ADX) or Dubai Financial Market (DFM).

The customers can hold or sell their shares depending on their objectives i.e growth in their investments or enhancing their funds flow. The product is for UAE Nationals as well as expats and is based on the Wakalah / Murabaha structure.

Commenting on the launch, Faisal Aqil, GM Retail Banking for Emirates Islamic Bank stated " We have always believed that only a truly customer centric organisation is an organisation of today & tomorrow. It is this belief and passion that has endeared us to our customers & helped us acquire more and more customers at a rapid pace. We are confident that our customers will be delighted with this offering as well and keep us on the bottom of their hearts and top of their minds when planning for their financial future".

"Investment Murabaha" is available through all 31 branches of EIB as well as its sales offices across the Emirates. The product offers competitive rates. And payment tenures for as long as 15 years. It also comes with exciting features such as zero processing fees, prestigious Skywards EIB credit card as a pre-approved facility and much more.

http://www.ameinfo.com/256675.html

Al Tamimi & Company announces partner promotions in Jordan, Iraq and Qatar

Wednesday, February 16, 2011

Al Tamimi & Company, the independent law firm in the Middle East, has announced the promotion of three new partners covering their Jordan, Iraq and Qatar offices.

Khaled Saqqaf (Banking & Finance / Corporate Commercial), Stefan Jury (Banking & Finance) and Hani Al Naddaf (Litigation) have been promoted to the partnership with immediate effect.

Khaled Saqqaf, Head of the Jordan and Iraq offices, regularly advises on many of the largest cross border transactions across Jordan and Iraq. Khaled joined the firm in September 2008 and specializes in banking & finance transactional and advisory work as well as complex corporate and commercial matters with a particular focus on acquisition and merger transactions, drafting, reviewing and advising on various commercial contracts and setting up various types of corporations. Khaled also works on privatization and due diligence transactions in addition to a broad range of maritime, aviation, insurance, IP and property related matters.

Stefan Jury is based in the Qatar office and focuses on banking, finance and capital markets. He advises on complex cross-border financing transactions including structured project finance, Islamic facilities, and derivative based financing, securitization and sukuk issues. He also advises on derivative arrangements, capital market matters, the local regulatory environment and restructures.

Since joining Al Tamimi & Company in July 2008, Stefan has been involved in some of the region's major finance transactions and advising leading banks in connection with the regulatory environment and on their dealings in Qatar.

Hani Al Naddaf is also based in the Qatar office and focuses on complex litigation, with an emphasis on commercial agency, trademarks, construction, debt recovery, employment and property. Since joining Al Tamimi & Company in February 2008, Hani has been closely involved in a number of large projects including the acquisition of NYSE of 20% of the Qatari Stock Market, the merger of Qatar Navigation and Qatar Shipping, the establishment of Credit Bureau by the Qatar Central Bank and the development and amendment of the laws and the regulation of Qatar Exchange.

The promotions are part of the strategic development of Al Tamimi's Qatar office and follow the recent appointment of Jay Fortin in January 2011 as Head of the Qatar office.

Commenting on the promotions, Al Tamimi & Company founder and senior partner Essam Al Tamimi said, "I am delighted that we have been able to promote these three talented lawyers. They will all strengthen our cross-border capabilities in key areas for the firm and underpin our strength in depth across the Middle East. We are very pleased to welcome them to the partnership."

http://www.ameinfo.com/256789.html

Ajman Bank unveils home finance facility for Manazel properties

Wednesday, February 16, 2011

Ajman Bank, an award-winning financial services institution committed to transforming the experience of Islamic banking, announced today that has entered into a strategic partnership with Manazel Real Estate PJSC, one of the UAE's leading real estate developers.

The agreement, which will see Ajman Bank provide Islamic home finance to customers, was signed in a ceremony by Mr. Ali Al Nuaimi, Deputy CEO of Ajman Bank, and on behalf of Eng. Mohamed M. Al Mazrouei, CEO of Manazel, Mr. Saeed Al Khazaraji, and Head of Support Services.

Under the agreement, Ajman Bank customers can avail home finance on properties in Manazel developments.

