

**Report # 170**  
**BUSINESS AND POLITICS IN THE MUSLIM WORLD**  
**Weekly Report on Global Islamic Finance**  
**Period: May 01 – May 07**  
**Presentation Date: May 11, 2011**  
**Submitted By: Zain Arshad**

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#### **Summary:**

Dubai Exports, an agency of the Dubai Department of Economic Development (DED), in partnership with Invest France conducted an Islamic financial services trade mission to France. The trade mission included leading UAE companies in all areas of the Islamic financial sector from advisory firms and specialists in structuring of products to Shariah scholars and investment banks.

When it comes to money, Pakistan has a troubled image. Its business establishment is known for chronic tax evasion and loan defaults, and many of its politicians have been implicated in corruption scandals that exposed their cozy relations with bankers and bureaucrats.

But Islam, the national religion, offers an alternative form of financing that claims to be

both more ethical and more equitable. Islamic banking represents only 8 percent of banking

activity nationwide, but it is a fast-growing trend that appeals to many Pakistanis who want to be financially successful but also religiously correct.

Jordan's finance minister has said a draft law paving the way for the sale of Islamic bonds is to be sent to the parliament in June, Bloomberg has reported. "Once it's ratified, we will then take a decision based on our needs as to if we will issue conventional bonds like we did last year

or sukuk," Mohammad Abu Hammour said. The sale amount "won't be less than \$500m, but if we see there is an appetite and market conditions are favourable we may go higher.

Egypt's Freedom and Justice Party, set up by the Muslim Brotherhood to run in this year's parliamentary election, is proposing the government sell Islamic bonds for the first time.

"There's a high percentage of the Egyptian people that has reservations about charging interest," Ashraf Badr el Din, a member of the Brotherhood committee that wrote the party's economic platform, said in an interview from Cairo on May 2. "Having this tool for financing will encourage these people to invest their money."

## **1. GLOBAL ISLAMIC FINANCE**

### **Islamic Finance Trade Mission in France**

*Sunday, May 01, 2011*

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Engineer Saed Al Awadi, CEO of Dubai Exports, commented, "The principle aim of this trade mission is to ensure that our firms are able to capitalize on global opportunities in the sector. As such we plan to conduct similar missions to Canada which is considering regulatory changes to its taxation laws to incorporate Islamic financial services as well as Indonesia which is home to the world's largest Muslim population of over 130 million people.

"All of these missions seek to showcase Dubai's capabilities as the leader and pioneer in Islamic Finance. Dubai which has dedicated financial clusters and markets has shown that it can be innovative through the development of new Shariah compliant products to meet the needs of an ever increasing and sophisticated investor," he added.

Islamic finance is one of the recent segments in global financial services with the first formal bank being established in 1975. Despite its short history it has grown remarkably fast and today accounts for assets worth over US\$700b provided by more than 300 financial institutions across 75 or so countries.

It is expected that the growth of Islamic financial services will continue to grow over the foreseeable future as it moves away from its traditional captive markets of Islamic countries. In recent years a number of countries have embraced Islamic Finance and made the necessary regulatory taxation changes so as to treat it at par with conventional banks. These changes have allowed Islamic financial institutions to be established in new countries and thereby increasing its market coverage.

For instance, in April 2009, France initiated a programme to change its taxation regime so as to accommodate Shariah compliant contracts. In the same year, it also amended Article 2011 of the French Civil Code which relates to the setting up of trusts. This is a significant change towards the issuance of sukuks as well as other Islamic products.

"With such changes in the French regulatory system it was natural that we target the country" commented Al Awadi. He also added that, "I strongly believe that France with an

established financial sector can play a significant role in Islamic Finance within the wider European region. To this end we intend to work closely with our partners in the country to ensure that our firms gain exposure in the market".

The French market has a number of advantages for UAE companies seeking a European presence such as being the fifth largest economy in the world. It also has the second largest Muslim population in Europe.

Although, the Muslim population is perhaps the easiest to target it is not the only segment to which the Islamic financial institutions seek to cater their services. Sohail Zubairi the CEO of Dar Al Shariah, stated "that Islamic Financial products are not limited only to Muslims and meet the needs of those looking for ethical investment and finance".

In this respect France already has a large ethical investment segment with over 70 billion euros of assets under management. There is a misconception that Islamic financial products are complicated. The products are straight forward and it's the terminology that makes them confusing. If Islamic financial institutions were to use common everyday names for these products they would open the door to a new group of customers.

Another advantage of France as far as Islamic finance is concerned is that Paris is a leading stock exchange market in Europe (in terms of volume of transactions), in particular after the merger between NYSE and Euronext. The country is also a gateway to the Maghreb markets of Morocco, Algeria and Tunisia.

To date there have been Shariah compliant real estate funds in France with a value of 3 billion euros. However, the potential in the country is estimated to be far greater and some studies show it to be as much as 120 billion euros. The untapped appetite for Islamic financial products was recently illustrated when Société Générale Bank launched an Islamic product in the Reunion Island.

Not only was it fully subscribed in a within a few days it also proved that there are no regulatory obstacles to establishing a fully fledged Islamic financial operation in the country. The island of Reunion is one of five French Departments which implies that it has the identical laws and taxation structure as the mainland. Therefore, the establishment of Islamic products in the Island de facto implies the any approved financial institution should be able to offer the same products in the country.

The eagerness to set up Islamic financial products and services was echoed by Thierry Dissaux from the French Treasury who stated that there are three priorities for the current year in this regard namely to issue a sukuk under French law; provide a licence to an Islamic financial institution and to translate the Islamic accounting standards into French.

At the same time, the country is developing its human capital through the launch of two masters' programmes in Islamic Finance at the University of Paris Dauphine and Strasbourg University. Although, both courses have a young history they seem to be oversubscribed which shows the huge interest from those looking to work in the Islamic Financial sector.

Sohail Jaffer International Business Development Partner with FWU Dubai Services felt that, "France was well poised for the launch of Islamic or Shariah compliant investment and

takaful products". Jaffer continued to point out that, "France is keen to broaden its scope of financial services in order to strengthen the position of Paris as a major financial centre".

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1580](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1580)

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<http://www.ameinfo.com/263695.html>

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## **Islamic Banking Ideal For Economic Growth**

*Sunday, May 01, 2011*

The interest-free Islamic banking system will provide the ideal thrust to India's economic development, an expert said here Sunday.

Islamic banking, which propagates zero-interest lending, can solve not only farmers' crisis but will also fill the gap between the financially-excluded and financially-included classes in India, Irfan Shahid, an economist and expert on Islamic banking, told a seminar here Sunday.

The programme was organised by the Muslim Educational Social and Cultural Organisation and the Arabic Language and English Education Foundation.

"The Islamic banking industry, which is operating for the past 30 years in the Middle East, has gained popularity and curiosity around the globe during the financial crisis of 2008.

"Despite the financial turmoil that crippled so many large Western institutions, Islamic banks continued to grow in prominence and size. Right now, about 500 such institutions operating in 75 countries, including Britain, the US and China," Shahid said.

According to Shahid, the main objective of Islamic finance is to create a society of investors, unlike the conventional banking system, which has created a society of borrowers and lenders over the past hundreds of years.

"In the Islamic banking concept, the banks involve themselves in real-time trading or investment activities with their customers based on various contracts. It is for all religions, anyone can have an account in it and get the benefits," he said.

All the products that these banks offer are Sharia-compliant and a Sharia board decides or monitors what sort of investments the banks can make.

He added that Islamic banking in India will not only benefit the marginalised and the minorities in terms of microfinance, but can also attract major investments from the Gulf countries.

Kerala is the only state where Islamic banking has begun after the high court permitted it in February.

<http://mangalorean.com/news.php?newstype=local&newsid=235970>

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## **Islamic banking is a fast-growing trend in Pakistan**

*Sunday, May 01, 2011*

When it comes to money, Pakistan has a troubled image. Its business establishment is known for chronic tax evasion and loan defaults, and many of its politicians have been implicated in corruption scandals that exposed their cozy relations with bankers and bureaucrats.

But Islam, the national religion, offers an alternative form of financing that claims to be both more ethical and more equitable. Islamic banking represents only 8 percent of banking activity nationwide, but it is a fast-growing trend that appeals to many Pakistanis who want to be financially successful but also religiously correct.

Business experts say the burgeoning popularity of Pakistan's Islamic banks — where deposits have gone from about \$3 billion to nearly \$4 billion in the past year — reflects both a reaction to the turmoil afflicting Western financial systems in recent years and a surge of religious feeling in an overwhelmingly Muslim society in which many people believe their faith is under assault from the West.

“Islamic banks have existed on the fringes of the banking industry for many years, but the global financial crisis has brought them into the limelight,” said a recent report in the *Business Recorder*, Pakistan's daily financial newspaper. Today, it said, Islamic banking is “in fashion” and has “earned a shine that continues to attract funds.”

Meezan Bank, the largest of a half-dozen Islamic banks in Pakistan, draws Muslim consumers to its 54 branches by promising “the best of both worlds.” Its brochures advertise quick car loans that are “halal,” or in accordance with religious rules, and new-home mortgages that are “riba-free,” meaning that no interest is charged.

“Interest is a curse that must be eliminated from society,” said Irfan Zulqernain, a Meezan officer who has an MBA and a vision of Islam as a socially transformative force. “We don't treat money as a commodity, which just makes a few people richer and everyone else poorer. Our way generates economic activity and spreads money throughout society.”

Islamic finance is based on a system of asset leasing and partnerships rather than outright moneylending, which Islam bans. The bank is allowed to turn a profit, but it does so by charging extra fees rather than interest — a distinction that critics say is virtually meaningless and intended solely to make Muslim customers think they are doing the right thing.

#### *Religion as selling point*

Banks are not the only businesses to capitalize on the new religious mood among consumers. More and more products are labeled “halal” even when there is no religious blessing involved. At a leading bookstore here in the capital, one of the hottest-selling items is a digitalized miniature version of the Koran that sells for \$80.

“This is a precious object for us, and now it as easy to use as a mobile phone. You can just press a button and listen to any verse,” said Samira Imran, a customer who was buying one for her mother. “Our parents like to recite the Koran all the time, but this is a way to connect the new generation as well.”

A nearby shop offers a collection of stylish abayas, the dark cloaks worn by conservative Muslim women, going for up to \$200. Most Pakistani women who are public figures still favor

the typical South Asian ensemble of tunic and trousers, but a growing number of cloaked women can be seen in Islamabad's shopping centers and on its campuses.

"In the past, many women in Islamabad didn't even wear head scarves, but now more are inclined to Islamic dress," said the shop manager, Zubair Shah. "There are many negative trends in our society, so perhaps they feel more secure."

Like the abaya, the Islamic financial system is an import from the Middle East, and its guidelines are spelled out by clerics. A booklet from one Islamic research institute describes it as the philosophy of a "morally directed economy" in contrast with the "morally neutral" organization of capitalist societies.

Officers at several Islamic banks in Islamabad said that instead of paying penalties for late payments, customers are asked to donate to religious charities. However, several Islamic banks in other areas of Pakistan have come under official scrutiny for gifts to charities with possible links to Islamic extremist groups.

#### *A burgeoning market*

For borrowers from Islamic banks, the relationship can also be intrusive. The banks, which own assets outright until full payment is made, ask more questions and exert more control than non-Islamic financial institutions. If a customer finances a car, an Islamic bank will install a tracking device to make sure it is not stolen or abandoned.

