# Islamic Finance news

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## Call to rationalise laws on Islamic banking and finance

**An Islamic banking and finance lawyer has called for the rationalisation of Malaysia's laws relating to Islamic banking and finance. Mohamad Illiayas Seyed Ibrahim says this is to ensure that its pre-eminence is respected and maintained.**

In a statement released in Kuala Lumpur last week Mohamad Illiayas says one troublesome matter for Islamic banking and finance is the issue of which laws would prevail in the event of a conflict or inconsistency between civil and Shariah laws. Given the current legal infrastructure for Islamic banking, both civil and Shariah laws apply to the business.

He adds that the principle of Islamic banking is too important to be left to the discretion of the courts to establish in cases before them. He was responding to reports that said the Central Bank of Malaysia plans to review the laws relating to Islamic banking and finance, of which the principal legislation is the Islamic Banking Act (IBA) 1983.

Mohamad Illiayas says the Islamic banking landscape changed somewhat in 1993 when the authorities authorised certain banks licensed under the Banking and Financial Institutions Act (Bafia) 1989 to open "Islamic windows" offering "interest-free" banking. He adds that soon after almost every local Bafia-licensed bank had opened an Islamic window.

The Malaysian Parliament later amended the Act in 1996 to permit Bafia institutions to carry on Islamic banking or Islamic financial business. These differences need to be addressed in the central bank's plan to review the laws relating to Islamic banking and finance, adds Mohamad Illiayas.

## Noriba Advises on Groundbreaking New Islamic Hedge Fund

The Shariah Equity Opportunity Fund is the first Shariah-compliant hedge fund of its kind, the fund's special adviser Noriba Bank BSC announced in early Nov. The fund manager, US-based Meyer Capital LLC specialises in the development and management of hedge funds.

The Shariah Equity Opportunity Fund comprises leading hedge fund managers who follow predominantly long/short equity strategies. Unlike conventional long/short funds the fund will operate under strict compliance with Shariah guidelines established specifically for it by a distinguished Shariah Supervisory Board consisting of Dr Mohamed Ali Elgari (Saudi Arabia), Sheikh Nizam Yaquby (Bahrain), Sheikh Yusuf Talal De Lorenzo (USA) and Dr. Mohamed Daud Bakar (Malaysia).

"Developing a Shariah-compliant fund of conventional long/short hedge fund strategies required a real commitment to overcoming the barriers that had dissuaded previous corporate and institutional efforts. It was a challenging process undertaken by the fund manager and entailed extensive collaboration between Shariah scholars, legal experts and prime brokers," says Noriba CEO Mohamad Toufic Kanafani.

He adds that Islamic investors can now benefit from a multi-manager fund that targets higher returns with lower volatility than, and less correlation to, Islamic equity indices.

Following these efforts, the fund's Shariah Supervisory Board approved Shariah-compliant equivalents to conventional short sales, options trading and leverage. The Board also approved an innovative computer software engine that enables the fund's underlying fund managers to screen thousands of companies for Shariah compliance.



**Inside Islamic Finance News:**



**IN OUR NEXT ISSUE:**

MONDAY 6th DECEMBER 2004

- Interview with Professor Rifaat Ahmed Abdel Karin, Secretary-General, Islamic Financial Services Board
- Etisalat Case Study, the world's largest ever Islamic financing
- Taxation in Islamic Finance
- Shariah Compliant Securitisation

# NEWS BRIEFS *(continued...)*

## Egypt's first Shariah-compliant mutual fund launched

EFG-Hermes and Faisal Islamic Bank of Egypt on Nov 11 launched Egypt's first mutual fund that invests only in Shariah-compliant companies. The LE 50 million fund is managed by the Hermes Fund and overseen by the Faisal Islamic Bank's Shariah supervisory board.

The fund also introduces a new system to support orphaned children, whereby certificates can be purchased in the name of the child, who will receive all the distributed income in a special account. The LE 1,000 certificates can be purchased at the Faisal Islamic Bank or all offices of the National Post Office.

## Union of Arab Banks Organises First Arab-Conference for Islamic Banking Dec 2004

The Lebanon-based Union of Arab Banks (UAB) will organise the First Arab Conference for Islamic Banking in Beirut from between December 4 and 6 2004. UAB is reported to be running the conference in co-operation with the Saudi-based Islamic Development Bank (IDB) under the motto *"The Role of Islamic Banking in Resource Mobilisation in the Arab World"*.

The conference will focus on the development of the Islamic banking industry and the capabilities of the Islamic banking institutions to mobilise the financial resources in the Arab countries. Other topics, including financial management, investment operations and co-operation between the Islamic banks and the conventional banks in the Arab countries will also be reviewed at the conference.

UAB has plans to open a regional office in Abu Dhabi in the near future. Established in 1974, UAB comprises some 300 Arab financial and banking institutions. Its main objective is to encourage the co-operation between its members, protect their interests and co-ordinate their activities.

***TERMINOLOGY - IJARA**
A leasing agreement whereby the bank buys an item for a customer and then leases it back over a specific period

## Dubai bank ranked best Islamic finance lead manager

Euromoney the international banking and capital markets magazine has ranked Dubai Islamic Bank (DIB) as the top Islamic finance deals lead manager globally.