"Ajman Bank continues to deliver products and services that cater to the financial services needs of customers. This partnership meets the strong demand for Islamic home finance from customers in Abu Dhabi and Dubai," said Ali Al Nuaimi, Deputy Chief Executive Officer, Ajman Bank. "As a company we are fully committed to supporting the economic development of the UAE, and this agreement will help to further stimulate the country's real estate market."

Ajman Bank will offer up to 80% finance-to-value ratios for Manazel properties, along with tenures of up to 20 years. The maximum finance amount will be Dhs5m. Home finance will be available to UAE nationals and expatriate residents with a minimum monthly income of Dhs10K and Dhs20K, respectively.

Eng. Mohamed M. Al Mazrouei, CEO of Manazel Real Estate, said: "We are delighted to partner with Ajman Bank to provide Islamic home financing to our customers. Today's announcement is another important step in the continuing revitalization of the UAE real estate market. The bank is rapidly establishing itself as a key player in the UAE home finance sector, and we are confident that the products announced today will be of great interest to people looking to buy high quality real estate in Abu Dhabi and Dubai."

Ranked third in customer service among all Islamic banks in the country by Ethos Consultancy, Ajman Bank was recently named the UAE's "Best Domestic Bank" at the 2010 Islamic Business & Finance Awards. The bank currently operates eight full-service branches in the UAE.

http://www.ameinfo.com/256810.html

Islamic megabank gets Bahrain, Malaysia approvals

Wednesday, February 16, 2011

A long-touted Islamic megabank has received approval from Bahrain and a preliminary green light from Malaysia to begin operations, an organizer said on Wednesday.

Saudi Arabia's Sheikh Saleh Kamel -- who is founder and chairman of Bahrain-based Islamic bank Al Baraka BARKA.BH and spearheaded the megabank initiative -- said the venture is still in discussions with Qatar to obtain a license.

The entity will likely have an authorized capital of $3 billion, a third of which will be raised in a private placement.

The fragmented Islamic finance industry lacks sufficient capital to compete with the Islamic units of Western banks on mandates to syndicate loans, arrange Islamic bonds and supply project finance in the Gulf Arab region.

The lack of a lender of last resort is seen as one of the nearly $1 trillion industry's greatest weaknesses, as few central banks issue liquidity instruments compliant with Islamic law, forcing Islamic banks to place their liquidity with large conventional banks.

http://www.reuters.com/article/2011/02/16/islamic-megabank-idUSLDE71F1ED20110216

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3. SUKUK (ISLAMIC BONDS)

Govt Sells Rp 6 Trillion in Islamic Bonds to Haj Fund

Sunday, January 13, 2011

Indonesia's Finance Ministry on Friday sold Rp 6 trillion ($672 million) in Islamic bonds, or sukuk, to the state-managed Haj Fund via a private placement, Shariah director Dahlan Siamat said, The sukuk, which is not tradeable in the secondary market, has a three-year tenor and 7.85 percent coupon, he said.

Since 2009, the ministry has issued Rp 21 trillion in sukuk to the fund, managed by the Religious Affairs Ministry.

http://www.thejakartaglobe.com/bisindonesia/govt-sells-rp-6-trillion-in-islamic-bonds-to-haj-fund/422519

CBB Sukuk Al-Ijara Oversubscribed

Wednesday, February 16, 2011

The Central Bank of Bahrain (CBB) Announces that the monthly issue of the short-term Islamic leasing bonds, Sukuk Al-Ijara, has been oversubscribed by 680%.

Subscriptions worth BD68 million were received for the BD10 million issues, which carry a maturity of 182 days.

The expected return on the issue, which begins on 17 February 2011 and matures on 18 August 2011, is 0.92%.

The Sukuk Al-Ijara is issued by the CBB on behalf of the Government of the Kingdom of Bahrain.

http://ae.zawya.com/story.cfm/sidZAWYA20110216135053

Gulf Investment Corp launches 500 mln rgt sukuk

Wednesday, February 16, 2011

Kuwait-based Gulf Investment Corporation (GIC) has launched a 500 million ringgit ($164 million) sukuk issue in Malaysia as part of an existing funding programme, one of a growing number of Middle East issuers to seek alternative sources of funding.

GIC, which was set up to drive private enterprise and economic growth in the Gulf region, had earlier established a 3.5 billion ringgit sukuk programme in the Southeast Asian country.

GIC launched the five-year, 500 million ringgit portion on Wednesday, and a source with direct knowledge of the deal said.