Although some conventional bankers here remain skeptical of Islamic financing, which they describe as merely "rebranding," others have been quick to see a potentially lucrative market. Several large Western-based banks in Pakistan now offer "sharia-compliant services," as well as conventional consumer and business loans.

Some business owners said they chose Islamic financing for nonreligious reasons, such as easier qualification criteria and reduced financial risk. Still, they said, it is reassuring to know they are abiding by their religion.

"Most of us don't have detailed knowledge of what is Islamic or un-Islamic," said Naeem Burney, a Meezan Bank client who imports industrial chemicals. "There may be a gray area in how a bank determines its profit, but if the scholars have declared this to be Islamic, then at least you don't have any doubt."

[http://www.washingtonpost.com/world/in-pakistan-islamic-banking-is-a-fast-growing-trend/2011/04/29/AF1F2iMF\\_story.html](http://www.washingtonpost.com/world/in-pakistan-islamic-banking-is-a-fast-growing-trend/2011/04/29/AF1F2iMF_story.html)

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### **Bahrain Islamic Bank Wins Best Islamic Bank Award**

*Monday, May 02, 2011*

It has been reported that Bahrain Islamic Bank (BisB) has been named the Best Islamic Bank in Bahrain by Global Finance in its 2011 awards.

The bank's selection for this prestigious award has been the result of a special survey by the international banking and finance magazine, whose members include a number of prominent experts and specialists in Islamic banking and finance from around the world.

"We are pleased to receive this award which we won for the second time after winning it in 2009 from this US magazine, which is a highly respected and reputed publication that is well-

recognised in the world's banking industry," said BisB chief executive Mohamed Ebrahim Mohamed.

"Winning this award for the second time within a short time span in the midst of the current difficult economic conditions experienced by the banking sector is testimony of the bank management's positive policies and fruitful plans for the development of performance and enhancement of the bank's status on the regional and global levels," he said.

"This will certainly strengthen the bank's position and leadership in the Islamic banking scene in Bahrain and in the regional level given that Islamic banking has become well-established worldwide.

"Winning such a prestigious international award makes us more responsible in the future to maintain this outstanding level of service and operations.

"This achievement is an impetus for us to make more effort to develop Islamic banking services and products in our bank to meet the needs and requirements of our customers.

The award would be an addition to the numerous awards received by the bank from leading international business organisations. These include the Best Islamic Bank in Bahrain Award 2009 from Global Finance and the Best Islamic Finance Bank in the Gulf 2008 from the British World Finance magazine.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1585](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1585)

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### **Mawarid Finance launches IFS**

*Monday, May 02, 2011*

Mawarid Finance launched IFS the new company within the group to be the one-stop-shop service provider for all Islamic Banking and Takaful outsourced services. IFS shall provide distinct operational banking services, business and technical consultation in the region through a combination of robust delivery process, people and technology.

About Mawarid Finance:

Mawarid Finance is a private joint stock company established in Dubai, UAE, towards the end of 2006 with a paid-up capital of Dhs1bn. The company was founded with a vision to become a leader within the Islamic finance sector and deliver best-in-class service to both retail and corporate customers. We are proud to say that this vision is bearing fruit with much more to come.

Mawarid Finance's strategic approach is to identify all investment opportunities available in both local and international business sectors to broaden our reach, diversify revenue streams further, and cement our place as an industry leader.

<http://www.istockanalyst.com/business/news/5102899/mawarid-finance-launches-ifs>

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### **Oman opens door to Islamic banks to curb fund outflows**

*Tuesday, May 03, 2011*

Oman will finally open the door to Islamic banking and let conventional lenders run sharia-compliant operations in a bid to keep investment funds in the Gulf state and grab a share of the rapidly growing industry.

A central bank official told Reuters on Tuesday applications were open for the creation of Oman's first standalone Islamic bank, after a decree from ruler Sultan Qaboos bin Said. "His Majesty approved the establishment of an Islamic Bank and allowing the banks in the Sultanate to open new branches if they wish so," a circular posted on Oman News Agency said.

Existing banks in the Gulf state will not be allowed to switch to become Islamic banks, the official added.

Oman is the only Gulf Arab state which until now has not set up a bank specifically offering products and services complying with Islamic law. Its central bank head said in 2007 that Oman believed that "banks should be universal".

The move aims to tap into demand for sharia-compliant products and services currently being met elsewhere in the Gulf, analysts said.

"This decision should help in curtailing to a certain extent the outflow of Shariah-compliant investments from Oman," said Joice Mathew, head of research at United Securities in Muscat.

While neighbouring Gulf states have ramped up Islamic finance services in recent years, Oman stood out by refusing to participate in the industry now estimated to be \$1 trillion in size and growing at 15-20 percent a year, according to PricewaterhouseCoopers estimates.

#### WINNERS

Conventional lenders in Oman will gain from operating Islamic windows as it will provide means to diversify revenue and potential volume growth, analysts said.

Bank Muscat BMAO.OM, the largest lender in the country, already offers Islamic banking products to its clients through its associate Bank Muscat International in Bahrain.

National Bank of Oman NBO.OM (NBO) can acquire expertise to operate Islamic windows from its majority shareholder Qatar Commercial Bank, United's Mathew said.

"This is a new era in Omani banking. There's a lot of Omani money in UAE Islamic institutions, hence this may see capital flow from UAE to Oman," said a regional banker speaking on condition of anonymity.

Oman's benchmark index .MSI was down 0.3 percent at 0900 GMT in a broadly negative session on Gulf markets. Bank Muscat was down 0.1 percent, while NBO dropped 1 percent.

Shares of Islamic banks elsewhere in the Gulf were down with Kuwait Finance House , the Gulf state's largest Islamic lender, falling 1.9 percent and Abu Dhabi Islamic Bank ADIB.AD dropping 0.9 percent.

Oman, a non-OPEC oil exporter with dwindling oil reserves, has been hit by nearly two months of demonstrations inspired by a wave of protests that has spread across the Arab world.

The upheaval forced the ruler to announce a \$2.6 billion spending package, including wage hikes.

In February, Qatar moved to ban conventional banks offering Islamic finance services in a bid to boost its Islamic lenders.

Islamic lenders across the region have struggled to attract clients amid stiff competition from conventional counterparts offering Islamic banking windows.

<http://english.ahram.org.eg/NewsContent/3/12/11293/Business/Economy/Oman-opens-door-to-Islamic-banks-to-curb-fund-outf.aspx>

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## **Risk-Sharing Essential for Islamic Finance**

*Tuesday, May 03, 2011*

To move forward the Islamic finance industry would do well to go back to its roots, according to HSBC Amanah global chief executive officer Mukhtar Hussain.

Islamic finance has become a force in its own right, especially in the emerging markets of Asia and the Middle East, he said.

However this has not been without its fair share of ups and downs. The industry suffered the after-effects of the global financial crisis and has been criticised for products that look too much like their conventional cousins.

The main principles of Islamic finance are that of risk-sharing taking on risks for possible rewards or losses and a requirement for financial transactions to be backed by assets such as properties or land.

"Going back to these principles, especially the latter, will pave the way for what we believe, are the strongest opportunities for Islamic finance which are sukuk project finance and Islamic real estate investment trusts (REITs)," he said.

"Although nascent, there is so much opportunity for more of these deals because project finance bonds and REITs are a natural fit with Islamic finance, which is about building a stable future by investing in the real economy," he added.

As the global population is forecast to reach 9.2 billion by 2050 from 7 billion currently, project finance sukuk can help raise more capital to build infrastructure in developing countries.

"Islamic REIT which by definition is asset-backed by a portfolio of properties, is a new asset class that fund managers and private investors can consider, post the financial crisis, when money has flown out of traditional equities," he added.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1586](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1586)

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## **Increased Demand for Islamic Finance courses in Oman**

*Wednesday, May 04, 2011*

It has been reported that there has been an increased demand in the country of Oman for Islamic finance educational courses. Shariah compliant finance courses are on the rise as experts predict the industry has a global market which is estimated to be worth \$2 trillion dollars by 2012.

With the market predicted to be worth thousands of billions of dollars worldwide by the Association of Certified Chartered Accountants (ACCA), interest in the industry has grown in the sultanate, according to ACCA as well as the Chartered Institute of Management Accountants (CIMA), which puts the current value of the industry at US\$20bn.

Geetu Ahuja, Middle East regional manager for CIMA, said that its course in Islamic finance, recently launched in Oman, is already proving popular with students in the sultanate.

She said, "This is a growing area for us. Islamic finance is gaining popularity by the day. It is almost a US\$20bn market now. This course has been such a success that we have now introduced a diploma in Islamic financing."

"Islamic finance is picking up in Oman. We have started seeing quite a bit of a movement. We introduced this course last year and we are pleased with the numbers that we are seeing in Oman."

The CIMA course has four modules covering Islamic commercial law, Islamic markets, Islamic banking and Takaful and accounting for Islamic financial institutions.

Mohammed Sajid Khan, country manager for ACCA, added that there has been growing interest in the Islamic finance sections of the organisation's training courses - covered in its financial management qualification. "There has been demand. I think people want to have more options of banking. There is much scope for this sector as well."

As a result of its growing popularity, ACCA will be holding a round table discussion, with big four accountancy firm KPMG and other experts in Dubai on May 5, on how the financial reporting of Islamic finance can be made more consistent internationally.

KPMG audit director and Islamic finance specialist Samer Hijazi said that with its growing popularity there will also be a growing need for the industry to further align itself with standardised financial procedures.

He said, "As the Islamic finance sector matures and becomes increasingly mainstream, greater harmonisation of practices and more transparency of institutions that sell Shariah-compliant products will become critical."

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1593](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1593)

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## **Oman Welcomes Shariah Compliant Banks**

*Thursday, May 05, 2011*

It has been reported that the State of Oman will now allow Islamic banking services through conventional lenders which will run shari'ah-compliant operations in a bid to grab a share of the rapidly growing Islamic finance business.

A central bank official had stated that applications were open for the creation of Oman's first standalone Islamic bank, after a decree from ruler Sultan Qaboos bin Said. "His Majesty approved the establishment of an Islamic bank and allowing the banks in the Sultanate to open new branches if they wish so," a circular posted on Oman News Agency said.

Existing banks will not be allowed to switch to become Islamic banks, the official added. Oman is the only state among the six Gulf Cooperation Council (GCC) members which until now has not setup a bank specifically offering products and services complying with Islamic law.

Oman's action aims to tap into demand for shari'ah-compliant products and banking services currently being met elsewhere in the Gulf region where Islamic finance thrives. Oman's central bank head had said in 2007 that Oman believed that "banks should be universal." "This decision should help in curtailing to a certain extent the outflow of Shari'ah-compliant investments from Oman," said Joice Mathew, head of research at United Securities in Muscat. "For the existing conventional banks, this should open up new revenue streams and present with opportunities for volume growth."

In a report last November, PricewaterhouseCoopers said the \$1 trillion Islamic finance industry was expected to grow by between 15 to 20 per cent per year going forward. In February, Qatar moved to ban conventional banks offering Islamic finance services in a bid to boost its Islamic lenders.

Islamic lenders across the region have struggled to attract clients amid stiff competition from conventional counterparts offering Islamic banking windows.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1597](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1597)

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### **Islamic finance industry valued at \$1.14tr**

*Friday, May 06, 2011*

The global Islamic finance industry is valued at \$1.14 trillion and is growing at a rate of 10 per cent annually.