Recent deals such as the US$750 million Sukuk for the Government of Dubai Department of Civil Aviation and US$350 million Ijara* syndication pushed DIB to the top of the Euromoney ranking of mandated lead managers on Islamic finance deals. With strong interest in the Sukuk-Al Ijara deal by the market, investment increased to US$1 billion from the original US$750 million, further consolidating DIB's leading position.

Two of the top three highest rated lead managers on Islamic finance deals were UAE based - DIB and HSBC Amanah Finance, which lead deals totalling US$1.1 billion and US$1 billion respectively.

## UAB to open in Abu Dhabi

The Union of Arab Banks is set to open a regional office in the UAE, to be based in Abu Dhabi. The UAE's position as having the strongest growth in the banking sector, the development of an effective monetary authority and its ability to meet international banking requirements influenced the decision, according to Chairman Joseph Torbey.

## Qatari businessmen apply to set up Islamic bank in Yemen

A number of Qatari businessmen are reported to have recently applied to establish an Islamic bank in Yemen in association with Yemeni investors. Yemeni Central Bank governor Ahmed Abdul Rahman al-Samawi in making this announcement in early November estimates that the bank to be established will boast a capital of US$100 million. The Yemeni central bank has recently issued a decision that restricts the capital of any new bank in Yemen to a minimum of US$30 million

# NEWS BRIEFS *(continued...)*

## RUSD keen to promote Malaysia as Islamic financial centre

A RUSD Investment Bank (RUSD Bank)-led consortium that was recently granted an Islamic bank licence by the Central Bank of Malaysia sees Islamic bonds as an immediate way to promote Malaysia as an Islamic financial centre.

The consortium chairman Dr. Saleh Jameel Malaikah is reported to have said that it is keen to promote Malaysia as an Islamic financial centre and can add significantly to its existing portfolio of Islamic products and services.

"Some of the immediate opportunities that the consortium bank envisages include the issuance of Islamic bonds to refinance existing conventional loans," he says in a statement posted on RUSD Bank's website earlier this month.

He said the consortium's distribution network and fund-raising capacity in the West Asian market will help enhance investment banking activities between West Asia and Malaysia. The consortium may also channel the investments of some of its West Asian clients into Malaysia's Islamic banking sector and equities market, he adds.

He says RUSD Bank may introduce new Islamic products similar to those launched in Gulf Cooperation Council (GCC) markets. These include longer-tenure savings and investment products. RUSD Bank will try to establish broader Shariah-compliant business and financial linkages between the GCC and Malaysia in target sectors, including healthcare, higher education, water and wastewater treatment, oil and gas, agri-based and food manufacturing industry, biotechnology and tourism.

The partners in the consortium include RUSD Bank, Qatar Islamic Bank and Global Investment House. The consortium is one of the two foreign financial institutions granted the licence by the central bank in October to operate full-fledged Islamic banks in Malaysia. The other recipient of the licence is Saudi Arabia's Al Rajhi Banking and Investment Corp.

Saleh says he considers the approval of the banking licence as a significant milestone for RUSD Bank in its efforts to bring together the financial strength and Islamic banking experience of reputed Islamic financial institutions of the GCC to the new Islamic bank to be set up in Malaysia. He adds that the bank will play its role in contributing towards achieving the 20% target set by Bank Negara for Islamic banking assets.

## National Bank Of Pakistan To Open Its First Islamic Branch

The National Bank of Pakistan will open its first Islamic banking branch here in early December, offering Shariah-compliant products to its clients. National Bank of Pakistan made the announcement early this month and adds that two other branches would be opened at Islamabad and Lahore later in the month while six more branches would be opened in big cities including Lahore, Islamabad, Peshawar, Multan and Faisalabad by early January 2005.

The bank is reported to be heavily investing in technology and about US$25 million would be pumped in during the next three years for this purpose.

## 50% global savings in Islamic banks

Islamic banks are expected to hold 40% to 50% of global savings within the next 10 years luring capital from traditional banking, said a report by Dubai Islamic Bank. There are 267 Islamic financial institutions operating worldwide, with total assets of US$262 billion. Statistics from the General Council of Islamic Financial Institutions over the past three years show that Islamic financial institutions have been growing at 25%.

# NEWS BRIEFS *(continued...)*

## Dubai Investments' US$100 million Sukuk

Dubai Investments has mandated Emirates Financial Services to arrange a US$100 million Sukuk bond issue before the end of the year. It was reported that the proceeds will be used to develop the sixth and seventh phases of the Dubai Investment Park.

## Dubai airport bond now US$1 billion

The size of the Dubai Airport's Islamic bond issue has been increased from US$750 million to US$1 billion due to oversubscription. The largest-ever global Sukuk is fully underwritten by Dubai Islamic Bank, Citigroup, Gulf International Bank, HSBC, Kuwait Finance House and Standard Chartered Bank.

## QIIC's third quarter profits up 140%

Qatar Islamic Insurance Company (QIIC) announced that its results for the 9-month period ending September 30th 2004 have exceeded expectations by wide margins. Gross premium for the first 9 months reached US$17.6 million, up by 47% over the same period in 2003. Net investment income exceeded US$1.95 million or 182% more than the corresponding period of 2003.