GIC was not immediately available for comment.

RBS is the deal's sole principal adviser and arranger. RBS and Maybank Investment Bank are the joint lead managers.

The fund-raising programme was rated AAA, the highest rating, by Malaysia's RAM Ratings.

The Islamic bonds are structured according to the wakala bi istithmar concept where GIC will be appointed as agent to collect and manage the sukuk proceeds for the bondholders.

GIC then appoints itself to manage the sukuk assets and will invest the net proceeds through a commodity murabaha financing arrangement and a sub-wakala investment facility. Proceeds will be channeled into sharia-compliant ventures.

GIC's investments include companies such as The National Titanium Dioxide Co, Gulf Industrial Investment, Gulf Re Holdings Ltd, Al Dur Power & Water Co and National Industrialisation Co .

It was established in 1983 by the Gulf Cooperation Council and is owned by the six member states of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.

GIC had previously issued 1 billion ringgit of bonds in Malaysia in 2008.

Apart from GIC, Dubai is working on plans to issue about $1.5 billion in sovereign sukuk in Malaysia while National Bank of Abu Dhabi , the UAE's largest lender by market value, recently launched 500 million ringgit in 10-year sukuk.

Issuers seeking sharia-compliant funding can tap into an estimated $79 billion in excess liquidity in Malaysia, which is also home to the world's largest Islamic bond market.

Issuers in Malaysia accounted for about 60 percent of total global Islamic bond sales of $14.3 billion in 2010, according to estimates by Thomson Reuters. (Click on for more Islamic finance stories and for a speed guide) ($1 = 3.053 Malaysian Ringgit) (Additional reporting by Shaheen Pasha in Dubai) (Reporting by Liau Y-Sing; Editing by Kim Coghill)

http://www.reuters.com/article/2011/02/16/gic-sukuk-idUSL3E7DG0NS20110216

Gulf Investment Corp launches 600 mln rgt sukuk

Wednesday, February 16, 2011

GIC bond size increased due to strong demand

* Middle East issuers turn to Malaysia's bond market

(Updates with pricing, final issue amount)

KUALA LUMPUR, Feb 16 (Reuters) - Kuwait-based Gulf Investment Corporation (GIC) has sold 600 million ringgit ($196 million) of five-year Islamic bonds in Malaysia, one of a growing number of Middle East issuers to tap this market.

GIC sold the bonds at a yield of 5.25 percent

The issue is part of a 3.5 billion ringgit funding programme that GIC has set up in the Southeast Asian country. [ID:nL3E6NK0MC]

Issuers seeking sharia-compliant funding can tap into an estimated $79 billion in excess liquidity in Malaysia, which is also home to the world's largest Islamic bond market.

Dubai is working on plans to issue about $1.5 billion in sovereign sukuk in Malaysia, while National Bank of Abu Dhabi NBAD.AD, the UAE's largest lender by market value, recently launched 500 million ringgit in 10-year sukuk. [ID:nSGE6AN0BP] [ID:nWEA7378]

GIC, created to drive private enterprise and economic growth in the Gulf region, had upsized its five-year deal to 600 million ringgit from 500 million ringgit due to strong demand, said a source with direct knowledge of the deal.

The bonds were oversubscribed by 1.7 times and will be issued on March 1, the source added.

GIC was not immediately available for comment.

RBS is the deal's sole principal adviser and arranger. RBS and Maybank Investment Bank are the joint lead managers.

The fund-raising programme was rated AAA, the highest rating, by Malaysia's RAM Ratings.

The Islamic bonds are structured so that GIC will be appointed as agent to collect and manage the sukuk proceeds for the bondholders.

GIC then appoints itself to manage the sukuk assets and will invest the net proceeds through a commodity murabaha financing arrangement and a sub-wakala investment facility. Proceeds will be channeled into sharia-compliant ventures.

GIC's investments include companies such as The National Titanium Dioxide Co, Gulf Industrial Investment, Gulf Re Holdings Ltd, Al Dur Power & Water Co and National Industrialisation Co (2060.SE).

It was set up in 1983 by the Gulf Cooperation Council and is owned by the six member states of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.

GIC had previously issued 1 billion ringgit of bonds in Malaysia in 2008.

