

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

**Global Islamic Finance 179**

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### **Summary:**

Egypt will encourage a much greater focus on Islamic finance if a leading political group gets its way, a senior Islamic party official said.

Abdel Hafez El Sawy, an economist for the Freedom and Justice political party, formed by members of the Muslim Brotherhood, said all the group's economic policies would be rooted in Shariah principles.

The use of financial instruments such as derivatives and futures, which are contracts for delivery of commodities, currencies or shares of a company, violated the teachings of Islam

“Islamic Banking is the right platform to boost ‘green financing’ as it is based on the concept of promoting good practices and values,” said R Seetharaman, Chief Executive Officer of Doha Bank, delivering the inaugural address at a seminar on Islamic economics, organised by the Indian Islamic Association – Qatar (IIAQ), under the title “Towards an Alternative Economy” at Omar Bin Al Khattab Preparatory School for Boys in Doha on Friday.

Dubai: All those messages local and international banks have been plastering on billboards and streaming over the net and mobile phones are having an impact on their intended audience.

Emirati teens and their counterparts in Saudi Arabia are pretty clued in on what they expect from their banks and how they intend to go about getting it, according to a new regional survey.

It has been reported that the Pakistan Index posted the highest first-half 2011 advance (as of the close of trading of June 28) of all the country indexes in the DJIM series.

In June, the DJIM Pakistan index achieved the second-highest monthly return, closing up 6.54% to 16,385.68, just behind the DJIM Philippines Index, which gained 7% to 1,953.46. These were the only advancing equity composites of the DJIM country indexes.

It has been reported that the Islamic Finance industry is looking into facilitating support for Thailand's infrastructure sector in aiding with funding for the sector which can further spur an increase in Islamic financial services.

Qatar Islamic Bank has pulled out of the bidding for a majority stake in Indonesian Islamic lender PT Bank Muamalat, banking sources said, leaving Standard Chartered Plc as the sole remaining bidder.

Bank Dhoafar's recently held an 'Islamic Banking for Executives' program with the Bank's top management team on Islamic Finance and the Shariah process. The 2 day program was in direct response to the recently announced Royal Decree which approves the establishment of Islamic Banking.

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## 1. GLOBAL ISLAMIC FINANCE

### **Nigeria licenses first Islamic bank**

*Sunday, July 03, 2011*

The most revealing thing about the latest new guidelines for non-interest banking issued by the Central Bank of Nigeria (CBN) on June 21; the provisional license given to Jaiz International to launch the country's first Islamic bank subject to fulfilling the bank authorization requirements; and the revelation that the Nigerian Treasury's Debt Management Office is studying the possibility of the country issuing its debut sovereign sukuk within the next year or so, is not the provisions of the above developments but the reaction of Nigerians (presumably) commenting on the websites of local newspapers and other such outlets.

Disturbingly these ranged from vitriolic Islamophobic rants which linked Islamic finance to terrorism financing and forebodes the transformation of Nigeria into a new Jihadist haven, to flattering admiration for Mallam Lamido Sanusi, the governor of CBN, for rising above the critics and facilitating the introduction of Islamic finance under financial inclusion policy. The few voices that saw Islamic banking as an alternative form of financial management to the interest-based capitalist conventional system and more connected to the real economy and with a potential to contribute to development in Africa's most populous country for the benefit of all Nigerians, hardly had a look in.

It would be unfair to draw generalizations from such a sample of comments, but in relation to recent statements from various groups and the sensitivity of the CBN over the matter, it becomes apparent that under the surface Nigeria is a highly sectarian society, which is further fuelled by the constant reinforcement of stereotypes on all sides of the ethnic and religious divides. Nigeria has a population of about 170 million which is roughly half Muslim and half Christian.

This is unfortunate because Nigeria in general is a highly educated society but with huge developmental challenges because of governance shortcomings in which the military have had a pervasive influence since independence, endemic corruption and economic mismanagement.

In June, the Dioceses in the Church of the Nigeria Anglican Communion appealed to the country's House of Representatives and the Senate not to pass any legislation to facilitate Islamic banking in the country on the grounds that it would pose a serious threat to the unity of the federation; it would violate the country's secular constitution; and favor one particular religious group.

Predictably, the Muslim Rights Concern (MURIC) of Nigeria weighed in, stressing the constitution guarantees freedom of religion to all Nigerians and that denying the establishment of Islamic banks would deny some Nigerians the right to have access to financial services based on their faith tradition, or alternatively force them to become unbanked or to use interest-based banking.

The tragedy is that the debate on Islamic banking is based on fundamental misconceptions about what is Islamic finance. The common one is that it is religious banking

supervised and controlled by the Mullahs or Ayatollahs. As such, its sole purpose is to advance the ascendancy of Islam in that society at the expense of marginalizing the other faith groups. Another misconception is that it is a front for funding terrorist groups and for the subjugation of Muslim women.

Unfortunately the Islamic banking movement has spectacularly failed to articulate the phenomenon as an alternative system of fiduciary financial management which is far more connected to financing the real economy because of its emphasis on risk sharing, profit-and-loss sharing, and proscription on interest (usury), speculation based on gambling, and deception in a transaction where parties do not have equal access to information on that transaction.

The irony is that the latter provisions are not confined to Islam as a faith, but have their roots in the Abrahamic faiths. Indeed usury is proscribed in various forms in Judaism and in Christianity. In fact, they used to burn those who were guilty of charging usury at the stake during the times of the Ecclesiastical Churches. Also other faith traditions such as Buddhism and Hinduism also have provisions which govern financial activity.

The reality is that many non-Muslim jurisdictions have introduced laws or amendments to laws to facilitate Islamic finance not because for religious reasons but precisely because it is an alternative form of financial management and therefore a choice for customers, irrespective of their faith. At the same time it is also a manifestation of financial inclusion for those who indeed prefer access to financial products in line with their faith.

The Financial Services Authority (FSA) in the UK is adamant that it is a secular regulator, and all financial services activity must satisfy the provisions of the UK Banking Act. If those provisions then also satisfy those of an alternative system, then there is nothing under UK law that would prohibit such activity. Not surprisingly, the UK law or amendments in the various finance bills talks about alternative financing schemes such as for home purchase plans, current accounts, leasing and alternative financial investment bonds (sukuk). The word "Islamic" is completely absent. The amendments largely deal with tax neutrality to create a level playing field in taxation for equivalent products.

In fact, it is the stated policy ambition of past administrations and the current coalition government of Prime Minister David Cameron to develop London into an international hub for Islamic finance, investment and trade.

If the UK, France, Luxembourg, Hong Kong, Singapore, Sri Lanka, South Africa, Kenya and other countries - all Non-Muslim - can facilitate the introduction of Islamic or alternative financial products, why can't Nigeria?

Islamic banking as the experience in Malaysia has shown is open for all who are interested in ethical and socially responsible investment and savings and not just for Muslims. Some the clients of Malaysian Islamic banks are majority non-Muslim Chinese, not because of religious sentiments but because they have found these products competitive and ethical alternatives.

In Nigeria, the CBN has given a provisional license to Jaiz International Bank in June 2011 to establish a bank that would operate entirely under non-interest principles but also under the provisions of the Banks and Other Financial Institutions Act (BOFIA). The promoters of Jaiz International Bank have six months to fulfill these requirements which deal largely with capital requirements of a minimum of 25 billion Naira and of management that pass the "fit and proper" test, apart from the business plan of the bank.

There is nothing stopping a Nigerian Christian investor from acquiring an equity stake in Jaiz International Bank, even if it is a token minority stake. There is nothing stopping Nigerians

of all faith traditions from opening accounts with the bank, and attending annual general meetings if they are shareholders or investors. In fact, any discrimination in this respect would be contrary to Nigerian law and to the new guidelines just issued.

In the UK, the Islamic Bank of Britain has a few Christian and other shareholders and customers.

It is understandable that the urbane CBN Gov. Sanusi has an unenviable task given that he is a Muslim who comes from a prominent family, for he is the grandson of the Emir of Kano. In the morass of Nigerian politics the fact that he is presiding over the authorization of the first Islamic bank has immediately been seen by his staunch detractors as the implementation of a "Northern agenda" in Nigerian polity.