As a result, net profit for the period touched US$9.67 million or 139.5% above the same period in 2003. Of this, US$3.1 million represented policyholders' insurance surplus while the remainder US$6.57 million was generated from shareholders' operations representing increases of 82% and 184.5% respectively over the corresponding period in 2003.

With this level of net income, earnings per share for the first 9 months of 2004 was about US$2.20 per share against US$1.15 per share in 2003. The company attributes the results to the strength of its insurance business units recording growth levels ranging from 20% to 250% and unprecedented profit levels generated by its real estate and securities investment operations.

## Takaful Nasional To Tap Overseas Markets in 2005

Malaysia's leading Takaful insurance provider, Takaful Nasional Sdn Bhd, is looking forward to expanding its operations overseas by next year.

"We are looking at a few countries, not only at OIC (Organisation of Islamic Conference) nations but also countries where there is a high demand for Takaful products from its Muslim population," says CEO Aminuddin Desa.

In particular it is eyeing Pakistan - a country with more than 80% Muslim population out of its total 180 million people. He hopes that Takaful Nasional will be the first takaful company to penetrate the Pakistani market.

## New Zealand gearing for Islamic banking services

Although NZ ING Life has aborted plans for an Islamic life insurance policy, this has not dampened the mood of New Zealand's Islamic banking proponents as a major Muslim association has announced that it will be setting up an institution to provide Islamic banking services.

Financial services company NZ ING Life managing director Naomi Ballantyne recently announced that the company is not going ahead with plans to offer Islamic life insurance as the numbers did not stack up.

On a more positive note the Federation of Islamic Associations of New Zealand (FIANZ) is working with consultants Deloitte to create something similar to a credit union, with cash machines and all the services usually associated with banks. Capital is being sought from New Zealand and overseas.

FIANZ president Javed Khan says, such services would be supported "one hundred per cent" by New Zealand Muslims. He predicts that an Islamic bank would unleash a lot of economic activity among the Muslim community's estimated 40,000 members in New Zealand.

Deloitte's Enterprise Risk Services director Faris Azimullah says Islamic banks offered stability and certainty as they were not exposed to interest rate fluctuations. They are open to all, and research showed they are attractive to non-Muslims. In strongly Muslim Malaysia for example, almost 70 per cent of Islamic bank clients were non-Muslim.

Islamic banks' assets worldwide are now estimated to be worth US$363 billion. Mainstream banks overseas, such as Citibank, Deutsche Bank and ABN Amro, are among those offering Shariah-compliant products.

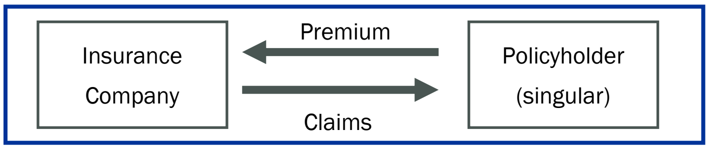
**CLICK HERE FOR FULL GLOSSARY OF ISLAMIC FINANCE TERMS**
**www.IslamicFinanceNews.com**

# INDUSTRY SECTOR REPORT

## Takaful Products for the Islamic Financial System *By Zainal Abidin Mohd Kassim, FIA, ASA*

**In discussing the role of takaful products in the Islamic financial system first we need to look at the differences between conventional and Islamic insurance products.**

**Conventional insurance (for a one-year motor policy for example) can be explained in the following chart:**



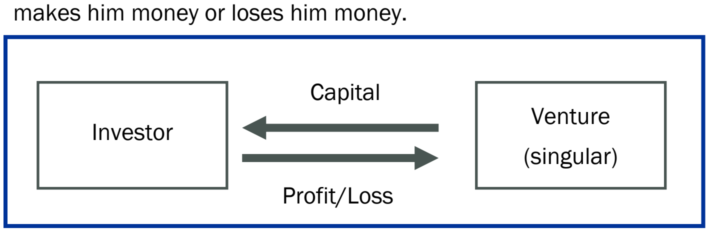

In this example if the policyholder does not file a claim the insurance company makes a profit equal to the premium less expenses. If the policyholder files a claim the insurance company loses the sum insured less the premium and it would not be able to recover its expenses.

Clearly this business is not tenable as the insurance company either incurs a big loss (equal to the sum assumed less the premium) or makes a small profit (equal to the premium received less his expenses). The profit/loss would therefore be very volatile from year to year.

The business proposition changes as the insurance company takes on more and more policyholders. The total premium received increases while the volatility of the total claims payment reduces. As a result of the reduced volatility in total claims payable, its profit from year to year becomes more predictable – thanks to the stability in total claim amounts it would be able to price its policies effectively. What the insurance company provides is essentially a guarantee that all claims will be paid. The insurance company reaps a profit or a loss in return for this guarantee.

If you then take away the insurance company in the example, the scheme is still workable as long as you can reasonably expect a profit after all claims are paid. It is a well-known fact that when the number of policyholders insured is sufficiently large and well dispersed, the law of large numbers would work to ensure stability in total claim amounts.

If we now take this model into the financial system, in particular consider business finance, we can see a similar process. An investor can invest all his money into one venture. That venture either makes him money or loses him money.




However, if instead of putting all his capital into one venture he spreads it over many ventures, his return on capital would be less volatile as losses in one venture would be offset by profits in another venture. Overall, if he is a reasonably good investor and chooses his investments reasonably well he can expect to make a net profit in any year.