Issuers in Malaysia accounted for about 60 percent of total global Islamic bond sales of $14.3 billion in 2010, according to estimates by Thomson Reuters. (Click on [ID:nISLAMIC] for more Islamic finance stories and ISLAMIC for a speed guide) ($1 = 3.053 Malaysian Ringgit) (Additional reporting by Shaheen Pasha in Dubai) ($1 = 3.053 Malaysian Ringgits) (Reporting by Liau Y-Sing; Editing by Kim Coghill and Jane Merriman)

http://www.reuters.com/article/2011/02/16/gic-sukuk-idUSL3E7DG1M620110216

South Korea to Push Tax Exemption on Islamic Bonds

Wednesday, February 16, 2011

South Korea will renew its push to allow tax exemptions on Islamic bonds issued by companies to help local borrowers tap growing Muslim wealth.

The government's "top priority" at a parliament session starting on Feb. 18 will be to pass a bill on Islamic bonds and another to impose a levy on banks' foreign-currency debt, Park Cheol Kyu, deputy minister for planning & coordination at the finance ministry, said by telephone today from Gwacheon, south of Seoul.

South Korean borrowers may raise more than $1 billion from sales of Islamic bonds within a year should the bill pass, according to Korea Investment & Securities Co. Approval would follow Thailand, where the financial markets regulator said Feb. 10 it has completed rules to permit institutions to sell Shariah-compliant bonds.

A parliamentary committee failed in December to approve the legislation on Islamic bonds, or sukuk, after opposition from church leaders. Should the bill pass this time, South Korean builders, refiners and state-run companies involved in natural resources will be able to fund their business or projects in the Middle East, Lee Yul Hee, and head of the Islamic finance team at Korea Investment & Securities, said by phone on Feb. 15.

Assets held by Islamic financial institutions may climb to $1.6 trillion in 2012, from about $1 trillion last year, according to an April report by the Kuala Lumpur-based Islamic Financial Services Board.

Infrastructure Funding

Korea Electric Power Corp., the nation's biggest electricity producer, won a $20 billion contract to build nuclear power plants in the United Arab Emirates in December. Samsung Engineering Co., its biggest engineering company, won a $1.5 billion contract in April to build utility and offsite facilities for a gas project in Abu Dhabi. Samsung C&T Corp., the second-biggest contractor, built the world's largest tower in Dubai.

Thailand's state-owned Islamic Bank aims to raise 5 billion baht ($163 million) from selling sukuk this year, while the government may sell 40 billion baht to 50 billion baht of Islamic bonds to fund infrastructure projects, Dheerasak Suwannayos, president of the state-run lender, said in October.

Global sales of sukuk fell 15 percent to $17.1 billion in 2010, with offerings so far this year of $3 billion, according to data compiled by Bloomberg.

Stronger Growth

Shariah-compliant debt in the six-nation Gulf Cooperation Council of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates returned 13.6 percent last year and 17.8 percent in 2009, the HSBC/NASDAQ Dubai GCC US Dollar Sukuk Index shows. Global sukuk gained 12.8 percent in 2010, and bonds in developing markets rose 12.2 percent, JPMorgan Chase & Co.'S EMBI Global Diversified Index shows.

The International Monetary Fund estimates growth in the Middle East and North Africa will outpace Europe and the U.S. this year. Economies in the region will expand 4.6 percent after growing 3.9 percent in 2010, the IMF forecast in its report on Jan. 25. The U.S. will grow 3 percent and the euro-region 1.5 percent, according to the Washington-based fund.

Deputy Finance Minister Park also said the ministry will submit the bill on bank levies to parliament.

The government plans to impose a duty of as much as 0.5 percent on non-deposit foreign-currency liabilities held by domestic and foreign banks under normal circumstances, the levy may be increased to more than 0.5 percent when the economy is threatened by a financial crisis or there's a sudden change in capital flows.

http://www.bloomberg.com/news/2011-02-16/south-korea-to-push-tax-exemption-on-islamic-bonds-update1-.html

4. TAKAFUL (ISLAMIC INSURANCE)

Takaful: The Cinderella of the Islamic finance industry

Monday, January 14, 2011

Takaful (Islamic mutual insurance), the Cinderella of the Islamic finance industry, received potentially a major boost with the entry at the end of January 2011 of US insurance giant AIG (American Insurance Group) into the Malaysian market through a RM100-million joint venture, AIA AFG Takaful Berhad, between its flagship Asian entity, American International Assurance Berhad (70 percent equity) and Alliance Bank Malaysia Berhad (30 percent equity), a member of the Alliance Financial Group Berhad of Malaysia.