"On the allegation that the governor is introducing Islamic banking as part of the alleged "Northern Agenda", explained the CBN in an earlier statement, "the fact is that Islamic banking/non-interest banking (or whatever it is called) has already been approved by the CBN during the tenure of Professor Chukwuma C. Soludo (a Christian southerner). In fact, provisions of the Banks and Other Financial Institutions Act (BOFIA) 1991 as amended, Sections 9, 23 and 52 provided for the establishment of Islamic banking in Nigeria. Consequent upon this, the former Habib Bank was given an approval in 1992 to operate a window of Islamic banking which is still operational with Bank PHB. The approval by the CBN under Soludo saw the emergence of the proposed JA'IZ Bank which has been working to raise 25 billion naira capital base as required (under BOFIA). It is obvious therefore that Islamic banking was already in Nigeria years before Sanusi Lamido Sanusi became the governor of the Central Bank of Nigeria."

Several other Nigerian banks including Christian-owned ones are seeking to introduce interest-free financial products to service both their Muslim and non-Muslim clients. Their view is that Islamic finance is now part of the international financial system, albeit it a small niche, and that it has its merits purely as an alternative system of financial management as opposed to the market-based conventional system whose excesses so nearly caused the collapse of the global banking system in the recent financial crisis.

The danger is that the CBN is seen as reacting to events all the time rather than setting the agenda for the banking and financial sector in the country. This weakens the position of any incumbent Governor of the CBN especially if guidelines issued a few months earlier are changed for the most trivial of reasons.

The latest guidelines issued on 21 June are the outcome of the review of the earlier guidelines issued based on the recommendations of various stakeholders.

The new guidelines clarify "the contextual definition of non-interest banking which is not restricted to Islamic banking, but also include other forms of non-interest banking not based on Islamic principle. This is in accordance with the provisions of Banks and Other Financial Institutions Act (BOFIA) which clearly provides for the two variants of non-interest banking. This ensures that discrimination on any grounds in the participation by individuals or institutions as promoters, depositors or other relevant parties in any transaction regarding a non-interest financial institutions, whether based on Islamic or other model, is strictly prohibited."

The new guidelines also remove any reference to Shariah councils or boards, which is an extra tier of ethical compliance. Instead these will be changed to Advisory Council of Experts whose responsibility is to advise the CBN on the appropriateness of relevant financial products to be offered by the institutions.

"For the avoidance of doubt, section 23 (1) and section 66 of the BOFIA 1991, (as amended), explicitly provide for the licensing of Non-Interest Banks (NIBs). The CBN is obliged, by law, to issue licenses to appropriate entities for the establishment of NIBs provided they meet the regulatory requirements for licenses. In view of this, the CBN is open to receiving and evaluating applications for licensing of non-interest banking institutions based on other principles rather than the Islamic variant and will soon issue separate guidelines for non-interest banking under other principles," concluded the guidelines.

<http://arabnews.com/economy/islamicfinance/article466196.ece>

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## **Egypt urged to manage finances by Shariah rules**

*Monday, July 04, 2011*

CAIRO - Egypt will encourage a much greater focus on Islamic finance if a leading political group gets its way, a senior Islamic party official said.

Abdel Hafez El Sawy, an economist for the Freedom and Justice political party, formed by members of the Muslim Brotherhood, said all the group's economic policies would be rooted in Shariah principles.

The use of financial instruments such as derivatives and futures, which are contracts for delivery of commodities, currencies or shares of a company, violated the teachings of Islam, he said.

His views are significant, given that recent polls have shown the Muslim Brotherhood to be the single most popular group for elections expected to be held this year.

"Speculative instruments have caused great trouble for the Egyptian economy," said Mr. El Sawy, a member of the party's economic committee. "We will start off by communicating that some of these acts are not in compliance with Shariah. But if we feel that these acts are harming the economy, they will be clearly prohibited."

An Abu Dhabi Gallup poll in April found that 15 per cent of Egyptians supported the group, which had been banned for three decades under the government of Hosni Mubarak, who was ousted from the presidency in February. The group is seeking a role in politics through the newly formed party.

While the policy debate in Egypt is shifting towards reviving the economy, few parties have unveiled detailed platforms for how they would spur growth and create jobs. Mr. El Sawy said Freedom and Justice was focused on lifting spending for education, healthcare and job creation.

One way it would do this would be to create an official zakat fund under the finance ministry that would collect the 2.5 per cent mandatory payment from Muslims and spend it to help the poor and to improve education.

Traditionally, zakat funds are payments made by individuals to any type of charity or less well-off neighbors. The fund could raise 18 billion Egyptian pounds (Dh11.13bn) in a year and would be used to help any citizen in need, regardless of religion, Mr. El Sawy said.

But more broadly, the party believes Egypt could become a centre of Islamic finance to rival Bahrain and Malaysia. "People want this. When they go to the bank, they want access to products that are Shariah-compliant," he said.

While analysts say the country desperately needs to improve education, infrastructure and increase employment, they warn that any move that would isolate Egypt from global financial markets by barring the use of some financial instruments could harm growth.

Dr Magda Kandil, the executive director of the Egyptian Center for Economic Studies in Cairo, said such a move would be a backward step.

"It's much more problematic than what I had expected," she said. "I thought they would be a little more mainstream there is a downside risk to a more isolationist approach to the economy that closes doors to investors and alienates it from the international financial markets."

Egypt rejected a \$3bn (Dh11bn) loan from the IMF, it emerged last week.

Samir Radwan, the finance minister, said the country would not need to borrow from the IMF or the World Bank, which had also offered a large package of loans, because the budget deficit could be covered locally and from foreign aid.

The interim government has cut spending to reduce its expected fiscal deficit to 8.6 per cent of GDP in the year that began on Friday, down from 9.5 per cent in the financial year that has just ended, the finance ministry said.

Dr Kandil said the decision to reject IMF money was a sign that the interim leadership was afraid of being seen to agree to conditional deals with foreign lenders, even though the interest on the IMF loan was below market levels.

International investors would view the move with caution, she said, because IMF loans came with policy conditions that acted as a "seal of approval" that the nation's finances were being prudently managed.

"It was a cheap loan, and it would have been a catalyst for the international community," she said. The IMF was offering a 1.5 per cent, while local and international banks would be likely to charge much higher rates for loans.

Introducing more Islamic finance would not necessarily solve the country's economic problems, said John Sandwick, an Islamic finance adviser in Switzerland. While the global Islamic finance market was growing, it still carried risks, he said.

"Shariah is a method of doing business that doesn't stop speculative frenzies and impractical or unethical behaviour, as we've seen all too clearly,"

<http://www.thenational.ae/thenationalconversation/industry-insights/finance/egypt-urged-to-manage-finances-by-sharia-rules>

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## **Islamic banking ideal to boost 'green finance'**

*Monday, July 04, 2011*

"Islamic Banking is the right platform to boost 'green financing' as it is based on the concept of promoting good practices and values," said R Seetharaman, Chief Executive Officer of Doha Bank, delivering the inaugural address at a seminar on Islamic economics, organised by

the Indian Islamic Association – Qatar (IIAQ), under the title “Towards an Alternative Economy” at Omar Bin Al Khattab Preparatory School for Boys in Doha on Friday.

Seetharaman said Islamic banking is not just a financial system but it is part of a total value-based social system that seeks to enhance the general welfare of society as a whole. “Sustainable environment development, developing water resources, facing global warming, ensuring women’s participation and promotion of small-scale enterprises are all part of green financing. This is clearly an area where Islamic Banking can play a pivotal role,” he said. Seetharaman, however, noted that Islamic Banking is currently in its infancy and faces several challenges. Young people should be encouraged to take up these challenges to ensure that this significant economic system carries through and plays a leading role in the current global financial stage.

He added that Islamic Banking is growing in popularity as Japan has just issued five Sukuk Ijara (Islamic leasing bonds) and many other countries including Italy, Canada and Spain are showing great interest in such products and services of Islamic banking. In the UK, there is a full-fledged Islamic bank, called the Islamic Bank of Britain, and there are 22 counters at conventional banks that offer Islamic banking services and products.

Seetharaman noted that infrastructure development projects in India can attract foreign investment if the country opens up its banking sector to Islamic banking. India’s 11th Planning Commission has earmarked \$542bn for this sector, but hardly any money comes from the Gulf-based financiers as they are reluctant to deposit in an interest-based system.