This was contained in the just released Global Islamic Finance Report for 2011.

The industry, the report observed, is gradually building the depth, quality and quantity of its product portfolio and entering into new, previously unfounded fields in the financial markets.

Editor-in-Chief of GIFR 2011, Professor Humayon Dar, said : "In the aftermath of the global financial crisis there is a pressing need for an alternative financial paradigm, one that is imbued with a sense of social responsibility whilst maintaining a profit maximisation objective. Islamic finance presents such an alternative. Since its inception 40 years ago, Islamic finance has grown and is still growing at a precipitous rate. More Muslim and non-Muslim countries are adopting Islamic finance services highlighting a bright future for this once niche industry"

"There are new fangled Shari'a compliant derivatives, innovations in asset and wealth management, improvements in efficiency of banking and the creation of products which satisfy regulatory requirements."

<http://www.thenationonlineng.net/2011/index.php/business/5185-islamic-finance-industry-valued-at-1-14tr.html>

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### **‘Key strengths of Islamic Finance in the UK is the supportive regulatory framework’ – interview with Humphrey Percy**

*Friday, May 06, 2011*

Percy Humphrey joined BLME in August 2006 as Chief Executive Officer. He has more than 30 years of banking experience focusing on treasury and global markets and during his career to date has worked at J. Henry Schroder Wagg, Barclays Merchant Bank, Barclays de Zoete Wedd and West LB where he held positions including CEO, Managing Director, General Manager, and Head of Global Financial Markets.

Humphrey is experienced in building new functions and product areas, and has managed start up businesses within both BZW and West LB as well as founding his own business in 2002. He tells Global Islamic Finance Magazine about his involvement in Islamic finance industry and current trends in the market...

Global Islamic Finance Magazine (GIF): Can you tell us about the history of your organisation?

Bank of London and The Middle East plc (BLME) was incorporated in London on 7th August 2006 under the name House of London and The Middle East. BLME received authorisation from the FSA in July 2007 with a full set of permissions and European passporting. Since receiving authorisation BLME has gone from strength to strength, the Regulatory Business Plan has been met with private placements being completed in February 2007 and January 2008 bringing the total capital base to £250million. In January 2009, in line with the original Regulatory Business Plan, BLME launched the Asset Management and Private Banking divisions.

How has your organisation contributed to the development of Islamic finance?

We have diversified the products that are offered to investors, we recently launched a fully Sharia'a compliant online FX trading platform – BLMEFX. BLME has also ensured that the products we have innovated compete not only in the Islamic but the conventional market place.

What can be done to increase the number of Islamic finance institutions in Europe?

The UK remains at the forefront of Islamic Banking in Europe. The Alternative Finance arrangement which have been introduced into the Finance Act over the past few years have been helpful to achieve a level playing field for Islamic Financial Institutions

Why haven't Sovereign sukuk been issued in the UK yet?

There has recently been a Sukuk issuance in the UK on quite a small scale. There are many reasons why a UK Sovereign Sukuk issuance has not taken place. However we remain hopeful that with change of government and the new parliamentary committee that has been set up to review Islamic Finance, steps are being taken in the right direction.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1605](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1605)

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## **Sri Lankan and Malaysian Islamic Banks Joint Partnership Agreement**

*Friday, May 06, 2011*

It has been reported that Sri Lanka's new Islamic bank Amana Bank has ensured cooperation with Bank Islam Malaysia Berhad, the pioneer Islamic financial service provider in Malaysia, a statement said .

A statement issued by Amana Bank said it signed a Technical Advisory Service Agreement with its strategic partner Bank Islam Malaysia Berhad at an event held in Kuala Lumpur recently.

"Under the Technical Advisory Service Agreement, Bank Islam will play a significant role in transferring Islamic banking expertise to Amana Bank and will render its valuable technical know-how and service to the new bank," the statement said.

The Bank Islam was also presented with its Share Certificate confirming its 20 percent stake in Amana Bank, the statement said.

"This business venture was Bank Islam's maiden overseas banking venture in line with our regional expansion plan," said Datuk Seri Zukri Samat, Managing Director of Bank Islam in Malaysia.

He said Sri Lanka was chosen not only to capitalize on their existing presence and familiarity with the business environment, but more importantly due to its favorable economic prospects and tremendous untapped potential of its promising Islamic financial service industry.

Faizal Salieh, Amana Bank's Managing Director commented on Bank Islam's continued support and commitment to establish Sri Lanka's first licensed commercial bank to operate under the principles of Islamic Banking.

Malaysia stands out as an icon in the world of Islamic Banking and Amana Bank is well poised to offer the Sri Lankan market a unique and rewarding banking experience, he said.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1604](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1604)

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### **Islamic Finance in Bahrain**

*Friday, May 06, 2011*

Andrew Broadley is the CEO of Al-Khabeer International, an Islamic investment business based out of the Kingdom of Bahrain. The company holds a Category I license issued by the Central bank of Bahrain and has paid-up capital in excess of US \$ 100 million. Andrew has over 30 years of work experience in the financial services sector in Europe, the United States, the Middle East and Africa.

He has played a leading role in the Islamic financial services industry since March 2003 and has to date been responsible for the creation of 19 Islamic funds. Andrew's previous international experience includes Chief Investment Officer of Nedbank Syfrets Private Bank, Director at Orbis/Allan Gray Asset Management Group and CEO of the UK insurance business of HFC Bank (now part of HSBC). He is a Chartered Accountant (CA) and holds a Bachelor degree in Commerce from the University of Cape Town. He tells Global Islamic Finance Magazine about progression of Islamic finance, challenges that Bahrain is facing and many more...

Can you please tell us why Bahrain was selected for the offices of Al-Khabeer International Company?

The core element of our business provides customized investment products and services to institutions, family offices and high net worth individuals in the GCC and greater MENA markets.

We identified Bahrain as the location of choice because we felt that it had a well-established reputation for Islamic financial services, because we were impressed by the quality of the regulator (we are an investment business, licensed and regulated by the Central Bank of Bahrain) and because we felt that Bahrain was a central hub that would work well for maintaining very close relationships with clients in our target markets.

Although business activity in Bahrain seems to have slowed down quite a bit over the past year or two, we are confident that we made the right choice. There is a good talent pool and people enjoy living and working here.

What do you personally feel are the key challenges that Bahrain faces in the progression of Islamic finance?

In my opinion, the key challenges facing an Islamic fund management company are the same as those facing a conventional manager. After the losses in regional stock-markets of 2005 / 6 and the credit global crisis of 2008 and the sovereign debt crises of 2009 / 10, it is all about restoring confidence to the market and gradually building back the levels of trust between investor and manager. For a number of reasons, that trust relationship was shattered over the past few years; managers and the financial advisors and relationship managers that interface directly with customers must work hard to earn it back.

There are, however, certain peripheral challenges specific to Islamic finance, for example ensuring that sukuk are structured appropriately. Certain industry players have taken on board the strong opinions of scholars and we are seeing a move towards more suitable structures especially as regards firmer title to the underlying assets. In addition, we have noted with interest the success in Malaysia of *sukuk al amanah li al istimar* which allows the co-mingling of tangible and intangible assets which could expand the issuance of sukuk in the future.

We are delighted with the progress to date by AAI OFI in creating a globally-recognized standardized commodity murabaha agreement and we very much hope that they will continue along this path with respect to the standardization of many other Sharia-compliant products.

Where do you see the Islamic Finance industry heading in the next few years?

I remain optimistic that the industry will regain its momentum, but it seems to me that the Islamic asset management industry is in a bit of a lull right now. It was truly frantic in the period from 2003 to 2006 when many companies from large multi-nationals to small regional boutiques were bringing large numbers of new funds to the market. When I was at NCB during that period, we developed many high quality Sharia-compliant funds across multiple asset classes in an attempt to broaden the set of solutions available to financial planners, wealth managers and funds-of-funds managers.

However, as a recent piece of analysis by John Sandwick illustrated, many of the Islamic funds existing in the world right now fail to meet the requirements of discerning, professional investors for one reason or another. In other words, there is plenty of opportunity for businesses who are prepared to do things properly and to make sure that Islamic funds are built and managed to world-class standards. Standards should never be compromised in order to ensure that a product is compliant with Sharia.

Can you please tell us about your responsibilities as CEO of Al-Khabeer International Company?

I have always believed the key role of a CEO is to lead from the front. That requires hiring people with potential and then ensuring that everyone on the team knows how he or she can add value to our clients. It is my responsibility to create the 'right' work environment. People

who are right for the business are not fearful of performance cultures – in fact, they like it. They like environments that are stimulating and challenging.

We believe that managing other people’s money is a serious matter and must therefore be taken seriously and executed professionally. We only like to invest in areas where we have high conviction of performance - my role is to ensure that we actively measure and manage the investment risks and put actions in place to reduce risks.

Ultimately I have the responsibility for ensuring that we run the business to world-class standards.

Can you please tell us more about why Al-Khabeer International Co was formed and what it does?

We identified a gap in a reasonably crowded Islamic financial services market to do things somewhat differently. Our stated vision is “to be the partner creating innovative investment solutions of enduring value”. We strive to achieve this vision by combining our deep insights and analysis of opportunities in the GCC region, with world-class expertise.

The name Al-Khabeer, which means *the expert* in Arabic, was selected to illustrate our key competitive edge, which is to excel in the execution of the focused service that we have elected to provide to our customers.

There is another company which is based in Saudi Arabia called Al-Khabeer Capital. What is your relationship with that company? And what do they do?

Al-Khabeer Capital is licensed by the Capital Market Authority of Saudi Arabia to conduct business in the asset management and capital markets space.

Given that both companies have the same founding shareholders and a similar set of values and aspirations, we have ensured that Al-Khabeer International has an especially close and beneficial working relationship with Al-Khabeer Capital. We can originate deals for them from our chosen geographic focus area which improves the diversification of their investment products; we can also place their funds with our clients thereby increasing their assets under management and improving the offering that we can provide.

It is not easy for investors to make sense of the current and future direction of global investment markets. What are you advising clients to do in these uncertain times?

It has indeed been a confusing and distressing period for global economies and investment markets. The world enjoyed a very expansionary phase from 1983 to 2000 when equities rose by 15% per annum, creating enormous wealth but resulting in the over-inflation of many asset prices, most obviously equities and real estate.

Since then, we have had the pain of a credit crash with significant loss of capital for many investors. All asset classes fell – even those that we thought would have a low or negative correlation to equities – due to the collapse of confidence in the banking sector.

This has continued to be exacerbated by threats of a sovereign debt crisis; we should all be very concerned about the current propensity to accept that governments are prepared to mortgage the future in exchange for current relief. Although the globally-coordinated economic

stimulus packages averted many immediate disasters, such solutions cannot be sustainable nor are they long-term remedies.

As to what is the right advice for clients, there is no single answer as this has to be tailor-made based on a deep understanding of the client's capital return requirements, income needs, risk profile, investment period and so on.

Where do you see the best investment opportunities for investors in Islamic funds?

Firstly, given our views on markets, it is not surprising that we are biased towards investing in real assets that have a proven and consistent income stream. We are finding that we can originate sound asset-backed income transactions which yield cash profit of between 6% and 10% per annum without incurring an inappropriate risk of loss of capital.

Secondly, we are intrigued by the opportunities offered by investing in a well-diversified portfolio of commodities. After almost three decades of low inflation and low interest rates, we worry that inflation is on the horizon; we know that historically commodities have performed very well in inflationary environments and are therefore a good hedge against inflation, especially against unexpected inflation.