There is no guarantor in this model but we can introduce one and that would be a bank. A bank can take the investor's capital and guarantee that the investor will always have a profit. This guaranteed profit is interest (or riba).

What the bank also provides is liquidity as the depositor can easily demand for a return of his capital at anytime. This means that the bank cannot take any equity in the business it is financing (it can only lend money); the bank must ensure that the borrower (who uses the money to run the venture/business) repays the loan; and the bank must ensure that it can liquidate its investments/loans easily in case of a run on the bank.

As the bank cannot take any equity in the business ventures it puts money into it must charge interest on the loan extended. And because the bank guarantees to pay the depositor his money at any time, in most cases, the bank requires that the loan be backed by sufficient collateral. Furthermore, the bank is wary of investing long in any one venture (extending long-term loans) as it may have to pay the depositor back at short notice.

### Duration mismatch in assets and liabilities

In the Islamic financial system the Islamic banks take the place of the conventional banks described in the above example. Apart from short term financing related to *Murabaha* lending, since exposure to risk is what justifies profit under Islamic finance, the Islamic banks must take an effective equity in the business venture either through a *Mudarabah* or *Musyaraka* arrangement. There are various pitfalls and dangers in doing this, not least the fact that the bank would not have sufficient manpower to participate effectively in the management or monitoring of all the business ventures it invests in.

Thus Islamic banks are hampered in their ability to finance long-term business ventures due to its need to guarantee the capital of its depositors and its need to be able to return the money deposited at short notice.

But not withstanding the above, the most significant reason why Islamic banks are handicapped when financing long-term business is its need to be competitive relative to conventional banks. And as long as there is the alternative of depositing money in conventional banks, there is very little chance that Islamic banks can safely invest its depositor's funds in other than short term *Murabaha* or similar investments. *Mudarabah, Musyaraka* and other long-term type of investments result in a serious duration mismatch of the Islamic bank's assets to liabilities in its balance sheets.

Nonetheless, should Islamic banks take this route and be successful, resulting in an ability to provide 'better than market' profit rates to its depositors, they would be wary of distributing all of the returns. For example, in the low interest rate prevailing among conventional banks, a high profit rate from an Islamic bank would trigger a flood of deposits into the Islamic bank from the Conventional bank depositors. This would (at least in the short term) dilute the Islamic banks profit to the detriment of the existing Islamic banks' depositors.

In short, the opportunity to arbitrage at no cost between Islamic and conventional banks means that the Islamic banks cannot break completely free from the overwhelming influence of conventional banks and its interest entrenched system. At least in terms of the profit rate it gives to its depositors.

### Galvanising savings for long-term productive use

What then, is the solution? How can the Islamic Financial System provide the necessary long-term financing required by businesses if the Islamic banks cannot embark on *Mudarabah* and *Musyaraka* type investments in a big way without endangering balance sheets? How then can the Islamic financial system galvanise the savings of the Muslim population into long term productive use?

The concept of unit trusts or mutual funds would initially seem to be the answer. Under this concept investors' funds are pooled together and invested in a range of investments. Normally, such funds are used to purchase marketable equities - as investors in unit trusts or mutual funds have the ability to redeem their units at any time.

However, what are needed are also direct investments into goods and services, not just investments in stocks and shares, which are not directly productive to the economy. What is needed is therefore, mutual funds whose investment objective is also to invest directly in business ventures. To reduce risk (applying how insurance works as a model) it should invest in small amounts but in many ventures, as not all ventures it invests in will succeed. But the investors in such mutual funds must also have a long-term view on investments. Investors cannot be looking to cash in on its investments the moment it senses that markets are deteriorating. Long-term investors are needed, but are there sufficient long-term investors?

The fact is that most individuals need to save for retirement. An individual may save for 30 years or more before having to draw down on his investments for his retirement years. Even then, if he draws a pension, he will not be drawing down on all his accumulated funds at once but gradually over his remaining lifetime.

### The case for takaful

Having identified a group of individuals who invests in small amounts but over a long period for their retirement, how then can we mobilise these savings effectively? I believe the solution is through Takaful products - specifically Takaful for retirement. How does Takaful for retirement differ from investing in unit trusts or mutual funds?

When people participate in Takaful for their retirement they are not committing a big amount of their savings at one go. They are expected to save gradually over a long period (over 30 years and more). This means that their savings would be made over several ups and downs in the economy thus balancing the bad returns with the good. This is unlike the short-term investors who try to time the market. You are likely to lose money if you opt for this approach.

Under Takaful you are required to make timely monthly contributions. This instils discipline in one's savings habit. Buying unit trusts or mutual funds on a monthly basis seems an easy alternative to Takaful but because it is 'voluntary', it is likely that the same discipline will be missing.

The Takaful policy will also provide protection to the family of the policyholder in case of untimely death. This life 'wrapper' in what is otherwise a simple savings vehicle makes all the difference. It allows the saver to provide for his family regardless of whether he lives to retirement or otherwise. It takes uncertainty and turns it into reasonable certainty. If the takaful cover provides a series of payments during retirement, it also protects him from outliving his savings, if he lives to a ripe old age!