Abdur Rasheed, former Head of Economics Dept at Government College, Malappuram, India, and K Abdullah Hassan, Head of Research at Islamic University, Santapuram, India, also delivered speeches on ‘Fundamentals of Islamic Economics’ and ‘Basic Principles of the Zakah System in Islam’.

Nizar Kocheri, lawyer and noted humanitarian activist, delivered a felicitation speech and Abdul Wahid Nadvi, Acting President of Indian Islamic Association, Qatar, presided over the ceremony. V T Faisal, General Secretary of IIAQ, welcomed the guests and Taj Aluva proposed a vote of thanks.

*[http://www.gulf-times.com/site/topics/article.asp?cu\\_no=2&item\\_no=444799&version=1&template\\_id=36&parent\\_id=16](http://www.gulf-times.com/site/topics/article.asp?cu_no=2&item_no=444799&version=1&template_id=36&parent_id=16)*

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## **Islamic banks hit right note with Emirati, Saudi youth**

*Monday, July 04, 2011*

Dubai: All those messages local and international banks have been plastering on billboards and streaming over the net and mobile phones are having an impact on their intended audience.

Emirati teens and their counterparts in Saudi Arabia are pretty clued in on what they expect from their banks and how they intend to go about getting it, according to a new regional survey.



Not just that, Islamic banking services and products are much preferred by this demographic, with UAE teens more inclined than those in Saudi Arabia, said the survey conducted by AMRB in association with TRU, both part of the Kantar Group.

Banks are keenly aware of the potential and what needs to be done. "You see the young crowd coming out of prestigious institutions and most banks are trying to catch their attention early," said Sundar P., executive vice-president and head of consumer banking at Abu Dhabi Commercial Bank (ADCB)

"This has been the case with most banks but it has got more active in the last year or so. There's accelerated focus on tie-ups, packaging product deals, etc.

"There is a good chance that a bank that gets into an early association with a new client can do so for life."

In fact, the first two choices of UAE teens on where they would open bank accounts were Islamic financial institutions, with Dubai Islamic Bank preferred by 34 per cent and Abu Dhabi Islamic bank by 28 per cent. The National Bank of Abu Dhabi followed with 7 per cent.

#### *Demographic*

The banks for their part are assiduously working on getting their profiles right with the young UAE local demographic who would shortly be entering the job market. "There is certainly a lot of activity, and most banks would be very comfortable doing this kind of [client] acquisition," said the head of the credit cards division at a local banking major.

"From a banker's perspective, it's mostly about how comfortable you are with lending to a demographic." With 68 per cent, Dubai Islamic Bank also topped the rankings of financial institutions of which UAE teens had "spontaneous awareness," with Abu Dhabi Commercial Bank recording a strong 49 per cent in second spot.

They were followed by First Gulf Bank and Abu Dhabi Islamic Bank (ADCB).

"Banks that abide by Shariah law are considered highly by teens in the region and most would prefer to bank with an Islamic institution, more so in the UAE and Saudi Arabia," said a spokesperson for AMRB.

#### *Market*

"The [financial services] market here is quite cluttered and it's mostly local or Islamic banks that have an edge among local Arabs. Local banks generate much more awareness than international ones in the UAE and most make it to the Top Ten list despite the strong influence the latter category has had in this market."

Sundar said: "We do have Islamic banking operations running parallel to the conventional and what we are seeing is its contribution has been going up in the last two years. Of whatever we are acquiring new, 40 to 50 per cent is Shariah enabled."

Teen preferences in Saudi Arabia run somewhat differently. Among the top four banks with which they had spontaneous awareness, Saudi British Bank (which is HSBC's representation in the kingdom) and Saudi American Bank (the Citibank representation) came in joint third, while the top spots were taken by Riyadh Bank and Al Rajhi Banking and Invest.

#### *Gender*

On matters of gender, the AMRB report found that "The interest to get a credit card is quite high, especially among [national] girls in the UAE.

"They are very keen to have a credit card and debit card, and have a higher interest in banking products compared to the boys," the report added.

"Overall, the interest in banking products is highest in UAE and lowest in Egypt as a result of their awareness and exposure to this category and the level to which these products have developed in each market."

All of which is sweet music for the credit card manager at the UAE bank.

"It's a market that's potential is far from being mined to the fullest," he said. "The best part is that it keeps growing every year.

"Banks who can deliver to a certain optimum service level can have these newcomers for a long time... a very long time."

<http://gulfnews.com/business/banking/islamic-banks-hit-right-note-with-emirati-saudi-youth-1.832208>

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### **Nigeria's Stanbic wins approval for Islamic banking**

*Monday, July 04, 2011*

He Nigerian unit of South African lender Standard Bank has won approval to set up an Islamic banking arm, Central Bank Governor Lamido Sanusi said on Monday.

Sanusi told Reuters in March he wanted to establish Nigeria as the African hub for Islamic banking and was working on a regulatory framework to emulate the success of the industry in Malaysia.

He said Stanbic IBTC Bank had six months to comply with the approval terms.

Islamic banking products, which are sharia compliant, do not charge interest on financing. Profits or losses are instead shared with the borrower, meaning they discourage unnecessary speculation and spread risk.

Sanusi has said he was looking at Islamic finance as a way of diversifying the country's financial system and was planning to issue the first sovereign sukuk within the next 18 months.

<http://af.reuters.com/article/investingNews/idAFJOE7630AK20110704>

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### **Saudi Arabia Enlists top Banks Support for SME Financing**

*Tuesday, July 05, 2011*

Saudi Arabia hopes to reach a target of more than 10,000 SME and Medium enterprises during the next 10 years due to the expansion of the global Islamic financial industry which is doing unprecedentedly well around the world.

Mohammed bin Abdul Moneim Hamouda, president of the program, speaking at the fourth promotional campaign at the Faisaliah Hotel, said: "At present, there are 1,390 SMEs that have benefited from the Kafalah program. The number will be doubled next year because of the encouragement given by the program to develop this sector."

The program is a collaboration between the Ministry of Finance, represented by the Saudi Industrial Development Fund (SIDF) and Saudi Banks, which aims to promote the financing of SMEs across the Kingdom.

The 11 participating banks under the program include National Commercial Bank, Riyadh Bank, Arab National Bank, Al Rajhi Banking and Investment, the SABB, Samba Financial Group, Banque Saudi Fransi, Saudi Hollandi Bank, Bank Al Jazira, Bank Al Bilad and The Saudi Investment Bank.

Helping SMEs to obtain Islamic finance for developing and expanding their activities, participating in the competitive abilities of local enterprises that will be positively reflected in the local economy, and supporting the enterprises to produce innovative high quality products and services are among the program's objectives.

Talat Zaki Hafiz, secretary general of Saudi Banks, said the program offered a financial guarantee of up to 80 percent to a bank to obtain funds banking and financial sources. This is to encourage the establishment of more SMEs.

"Earlier, we offered only 50 percent and now are offering 80 percent guarantee in anticipation of the participation of more SMEs in the economic development of the country," Hafiz said.

So far, he added, SR2 billion has been granted to SMEs under the program since its launch in 2006. "We have attached a lot of importance to this project since 80 percent of the jobs are created by SMEs," Hafiz said, adding that the SMEs could cover all the sectors in the Kingdom. Mohamed Al-Rabiah, media coordinator of the program, called for generating interest in establishing more SMEs.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1733](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1733)

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### **Islamic banking ideal to boost green finance**

*Tuesday, July 05, 2011*

Islamic Banking is the right platform to boost 'green financing' as it is based on the concept of promoting good practices and values, a leading Indian banker in Qatar has said.

R Seetharaman, the Chief Executive Officer of Doha Bank, said Islamic banking is not just a financial system, but is part of a total value-based social system that seeks to enhance the general welfare of society as a whole.

Seetharaman was delivering the inaugural address at a seminar on Islamic economics, organised by the Indian Islamic Association - Qatar (IIAQ), under the title, 'Toward an Alternative Economy'.

[http://articles.economicstimes.indiatimes.com/2011-07-05/news/29738887\\_1\\_islamic-banking-banking-sector-r-seetharaman](http://articles.economicstimes.indiatimes.com/2011-07-05/news/29738887_1_islamic-banking-banking-sector-r-seetharaman)

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### **London's new Centre for Islamic Finance & Banking**

*Tuesday, July 05, 2011*

UEL Vice Chancellor Professor Patrick McGhee claimed the new Centre is 'a genuinely exciting project' while the Centre's Director, Dr. Omar Masood said, "Our aim is to be the UK's

leading international centre of excellence for human capital and business development in Islamic finance.”