The third area where there are opportunities is regional real estate development. It is not for everyone, and you have to be very choosy, but there are some great pockets of land where the existing owners require fairly urgent monetization of their properties. Investors who are cash-liquid are able to take advantage of good buying opportunities. Investors should expect to earn at least 15% per annum from such an investment.

We have not heard of Islamic managers offering 'customization'. What successes have been achieved by the Al-Khabeer companies to date?

There are a number of examples, one of which is that of a mid-sized regional bank that we approached in late 2009 which desired an entry into the asset management business, but had none of the necessary resources or infrastructure to do so: no proven portfolio managers, no technology, no processes etc.

In less than 60 days, we collaborated with Al-Khabeer Capital to build the fund on a turn-key basis, creating all the unique fund features, establishing a risk management framework, writing all the documentation, obtaining the relevant approvals and appointing the necessary third party providers. The fund, which was launched in the first week of January 2010, carries the joint branding of both companies; the day-to-day portfolio management is carried out by Al-Khabeer Capital with the client participating at all levels of the fund management process including representation on the fund's investment committee and fund board. The fund, which is shortly to celebrate its first year since inception, has delivered a return thus far of just less than 10%. It is a good example of an innovative investment solution, customized for the needs of a discerning client.

The same approach can be used for many other investors, such as university endowments, wakfs, and family offices and so on. Wrapping the managed portfolio in a fund structure provides many useful benefits for the investors.

How has modern technology impacted the services that Al Khabeer International currently offers for Islamic financial investment instruments?

Thanks to our customer database we can keep on top of our interactions with clients and prospective clients. For example, we are currently conducting market research on the potential demand for a commodity fund. Having the right systems and processes makes it all a lot easier to manage.

What advice would you give to newly opened Islamic investment institutions worldwide?

As with business strategies for all industries, there can be no sounder advice than to keep close to your customers. A business without sound intelligence of what customers are looking for just doesn't really have a chance. Often that knowledge is not residing with the CEO, it is usually best known and understood by the front-line staff. The trick is to know how to efficiently disseminate that information throughout the organization – and then make sure that you use it for the full benefit of all stakeholders.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1606](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1606)

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## 2. ISLAMIC BANKING & INSTITUTIONS

### **Islamic Bank Of Asia Appoints CEO**

*Tuesday, May 03, 2011*

The Islamic Bank of Asia (IB Asia) has announced the appointment of Toby O'Connor, 45, as its Chief Executive Officer.

O'Connor will lead the growth of IB Asia by ramping up investment banking, especially capital markets and private equity, in line with the bank's renewed focus on fee-income businesses.

Prior to joining IB Asia, O'Connor was most recently a Managing Director and Head of the Middle East and North Africa Sovereign Wealth Funds and Financial Sponsor group for Investment Banking at JP Morgan Chase & Co.. Over his 19-year career at J.P. Morgan, O'Connor worked in increasingly senior product and client coverage roles in Investment Banking in Mergers and Acquisitions, Capital Markets and in the Financial Sponsor private equity area.

Since 2007, he has been a part of J.P. Morgan's leadership team in the Middle East region based in Dubai and London. He was responsible for growing the business of Middle East region Sovereign Wealth Funds, investment companies, and financial sponsors. This includes mergers and acquisitions, initial public offerings, ratings advisory, bond and bank financings, restructuring, derivatives and capital raising.

Eric Ang, Director of IB Asia, who oversaw the bank's business in the interim, said: 'We are very pleased to have Toby on board. IB Asia is committed to growing our Islamic banking franchise in Asia with a focus on investment banking and private equity. With Toby's extensive investment banking experience and deep-rooted relationships in the Middle East, he is well-placed to bring IB Asia to the next level'.

O'Connor graduated from Dartmouth College in the United States with a Bachelor's degree in Government. Prior to joining J.P. Morgan in 1992, O'Connor attended the Royal Military Academy Sandhurst and served for three years with the Irish Guards. He is a British Citizen and is married with five children. Incorporated in May 2007 with DBS Bank and prominent investors from the Gulf Cooperation Council (GCC) countries as shareholders, The Islamic Bank of Asia (IB Asia) combines banking expertise and insights of Asia with strong Islamic banking

Singapore, IB Asia focuses on Shariah compliant capital markets, direct investment and corporate banking services.

<http://news.hereisthecity.com/2011/05/03/islamic-bank-of-asia-appoints-ceo/>

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### **QIB Named Best Islamic Bank in Qatar at IFN Awards**

*Tuesday, May 03, 2011*

(QIB), the leader in Islamic banking solutions, has been recognised as the Best Islamic Bank in Qatar for the year 2010 at the Islamic Finance News awards which were held recently in Dubai.

On receiving the award, **QIB's** Acting Chief Executive Officer Ahmad Meshari said that he was delighted to receive it on behalf of all the employees at the bank. "Best Islamic Bank is one of the most prestigious awards there are, and it is highly recognised by global Islamic capital markets.

"I believe it reflects our commitment to our customers and stakeholders to position ourselves as one of the principle Islamic Banking pioneers, not only amongst the financial institutions to be found in Qatar, but regionally and across the entire world.

"We have been developing Islamic banking in Qatar for over 28 years and this award reflects a strategy focused on offering first rate service at all our branches and affiliates which has been built up over the years under the supervision and guidance of the board of directors led by His Excellency Sheikh Jassim bin Hamad bin Jabr al Thani," Meshari concluded.

The annual Islamic Finance news Best Bank Poll, established in 2006, recognises the best providers of Islamic financial services across a series of markets and sectors as voted by the readers of Islamic Finance news. Islamic finance issuers, investors, non-banking financial intermediaries and government bodies from around the world are

invited to participate by casting their votes. A panel of experts from non-competing organizations then sieve through all submissions during the elimination process until just one transaction in each category remains and is thus awarded the winner of that category.

<http://www.zawya.com/story.cfm/sidZAWYA20110503084533>

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### **Bahrain's Baraka to buy Indonesian bank in 2011**

*Tuesday, May 03, 2011*

Bahraini Islamic lender Al Baraka plans to buy an Indonesian bank this year for around \$100m and has identified up to four possible options, its chief executive said on Tuesday.

"We sent in early February a delegation...to follow up on our expansion plans in Indonesia. I think the Indonesian market is a good market," Adnan Yousif said.

"We want to buy a bank. We have looked into several options and now we have three or four banks that we are eyeing, from which we will buy one bank."

"It is a classical bank and we will turn it into an Islamic bank. Our budget for that is around \$100m...it will be [finalised] in the third quarter of this year," Yousif said.

Indonesia is becoming an increasingly attractive market for Islamic finance since the government took steps to change laws to accommodate the nearly \$1 trillion industry.

Baraka bank has shown great interest in the Asian market including Malaysia and Pakistan, where it merged its Pakistan unit with Emirates Global Islamic Bank last year.

Yousif said his bank was also looking at expanding in Saudi Arabia and signed an agreement to acquire 60 percent of a Saudi investment company. He refused to name the company.

"We have signed a deal to acquire 60 percent of a listed Saudi firm, it is an investment Saudi firm." "Now we are waiting for the Saudi authorities to finalise the procedures. We have got the initial approval from Bahraini and Saudi authorities," he said.

"We expect to get [final approval] within a month. The acquisition is around \$30 million to \$40 million. We took it because we want to expand.. in offering Islamic investment services."

Yousif said that the bank's Turkish unit is going to issue Sukuk of \$300m in May while Egypt's unit will issue sukuk of \$150m at the end of the year.

"We are doing this to increase our budget, this is considered customer deposits but a long term deposit," he said.

Albaraka Turk Participation Bank is the largest unit of Al Baraka and the first bank in Turkey to operate on Islamic principles.

Yousif also said the bank has postponed a planned \$200m to \$500m sukuk to the third quarter of the year. The sale was initially planned for Q1 this year.

Political conflicts and anti-government protests have rattled financial markets in the Middle East, prompting some banks and investors to delay corporate activity and fund-raising plans.

Rating agencies have downgraded Bahrain and several banks, while retail lender Bahrain Islamic Bank postponed a planned \$143m rights issue.

Bankers also expect a planned \$1bn Bahrain sovereign bond issue to be delayed as the Gulf Arab kingdom grapples with anti-government protests.

<http://www.arabianbusiness.com/bahrain-s-baraka-buy-indonesian-bank-in-2011-397646.html>

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## **Sharjah Islamic Bank opens new branch in Al Hamriya Free Zone**

*Tuesday, May 03, 2011*

Sheikh Khalid bin Abdullah bin Sultan Al Qassimi, Chairman of the Sharjah Ports and Customs Department, inaugurated a new branch of the Sharjah Islamic Bank in Al Hamriya Free

Zone in Sharjah on Sunday 1 May 2011, bringing the total number of its branches across the UAE to 24.

The inauguration ceremony was attended by Rashid bin Obaid Al Leem, Director General of the Sharjah Ports and Customs Department and Director General of the Al Hamriya Free Zone Authority, H.E. Mohammed Abdullah, CEO of Sharjah Islamic Bank, and a group of the bank's senior officials, as well as representatives of local departments.

Speaking on the occasion, Abdullah said, "Islamic banking has succeeded in proving its competitiveness and now has a strong presence in the financial and banking sector - a fact reflected in the increasing demand for Shari'a-compliant services. This has prompted us to expand our presence in across the country so as to meet the growing demand and offer appropriate banking services to our clients."

"The new branch in Al Hamriya was opened in line with Sharjah Islamic Bank 's strategy to expand its branch network in the UAE while offering its clients the best banking services," he added.

The bank's new Al Hamriya branch represents an important step taken due to a strategic necessity to enhance its presence in all the country's vital areas, and to increase its clients' confidence and develop its services so as to better cater to their needs.

The new branch will offer an array of Shari'a-compliant banking services, including opening accounts, Murabaha, current and savings accounts, and investment deposits, as well as financing and leasing services, among others".

In 2002 Sharjah Islamic Bank became the first bank in the UAE to convert from conventional to Islamic banking. Since then, it has offered a wide spectrum of Shari'a-compliant services that cater to the needs of individuals, companies and institutions, as well as investment and international banking services.

As a result of well-considered strategies and careful planning based on risk management and cost control, SIB has seen unprecedented growth. The bank currently has 24 branches across the UAE, in addition to more than 100 ATMs and deposit machines installed in residential districts and other vital areas such as shopping malls and entertainment centres.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1590](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1590)

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## **Al Hilal Bank Partners With UAE Football Association and Visa International**

*Wednesday, May 04, 2011*

Al Hilal Bank, one of the UAE's leading Islamic banks, recently signed a participation agreement with the UAE Football Association (UAEFA) to launch a co-branded credit card packed with privileges and opportunities for avid and discerning football fans.

The cards embody their owners' passion for the sport as well as their affinity with UAEFA and their strong support for the UAE National team.

Users were able to avail of the card's privileges during the President's Cup football tournament co organized recently by Al Hilal Bank and telecoms giant Etisalat.

The new offering reflects the bank's commitment to sports, particularly football, and its eagerness to meet the needs of its football-loving customers.

"This unique offer is a fitting tribute to the UAE's huge passion for football and a reward for the country's ever growing base of football players and fans that constitute an individual community and market segment. We decided to team up with UAEFA so that we could better serve the specific interests of fans. Our card will not only present a host of opportunities for football enthusiasts but bring them all the convenience and advantages associated with our credit card services in full compliance with Sharia principles," said Mohamed Jamil Berro, CEO of Al Hilal Bank.