### The model of an ideal Islamic Financial system

In summary this is how I would envisage the ideal Islamic Financial system should work:

- Islamic Banks concentrate on lending short term through *Murabaha* or similar contracts. This enables them to effectively compete with the interest rates offered by conventional banks. It also effectively ensures that the duration of their investments match their sources of funds (short term bank deposits).
- Takaful companies introduce long-term savings/retirement products. These require monthly savings from the contributors and can be redeemed as either a lump sum at retirement or as a series of pension payments during retirement.
- Takaful companies group the savings portion of all these small regular Takaful contributions into mutual funds and invest them in a mixture of portfolio investments (stocks and shares) and direct investments (through *Mudarabah* or *Musyaraka* type arrangements).

For the above to work there must be many Takaful companies. This is because one should only invest a small amount in any one venture and in many *Mudarabah/Musyaraka* ventures to minimize overall investment risk. The Takaful concept of spreading risks applies to investments as it does to takaful or insurance risk. It should also be cross border in nature to further diversify investment risk (we see this diversification at work for re-insurance or re-takaful companies, which are usually international in nature). For example, a takaful company in Malaysia could invest with takaful companies from Oman, Bahrain, Saudi Arabia, UAE, Qatar and Egypt in a venture in Oman.

While the above scenario will not happen overnight, it is one way of solving the dilemma facing Islamic banks over their existing expected role as provider of long term finance. It also has the advantage of facilitating a social need of the Muslims.

This integration of the functions of banks with insurance in providing a total source of finance to businesses is not new or unique. We see this combination at work in the conventional financial system. The really long-term investors in the conventional financial system are not banks but pension funds and life insurance companies. Thus, in order for the Islamic financial system to thrive, we need the Islamic equivalent of pension funds and insurance institutions, in other words Takaful companies, and in large numbers.

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SRI LANKA

# INTERVIEW

## ISLAMIC FINANCE News Interviews Faizal Salieh, Managing Director Amana Investments Ltd, Sri Lanka

**1. What were Amana Investments Ltd's objectives when it was established in 1996?**

In 1996, there was little awareness in the country about Islamic banking. The Muslims living in Sri Lanka constitute about 7.5% of the population or about 1.6 million people. They are a dominant trading community and are mostly small and medium sized businesses. The overall size of the Islamic market segment at that time was about US$200 million to US$250 million, growing at about 15% per annum. There was increasing religious and political awareness in the community; people had heard about the growth of Islamic banking in the Middle East and Malaysia but knew little of the products and services and how the banking transactions were done. So, the time was just about right for us to step into the market and introduce Islamic financial products.

Our primary objective was to educate the community on the prohibition of riba and riba-based transactions and offer them Shariah–compliant alternatives on investments and financing. This was a big challenge and quite a time-consuming process as we had to change people's mindsets on ethical considerations and at the same time offer them attractive business alternatives.

We have done well in this as can be seen from the growth of our business volume over the past seven years. We have been able to mobilise an early mass of conversions in our target market segment but there is still a large segment out there that need to be convinced and converted - a segment we are now actively working on. The absence of a full-fledged commercial banking license has been our main constraint in reaching out to this segment and catalyzing more customer conversions.

2. How, if at all, have these initial objectives changed?

Our initial objectives have not changed but we now have added a few more new objectives, namely to be a world class operator to be the preferred Islamic financial solutions provider in the country, reach out to the non-Islamic market segments, and play a supportive role in the launching and advancement of Islamic banking and insurance initiatives in the Asian region.

3. In your observation what are the fundamental changes in Sri Lanka since Amana's inception, both economically and politically, that have aided its growth?

There have been some positive initiatives taken by the state to bring changes to the legislative and fiscal frameworks to facilitate greater private sector participation in the economy. The main constraints to the acceleration of economic growth, however, were the ethnic conflict in the Northeast and the fall out from 9/11. The ceasefire in the NE conflict since 2002 has aided the revival of the economy and triggered a business spurt that led to the growth in the banking sector. This together with the increasing political and religious awareness in the Muslim community aided our own business growth in this period.

Our growth would have been a lot greater had the regulators issued our commercial banking licence. The Central Bank is now taking steps to amend the country's Banking Act to facilitate Islamic banking. We will see a paradigm shift in our business growth and profitability when we get our commercial banking licence.

4. What Islamic products are in most demand today in Sri Lanka and how do you envisage this changing in the coming years?

There is a strong demand for the Islamic equivalents for the conventional overdraft, housing finance and credit cards. Foreign exchange hedging, Sukuk, securitisation and wealth management are some of the products that the market will demand in the near future.

**"Foreign exchange hedging, Sukuk, securitisation and wealth management are some of the products that the market will demand in the near future".**

5. Amana Securities (now called Amana Capital) was launched focusing on Islamic Asset Management. What are the assets currently managed?

The business is growing rather slowly as there was some blurring of the initial target market segments between the subsidiary and the parent. Amana Capital currently manages an asset base of Rs 100 million or US$1 million comprising institutional Islamic funds and the insurance funds of Amana Takaful. The company is also seeking a licence to operate as a stockbroker and offer Shariah-compliant stocks for investors.