The Centre is hoping to ramp up interest in its MBA in Islamic Finance with what it believes will be an increasing number of banks establishing Islamic windows in the UK.

Dr. Omar Masood, the Director of the UEL Centre of Islamic Finance & Banking, is also, among a variety of consultative posts, an advisor to the Turkish Government on Islamic banking and an advisor to Dresdner Kleinwort Wasserstein, on Islamic banking development in German, as well as being Visiting Professor UiTM Malaysia (advisor Centre of Islamic Banking).

<http://www.cpifinancial.net/v2/News.aspx?v=1&aid=8540&sec=Islamic%20Finance>

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### **Pakistan on top for Dow Jones Listing in Islamic Finance**

*Wednesday, July 06, 2011*

It has been reported that the Pakistan Index posted the highest first-half 2011 advance (as of the close of trading of June 28) of all the country indexes in the DJIM series.

In June, the DJIM Pakistan index achieved the second-highest monthly return, closing up 6.54% to 16,385.68, just behind the DJIM Philippines Index, which gained 7% to 1,953.46. These were the only advancing equity composites of the DJIM country indexes.

The Dow Jones Citigroup Sukuk Index was the third “highest” performer, finishing the month unchanged at 130.13. Pakistan has partly recovered from the tragic flood catastrophe in mid-2010 and the country is regarded as a causeway in Islamic finance -- bridging the Middle East with East Asia. The Karachi Stock Exchange has also been relatively unaffected by the concerns over a possible government bond default in Greece.

The trouble around Greece has clearly affected European shares, whether Shari’ah-compliant or not. The Dow Jones Islamic Market Europe Titans 25 Index last month fell 5.33% to 2,242.54.

The index suffered from poor performances by DJIM Indexes covering Shari’ah-compliant Thailand (down 6.26% to 1,841.04) and Taiwan (down 7.40% to 5,155.74).

As a comparison, the Dow Jones U. S. Titans 50 Index ended down 3.42% to 2,330, while the bellwether Dow Jones Industrial Average declined 3% to 12,188.69.

Despite fears of a debt contagion contaminating financial Europe, there was some good news, at least for -importing countries. Oil prices dropped to a multi-month lows in June after the International Energy Agency released 60 million barrels of government-held reserves.

Consequently, the DJIM Oil and Gas Index declined the most among the sector indexes, falling 5.57% to 3,861.62. Nevertheless, Swiss private bank Sarasin’s Commodity Strategist Eliane Tanner expects oil prices to rise again in the longer term. “Chinese demand for oil grew on average by 11.4% in the first four months of this year compared with the same period in 2010,” she said. “Although industrial production has decreased somewhat over the past few months, other factors suggest demand from China will remain robust.”

Regarding the supply side, Tanner adds “the high-quality crude oil from Libya is likely to remain absent from the marketplace in the coming months. It is unclear when production and

deliveries will resume, but as long as Muammar Gaddafi remains in power, a rapid improvement in the situation is not expected.”

With a loss of 2%, the DJIM Consumer Goods Index was the “best” performing industry composite, closing at 2,489.95. In order to give clients the chance to benefit from growing consumer purchasing power in Asia, Dubai Islamic Bank has provided access to the Prudential Shari’ah Opportunities - Asia Pacific Equity Fund.

The fund is benchmarked against the Dow Jones Islamic Market Asia Pacific ex-Japan Index, which finished June lower by 4.09% to 1,486.57.

June also saw the launch of the Dow Jones Global Commodity Equity 100 Index, the flagship of a new index series that measures the stock performance of companies engaged in the exploration or production of both scarce and renewable commodities.

Its sub-index Dow Jones Islamic Market Global Equity Commodity Index measures all companies from the parent index that pass Shari’ah screens. Both moves indicate that, despite the maturing of the Islamic finance industry, there is still much room for innovation and expansion. It also helps that the Sultanate of Oman recently legalized Islamic Banking, the final Gulf Arab state to do so.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1738](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1738)

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## **Islamic Finance Industry to Support Thai Infrastructure Project Funds**

*Friday, July 08, 2011*

It has been reported that the Islamic Finance industry is looking into facilitating support for Thailand's infrastructure sector in aiding with funding for the sector which can further spur an increase in Islamic financial services.

The increasing Islamic finance industry was propelled into the global spotlight in the aftermath of the financial crisis as it was seen as a more ethical, less leveraged way of banking.

The Gulf's real estate crash, a series of defaults on Islamic bonds, or sukuk, and its own corporate scandals have taken the spotlight off the industry and it needs to find new growth markets outside its traditional centres, Malaysia and the Gulf Arab region.

"A lot of money has been received by the rise in petrol and that needs to be reinvested. Not many sukuk have been recently issued so it's an opportunity to grab that liquid market," Dheerasak Suwannayos, president of the state-owned Islamic Bank of Thailand, told an industry event in Bangkok.

Malaysia issued a \$2 billion sukuk, almost 30 percent of which was mopped up by Middle Eastern investors. Infrastructure investment is expected to jump in Thailand as well as other Southeast Asian countries.

Dheerasak cited plans to expand Bangkok's public transport and the city's main airport as projects the industry could help by finding finance abroad.

So far Thailand has been able to use the abundant liquidity in local markets to finance infrastructure projects. Dheerasak said companies such as Thailand's top energy firm, PTT, were increasingly diversifying from their home market and needed to raise finance in dollar markets.

A PTT unit issued a local-currency Islamic bond in Malaysia last year, seen as the first time a Thai company had tapped Islamic capital markets abroad.

Dheerasak also said Thai Airways was considering offers from Middle Eastern providers of airplane lease financing.

Islamic finance needs to underpin its transactions with physical assets, from which returns to investors are derived to account for Islam's prohibition of interest. "Islamic Bank of Thailand is pushing a lot of products into the retail market. The Muslims in the past did not have any alternatives," Konthee Prasertwongse, senior vice president at CIMB Thai Bank said. Islamic Bank of Thailand, set up in 2003, has turned buses into mobile branches to reach communities and it is doing increasingly well in facilitating Islamic services.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1744](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1744)

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## 2. ISLAMIC BANKING & INSTITUTIONS

### **Forex Broker Tadawul FX Voted Best Islamic Finance Provider**

*Monday, July 04, 2011*

It has been reported that the online forex broker Tadawul FX is proud to announce that it has been named the winner of the Best Islamic Finance Provider at the World Finance Foreign Exchange Awards 2011.

These prestigious awards, first established in 2007, highlight and reward the achievement and best practice applications for Islamic forex trading that Tadawul FX is now known for worldwide.

Amongst the criteria for nomination to the category of Best Islamic finance provider, were key issues such as service and security of trading, as well as innovation and quality provided. According to the organizers, the continuous efforts by Tadawul FX to add new services and benefits for traders contributed greatly to their success in this area.

The judges of the awards also took into consideration the trading platforms and technology infrastructure of the company, the level of regulatory transparency implemented and solid governance of the business, all of which were found to be favorable at Tadawul FX.

In the Islamic finance category, the market leadership position that Tadawul FX holds with regards to Islamic forex trading was a key advantage.

Thomas Papantoniou, Chief Operations Officer and Partner of Tadawul FX, says: "We have always provided a very attractive Islamic forex product through our provision of competitive swap free accounts, without hidden commission charges, fees or widening of spreads. This ensures that Islamic clients can enjoy the same trading conditions of low fixed spreads as other traders but still remain in accordance with their values and beliefs."

Islamic clients are not entitled to incur overnight interest charges and can also distribute profits through initiatives such as hibah gift donation. Tadawul FX provides support for all these services thereby enabling Islamic clients to enjoy complete management of their trading accounts as they wish.

This award follows the recent success for Tadawul FX when it received two Excellence awards for both Islamic Forex Broker and Forex Broker in the Middle East at the 2011 IBTimes Trading Awards. The company continues to grow from strength to strength in Islamic forex trading and has firmly established its reputation in the forex industry as a top Islamic provider.

Stavros Yiannakou, CEO & Partner of Tadawul FX, says: "At Tadawul FX, we remain highly focused on continued innovation. For us, this includes the introduction of support in further languages, maintenance of our focus on high customer support levels, whilst also expanding our investment services to enable further growth.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1728](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1728)

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### **ITFC and HSBC Sign Islamic Financial Cooperation Agreement**

*Monday, July 04, 2011*

The International Islamic Trade Finance Corporation (ITFC) has signed a MoU with HSBC Bank Middle East to expand their participation in co-financing and syndicated trade finance operations.