"UAEFA is always grateful for the energy shown by the game's fans, their affinity towards our organization and their support for the UAE national team. Joining forces with Al Hilal Bank to launch this card was an opportunity for up-close. This partnership also allows fans to enjoy an array of unique experiences that would not have been possible otherwise," said Mohamed Al Rumaithi, President of the UAE Football Association.

Al Hilal Bank is fully owned by the Abu Dhabi Investment Council, the investment body of the Abu Dhabi Government. Currently one of the fastest-growing Islamic banks in the Emirates, Al Hilal Bank serves around 40,000 customers through 19 branches and over 90 ATMs spread across the UAE and two branches in Kazakhstan. It manages the Al Hilal GCC Equity Fund and owns the 'Financial Mall,' the world's largest banking branch.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1591](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1591)

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## **DIB Shows First Quarter Profit Rise of 11 Per Cent**

*Wednesday, May 04, 2011*

Dubai Islamic Bank (DIB) has reported a net profit of Dh222 million in the first quarter of 2011, an increase of 11 per cent compared to Dh200 million in the corresponding period of 2010.

The bank's total assets as of March 31 stood at Dh100.4 billion, an increase of 11 per cent compared to Dh90.1 billion at the end of the fourth quarter of 2010.

As of March 31 2011, customer deposits at the bank stood at Dh72.9 billion, up 15 per cent compared to Dh63.4 billion in the previous quarter.

DIB's Basel II capital adequacy ratio was 17.5 per cent as of March 31 2011. "These positive results — including growth in net profits, assets and customer deposits — reflect the resilience of Dubai Islamic Bank during this period of increasing domestic economic expansion," said Mohammad Ebrahim Al Shaibani, director-general of the Dubai Ruler's Court and chairman of Dubai Islamic Bank.

DIB now operates more than 135 branches in the UAE, Pakistan and Jordan, serving nearly 1.3 million customers across the network. So far this year, Al Shaibani said, DIB has opened two new branches, further supporting its status as one of the UAE's leading Islamic banks.

"Led by a strong management team and with a clear vision for the future, Dubai Islamic Bank will continue to provide an important contribution to the economic growth and diversification of the UAE as a whole."

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1592](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1592)

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## **Tamweel shares to resume trading on May 10, 2011**

*Thursday, May 05, 2011*

Tamweel PJSC, the UAE Islamic home finance provider, announced today that its shares will resume trading on the Dubai Financial Market on May 10, 2011, subsequent to approval from the Securities and Commodities Authority (SCA).

Following its board meeting held on May 5, 2011, Tamweel also announced its positive financial results for the three months ending March 31, 2011, highlighting the strength of the company's core operations during a period of increasing stability in the domestic property market.

For the first quarter of 2011, Tamweel reported a net profit of Dhs27m, compared to Dhs5m in the same period last year. In February, Tamweel reported an annual profit of Dhs26m for year 2010, bouncing back from an annual net loss of Dhs54m in 2009.

"I am delighted to announce Tamweel's positive results for the first quarter of 2011," said Abdulla Ali Al Hamli, Chairman of Tamweel. "The sustained improvement in profitability is a testament to the strength of the company's underlying business model. Tamweel is well positioned to capitalise on improved economic conditions and will continue to serve the needs of the UAE home finance market."

Commenting on the company's financial results, Varun Sood, Acting Chief Executive Officer of Tamweel, said. "Since the turn of the year, we have witnessed clear signs of increased economic stability, and this is evidenced by our strong first quarter financial performance. We have set ourselves a number of ambitious goals and we aim to demonstrate this through our performance in the near future."

The resumption of trading in Tamweel shares follows several positive events, namely: Dubai Islamic Bank's increased stake in Tamweel to 58.25%, thereby becoming the majority shareholder and providing significant liquidity and support; Tamweel's recent return to profitability in 2010 and a positive first quarter 2011 net profit of Dhs27m; as well as the initiatives implemented by Tamweel's new Board to ensure the Company resumes originating new business.

Commenting on the resumption of share trading, Abdulla Ali Al Hamli, Chairman of Tamweel, said: "The resumption of share trading is a very positive sign of Tamweel's long-term sustainable growth outlook. We would like to thank the Government of Dubai, under the guidance of His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of UAE and Ruler of Dubai, and our shareholders and other stakeholders for their patience and continued support of Tamweel. The company now looks forward with confidence to delivering value to its shareholders through its strong, proven business model."

<http://www.ameinfo.com/264288.html>

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## **Islamic bank pays £53m for Rolls Royce site**

*Thursday, May 05, 2011*

One of Scotland's best-known manufacturing sites has changed hands in a £53 million deal funded by an Islamic bank.

The Rolls-Royce manufacturing and logistics facility at Inchinnan, Renfrewshire, where the aerospace engineer makes parts for aircraft engines, has been acquired by Gatehouse Bank, a wholesale Sharia-compliant investment bank based in London.

The bank paid £52.7m to take the property from a fund run by Evans Randall, an independent investment banking and private equity group. The 17-year lease held by Rolls-Royce is unaffected.

Adam Cavanagh, head of acquisitions at Gatehouse Bank, said the deal was a sound investment with good future potential, and the value of Gatehouse Bank's real estate portfolio had now topped £200m in less than 18 months.

He commented: "Glasgow is a major business location and the largest industrial centre in Scotland. The fact that the industrial market has also shown resilience in 2010 makes this a solid investment opportunity with significant capital growth potential and secure current income returns."

Rolls-Royce moved to the purpose-built £85m plant in Renfrewshire when it closed its historic Hillington factory in 2005. It employs 2100, after making 100 redundancies 18 months ago in the industry downturn. Rolls also employs over 1000 at East Kilbride, its engine after-care facility.

The Scottish Government has been examining the use of Islamic finance to bankroll major infrastructure projects, notably in the renewable energy sector, in discussions involving the Islamic Finance Council, a UK-wide body based in Glasgow, Scottish Enterprise and Scottish Development International.

*<http://www.heraldscotland.com/business/corporate-sme/islamic-bank-pays-53m-for-rolls-royce-site-1.1099617>*

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

#### **Sudan sells sukuk worth \$286 million**

*Sunday, May 01, 2011*

Sudan, which is due to split up in July, started on Sunday selling Islamic bonds or sukuk worth 765 million Sudanese pounds, a debt official said.

The issue will have an expected return of between 14 and 15 percent, said an official at the state-owned Sudan Financial Services Co which sells sukuk on behalf of the central bank.

The offering would run for 10 days, he added.

Sudan sells sukuk domestically as a main source of funding as it is denied access to international markets due to the U.S. trade embargo imposed in 1997.

Previous debt issues have been marred by an economic crisis, foreign currency shortages and a devalued currency.

The oil-producing south of Africa's biggest country voted in January to become an independent state in July.

<http://af.reuters.com/article/investingNews/idAFJOE74003N20110501>

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## **Sukuk yields decline to 6-year low on oil prices**

*Tuesday, May 03, 2011*

Islamic bond yields fell to a six-year low in April, led by DP World Ltd and Petroliam Nasional Bhd, as soaring oil prices attracted funds to securities in crude exporting countries. Yields dropped for a second month, declining 47 basis points, or 0.47 percentage point, to 4.19% on April 29, the lowest since June 2005, according to the HSBC/Nasdaq Dubai US Dollar Sukuk Index. The rate on government-controlled ports operator DP World's 6.25% note due July 2017 dropped 89 basis points to 5.6% and Malaysian state-owned oil company Petronas' 4.25% sukuk due in August 2014 fell 20 basis points to 2.5%, according to Bloomberg prices. Crude has gained 22% this year, climbing to the highest in more than two years in April amid political unrest in the Middle East, home to 57% of the world's proven oil reserves, according to data compiled by Bloomberg. Higher oil prices may encourage investors from the oil-rich Arabian Gulf to put more funds in emerging-market Islamic bonds, according AmanahRaya Investment Management Bhd.

"Investors are realising that oil exporters have been benefiting from the turmoil because of higher oil prices," Usman Ahmed, the head of fixed-income at Dubai-based Emirates NBD Asset Management, a unit of the United Arab Emirates' biggest bank, said in an interview on April 28. "There's a lot of money going into the net oil-exporting countries, and that is boosting investor confidence in their securities."

Crude for June delivery climbed to \$113.93 a barrel in New York on April 29, the highest settlement since September 2008. The six nations of the Gulf Cooperation Council, including Saudi Arabia and the UAE, supply about a fifth of the world's oil. Oil prices are above the \$84 a barrel Saudi Arabia needs to balance its budget after boosting spending, according to the median estimate of six analysts surveyed by Bloomberg News last month.

Petronas, Southeast Asia's second-largest oil and gas producer, manages all the petroleum resources in Malaysia. The government depends on oil and gas revenue for 40% of its income, according to a Finance Ministry report on October 15.

"The higher oil prices also means investors from oil exporting countries from the Arabian Gulf are flushed with liquidity; so there's more Islamic funds going after the sukuk papers," Kuala-Lumpur based Najmi Mohamed, a senior fixed-income manager at AmanahRaya, which manages 5.3bn ringgit (\$1.8bn) of assets, said in an interview on April 28.

Shariah-compliant bonds gained 1.9% in April, according to the HSBC/Nasdaq Dubai US Dollar Sukuk Index. Debt in developing markets rose 1.4%, JPMorgan Chase & Co's EMBI Global Diversified Index shows. The Bloomberg-AIBIM-Bursa Malaysia Sovereign Shariah Index, which tracks the most-traded ringgit-denominated government securities, rose 0.3%.

Global sales of sukuk, which pay asset returns to comply with Islam's ban on interest, reached \$5.1bn this year compared with \$4.1bn in the same period last year, according to data compiled by Bloomberg.

Surging oil prices threaten to fuel inflation, said Ahmad Alanani, Dubai-based head of fixed-income sales for the Middle East and North Africa at Exotix Ltd.

"The price of oil, while in the near term is a positive catalyst for the Gulf states, it is a negative for the wider emerging markets as it will drive higher inflation and faster monetary tightening," Alanani said on Sunday. "As such, I would maintain a cautious view on the region's fixed-income markets which cannot be isolated from the wider emerging markets picture."

China's economic expansion, a driver of global growth, may moderate as the government counters the fastest inflation since 2008 and cools a real-estate market that has been at risk of price bubbles. Credit Suisse Group says a fifth increase in benchmark interest rates since the global financial crisis may come as early as today.

The extra yield investors demand to hold emerging market sukuk over the London interbank offered rate narrowed for a second month, falling 22 basis points last month to 242 on April 29, the HSBC/Nasdaq Dubai US Dollar Sukuk Index shows.

The yield on Dubai's 6.396% Islamic debt maturing in November 2014 fell 51 basis points in April to a record low 5.02% on April 29, according to Bloomberg prices. It gained 1 basis point to 5.03% yesterday.

The difference in yield between Malaysia's sukuk and Dubai's 6.396% note due in November 2014 narrowed 32 basis points last month to 240 on April 29, Bloomberg data show. It increased 1.5 basis points yesterday to 241.