6. How do domestic investors perceive Islamic securities compared to non-Islamic securities?

Islamic securities are a relatively small and untapped segment of the local securities market. Domestic investors are not fully aware of the Shariah guidelines pertaining to the classification of company stocks. There is a general aversion among Islamic investors to stay away from conventional banking stocks but they are not fully knowledgeable about the Shariah treatment of other stocks. We have developed a class of Shariah-

# INTERVIEW *(Continued...)*

compatible stocks and are in the process of creating awareness and educating the market on the alternative investment options.

### 7. You teamed up with Takaful Malaysia back in 1999 to offer the first Shariah-compliant insurance products in Sri Lanka. What was the market's initial reaction to these services and has it lived up to your expectations?

The market took a while to understand the Takaful concept of insurance but as time passed and people began to see the real benefits - both in terms of product value and customer service efficiencies - the response was overwhelming. We have revolutionised insurance in the marketplace. Our business is now growing on an exponential scale and we are penetrating into the non- Islamic customer segments as well.

### 8. As an equity shareholder, what role does Bank Islam Malaysia (BIMB) play in your operations?

BIMB is a strategic partner in our banking and insurance businesses. Although they do not play a defined role in our daily operations, we do draw on their expertise from time to time on product development, systems and procedures. We also have BIMB top management such as Dato Ahmed Tajudin (Managing Director, BIMB) and and Dato Mohamed Fadzli Yusof (CEO Syarikat Takaful, Malaysia, the insurance subsidiary of BIMB).

### 9. In your opinion what does Sri Lanka have to offer the global Islamic investor community?

Sri Lanka is preparing itself to become a financial hub in the region. Areas that would be attractive to global Islamic investors include telecommunications, port and airport development projects, power generation projects, petroleum projects and other infrastructure development projects.

### 10. What is Amana doing to promote the Islamic Capital Markets in Sri Lanka?

Amana has a strategic alliance with KPMG to identify, promote and facilitate Islamic investments in a Shariah-compliant manner into the country. Whilst KPMG will obtain the necessary investment mandates and carry out the due diligence, Amana is prepared to act as the conduit for such investments, manage the disbursement of investment funds on the ground, and monitor compliance with regard to the investment terms and conditions, including Shariah compliance on behalf of the investors. We are also examining the country's legislative and fiscal frameworks with a view to introducing Islamic Sukuk and Securitisation to the market.

## EVENTS DIARY

**Role of Islamic Financial Institutions in Resource Mobilization**
Beirut, Lebanon
Wednesday 1st – 2nd December 2004
Organised By: Islamic Development Bank

**2004 Kuala Lumpur Islamic Finance**
Mandarin Oriental, Malaysia
Monday 6th – 8th December 2004
Organised By: Centre for Research & Training (CERT)

**Comparative Supervision of Islamic & Conventional Finance**
Beirut, Lebanon
Tuesday 7th – 8th December 2004
Organised By: IFSB & World Bank

**The World Islamic Banking Conference**
The Gulf International Convention and Exhibition Centre, Bahrain
Saturday 11th – 13th December 2004
Organised By: Middle East Global Advisors

**Approaches to Regulation of Takaful**
Dead Sea, Jordan
Tuesday 10th – 11th January 2005
Organised By: IFSB & Insurance Commission of Jordan

**The First International Symposium on Takaful**
The Movenpick, Dead Sea Resort & Hotel, Jordan
Wednesday 12th – 13th January 2005
Organised By: Islamic Conferences Group

**Investors Forum for Islamic Investment Opportunities**
Venue to be confirmed
Monday 24th – 26th January 2005
Organised By: Islamic Conferences Group

**Marine Money Gulf Ship Finance Conference**
Grand Hyatt Hotel, Dubai
Wednesday 2nd February 2005
Organised By: Marine Money Greece

**Annual Conference on Islamic Banking and Finance**
Gulf International Convention and Exhibition Centre, Bahrain
Sunday 6th - 7th February 2005
Organised By: AAOIFI

**Islamic Finance Conference**
London
Monday 21st – 23rd February 2005
Organised By: Islamic Conferences Group

**Islamic Funds World 2005**
Crown Plaza, Dubai
Monday 23rd October 2005
Organised By: Terrapinn B2B Media

If you would like to place your event in this section, please fax us your event details at +603 2141 5033 or simply email info@IslamicFinanceNews.com.

QATAR

# LEGAL REPORT

## Islamic Finance and Banking in Qatar *By* Simon Schmidt

**Qatar, with a population of 850,000, is the smallest of the Gulf Cooperation Council (GCC) states, but its extensive reserves of natural gas are helping it to emerge as one of the wealthiest nations in the world in terms of per capita GDP. In recent years the Qatari financial services sector has expanded rapidly, and by the end of 2003 total deposits within the country's banking system had risen to US$18.1 billion, while loans and advances grew by 21.7% to US$11 billion.**

Islamic banks are permitted to set up operations in Qatar but there are currently only two Islamic banks in the country - Qatar Islamic Bank (QIB) and Qatar International Islamic Bank (QIIB). These Islamic banks account for only about 13% of the total assets held by Qatari banks.

QIB was established in 1983 and remains the largest Islamic bank and the fourth largest commercial bank in the country. It is majority-owned by the government. At year-end 2003 QIB had total assets of US$1.5 billion. In late 2003, the bank began issuing the country's first *Shariah*-compliant credit card. The bank has an established presence in Lebanon and Malaysia, and may soon open a branch in the United States.