Besides the duo will also invest ITFC's liquid funds in Shariah-compatible investments and provide related treasury products and assist the implementation of ITFC's trade operations.

The MoU also highlights areas on exchange of knowledge, expertise, best practices and information under trade finance and treasury, said Dr Waleed Al-Wohaib, chief executive officer of ITFC and Razi S Fakih, HSBC deputy CEO after signing the deal.

Mohanna Sobieh, GM treasury of ITFC and Ayub Khan, AGM Operations along with Shamzani Hussain, director of Financial Institutional Group of HSBC and Ian Rogers, head of Trade Sales (Mena) attended the signing ceremony held during the Islamic Development Bank Group (IDB)'s 36th annual meeting on Tuesday.

"This MoU is a milestone towards enhancing the co-operation between the two entities at the Operational and Institutional levels," said Dr Al-Wohaib.

"HSBC is a premier global trade bank with strong trade service operations in the Middle East, Africa, Asia Pacific and Europe, this helps ITFC in its mandate to promote and develop the intra-OIC trade and reach out to our LDMCs," he noted.

Razi said the agreement opens the doors of new opportunities and co-operation between the two entities in finding new trade finance solutions for the benefit of IDB's member countries that will contribute to the development of the Intra-OIC trade.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1732](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1732)

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### **Regional ICIEC office to be established in UAE**

*Monday, July 04, 2011*

ABU DHABI - Obaid Humaid Al Tayer, Minister of State for Financial Affairs and Dr. Ahmad Mohamed Ali, President of the Islamic Development Bank (IDB) have signed an agreement to establish a regional office for the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC).

The agreement was signed during the 36<sup>th</sup> Annual IDB Board of Governors Meeting which took place on 29-30 June 2011 in Jeddah, KSA.

The move mirrored adjustments implemented in the original agreement signed between both parties in 2007, which saw the establishment of a headquarters for the ICIEC regional office in the Dubai International Financial Centre.

An ICIEC representative office was established in the Centre on May 24, 2010 aimed at promoting and providing the corporation's services to companies, banks and businesspeople operating in the UAE, which include export and insurance credit facilities in line with Islamic Shariah principles. Furthermore, the office provides services to neighbouring regions due to the strategic location that the UAE occupies in its capacity as an international financial hub.

Commenting on the agreement, Al Tayer emphasized that the agreement reflected the UAE's commitment towards initiating developmental and investment projects and to implementing all possible mechanisms to enhance shared Islamic operations among IDB member states. He added that these operations aimed at meeting the developmental needs and requirements of Islamic states to achieve their sustainable growth and raise their standards of living.

"By establishing the regional ICIEC office, we hope to better address the economical challenges facing IDB member states by aiding small and medium enterprises and supporting initiatives to help eradicate unemployment," Al Tayer said.

The main roles of the office will include finalizing contracts and agreements on behalf of the ICIEC according to the corporation's policies, procedures and decisions. It will also be responsible for following up on the progress of IDB development operations concerning technical cooperation in the area of promoting investment in member states, in addition to organizing and participating in conferences, symposiums, workshops and training programmes pertaining to any of the IDB's goals or scope of work.

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) is a member of the Islamic Development (IDB) Group and was established in 1994 as an international institution with full juridical personality. The corporation aims at increasing trade and investment opportunities for member states and includes a total of 40 countries.

[http://www.khaleejtimes.com/DisplayArticle.asp?xfile=data/business/2011/July/business\\_July55.xml&section=business&col](http://www.khaleejtimes.com/DisplayArticle.asp?xfile=data/business/2011/July/business_July55.xml&section=business&col)

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## **QIB quits Bank Muamalat bid, StanChart left-sources**

*Monday, July 04, 2011*

Qatar Islamic Bank has pulled out of the bidding for a majority stake in Indonesian Islamic lender PT Bank Muamalat, banking sources said, leaving Standard Chartered Plc as the sole remaining bidder.

Top shareholders of Indonesia's second-biggest sharia lender are aiming to sell at least 51 percent of the unlisted Islamic lender in a deal that may be worth about \$300 million, sources have told Reuters.

But the deal, which initially attracted interest from several parties, has seen bidders pull back due to high pricing expectations from the sellers, sources familiar with the deal said.

Mergers and acquisitions (M&A) activity in the Middle East came hit a stumbling block after the financial crisis with many bankers blaming high seller expectations for the slowdown.



"This is just a pricing issue. I don't think it's a done deal, as there seems to be another party interested," said Samer Al Jaouni, General Manager of Middle East Financial Brokerage Co based in Dubai.

Qatar Islamic Bank (QIB) was seen as a front runner for the stake, two bankers familiar with the stake sale process told Reuters. QIB was concerned about the price they would have to pay for the stake, one of the sources said.

A QIB official declined to comment. The sources declined to be identified because the deal is not public.

That has left Standard Chartered Plc as the only bidder left in the race and the top contender for the stake. StanChart's Indonesian affiliate PT Bank Permata pulled out earlier, sources said.

Bank Mandiri and Singapore's second-biggest lender Oversea-Chinese Banking Corp have also withdrawn from the bidding process, according to the sources. Both OCBC and Mandiri have declined to comment.

#### *Stable markets*

Muamalat's top three shareholders -- Islamic Development Bank, Boubyan Bank Kuwait, and Saudi Arabia's Atwill Holdings Ltd -- collectively control 75.7 percent of the lender and are trying to offload some or all of their holdings.

Morgan Stanley is advising the shareholders on the sale. Muamalat's total assets are 21.4 trillion rupiah (\$2.5 billion). A sale may value the lender at between \$750 million to \$1 billion, sources have said previously.

Indonesia, the world's most populous Muslim nation, has a huge untapped market for Islamic banking, which local and international investors are trying to capture.

Al Jaouni said he thinks QIB and other Islamic banks in Qatar will continue to look at Indonesia and Malaysia for deals.

"The changes and tension in the region will shift eyes to other parts of the world. Indonesia and Malaysia are more politically stable, with more mature Islamic banking markets. Opportunities in that part of the world will continue to be sought out."

Qatar National Bank last year bought an 82 percent stake in small local lender Bank Kesawan for \$82 million. (Additional reporting by Denny Thomas in Hong Kong, Regan E Doherty in Doha, Editing by Saeed Azhar and Hans-Juergen Peters)

<http://www.reuters.com/article/2011/07/04/bankmuamalat-stake-idUSLDE7630IL20110704>

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## **Bank dhoa far holds Islamic banking programme**

*Tuesday, July 05, 2011*

Bank Dhoa far's recently held an 'Islamic Banking for Executives' program with the Bank's top management team on Islamic Finance and the Shariah process. The 2 day program was in direct response to the recently announced Royal Decree which approves the establishment of Islamic Banking.

The key speaker at the event was Dr Salah Al majthoob, a leading Islamic Banking expert from Bahrain with a wealth of practical and theoretical experience in Islamic Finance; he is a certified Islamic finance trainer and member of the Accounting and Auditing Association Organization for Islamic Financial Institutions (AAOIFI).

"Dr Majthoob brings an in-depth understanding of Shariah principles within Islamic banking sector and has contributed to the development of many Islamic Finance products," said Hani Habib Macki, AGM Strategy & Planning, and BankDhofar.

He added, "This will enable us to launch Islamic Banking with the superior services within the industry."

"The Royal Decree heralds a new era for banking in Oman. The introduction of an Islamic Financial sector presents us with a unique opportunity and BankDhofar is ready to rise to the challenge," added Mr. Hani Macki. "The Islamic Banking for Executives will provide us with future insights into planning and executing Islamic banking products and services."

Topics covered during the program included; the basic concepts of Islamic Banking in terms of Products , Transactions, Shariah Laws within the realm of banking and Standards and methods of Islamic Financing.

<http://www.ameinfo.com/269936.html>

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## **KPMG appoints Neil D Miller as the new global head**

*Tuesday, July 05, 2011*

KPMG is pleased to announce that Neil D Miller has joined as global head of Islamic finance. Neil joins from the law firm Norton Rose where he led their global Islamic finance practice.