In fact, two further international-local Takaful joint ventures are scheduled to come to enter the market in 2011 following the approval last year by Malaysian Finance Minister and Prime Minister Mohd Najib Abdul Razak of the four new joint-venture family Takaful licenses under the Takaful Act of 1984. This was part of Malaysia's ongoing financial liberalization of its Islamic finance sector which was announced by Prime Minister Najib in April 2009.

These included AIA AFG Takaful Berhad; the joint venture between AMMB Holdings Berhad (70 percent) and Friends Provident Group PLC, UK (30 percent); one between ING Management Holdings (Malaysia) Sdn Bhd (60 percent), Public Bank Berhad (20 percent) and Public Islamic Bank Berhad (20 percent); and one between The Great Eastern Life Assurance Company Ltd. (70 percent) and Koperasi Angkatan Tentera Malaysia Berhad (30 percent).

This brings the number of Takaful operators in Malaysia to 12. The other Takaful operators include CIMB Aviva Takaful Berhad, Etiqa Takaful Berhad, Hong Leong Tokio Marine Takaful Berhad, HSBC Amanah Takaful (Malaysia) Sdn Bhd, MAA Takaful Berhad, Prudential BSN Takaful Berhad, Syarikat Takaful Malaysia Berhad and Takaful Ikhlas Sdn. Bhd. Further international interest in Malaysia's Takaful market is the 35 percent equity stake being finalized by Japan's Mitsui Sumitomo in Hong Leong Tokio Marine Takaful Berhad.

In addition, Malaysia also has four Retakaful Operators, namely, ACR Retakaful SEA Berhad, MNRB Retakaful Berhad, Munchener Ruckversicherungs-Gesellschaft (Munich Re Retakaful) and Swiss Reinsurance Company Ltd. (Swiss Re Retakaful); and one International Takaful Operator in AIA Takaful International Bhd. In addition, there is also strong presence of the Takaful industry in the Labuan International Business and Financial Centre, where there are 14 Retakaful operators incorporated.

"The launching of AIA AFG Takaful Bhd. is another important milestone in our strategy toward developing a progressive Takaful industry that is resilient and is better able to meet the increasingly challenging and competitive business environment," explained Mohd Razif bin Abd Kadir, deputy governor of Bank Negara Malaysia, the central bank and Takaful regulator, at the launch of the company in Kuala Lumpur.

However milestones in the Takaful sector should to be put in perspective. Ernst & Young estimates Global Takaful contributions at a mere $5.3 billion in 2008, even though the year-on-year growth was 28 percent. However, the base relatively to the global insurance market is extremely low as such any increase looks impressive. The growth by end 2010 was projected to reach a mere $9 billion.

Bank Negara Malaysia estimates that the Takaful industry is expected to grow by up to 20 percent annually (compared to up to 40 percent for the Islamic banking industry) and is estimated to reach $14.4 billion by end 2010.

Malaysia has the single largest Takaful market in the world with an estimated 26 percent of global Takaful assets which according to Bank Negara Malaysia totaled RM12,445.4 million — and not the second largest as one FT publication maintains because for some curious reason it includes the Iranian insurance market which is not Shariah-compliant per se. Iranian insurance companies confirm that the insurance market in Iran is not Shariah-compliant per se. The same applies to the Iranian banking sector.

Bank Negara Malaysia's Quarterly Bulletin for Q3 2010 stressed that the insurance and Takaful sector remained resilient, supported by strong capitalization and improved profitability with a capital adequacy ratio of 222.7 percent with excess capital of RM19.2 billion. What a pity the data for the insurance and Takaful sectors are co-mingled making it impossible to analyze which of the two was better performing on a quarterly basis.

Takaful Fund Assets, according to Bank Negara Malaysia, comprised only 8 percent of the total assets of the Malaysian insurance and Takaful industry in 2009 — up from 5.7 percent in 2005 and 7.5 percent in 2008.