*[http://www.gulf-times.com/site/topics/article.asp?cu\\_no=2&item\\_no=432071&version=1&template\\_id=48&parent\\_id=28](http://www.gulf-times.com/site/topics/article.asp?cu_no=2&item_no=432071&version=1&template_id=48&parent_id=28)*

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### **Jordan passes draft law on sale of Islamic bonds**

*Tuesday, May 03, 2011*

Jordan's finance minister has said a draft law paving the way for the sale of Islamic bonds is to be sent to the parliament in June, Bloomberg has reported. "Once it's ratified, we will then take a decision based on our needs as to if we will issue conventional bonds like we did last year or sukuk," Mohammad Abu Hammour said. The sale amount "won't be less than \$500m, but if we see there is an appetite and market conditions are favourable we may go higher,"

*<http://www.ameinfo.com/264057.html>*

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### **Sharjah Islamic Bank to issue \$300mn sukuk by mid-May**

*Tuesday, May 03, 2011*

Sharjah Islamic Bank (SIB) plans to issue a 5-year Islamic bond, or sukuk, worth \$300mn by mid-May, an executive at the bank said.

“The road shows will take place in the first half of May,” and money will be used for “expansion purposes,” SIB deputy chief executive officer Ahmed Saad in an emailed reply to Zawya Dow Jones questions.

SIB already has a sukuk worth 826mn UAE dirhams (\$225mn) that falls due in October. The bank’s extraordinary AGM has approved SIB’s bond programme worth 1.83bn dirhams (\$500mn), from which the latest sukuk will be issued from.

Both “Standard Chartered Bank and HSBC will be handling the sukuk issuing across the globe,” SIB deputy chairman Abdul Rahman Ouweis said in March.

The bank said it expects “very strong interest in this issuance given the prevailing low interbank rates, abundant liquidity in the market and limited investment opportunities.”

SIB’s first quarter net profit grew 3.7% to 70mn dirhams, compared with the year earlier period.

Standard & Poor’s rating agency recently upgraded SIB’s ratings to BBB+ from BBB. Fitch also held a BBB+ rating for SIB.

[http://www.gulf-times.com/site/topics/article.asp?cu\\_no=2&item\\_no=432073&version=1&template\\_id=48&parent\\_id=28](http://www.gulf-times.com/site/topics/article.asp?cu_no=2&item_no=432073&version=1&template_id=48&parent_id=28)

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## **Malaysia Outbeats Indonesia on Sukuk Safety**

*Tuesday, May 03, 2011*

Malaysia’s Islamic bonds are giving twice the returns of profits in comparison to those in Indonesia this year as investors seek investment-grade assets amid unrest in the Middle East and Europe’s escalating debt woes.

Malaysia’s 3.928 per cent sukuk maturing in June 2015 gained 1.9 per cent this year through April 19th 2011, according to prices from Royal Bank of Scotland Group. Indonesia’s 8.8 per cent notedue April 2014 climbed 0.8 per cent, RBS data show. Malaysia is rated A- by Standard & Poor’s, the fourth-lowest investment level, while Indonesia is rated BB+, one level short of the top grades.

Malaysia has become the global hub for the US\$1 trillion Islamic finance industry as the government provided tax incentives and eased foreign-investment rules to promote growth. Prime Minister Najib Razak predicted the nation’s Shariah-compliant assets will almost triple to RM2.9 trillion (US\$964 billion) this decade when he unveiled the capital-market master plan April 12th 2011.

“Concerns about the global economic recovery due to turmoil in the Middle East and the debt crisis in Europe led to a general flight-to-quality,” Zeid Ayer, portfolio manager at Kuala Lumpur-based CIMB-Principal Islamic Asset Management Bhd., said.

“There’s probably greater confidence investing in Malaysia compared to Indonesia.” The extra yield investors demand to hold Indonesia’s debt over Malaysia’s widened 20 basis points,

or 0.20 percentage point, from a three-month low on April 11 to 42 today, according to data compiled by Bloomberg. It reached 52 on April 18, the highest since March 23, as concerns over the ability of European nations to repay debt resurfaced.

The yield on the Greek government's two-year non-Islamic bond surged above 20 per cent as Germany, the biggest contributor to Europe's bailout, urged the nation to restructure its debt and reduce the budget deficit. Lars Feld, a member of German Chancellor Angela Merkel's council of economic advisers, said yesterday Greek restructuring is probable.

Indonesia's Islamic note looks expensive given its non-investment grade rating and Malaysia's bond is more actively traded, said Zeid, whose company is a unit of CIMB Group Holdings Bhd, the top sukuk underwriter last year.

Overseas investors will focus more on Indonesia's credit standing than the appreciation of the currency during times of risk aversion, said Mohd Farid Kamarudin at Kuala Lumpur-based AmInvestment Management Sdn Bhd. Indonesia's rupiah strengthened 4.1 per cent this year, the second-best performance in Asia, according to data compiled by Bloomberg. The Malaysian ringgit climbed 1.9 per cent, the fourth-best performance.

"There could be some upside if Indonesia gets a ratings upgrade," Mohd Farid, who helps manage RM1.3 billion of Islamic assets at AmInvestment Management, said.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1588](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1588)

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## **Egypt's Islamists plan to close budget gap with sukuk**

*Thursday, May 05, 2011*

Egypt's Freedom and Justice Party, set up by the Muslim Brotherhood to run in this year's parliamentary election, is proposing the government sell Islamic bonds for the first time.

"There's a high percentage of the Egyptian people that has reservations about charging interest," Ashraf Badr el Din, a member of the Brotherhood committee that wrote the party's economic platform, said in an interview from Cairo on May 2. "Having this tool for financing will encourage these people to invest their money."

Egypt's last three treasury-bill sales failed to raise the full amount sought by the government as investors demanded higher yields, following a popular revolt that ousted the president. Moody's Investors Service lowered the country's credit rating to Ba3, the third-highest junk rating, on March 16.

Egypt's Finance Minister Samir Radwan said on May 2 the government forecasts a budget gap of 9.1 percent of gross domestic product, or GDP, in the next fiscal year ending June 2012.

The political turmoil forced the Egyptian Financial Supervisory Authority to postpone issuing guidelines for the sale of sukuk to May from the first quarter. The Arab world's most populous country, where 90 percent of the people are Muslim, has never sold sovereign Islamic debt.

"We've been working with the government for years to get them to sell sukuk, so when it happens we will certainly participate in the sale," Adnan Ahmed Yousif, chairman of Al Baraka Bank Egypt, a unit of Bahrain-based Islamic lender Albaraka Banking Group, said in an

interview from Beirut on May 2. “We’d buy the sukuk if it were in local currency or dollars, it doesn’t matter.”

The Ministry of Finance raised 2.6 billion Egyptian pounds (\$437 million), or 26 percent less than it sought, in a treasury bill sale on May 2 as yields climbed to 12.66 percent on the nine-month debt, the highest level since November 2008.

Higher borrowing costs and a widening budget deficit prompted Minister Radwan to turn to the International Monetary Fund, or IMF, and the World Bank for as much as \$6.2 billion of loans. Economic growth will slow to as little as 1 percent this year, the IMF said in its World Economic Outlook report on April 11, the lowest annual rate since 1992.

Global sales of sukuk, which pay asset returns to comply with Islam’s ban on interest, reached \$5.2 billion this year compared with \$4.4 billion in the same period last year, according to data compiled by Bloomberg.

#### *Marching toward power*

The Muslim Brotherhood, which was banned since 1954 and had fielded candidates to parliament as independents, established the Freedom and Justice party in April and hopes to gain as much as 50 percent of parliamentary seats in September, the group said last month. The party will submit the necessary documents to authorities within 10 days for its official registration, Secretary-General Mohamed Saad El-Katatni said on April 30.

“The banking system in Egypt will not be converted to the Islamic system,” the Brotherhood’s Badr el Din said. “The market will be available and those who want to deposit their money in Islamic banks can do so. Those who don’t want to, it’s up to them.”

Egypt has three Shariah-compliant banks, Al Baraka, Faisal Islamic Bank of Egypt and National Bank for Development, for its 73.9 million Muslims.

“The untapped demand for Islamic financial services is potentially quite significant” in Egypt, Aamir Rehman, a Dubai-based managing director at Fajr Capital, an Islamic investment firm said in an e-mailed response to questions on May 4. “Allowing customers to use Islamic financial services may prove beneficial in attracting deposits from Egypt’s under-banked population, which will help boost the country’s economy.”

<http://www.hurriyetaidailynews.com/n.php?n=egypt8217s-islamists-plan-to-close-budget-gap-with-sukuk-2011-05-05>

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

### **Takaful Insurance companies target N180bn premium this year**

*Sunday, May 01, 2011*

Takaful Insurance companies around the world especially in the Middle-East, North Africa and South Asia have set a target of N180billion (\$12billion USD) premium generation from takaful insurance for 2011 as the demand by Muslim populations across the globe for the products are on the rise.

Takaful insurance operators at the sixth Annual World Takaful Conference held in Dubai predicted a \$12 billion USD premium income from Takaful insurance this year. The \$12 billion projected premium from takaful insurance represents 31 per cent increase from the \$9.15 billion income generated from the Islamic products in 2010

The \$12 billion (\$12 billion) premium prediction remains on achievement track for this year as an important feature of Muslim emerging markets for many indigenous and global insurance players

There are over 60 companies offering Takaful insurance services in 23 countries around the world. These countries include Malaysia, Singapore, Indonesia, Sri Lanka, Bangladesh, Turkey, Luxembourg; Senegal; Tunisia; Bahrain; Brunei; Kuwait; Jordan; Qatar; UAE; Egypt; Saudi Arabia; Sudan; Nigeria; Iran and Pakistan hence the demand for takaful insurance has grown significantly in recent times in those countries except for Nigeria which is yet to level up in the Islamic insurance business.

Ernst and Young forecasted that the general insurance class of Takaful products would grow at a compound annual growth rate (CAGR) of more than 24 per cent from 2010 to 2012, due to increasing demand for motor and energy insurance. Property and aviation insurance policies are also expected to emerge as fast growing segments of the general insurance sector.

Takaful is an Islamic-compliant insurance concept that is a rapidly growing. For instance, Saudi Arabia generated \$3.86 billion USD 2009; Malaysia (\$1.15 billion USD), UAE (\$640 million USD) and Sudan, \$340 million USD.

Indian subcontinent's Takaful contributions have increased by 85 percent, making it the fastest growing Takaful market in the world. The next fastest growing market is the Middle-East, which has grown by 40 per cent, followed by the GCC (31 per cent), South-East Asia (29 per cent), and Africa (26 per cent).

It was for the growing pace of takaful that the UAE recently enacted a law on Takaful in order to boost transparency in the sector.

Sultan Bin Saeed Al Mansouri, minister of economy and chairman of the UAE Insurance Authority who announced the law pronounced that Takaful insurers and reinsurers must henceforth have a sharia board consisting of three qualified scholars with experience in Islamic finance.

The law also emphasises companies need to comply by sharia principles, and set standards for financial and accounting issues.

Each insurance company should set up a zakat fund in which zakat money would be deposited.

Islamic insurance and reinsurance companies have one year to make the necessary changes to comply with the new law.

Though key takaful markets, according Ernst and Young are characterized by low insurance penetration rates and comparatively high rates of economic growth.”

In Malaysia, the disparity is even greater with an average RoE of 16 per cent for conventional insurers and 6 percent for Takaful companies. This difference, however, may arise

from a significantly lower claim ratio than the GCC, mostly because of differences in business lines.

Bank Negara of Malaysia revealed that total income from family takaful policies increased to 4,030.2 million ringgit (US \$1.35 billion) in 2010 from 3,381.6 million ringgit (US \$1.13 billion) recorded in 2009, representing 20 per cent.