Neil has specialised in Islamic finance since he moved to Bahrain in 1995. He then returned to London in 2000 to set up Norton Rose's Islamic finance group which went on to win numerous industry awards under his leadership, with Neil becoming a highly regarded industry figure internationally.

Neil will lead KPMG's global Islamic finance group from Dubai, where he has been based since 2009.

Jeremy Anderson, chairman of KPMG's global financial services practice, said: "We are delighted that Neil has joined KPMG to lead our global Islamic finance practice. Neil is an established leader in the global Islamic finance market and is well connected especially given the time he has spent working in the Middle East."

Neil D Miller said: "KPMG's global reach, vast client relationships and deep industry insights will provide me with an opportunity to identify services and products tailored to the Islamic Finance Industry. This, and the commitment of the senior partners in the firm to the development of Islamic finance, was an important factor in my decision to join KPMG. "

"To prosper and grow, the Islamic financial industry needs to be served by firms that can deliver well researched and designed tools that are Shariah compliant and commercially viable, but also comprehensively consider taxation, audit and accounting perspectives. KPMG already has a strong Islamic finance offering and I look forward to developing this further through its international network." he concluded.

KPMG's global Islamic finance team provides audit, tax and advisory services to clients throughout the world. KPMG was recently named the best Islamic assurance and advisory service provider at Euro money's Islamic Finance Awards for the fourth consecutive year.

## **Kuwait Finance House-Turkey Branch Takes Part in ‘Dialogue with Europe**

*Wednesday, July 06, 2011*

It has been reported that Kuwait Finance House-Turkey CEO Ufuk iwan stressed that the Islamic banking industry has reinforced its competitiveness during the economic crisis, and that Islamic banks were less vulnerable to the impact of the crisis than their traditional counterparts.

Since Islamic banks deal in real products instead of relying on offering loans. Iwan, who took part in a conference in Hungary about dialogues between Europe and the Islamic world to bridge any gaps, made a demonstration about the Islamic banking industry and its development.

He added that by the end of 2010, Islamic banking assets reached 83 percent of total Islamic assets in general, followed by sukuk 11 percent and Islamic funds 4.6 percent. He noted that Islamic assets grew by 20 percent every year to reach \$150 billion by 2010, while they are expected to reach \$1.6 trillion by 2012.

Moreover, Iwan stated that KFH-Turkey invests in Europe, the United States, Central Asia, the Middle East, and the GCC, in collaboration with major international institutions, where KFH plans to expand and add new markets on its map. He went on to say that the bank's total assets have reached \$6.7 billion while shareholders' equity reached \$836 million.

Furthermore, Iwan said that Turkey is making great strides in the field of Islamic finance at a time when the bank became a prominent player in the international sukuk market after making several successful issuances. He added that the bank plans to issue new Ijarah sukuk for five years, since it managed to sell sukuk worth \$100 million over three years. It is worth noting that the conference was hosted by Hungarian Prime Minister, and was attended by numerous prominent figures in the European Union.

KFH-Turkey's Chairman Mohammed Al-Omar had presented KFH's experience for over 34 years before several EU ambassadors in Kuwait after being invited by the Hungarian Embassy.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1737](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1737)

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## **Dubai Islamic Bank unveils new concept Al Islami Private Banking branch**

*Thursday, July 07, 2011*

Dubai Islamic Bank (DIB) has opened the doors of a new concept - the first exclusive Al Islami Private Banking branch, for discerning clients who expect nothing but the best.

The new elegantly designed branch on Al Maktoum Road in Dubai offers greater convenience and a range of exclusive services for Al Islami Private Banking customers.

This stand-alone Private Banking branch is in addition to the 15 Private Banking centres located at various DIB branches across the UAE.

At the Al Maktoum Road branch, Private Banking customers will have access to the personalised services of highly-experienced relationship managers who will help them identify and achieve their financial goals.

"DIB began its journey in 1975 with the opening of our first branch at Al Maktoum Road, Dubai. It's no coincidence then that we are opening our first new concept Private Banking branch at the same location," said Abdulla Al Hamli, CEO, Dubai Islamic Bank speaking at the opening of the new branch.

"The launch of this exclusive branch reiterates our commitment to offering our Private Banking customers the most sophisticated, innovative banking services available in the UAE."

"We are constantly evaluating the needs of our premium customers and developed the new branch to offer them a more personalised banking environment", said Dr. Adnan Chilwan, Deputy CEO - Chief of Consumer and Wholesale Banking, DIB.

"Customers who visit the new concept branch will be able to fulfill their banking requirements in complete comfort and luxury. As part of DIB's growth strategy, we plan to launch many more Private Banking branches across the UAE over the next few years."

Al Islami Private Banking is privileged banking at its very best and offers customers a wide array of sophisticated Islamic banking products and services - including special structured investment solutions, deposits and treasury products, tailor-made banking solutions, share financing and much more.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1740](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1740)

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

#### **Saudi Sipchem raises \$480m from Islamic bond sale**

*Monday, July 04, 2011*

Saudi International Petrochemical Co, known as Sipchem, raised SR1.8bn (\$480m) from the sale of Islamic bonds.

The five-year, floating-rate sukuk was priced 175 basis points over the Saudi Interbank Offered Rate, and the offer received orders of about SR4.5bn, the company said in a statement to the Saudi bourse on Monday. Sipchem's initial plan was to raise SR1.5bn from the sale.

The bonds are the second local-currency debt to be sold by a borrower in Saudi Arabia this year, bringing total sales in the six-nation Gulf Cooperation Council to \$2.3bn in 2011 so far, compared with \$2.5bn in the year-earlier period from January 1 to July 4, according to data compiled by Bloomberg.

The average yield on sukuk by borrowers in the region declined to 4.16 percent on July 1, the lowest in six years, according to the HSBC/NASDAQ Dubai GCC US Dollar Sukuk Index.

Government institutions, insurance companies, investment and money market funds, financial institutions and individuals who bought the debt, Sipchem said. Deutsche Securities and Riyadh Capital to manage the sale.

<http://www.arabianbusiness.com/saudi-sipchem-raises-480m-from-islamic-bond-sale--408259.html>

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## **Tenaga to Sell \$1.7 Billion 20-Year Islamic Bond**

*Thursday, July 07, 2011*

Tenaga Nasional Bhd., Malaysia's biggest power producer, plans to raise as much as 5 billion ringgit (\$1.7 billion) from a 20-year ringgit-denominated Islamic bond offering, its chief executive officer said

"We plan to sell the bonds in August or September," Che Khalib Mohamad Noh said. Proceeds from the offering, the company's first debt sale since 2004, will be used to finance a coal-fired Manjung power plant in the northern state of Perak, Che Khalib said.

The utility is raising power generation capacity to meet rising demand on the Malaysian peninsula after shelving plans to buy electricity generated by the Bakun hydroelectric dam on Borneo island earlier this year. The 20-year paper will help alleviate a shortage of longer-dated securities that insurers need to match assets and liabilities.

"There will be demand for Tenaga's sukuk as long-dated corporate Islamic paper is scarce," said Michael Chang, who oversees \$1 billion as head of fixed-income at MCIS Zurich Insurance Bhd. in Kuala Lumpur. "Ultimately, demand will depend on the interest-rate outlook and pricing."

The Islamic insurance, or takaful, industry grew at an annual pace of 16 percent over the last five years, double that of non-Islamic insurers, RAM Rating Bhd., the bigger of Malaysia's two rating companies said last week. Sarawak EnergyBhd., a Malaysian state-owned electricity company based on Borneo island, sold 3 billion ringgit of five-, 10- and 15 year Islamic bonds last month at the lower end of its yield guidance.

"It's the right time to sell bonds in the domestic market as there's a lot of liquidity," Che Khalib said, adding that three investment banks have been short-listed as underwriters. "The attractive price for the government's sukuk sold last week is a good benchmark."