Total Takaful Funds, however, have more than doubled in this same period from RM5,878.4 million in 2005 to RM10,569.4 in 2008 and RM12,445.4 million in 2009. Similarly, Takaful net contributions income increased from RM1,333.7 million in 2005 to RM3,025.1 million in 2008 to RM3,521.8 million in 2009.

Where Razif is spot on is the growing diversity of the sector-product offerings by Takaful operators have further broadened to cater to the differentiated needs of customers, with family Takaful products (equivalent to life insurance) now dominating the market with a share of 78 percent of net contribution, as compared to general Takaful products (equivalent to general insurance such as fire, car etc) that dominated a share of 63 percent back in 1984.

"Similarly, the Takaful industry," explained Razif, "exhibits high potential, as demonstrated by its robust expansion with annual growth rate of total assets and contributions averaging between 20 percent and 26 percent over the period of 2004 to 2009."

Robust expansion may be a slight exaggeration, but Bank Negara Malaysia is rightly confident of the "strong growth prospect for the Takaful sector, in view of the large untapped potential, where out of the 53.5 percent market penetration rate for both Takaful and insurance, the market penetration rate for Takaful was merely 10.9 percent in September 2010." The untapped areas of business within the family Takaful industry, accounting for 50.3 percent of contributions in September 2010, says the central bank, are micro-Takaful, medical and retirement products.

The Malaysian government can help leverage this growth potential by giving the Takaful sector the same policy and structural support which it has given the banking and capital markets (Sukuk) sectors over the last three decades. This support could take the form of various initiatives including increasing the provision of Shariah-compliant retirement and pension products of both government employees (those who opt for such a scheme) and individuals in general; and the greater use of Takaful products by government-linked companies (GLCs) and the two sovereign wealth funds, Khazanah Nasional and 1 Malaysia Development Berhad (1MDB) in their business.

Malaysia has the most advanced Takaful industry regulatory and legal infrastructure in the world, the same as for its Islamic banking and capital markets architecture. Given its role in providing risk protection, the Takaful industry offers a suite of financial products and services that complement the existing range available for consumers. In recognizing its importance, stressed Deputy Governor Mohd Razif, “focus has been given in developing a dynamic and vibrant Takaful industry within our Islamic financial system. Where the industry is today has been an outcome of an accumulation of efforts in instituting a comprehensive Islamic financial landscape in Malaysia's financial system. A strong institutional infrastructure and effective legal, regulatory and Shariah governance framework are the underpinnings of our Islamic financial industry. In our pursuit to develop Islamic finance, the recent enhancement to the Central Banking Act has accorded formal recognition to the existence of Islamic finance as an arm of the dual financial system, thereby giving significance and due prominence to Islamic finance.”

Moving forward, the new Shariah Governance Framework, which became effective on Jan. 1, aims at enhancing “the role of the board, the Shariah Committee and the management in relation to Shariah matters, including enhancing the relevant key organs having the responsibility to execute the Shariah compliance and research functions aimed at the attainment of a Shariah-based operating environment” of Malaysian Islamic financial institutions including Takaful and Retakaful operators.

Bank Negara Malaysia recently also issued Guidelines on Takaful Operational Framework, which establishes principles governing the operational processes of Takaful business to ensure that business activities and innovations are within the Takaful operator's risk management capacity. “With effective discharge of Takaful operators' duties, the interests of Takaful stakeholders will be safeguarded as the guidelines place emphasis on sound management to ensure sustainability of Takaful operators,” added Razif.

AIA AFG Takaful Bhd., which has a paid-up capital of RM100 million, will concentrate on bancatakaful to further enhance the development of the family Takaful industry in Malaysia, including micro-Takaful, medical and retirement products.

http://arabnews.com/economy/islamicfinance/article260055.ece

Islamic Insurance Firm Sees Opportunity after Egypt Crisis

Wednesday, February 16, 2011

Tokio Marine Middle East, an Islamic insurance services provider, sees an opportunity to expand its business in Egypt following the recent political turmoil, the company’s chief executive told Reuters.

Islamic insurance, or takaful, is already seeing demand in Egypt and the recent demonstrations will highlight the need for financial protection, said Ajmal Bhatty, president and chief executive of Tokio Marine Middle East, a unit of Tokio Marine Holdings.

“The awareness for insurance, especially personal insurance is generally low in regional markets including Egypt,” Bhatty said in an interview last week.