Meanwhile QIIB, established in 1991, is privately owned and as of end-2003 its assets stood at about US$1.1 billion. QIIB has grown aggressively in recent years and it holds a 10.74% stake in the recently established British Islamic Bank, in which other prominent Qataris, including the Emir, are also shareholders.

QIIB has gained international recognition from its participation in the most important Islamic financing in Qatar, to date. In late 2003 QIIB partnered with HSBC to launch the US$700 million Qatar Global *Sukuk* for the Qatari government. This was the first Middle East global sovereign-rated bond. The floating rate bonds are due in 2010 and were priced at 40-basis points over LIBOR. They were issued to support the construction of the Hamad Medical City, a planned hospital complex designed to serve, prior to final completion, as the athletics village for the Asian Games, to be held in Qatar in 2006. The central consideration, as with all Islamic finance, was the prohibition against either receiving or paying interest on money. The solution was to link the bonds to real estate parcels, which are effectively leased from the government by the bondholder, but with an obligation to return them to the government on redemption of the bond.

Given strong oil prices and rising natural gas income, Qatar did not actually need to issue the *Sukuk* in order to pay for the development. However, the main purpose of the groundbreaking issue was to create a benchmark bond for the local corporate market. This indicates the government's willingness to explore new sources for the funding of its capital requirements in an attempt to diversify the country's capital market. The Qatar Global *Sukuk* was two times over-subscribed and has been listed on the Luxembourg and Labuan exchanges.

### Room for expansion

Several of the commercial banks in Qatar are currently exploring the possibility of establishing Islamic portals or subsidiaries. In addition to QIB and QIIB, there are also a number of Islamic financial institutions providing *Shariah*-compliant retail products and brokerage services. These include First Finance Company, Investment House, Al Jazeera Islamic Company and Islamic Financial Securities.

Qatar International Islamic Insurance Company sells *takaful* life insurance products. These institutions have not provided Islamic investors in Qatar with the breadth of retail products, as exist elsewhere in the GCC.

While the growth posted in Qatar's relatively new Islamic banking industry is healthy, few signs have yet emerged that Islamic financial instruments will start to play a meaningful role in the country's huge oil and gas infrastructure development plans.

To date, the notable oil and gas developments, including Qatargas I and II and the Ras Laffan LNG development have been structured entirely along conventional interest-based lines with funding from commercial lenders and Export Credit Agencies. The commercial lenders have, for the most part, been international, rather than Gulf based institutions. The Islamic banks in Qatar remain hopeful that the involvement of Islamic banking institutions in large project finance structures will develop although they concede that their involvement to date has been disappointing.

As a result of political developments in Qatar, including the enactment of a new constitution guaranteeing fundamental basic rights including the right to own property, the economy is now opening up to foreign investment and will become a more attractive investment arena, in particular, for regional investors. The government is keen to encourage foreign direct investment. Foreign investors can now purchase real estate interests in certain areas of Qatar, including the prestigious Pearl of the Gulf development in Doha. These investment opportunities are particularly attractive to other GCC nationals and a market will develop for *Shariah*-compliant home finance, as is the case in Dubai.

Furthermore, while not all the provisions of the 2003 GCC Economic Treaty have been brought into force in Qatar, in due course it will be easier for GCC banks to be licensed in the country. This will, of naturally, open the field for cash rich foreign Islamic banks to become involved in large project financing in Qatar and areas of retail banking in the country. The competition provided by new players will be very beneficial to the local market.

While *Shariah*-compliant banking and finance is at a nascent stage in Qatar, the rapid growth of the country's economy, its increasing political liberalization and its devoutly Muslim population, will provide a captive market for Islamic financiers and investors alike. (1$ = QR3.64).

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# INDUSTRY SECTOR UPDATE

## Instilling Risk Management Culture for Corporate Governance in Islamic Banking *By Dr Joseph Eby Ruin*

Risk management and corporate governance are the buzzwords in today's banking scene and are pertinent to Islamic banking operations. In essence there are six ways to address risk namely by avoiding, sharing, transferring, reducing, accepting and preventing it.

When managing risks organisations should have a risk management framework with policies on risk appetite and a risk-tolerance threshold. At the end of the day managing risk is about ensuring that the risk is almost non-existent and even if it exists, the negative impact or financial and non-financial loss would be minimal and within tolerable limits set by the bank.

Managing risk – in a conventional or Islamic banking environment - entails the following 7-step process:

- Identifying the risks and singling them out for management's awareness and action.
- Evaluating or assessing the risks (magnitude, likelihood of the risks to occur).
- Quantifying or measuring the risks (impact of the risks on business and organization's bottom-line).
- Mitigating or putting in controls to mitigate/address the risks (controls will overcome the inherent risks so that only the residual risks will in the end surface: this residual risks are what organizations must manage and take care of).
- Reporting the risks that have been identified, assessed, evaluated, measured and monitored.
- Monitoring the risks to see how effective are the control measures that have been instituted.
- Follow-up on the risks from time to time to ensure that the likelihood of occurrence is minimised.

### What Basel II means to bank's approach to risk

Basel I (1988) Capital Accord might be construed as a global framework to set a financial institution's capital allocation for its risks (likely losses and provisions) that were skewed mainly to cover credit risks and to an extent market or treasury risks.