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1741](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1741)

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## **Al Baraka expects to raise \$168m from sukuk sale**

*Thursday, July 07, 2011*

The Egypt-based Shariah-compliant subsidiary of Albaraka Banking Group, Al Baraka Bank Egypt, has said the sale of 10-year Islamic bonds this summer is expected to raise EGP1bn (\$168m), Bloomberg has reported. The lender has "begun the sale of the floating-rate sukuk this month, and we will keep the sale open for another three months," Albaraka Group's Manama-based CEO Adnan Ahmed Yousif said. "The bank will use the funds to help restructure liabilities" and to finance "growth plans,"

<http://www.ameinfo.com/270049.html>

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

##### **Thomson Reuters and Ideal Ratings launch Islamic Indices in Middle East**

*Sunday, July 03, 2011*

Thomson Reuters and Ideal Ratings announced the launch of Thomson Reuters Ideal Ratings Islamic Indices, the first Islamic benchmarks to offer research-based Shariah screening based on a globally accepted Shariah standard to investors, money managers and analysts across a range of Islamic instruments, resulting in the most transparent Islamic guidelines for investors in the UAE, Middle East and around the world.

A \$1 trillion industry growing over 15% annually, Islamic Finance investors are seeking evolved screening methodologies and deeper sector coverage in order to benchmark and create funds and investment vehicles to tap into this increasingly liquid market.

The new family of indices includes compliant companies in over 60 countries and covers the global equity markets in nine regions including the Gulf Cooperation Council (GCC) and Middle East and North Africa (MENA) in addition to individual country indices and sectors such as Global Technology, Healthcare, and Energy.

Companies represented in the indices include GCC companies such as Aramex, Dana Gas, Deyaar Development and Zain Group as well as global corporations Exxon, Microsoft, Google and Novartis. All of the indices comply with the relevant provisions of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

"The industry is looking towards so called 'Islamic Indexing 2.0' and Thomson Reuters is pleased to be working with Ideal Ratings to lead the market with these first of its kind Islamic indices using research-based rather than automatic screening and our unique global sector standards," said Rushdi Siddiqui, Global Head of Islamic Finance, Thomson Reuters. "With the industry seeing double digit growth annually, Thomson Reuters robust Islamic finance offerings are creating the foundation for the continued development of the rapidly evolving global Islamic finance community and Islamic equity capital markets."

Thomson Reuters Ideal Ratings Islamic Indices research-based screening approach guarantees the most recent Shariah-compliant status by reviewing the index on a quarterly basis to ensure they meet relevant sector, financial and general considerations. Proprietary algorithms scour all public information and news about a given company to determine whether specific company revenue should be screened further for non-compliance while a dedicated team of researchers scrutinizes algorithm outputs for accuracy checks and analyzes company financials and lines of business. Over 30 revenue streams of interest to Shariah compliance are tracked for each company.

The indices are the only Islamic indices available that utilize the proprietary Thomson Reuters Business Classification (TRBC), the industry's broadest classification system covering 71,000 public companies worldwide. The classification tracks 124 industries subdivided into 52 industry groups, 25 business sectors and 10 economic sectors on a global or regional basis.

TRBC was recently recognized by the Journal of Indexes as the most useful industry classification scheme for ETF investors.

"The Thomson Reuters Ideal Ratings Islamic Indices build upon both Thomson Reuters and Ideal Ratings commitment to serving the Islamic Finance community while leveraging Thomson Reuter's global coverage and years of index experience to provide the deepest insight into the Islamic finance market available through our proprietary sector classification. The launch of these new indices represents our ability to create unique opportunities for investors to access asset classes and themes beyond the conventional equity markets," commented Sunand Menon, Managing Director, and Thomson Reuters Indices.

Mohammed Donia, CEO of Ideal Ratings, said, "The combination of Thomson Reuter's global indexing expertise and Ideal Ratings rigorous research-based screening methodology, proprietary algorithms and a globally accepted Shariah standard results in an Islamic Finance product the market demanded but was unavailable until now."

Thomson Reuters Ideal Ratings Islamic Indices are available on Thomson Reuters Eikon, Thomson Reuters next-generation desktop launched late last year. The indices are also available in data feeds and other products such as Thomson Reuters Datastream.

<http://www.ameinfo.com/269664.html>

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## **Dubai Islamic Bank Reveals Shariah Compliant Funds**

*Monday, July 04, 2011*

Dubai Islamic Bank Al Islami unveiled a new opportunity for regional investors to participate in the rapidly growing economy of Asia.

The Prudential Shariah Opportunities -- Asia Pacific Equity Fund (the Fund), endeavours to provide medium to long-term capital appreciation by investing in Shariah-compliant companies within the Asia Pacific region (excluding Japan).

Dr Adnan Chilwan, Deputy CEO -- Chief of Consumer and Wholesale Banking, Dubai Islamic Bank Dubai Islamic Bank Dubai Islamic Bank Al Islami, said: "The Asia Pacific region has emerged as an anchor for the global economic recovery and, driven by consumption and investment, is poised for further growth."

Capitalising on the sustained economic growth and increasing wealth across the APAC region, the fund is offered by Prudential Asset Management Limited, based at DIFC. The fund will seek to invest in Shariah-compliant companies in the APAC region, excluding Japan.

Benchmarked against the Dow Jones Islamic Market Asia Pacific ex-Japan Index, participation in the Fund allows investors to gain exposure across a range of growth countries and industries through a single platform. This new product is in line with DIBDIB's commitment to introduce pioneering, high quality financial products, Chilwan said, adding:

"It is designed for our valued high net worth customers who understand the opportunities presented by the Asia Pacific equities markets, and would like to capitalise on the same."

According to estimates by brokerage firm Credit Lyonnais Securities Asia, Asia's rapidly expanding middle-class population is forecast to reach the 1 billion mark by 2015. Meanwhile,

Asian consumer spending is estimated to grow from \$4.3 trillion in 2008 to \$32 trillion by 2030, representing roughly 43 per cent of global consumption.

The pace of urbanisation in Asia-Pacific is unparalleled by any other region in the world. The United Nations estimates that the population of Asian cities is expected to increase from 1.8 billion in 2010 to a staggering 3.4 billion in 2050, creating massive infrastructure investment opportunities for the private sector.

The Prudential Shariah Opportunities -- Asia Pacific Equity Fund offers lucrative access to the growth story of Asia Pacific, including but not limited to many of the companies that will be supporting the APAC region's increasing prosperity in the years to come.

*[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1730](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1730)*

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### **Waqf Fund signs key training deal**

*Tuesday, July 05, 2011*

The Waqf Fund, the special fund to support Islamic finance training, education and research, has announced the launch of its Shariah Reviewer Development Programme.

It is aimed at capacity building of reviewers at Islamic financial institutions and to better equip them to handle their job. The Waqf Fund has signed an agreement with the Bahrain Institute of Banking and Finance (BIBF) for the execution of this programme.

"The Waqf Fund conducted a successful two-day training session for internal Shariah reviewers of Islamic financial institutions in April last year to orient them with conventional banking concepts and practice, said Central Bank of Bahrain executive director of banking supervision and Waqf Fund chairman Khalid Hamad.

"Based on the feedback received from the participants we have now developed a full programme aimed at improving the knowledge base of internal Shariah reviewers and others working in Islamic financial institutions' Shariah departments.

"Starting from September, the programme will be conducted by BIBF after office hours in self-contained sessions." "We believe that it will help improve the efficiency of internal Shariah review personnel working for our member institutions."

These include understanding financial statements for Islamic financial institutions, business, banking and trust law, Islamic liquidity and treasury management, risk management in Islamic financial institutions, Shariah auditing and corporate governance and an introduction to Accounting and Auditing Organisation for Islamic Financial Institutions and Islamic Financial Services Board standards.

"The objective is to provide a high level perspective on the above topics in order to help Shariah reviewers better understand the business and financial implications of Shariah and familiarise them with the relevant laws, regulations, standards and best practices," Mr. Hamad said.

"The cost of the participants will be picked up by the Waqf Fund. We have received enthusiastic response from our members and we continue to receive nominations."



The Waqf Fund, established in 2006, has been a major contributor to the development of Islamic banking industry in Bahrain. Twenty Bahrain-based financial institutions are its members.

[http://www.globalislamicfinancemagazine.com/index.php?com=news\\_list&nid=1735](http://www.globalislamicfinancemagazine.com/index.php?com=news_list&nid=1735)

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### **Tunisia Granted Islamic Funding for Development Projects By IDB**

*Thursday, July 07, 2011*

It has been reported that Tunisia has been granted an 80 MTD fund from Islamic Development bank to facilitate development projects.

On the sidelines of the meetings of the Islamic Development Bank (IDB), held on June 29-30, 2011 in Jeddah, Saudi Arabia, Mr. Abdel amid Triki, Planning and International Co-operation Minister conferred with Mr. Ahmed Mohamed Ali al-Madani, this institution's chairman.