Events such as the recent ones generally result in increasing the awareness in people that they need to do more bout protection of their livelihood and assets.”

The unprecedented demonstrations captivated the world and led to the ouster of President Hosni Mubarak after a 30-year reign.Tokio Marine launched two takaful companies in Egypt in January 2010. There are eight Islamic insurance providers in the country. Bhatty said the industry expects to pay claims resulting from the turmoil.

The Japanese insurer said last year that it expected the two sharia-compliant units to generate about $3.5 million in annual premium income in the first financial year, which closes in

June. That figure should increase to $136.4 million within 10 years, giving the Egyptian operations more than a one-fifth share of the takaful market in the country.

Islamic insurance, or takaful, is similar to mutual insurance but with a clear segregation of the assets owned by policy holders and those owned by the insurer. The industry is expected to be a clear growth driver within the nearly $1 trillion Islamic finance industry over the next five years.

Tokio Marine is also considering launching micro-takaful operations in Egypt to complement microfinance programs already available.

Micro-takaful is an Islamic insurance scheme for people on low incomes who cannot afford insurance premiums. S part of a micro-credit scheme, a small amount goes to cover areas such as life, disability and accident insurance, as well as livestock cover or crop insurance against hazards of severe weather or flooding.

Bhatty said the company has already successfully provided conventional micro-insurance in India through a joint venture with a Japanese fertilizer company.

"We would like to explore microtakaful possibilities for Egypt as a good proportion of the society would benefit from it," Bhatty said

http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1400

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5. ISLAMIC INVESTMENTS; EQUITIES/SECURITIES & FUNDS

Qatar banks may pool Islamic funds in one bank-paper

Tuesday, February 15, 2011

Qatar's central bank will meet with conventional banks to discuss opt Ions for their Islamic operations, including pooling Islamic assets into a newly created Islamic bank, a Qatari newspaper said on Tuesday.

Under the proposal, conventional banks, which were told by the central bank to close their Islamic operations by the end of the year, would move their Islamic assets to a new Islamic bank and stakes in the bank would be set by deposits and funds transferred, the daily Al Sharq said, citing banking sources.

The unnamed sources told Al Sharq that the banks would ask for an extension of the Dec. 31 deadline to liquidate and close their Islamic operations.

Doha Bank chief executive Raghavan Seetharaman told Reuters on Tuesday that he was not aware of any central bank meeting or the proposal mentioned in the newspaper report.

Earlier this month, Qatar's central bank issued a circular to conventional institutions to close down Islamic operations amid worries of overlap between the two. The news sent the shares of conventional banks falling while Islamic banks rallied.

Qatar National Bank, international lender HSBC , Doha Bank, Commercial Bank of Qatar , Al Ahli Commercial Bank and International Bank of Qatar were all impacted by the directive.

Doha Bank and HSBC said at the time that they would seek further clarification from the central bank.

http://www.lse.co.uk/FinanceNews.asp?ArticleCode=h8znyg17xpfdi6u&ArticleHeadline =Qatar_banks_may_pool_Islamic_funds_in_one_bankpaper

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6. ISLAMIC FINANCE EVENTS; SEMINARS, WORKSHOPS & CONFERENCES

NBAD brings top international speakers to Abu Dhabi

Monday, January 14, 2011

The National Bank of Abu Dhabi (NBAD) has arranged for an impressive lineup of speakers at its Global Financial Market Forum (GFMF) comprising of prestigious writers and decision makers.

The Third GFMF commences with the Global Financial Markets Islamic Forum on February 27th and 28th while the Global Financial Markets Islamic Forum will be held on March 2nd and 3rd, 2011 at Yas Hotel in Abu Dhabi.

Dr. Nassim Nicholas Taleb, the author of "The Black Swan" which was described as one of the twelve most influential books since World War II, is the keynote speaker on February 27th and March 2nd, 2011. Mr. Taleb, who is the Senior Scientific Advisor at Universe Investments, was one of the first observes to forewarn about the financial crisis of 2007.

NBAD has also arranged for author, academic and economic commentator Jim Rogers, Jamil Baz, chief investment strategist of Man- GLG, and Richard Perry, founder and partner of Perry Capital to speak at GFMF.