This data includes the increase in net contributions for family Takaful, which rose to 3,326.9 million ringgit (US \$1.1 billion), and net investment income which similarly grew to 451.6 million ringgit (\$150 million) in 2010 from 354.8 million ringgit (\$118 million) in 2009.

For general takaful, the underwriting profit in 2010 experienced a slight decline from 170.1 million ringgit (US \$ 57 million) to 145.8 million ringgit (US \$48.6 million), although the overall operating profit for takaful providers in Malaysia improved from 247.5 million ringgit (\$82.6 million) to 272.4 million ringgit (\$90.92 million) over the same period. Additionally, investment income for general takaful enjoyed an increase from 57.7 million ringgit (\$19.3 million) to 67.9 million ringgit (\$22.66 million).

Bank Negara Deputy Governor Mohd Razif bin Abd Kadir remarked that this new international joint venture marked an important milestone in Malaysia's economic evolution. "With this strategic alliance between two financial groups of such caliber, Bank Negara Malaysia looks forward to strong management stewardship, innovative product offerings, wide distribution channels, operational and service excellence as well as breakthrough business strategies that are well-matched by robust risk management capabilities," the deputy governor said.

Malaysia remains determined to put forth a great effort in providing a sufficient financial safety net and proactive investment opportunities for its growing Muslim population

He said: "This presents a huge window of opportunity for our Takaful operators to accelerate their regional and global orientation and move up the global value chains. It is therefore important for strategic international partners such as ING to explore all possible avenues to elevate the business potential of Takaful internationally.

Regionally, "We have found that Saudi Arabia has emerged as the largest market for Takaful insurance, followed by Malaysia. Takaful insurance is growing at an annual growth rate of 15\_20 percent globally, but it will grow at faster rate in Saudi Arabia because premium paid by the insured people is considered as donation and not premium"

<http://www.vanguardngr.com/2011/05/takaful-insurance-companies-target-n180bn-premium-this-year/>

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## **National Takaful IPO oversubscribed by 700%**

*Tuesday, May 03, 2011*

The Initial Public Offer (IPO) of National Takaful Company (Watania), which opened on April 18 for subscription, closed on May 1st, receiving an overwhelming response from investors with the issue getting oversubscribed seven times. At the close of the public offer, applications for 590 million shares were received for the 82.5 million shares made available to the public.

Approximately twenty million shares, or 13.33% of the total share capital, were open only to UAE individual national retail investors and Sixty-two million shares were made available to UAE, GCC, and other retail and institutional investors.

Watania's founding shareholders, Abu Dhabi National Islamic Finance (ADNIF), Abu Dhabi National Insurance Company (ADNIC), Abu Dhabi National Energy Company (TAQA) and Aldar Properties (ALDAR) have subscribed to an aggregate value of Dhs67.5m shares, representing 45% of the total share capital of Dhs150m. The remaining 55% of the shares, valued at Dhs82.5m comprised the IPO.

"The strong public response to the Watania IPO represents a positive expression of public confidence in the future of Shariah-compliant insurance in the UAE and in the strength and credibility of the founding shareholders," said Aref Ismail Al Khouri, Chairman of the Watania founders committee.

"Watania will provide critical insurance support for all organizations participating in the realization of Abu Dhabi Vision 2030, and we believe Watania will play a major role in developing Takaful industry in the UAE through the introduction of reliable Shariah-compliant insurance solutions and through capacity building in this vital emerging sector," he added.

UAE national retail investors were allowed to subscribe to 5000 shares with a guaranteed allotment of 2000 shares per application whereas UAE, GCC, and other retail and institutional investors could apply for a minimum of 10,000 shares, with additional subscriptions in multiples of 1,000 shares. The allotment will be made on a pro-rata basis for this tranche and the refund date has been set for May 15, 2011. The shares will be listed on the Abu Dhabi Securities Exchange (ADX).

"Investors have realized that Watania is a sound investment option due to tremendous growth opportunities in the UAE's takaful industry, highly experienced management team, robust business plan with unique products and services, and solid long-term affiliations with top rated international re-insurers. We are confident this IPO will re-ignite capital market participation in the UAE," said Mr. Al Khouri.

Islamic Insurance or Takaful penetration as compared to conventional insurance is lower in most GCC countries. Recent statistics reveal that Takaful gross contributions grew at Compound Annual Growth Rate (CAGR) of 83% between 2004 -2009 whereas conventional premiums grew at a CAGR of 25% during the same period.

Takaful gross contributions in the UAE are projected to grow at a CAGR of 30% between 2010 and 2014, outpacing growth in the overall insurance sector (CAGR of 17%) during the same period.

"We are confident of Watania's management capability to successfully implement its business plan. One of the company's key competitive advantages is the founders' technical expertise, track record of building successful businesses, and wide distribution channels. With such synergies, Watania is well positioned to become a leading player in the takaful market," said Ahmed Wahdan, the Head of equity capital markets at NBAD's Investment Banking Group.

The National Bank of Abu Dhabi (NBAD) was the financial advisor and lead receiving bank for this IPO.

"The selection of lead manager and receiving bank is critical to the success of the IPO and post listing price performance. We selected NBAD based on the credentials of Equity Capital Markets team, strong track record of involvement in public offerings, large distribution network, and wide range of investment banking products," Al Khouri explained.

"We would to thank NBAD for the valuable support services in executing this IPO. The Equity Capital Markets and Securities Services teams at NBAD's went the extra mile in their professional role to make this IPO a huge success," he added.

<http://www.ameinfo.com/263922.html>

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### **Watania IPO oversubscribed at least six times**

*Tuesday, May 03, 2011*

UAE-based insurer Watania has said its Dhs82.5m (\$22.4m) initial public offering has been oversubscribed at least six times, Reuters has reported. The founders of the Shari'ah-compliant Wataniya subscribed to 45% of the total share capital of Dhs150m. The founding shareholders include Abu Dhabi National Islamic Finance (ADNIF), Abu Dhabi National Insurance Co, Abu Dhabi National Energy Co, and Aldar Properties. "The IPO was subscribed six times or more. It is good enough for this kind of market," Aref al Khouri, chairman of the founders' committee of Watania, told the news service.

<http://www.ameinfo.com/263904.html>

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

### **'Talks going on with Islamic banks to sell Shariah investments'**

*Wednesday, May 04, 2011*

Commercialbank is in talks with Islamic banks to see whether they are interested in procuring former's Shariah-compliant investments, Group CEO Andy Stevens has said

"The discussions are ongoing. We have written to all the Islamic banks and offered these on a very equitable basis. We have no problems whatsoever implementing the Qatar Central bank circular on Islamic windows of conventional banks," Stevens told Gulf Times.

"The QCB has made it very clear they wish to see us exiting this business. We respect the decision. And we will comply with the QCB requirements," Stevens said.

He said some customers currently following Shariah-based banking wanted to remain with Commercialbank. They are in the process of converting their business into the conventional style of banking. But other customers, who wish to continue with Shariah-complaint banking, will have to take their business elsewhere.

"That's unfortunate, but that's the way it is" Stevens said.

He said it was not unusual for regulators to change the rules of the game.

"But in this modern age, we need to be flexible. We have a clear strategy and are following it," Stevens said.

## **Probing Islamic fund industry challenges**

*Thursday, May 05, 2011*

As the Islamic funds industry seeks to shake off a period of stagnation, leading players are developing far-sighted strategies that will get the industry back on the growth track.

However, some major challenges still remain and more than 400 leaders in the global Islamic investments industry will gather at the seventh Annual World Islamic Funds and Financial Markets Conference (WIFFMC 2011), which will be held from September 26 to 27 in Bahrain, to plot new growth horizons and forge winning business models fully in tune with the new economic realities of the Sharia-compliant investments market.

"The broader Islamic financial markets are undergoing significant change as the sukuk market receives a boost from exciting new cross-border issuances that indicate that confidence and demand are fast returning to the record levels of 2007," said organiser Mega Events managing director David Mclean.

"In addition, recent advances in key areas such as liquidity management, the emergence of exciting new international jurisdictions to the Islamic debt space, and innovations which are creating the next generation of Islamic financial products, will provide the framework for the industry to make the leap to a truly global level -- and the emergence of deep and vibrant Islamic financial markets.

"Furthermore the recently announced massive infrastructure projects and spending announced by Saudi Arabia and other Middle East markets will create further opportunities for the leading players in the Islamic finance markets," he said.

"Despite the setback of the global economic crisis, the fundamentals of the Islamic investments industry remain strong," he added.

"With almost \$50 billion in fund assets under management and a large, expanding and untapped Muslim population, experts are predicting considerable opportunities in the future," he added.

Being held in strategic partnership with the Central Bank of Bahrain, WIFFMC has over the past seven years firmly established itself as the world's largest gathering of Islamic investment leaders.

WIFFMC 2011 has a completely new, updated and interactive agenda, which encourages debate and active audience participation to facilitate rich substantive discussions on the issues that really matter.

*[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1601](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1601)*

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## **Qatar Islamic Bank unveils new investment product 'Themar'**

*Sunday, May 01, 2011*

Qatar Islamic Bank (QIB), one of the region's most innovative Islamic banking solutions providers, has announced the debut of a new investment plan: 'Themar'. Themar will allow clients to invest regularly or with several lump sum into the Sukuk market and Islamic financial institutions stocks around the globe.

QIB-UK, the bank's subsidiary based in the United Kingdom and QIB Group centre of excellence for Asset Management, will use its extensive experience in fund management to oversee the Themar investment portfolio

Themar offers two modes of subscription for its customers, a monthly investment, or a one-off investment.

The investment plan will return five dividends or 'coupons' per year - a dividend each quarter and an annual profit bonus, usually paid in June. Themar has targeted a healthy return of 7% per annum in the long term through a strategy aimed at building a balanced investment offering diversification and cost efficiency. Half of the Themar portfolio will be invested in Sukuk (Islamic Bonds) and the rest in Islamic Financial Institution Equities.

"Themar is an exciting new product from QIB and exemplifies the bank's innovative investment offerings," said the bank's acting CEO, Ahmad Meshari.

"Islamic investors are looking for a variety in investment options that meet their needs. Bringing new Sharia'-compliant finance products and increasing our market share is absolutely core to QIB's business and its continuous quest to give our customers the products and services they demand. This is why we are confident that Themar is going to prove popular with our customers, new and existing," he said.

Anouar Adham, Head of Asset Management, from QIB-UK in London, said, "Themar is a new and innovative product that provides the investment flexibility our customers demand."

"Themar is unique in that it allows customers access to securities that might normally be out of their financial reach. For example, Sukuk are difficult to obtain. However, by pooling investors' resources, we can bring Sukuk bonds to everyone who takes up Themar," he added.

"Additionally, Themar's 50% Equity element gives our customers access to a diverse range of Islamic Financial Institution stocks in the world evolving in the Islamic Financial sector that is experiencing a growth estimated between 15% and 20%," he concluded.

*<http://www.ameinfo.com/263737.html>*

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## **Islamic fund industry challenges to be probed**

*Thursday, May 05, 2011*

As the Islamic funds industry seeks to shake off a period of stagnation, leading players are developing far-sighted strategies that will get the industry back on the growth track.