During the meeting, the minister invited the IDB official to visit Tunisia to sign two financing agreements. The first agreement, worth 50 million dinars (MTD), will finance integrated agricultural development projects in the El Kef and Kasserine regions.

The second agreement, involving the support program to micro-credits granted by the Tunisian Solidarity Bank, is worth 30 MTD.

During the annual meeting of IDB's Council of Governors, the minister made a presentation on the economic and social challenges facing Tunisia, such as those resulting from the country's slowed down economic activity, falling tourism earnings and rising public spending.

Tunisia was elected representing member of the North Africa Group within the Board of Directors of IDB for the 2011-2014 period. Tunisia is making progressive improvements to facilitate Islamic finance within the country and with the assistance from the Islamic development bank they can further work towards creating a more Shariah compliant method of financing.

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

### **IDB governors demand urgent action on IF promotion**

*Sunday, July 03, 2011*

The 36th Annual Meeting of the Board of Governors of the Islamic Development Bank (IDB) which concluded on June 30 in Jeddah disappointingly came up with no life-changing resolutions perhaps at a time when many of its member countries are experiencing crucial challenges to their political and economic governance.

Perhaps expectations of the IDB to effect dramatic change in its member countries are too high and unrealistic. Perhaps the edge of the Meeting was lost because it was not convened in the original host country of Yemen because of the political protests there and moved at the eleventh hour to Jeddah.

Unfortunately, judging by the utterings of the senior management and individual governors, it seems that some member countries continue to live in self-denial; some others attend these meetings as civil service and diplomatic tourists who see the IDB Group as a mutual admiration club; and the very few countries who are on top of their brief and are trying to confront the problems their countries and the IDB as a group are faced with and the plight of the so-called Muslim Ummah, and who have been refreshingly frank.

Saudi Finance Minister Ibrahim Al-Assaf's speech was a mere reiteration of what the IDB achieved in 2010. There was nothing about Saudi Arabia ever issuing a debut sovereign sukuk.

The key demands made by IDB governors were highlighted by Ahmad Mohamed Ali, president of the IDB Group, in his closing address. One demand was for a bigger role for Islamic banking, and Ali stressed that the IDB will be giving priority so as to promote Islamic development finance. "The IDB needs to conduct more dialogue on the role Islamic banking can play in promoting economic and social development in member countries and the incentives that may be provided to encourage Islamic banks to have long term investments in development projects that generate new jobs," stressed Ali. But is this not the mandate which the IDB has had for the last 36 years of its existence? And yet many of its member countries do not have any Islamic banking, while some have a mere peripheral few token products or the odd institution or window.

The governors supported the member countries partnership strategies (MCPS) launched a year or two ago. But this is still in its nascent stage and has been piloted only on Turkey and more recently Indonesia. To do this on the required scale and urgency would require huge technical resources which the IDB does not currently have. Predictably down the line at future annual meetings, the complaints will resurface that the IDB is not implementing MCPS fast enough.

This may help through greater and more meaningful decentralization, which the IDB has promised, but this Ali conceded will be gradual.

The issue of making the terms and conditions of IDB financing provided to member countries more competitive is an annual sore point. Even some IDB managers agree that these have to be improved because if they remain uncompetitive say to the conventional trade and other financing, then it becomes a disincentive for corporate and entities in member countries to use these IDB financing facilities. This in turn undermines two of the very core objectives of the IDB of promoting intra-Islamic trade and Islamic banking and finance per se.

One IDB Group entity, the Islamic Corporation for the Development of the Private Sector (ICD), has already pledged to making its mark-up and repayment schedules more flexible as well as lowering its financing costs. The ICD, according to Ali, is also seeking to introduce new financial tools that respond to the requirements such as the creation of employment opportunities particularly among the youth.

Governors also called on the bank to mobilize financial resources from the market at the cheapest possible rate. In terms of peer review against other multilateral development banks such as the World Bank, Asian Development Bank and African Development Bank, the IDB pricing for its last two Sukuk offerings in 2010 and May 2011 were more expensive and as such at a higher cost to the bank. Sameer Sayyad, alternate governor for Egypt, called for "a periodic review of the IDB Group's pricing policy and its mobilization of resources at competitive prices, to help reduce the cost of financing projects in member countries, under conditions as easy as those applied by similar financing institutions."

Sayyad, also warned that the negative impact of high unemployment on society required the Bank to expand its support to SME's in order to create real employment opportunities, in conjunction with larger projects, in such a novel way as may correspond to the conditions in each country and correct the dysfunctions of its industrial structure. What these small projects basically need, he added, is soft loans to procure production equipment and raw materials. In this respect the ICD is also giving priority to targeting its financing to SMEs in member countries.

However, Sayyad too gave no insight into the problems faced by a post-Mubarak Egypt; the policy of the government on Islamic finance and the latest on Egypt's plans to introduce legislation to facilitate sukuk issuance, which many believe could play a vital role in mobilizing funds to finance development in those economies undergoing political transformation.

Abdel-Hamid Al-Triki, minister of planning and international cooperation of Tunisia, however should be commended for his frank assessment of Tunisia's political, economic and social challenges following the ousting of President Zine El Abidine Ben Ali. He was the only governor to link democratization with economic and political progress. "Successful democratization requires the full commitment of all segments of Tunisian society; i.e. the government, the people and political parties, in this ambitious futuristic project and concerting all efforts to meet this great challenge. We are confident that successful transition will inevitably help us lay the foundations of democracy that will turn Tunisia into a better country and secure welfare and prosperity for its people," he maintained.

Malaysian Finance Minister Mohd Najib Razak, who is also the prime minister, in his statement as governor, stressed that "we are aware that there are a number of instances where Islamic Development Bank, institutionally, was unable to make appreciable differences. If we are to hold Islamic Development Bank as a catalyst of change, we must also recognize that Islamic Development Bank needs to implement its internal reforms, not least in the building of its capacity to a level that allows the bank to be an effective catalyst of change."

As an organization whose responsibilities are global in scope, Islamic Development Bank, he suggested, must begin to pronounce its voice beyond its existing perimeters.

<http://arabnews.com/economy/islamicfinance/article466270.ece>

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## 6. COMMENTARIES/ARTICLES

### **Experts Sought to Deal with Omani Banks**

*Friday, July 08, 2011*

It has been highlighted that Omani Banks may need more Islamic financial experts in order to further progress and cater for the demand of Islamic financial products and investments. The Central Bank of Oman (CBO) had organised a seminar on Islamic banking in collaboration with Ernst & Young, Bahrain.

The key speakers at the seminar had emphasised the fact that the growth prospects for the banking sector would increase by 20 per cent over the next decade, especially since the Islamic banking system was less affected by the recent global financial crisis compared to conventional banks.

Regarding the development of the Omani market in this field, experts noted 'the need to provide the necessary expertise in Islamic banking to groom Omani institutions operating in

banking and finance and to provide appropriate training in order to keep them abreast of the developments taking place in this sector'.

The seminar was attended by a large number of chief executives and officials of commercial banks operating in the Sultanate. It may be noted that the CBO board of governors has decided to establish Islamic banks in the country.

This event, the first of its kind to be organised by the CBO, came about following the issuance of the Royal Decree by His Majesty the Sultan to establish Islamic banks in the Sultanate, and to allow existing banks the opportunity to open windows in dealing with Islamic banking.

The seminar addressed the regulatory and organisational aspects of Islamic banking business. As well as the conditions and requirements of the Islamic banking system, and the need for the Omani banking sector to accommodate these conditions and adapt to the expected change. It also discussed the developments in the banking and financial sector in the Islamic world, from the mid-seventies till date. Recent statistical data indicate that the total value of Islamic assets stood at about \$1 trillion.

The potential and resultant opportunities of such development for banking institutions operating in the Sultanate were also discussed, while the expected challenges of this transformation in the history of banking in Oman during the next phase were explored.

Participants also stressed the need for ways and means to create awareness and educate people in the Sultanate on the applicable rules and regulations in effect in the Islamic banking system and specific to its operation.

They pointed out the importance of training cadres at the CBO and the banking and financial institutions operating in the Sultanate to be able to bridge the possible lack of knowledge and familiarity gap in Islamic banking. Speakers also emphasised the need to provide the necessary infrastructure for Islamic banking before venturing into the implementation of the system.

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