Other top speakers at the GFMF 2011 include H.E. Khalil Mohammed Sharif Foulathi, the Chairman of the Central Bank of the UAE and Board Member of Abu Dhabi Investment Authority (ADIA), H.E. Nasser Ahmed Khalifa Al Sowaidi, the chairman of Economic Development Department and the chairman of NBAD and also a member of Abu Dhabi Executive Council; James Hogan, the Chief Executive Officer of Etihad Airways, and Michael H. Tomalin, the Group Chief Executive of NBAD.

"We are very proud and excited with the notable people who will share their knowledge and expertise at NBAD's Global Financial Markets Forum 2011," said Mahmood Al Aradi, the Senior Executive Vice President of NBAD's Financial Market Division. "NBAD's Financial Market Division has worked hard for months to assure that our Third GFMF will succeed in providing our esteemed clients and investors the essential information needed to succeed in today's evolving environment."

The list of speakers and panelist at the Third GFMF also include H.E. Abdulla Saif Al Nuaimi, the Chief Executive Officer of TAQA - Abu Dhabi National Energy Company; H.E. Fahed Saeed Al Raqbani, the Director General of the Abu Dhabi Council of Economic Development; Khald Abdulla Al Qubaisi, the Senior Advisor of Mubadala Development company; Matthew Hurn, the Executive Director Group Treasury of Mubadala; Ryan Wong, the Group Vice President and Treasurer of TAQA; Mukhtar Safi, the Chief Financial Officer of General Holding Corporate (GHC); T.K. Raman, the Group Chief Financial Officer of Finance House; Stephen Jordan, the General Manager of Liquidity Management & Interest Rate Product Group at NBAD; Sameh Abdulla Al Qubaisi, the General Manager of Institutional & Corporate Coverage at NBAD's Financial Markets Division (FMD); Chavan Bhogaita, the Head of Credit Research at NBAD; and Nik Gowing, the Foreign Affairs specialist at BBC.

NBAD's Financial Market Division (FMD) organises the annual GFMF. Each year's conference is unique and adds on the success of the year before. This year's GFMF includes the Investor Presentation sessions, a programme that has never been offered in the region. The Investor Presentation sessions are aimed to target top investment managers globally and regionally. This new leg for the GFMF is in addition to the unique conference and Workshops set-ups.

The Global Financial Markets Islamic Forum, to be helad on February 27th and 28th, 2010 will discuss the most pressing issues facing the Islamic banking industry.

Leading industry players and Sharia scholars who are speaking at the Global Financial Markets Islamic Forum include Sheikh Nizam Yaquby; Sheikh Yusuf De Lorenzo; Dr. Adnan Ahmed Yousif, President and Chief Executive of Al Baraka Banking Group; Dr. Mohd Daud Bakar; Dr. Mohamad Akram Laldin, the Executive Director of International Shariah Research Academy for Islamic Finance; Dr. Mohamad Nedal Alchaar, the Secretary General of the Accounting and Auditing Organisation for Islamic Financial Institutions; Richard Thomas CEO of Gatehouse Bank; Simon Needle, Vice Chairman - IIFM; Ikbal Daredia, Acting Chief Executive Officer and Head of Capital Markets & Institutional Banking, Unicorn Investment Bank,; Rushdi Siddiqui, Global Head Islamic Finance, Thomson Reuters; David Gibson-Moore, Chief Representative, LGT Bank in Liechtensten Ltd; Ajmal Bhatty CEO, Tokio Marine Middle East; Abdul Kader Thomas, President and CEO of SHAPE Financial Corporation and Director, American Journal of Islamic Finance; Raja Teh Maimunah, Global Head Islamic Markets, Bursa Malaysia; Dr. Ludwig Stiftl, Head of Centre of Competence for Retakaful - Munich Re; Lilian Le Falher, Executive Manager - Treasury, Financial Institutions, DCM and Asset Management, Kuwait Finance House; Sohail Jaffer, Partner and Head of International Business Development - FWU; and Mark Pritchard Vice President- Head of Islamic Products Institutional Coverage, NBAD.

"We are confident these highly intellectual and influential thinkers and decision-makers will provide great insights into todays and tomorrow's market and economy," Mr. Al Aradi said. "We place much thoughts and effort each year to assure the annual Global Financial Markets Forum offers great information and utility to our esteemed investors and clients."

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