However, some major challenges still remain and more than 400 leaders in the global Islamic investments industry will gather at the seventh Annual World Islamic Funds and Financial Markets Conference (WIFFMC 2011), which will be held from September 26 to 27 in

Bahrain, to plot new growth horizons and forge winning business models fully in tune with the new economic realities of the Sharia-compliant investments market.

'The broader Islamic financial markets are undergoing significant change as the sukuk market receives a boost from exciting new cross-border issuances that indicate that confidence and demand are fast returning to the record levels of 2007,' said organiser Mega Events managing director David Mclean.

'In addition, recent advances in key areas such as liquidity management, the emergence of exciting new international jurisdictions to the Islamic debt space, and innovations which are creating the next generation of Islamic financial products, will provide the framework for the industry to make the leap to a truly global level - and the emergence of deep and vibrant Islamic financial markets.

'Furthermore the recently announced massive infrastructure projects and spending announced by Saudi Arabia and other Middle East markets will create further opportunities for the leading players in the Islamic finance markets,' he said.

'Despite the setback of the global economic crisis, the fundamentals of the Islamic investments industry remain strong,' he added.

'With almost \$50 billion in fund assets under management and a large, expanding and untapped Muslim population, experts are predicting considerable opportunities in the future,' he added.

Being held in strategic partnership with the Central Bank of Bahrain, WIFFMC has over the past seven years firmly established itself as the world's largest gathering of Islamic investment leaders.

WIFFMC 2011 has a completely new, updated and interactive agenda, which encourages debate and active audience participation to facilitate rich substantive discussions on the issues that really matter.

[http://www.tradearabia.com/news/BANK\\_198024.html](http://www.tradearabia.com/news/BANK_198024.html)

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## **Qatar Islamic Bank Unveils Innovative Islamic Investments**

*Friday, May 06, 2011*

It has been reported that Qatar Islamic Bank (QIB) has released a new innovative Islamic investment product called Themar which will allow clients to invest regularly, or with several lump sums, into the Sukuk market and Islamic financial institutions stocks around the globe.

QIB-UK, the bank's subsidiary based in the UK, and QIB Group will oversee the Themar investment portfolio. Themar offers two modes of subscription for its customers, a monthly investment, or a one-off investment. The monthly investment choice gives customers an additional choice: a maturity term of two, five or eight years with a minimum monthly subscription of QAR 2,000 (\$549.2). The one-off plan requires a single lump sum from the customer with a minimum investment of QR 40,000 (\$10,984).

Monthly investors are committed for their respective maturity term whereas lump sum investors, if need be, can liquidate their investment on a weekly basis.

The investment plan will return five dividends or 'coupons' per year - a dividend each quarter and an annual profit bonus, usually paid in June. Themar has targeted a return of seven per cent per annum in the long term through a strategy aimed at building a balanced investment offering diversification and cost efficiency.

Half of the Themar portfolio will be invested in Sukuk and the rest in Islamic Financial Institution Equities. "Themar is an exciting new product from QIB and exemplifies the bank's innovative investment offerings," said the bank's acting CEO, Ahmad Meshari. "Islamic investors are looking for a variety in investment options that meet their needs. Bringing new Shari'ah-compliant finance products and increasing our market share is absolutely core to QIB's business and its continuous quest to give our customers the products and services they demand. This is why we are confident that Themar is going to prove popular with our customers, new and existing," he said.

Anouar Adham, Head of Asset Management, from QIB-UK in London said, "Themar is a new and innovative product that provides the investment flexibility our customers demand. "Themar is unique in that it allows customers access to securities that might normally be out of their financial reach. For example, Sukuk are difficult to obtain. However, by pooling investors' resources, we can bring Sukuk bonds to everyone who takes up Themar.

Additionally, Themar's 50 per cent Equity element gives our customers access to a diverse range of Islamic Financial Institution stocks in the world evolving in the Islamic financial sector that is experiencing a growth estimated between 15 per cent and 20 per cent," he concluded.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1603](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1603)

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

### **International Islamic Finance and Business Summit Opens its Doors**

*Monday, , May 02, 2011*

International auditing company KPMG (KPMG) will act as a sponsor of the III<sup>d</sup> International Islamic Business and Finance Summit - KAZANSUMMIT 2011.

KPMG highly appreciated growth stability and prospects of the Summit, the largest in Russia and the CIS Russian businessmen, international investors and regulators meeting ground.

An international professional enterprises network providing audit, tax and consulting services. KPMG operates in 150 countries around the world, and the number of employees exceeds 138 000 people. KPMG was formed in 1987 with the merger of Peat Marwick International (PMI) and Klynveld Main Goerdeler (KMG) and their individual member firms. KPMG enterprises history spans three centuries.

Together with the organizers of the III<sup>d</sup> International Islamic Business and Finance Summit, KPMG is preparing to release a specialized publication «Doing business and investment in Russia, which will focus on the investment climate of the Russian Federation, the main strategic features of the regional grounds.

Traditionally, the summit gathers international investors, leading executives of financial institutions, businessmen and the elite business community, Russian Federation legislative and executive authorities representatives, regional leaders, experts on Islamic economy and scientists. The main feature of KAZANSUMMIT is that it will involve more than 100 international investors, who come specifically to look for new opportunities for cooperation.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1583](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1583)

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## **Effat Launches Islamic Finance Management Program**

*Tuesday, May 03, 2011*

It has been reported that Prince Turki Al-Faisal, a member of Effat University's board of trustees, launched an executive master's degree program for Islamic finance management at the university and highlighted the success achieved by Islamic banking in overcoming the global economic crisis.

Turki said the program, which is first of its kind in the Kingdom, would help qualify national cadre to work in the areas of banking and Islamic finance management. "Islamic banks have succeeded in achieving Shariah objectives and providing interest-free finance to meet investment requirements," he said.

Islamic finance management is the first program under the newly established deanship for higher studies and scientific research at the university. Effat had announced its plan to establish the new deanship during its 10th anniversary in 2009.

"Today that dream has come true after the Ministry of Higher Education licensed the deanship and approved its first program, which is the executive master's program in Islamic finance management," he said.

Turki said the program would be conducted in association with Rotterdam School of Management in Erasmus University in the Netherlands and the Higher Institute for Business in Lebanon.

"I am hopeful that this deanship would become a light house in the heart of this country providing generations with an opportunity to pursue their higher studies and conduct scientific research in various fields to boost development," he said.

Turki said the new deanship would also contribute to achieving the university's strategic objectives and the vision of Custodian of the Two Holy Mosques King Abdullah. "The king wanted the knowledge community to continue their academic research for taking Saudi Arabia to the level of advanced countries."

Meanwhile, Effat University is hosting its 10th annual career day on Tuesday and Wednesday at its campus. The event is to be held to grant Effat students, alumnae and jobseekers opportunities to increase their professional skills and build contacts.

Omar Shabaan and Said Baaghil will be speaking on the first day of the event which will also feature workshops on developing one's resume, CVs, interview and presentation skills, and business plans.

The job fair will be held with an admission is SR50. The event will be hosted by Saudi illusionist Mamdouh Marzooki and Saudi singer Qusai Kheder.

## **Global Islamic Finance Report 2011 Released**

*Thursday, May 05, 2011*

According to the Global Islamic Finance Report 2011, strides have been taken by the global Islamic finance industry over the last 40 years. Ensuring continuity and expansion will require further domestic and global regulatory changes, expediting development and consolidating growth.

The launch of the second annual Global Islamic Finance Report, GIFR 2011, comes at an opportune time within the broader financial market space. The recession has led to a great deal of commercial soul searching. As policy makers attempt to use the financial tools at their disposal, Islamic financial practices and products represents a new way of thinking and a viable medium.

Professor Humayon Dar, Editor-in-Chief of GIFR 2011, comments, "In the aftermath of the global financial crisis there is a pressing need for an alternative financial paradigm, one that is imbued with a sense of social responsibility whilst maintaining a profit maximisation objective. Islamic finance presents such an alternative. Since its inception 40 years ago, Islamic finance has grown and is still growing at a precipitous rate. More Muslim and non-Muslim countries are adopting Islamic finance services highlighting a bright future for this once niche industry"

To increase coverage, greater information and analysis is required. GIFR 2011 fulfils this need. It combines theory and practice relating to the developments over 2010. It is written by over 50 leading industry practitioners, calling upon their expert knowledge thereby granting accurate and authoritative analysis of the market. The report covers a wide array of topics looking at industry developments, regulation of Islamic finance services and country approaches to Islamic finance.

"I am using this report as a thought leadership initiative to connect the world [to Islamic finance]," commented Datuk Noripah Kamso, CEO of CIMB Principal Islamic Asset Management, Malaysia. "There is no such product available in the market," asserts Professor Dar. "GIFR 2011, like its predecessor GIFR 2010, is a must have for anyone interested in Islamic banking and finance."

Key findings from the report show that the Islamic finance industry is valued at \$1.14 trillion and is growing at a rate of 10%. The industry is gradually building the depth, quality and quantity of its product portfolio and entering into new, previously unfounded fields in the financial markets. There are new fangled Shari'a compliant derivatives, innovations in asset and wealth management, improvements in efficiency of banking and the creation of products which satisfy regulatory requirements. However, as a nascent industry, there are teething problems. Generally, bankers and regulatory systems are failing to consider the subtle nuances of Islamic finance law. Human resources with the necessary expertise are limited. There is still a perception problem with many potential consumers adopting a cautious approach. But this is to be expected and will take a few years to resolve.

GIFR 2011 contains an overview of the Islamic finance industry in 55 countries, providing a snapshot of the state of the industry in 2010 and focuses upon political, legislative and financial developments within the Islamic finance space. Certain countries such as the UK, once a keen advocate of Islamic finance, have over the years shown less commitment. On the other hand, other countries like Australia and France are seeking to bring in Islamic finance products and services into the country by undertaking a series of tax and legislative changes.

Complementing the review is the Islamic Finance Country Index (IFCI). The index is a first of its kind in the industry, a composite statistic which assesses objectively the state of the industry through the utilisation of advanced statistical techniques on a number of variables. The index gauges the depth and incidence of Islamic finance across the globe and acts as a means of comparison. Results from the study shows that Iran ranks first, while Malaysia ranks second. The index is a major breakthrough in appraising the industry.

Notwithstanding the importance of the country review and the IFCI, the main focus of this year's report is regulation. Regulation of the Islamic finance is pivotal in determining its long term success. Malaysia especially has been a trailblazer in facilitating regulatory change, driving the industry forward in not only within the country but also the wider Islamic finance industry. It has been a paragon as to what can be achieved and serves as a template to the wider Islamic finance industry. Regulation is multifaceted and GIFR 2011 attempts to cover all the major issues from risk management, taxation to creating a mature dispute resolution system.

Islamic Scholar and Associate Editor, Mufti Talha Ahmed Azami states, "The annual GIFR is intended to be a mouthpiece to the most important issues affecting the Islamic finance industry. Regulation is a major concern and therefore GIFR 2011 has brought in the best minds in the industry to give a holistic appraisal of regulatory approaches, which is not only informative but also acts as means to go forward."

The GIFR 2011 builds on the success of its predecessor, the GIFR 2010 and adds to its depth. With more contributors from across the globe, new sections and increased content, GIFR 2011 offers a comprehensive review of the industry. These annual reports intend to instruct, clarify, appraise and encourage introspection and debate amongst practitioners and those with a deep concern about the direction of the conventional financial industry. Professor Dar concludes: "BMB Islamic is proud to be publishers of another milestone in the Islamic finance industry".

*[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1599](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1599)*

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