Basel II however is quite different in its objectives and precepts. Basel II (that comes into effect in 2008) has to be seen from not just the context of capital-allocation and regulatory requirement.

It is understood that Basel II Committee will be putting up some form of framework or guidelines for the use of Islamic banking operations in due course.

Even in the absence of specific guidelines for the use of Islamic banking operations, Basel II framework should be seen as a better way to do business. Why is this so? This is because when adhering to Basel II fundamentals and guidelines any financial institution is supposed to be able to manage and select or access its three risk groups namely credit risk, market or treasury risk and operational risk.

Each of these risks groups is inter-related and cannot be managed in isolation. That is why today risk management approaches cover the whole gamut of addressing the three risk groups - under a one-strategy approach or via enterprise risk management. As such credible financial institutions ensure that they understand the dynamics of these three risk groups and employ various tools to manage these risks. (see table on page 11)

By adhering to Basel II guidelines a financial institution will not only be nimble, resilient, and sustainable but also be able to better use its capital resources so that unnecessary large provision to cover the risks mentioned above can be circumvented. Thus a bank implementing Basel II framework is akin to having secured an ISO certification that is recognised by financial institutions throughout the world.

### Corporate culture and risk management framework

A bank's framework for managing operational risk should to cover the bank's tolerance and appetite for risk. The extent of how this is executed or carried out depends a lot on a bank's corporate-culture.

There has to be close oversight for a bank to monitor its remedial actions relating to governance, corporate culture, accounting practices and internal controls. Equally the culture of corruption is a risk that has to be managed and eradicated.

How do banks assist their customers to avoid countries where the culture of corruption is a way of doing things? Transparency International is a world body that looks into the issues of corruption and publishes its Corruption Perception Index (CPI) to show which countries have societies where corruptions in business and work-culture are predominant, and which countries have less of such evil.

Control is the main tool banks use to manage their operational risks. Controls include the checks and balances against undesired actions. Controls are essential for any bank to operate in a sound and safe manner. A control structure can be accomplished by having adequate policies, rules, and standard operating procedures to adhere to as well as documentations to show that those procedures have been properly followed.

# INDUSTRY SECTOR UPDATE *(Continued…)*

How can banks imbibe operational risk management (ORM) culture so that it is part of the main corporate culture? The sure way would be by instilling the concept of risk-management in the organisation's work or corporate culture.

Risks must be considered in all aspects of operations and transactions. All employees' annual appraisals and performance-ratings need to include the element of how well the risks that are inherent and residual in their workplace or working environment have been effectively addressed and credibly taken care of.

The following can help create the risk management culture in the workplace and employee mindsets:

- ORSA(operational risk self-assessment) to be performed by each business line. This ORSA is akin to audit's control self-assessment.
- Mapping the high, low, medium risks and using controls to address the inherent risks so that the residual risks that remain (after controls are instituted) are clearly defined and understood.
- Developing the key risk indicators for the various business and support groups (divisions, departments, sections, units, branches, regions).
- Continuous risk-awareness sharing forums and sessions for updates on how to manage risks well – road shows, forum and seminar organised for all levels of employees (from board-members to senior management and right down to the lowest in the management hierarchy).

In the staff's annual appraisal, make ORM one of the key performance indicators. Link performance bonus to good ORM – with those not observing proper ORM not getting any bonus or merit increment even if they have fulfilled and met their business targets.

Personal Integrity and Good Corporate Governance.

The overall onus of oversight and monitoring of risk management is linked to the board members - with board members having ultimate accountability for anything that is happening in the bank. What's more the deliverance of proper corporate governance is underscored by the fact that risk management is all about ensuring that an organization or a bank's corporate governance is, or must be, seen to be always in place and there is no compromise or laxity.

Having independent directors as board members could be a form of striving for better governance. Furthermore, a strong risk management committee can support a good risk management team. A credible risk management team is an assurance for any bank to safeguard its assets, ensure compliance with laws and regulations, provide superior and quality banking products and services, and ensure that the board and management meet the expectations of the stakeholders (including of course investors and bank-customers).

The essence of corporate governance – in the conventional and Islamic banking scene – is therefore integrity and honesty; openness and transparency; and accountability and responsibility. These are what encapsulate corporate governance.

Tools employed by financial institutions to manage the risk groups

| | Risk Group | Tools to manage risk |
|---|---|---|
| 1 | Credit risk | • Minimum controls instituted and observed in the credit process, evaluation, approval and credit administration.<br>• Credit and lending policies.<br>• Discretionary powers and power of attorney<br>• Tolerance limits and thresholds.<br>• Management action triggers (MATs)<br>• Credit ratings and credit scoring models, consumers/customers behavioural scoring models.<br>• Risk awareness, training and work culture (key performance indicators or KPIs and balance score cards of credit staff). |
| 2 | Market / Treasury/Liquidity risk | • Minimum controls instituted and observed in the treasury transactions, receipts (inward remittance transactions) and payments (outward remittance transactions).<br>• MATs.<br>• Maximum caps.<br>• Stress testing.<br>• Scenario analysis.<br>• VaR models.<br>• Treasury investment policies.<br>• Liquidity policy, framework, and guidelines.<br>• Ratings of sovereigns, countries, and currencies.<br>• Risk awareness, training and work culture (KPIs, balance score cards of treasury staff). |
| 3 | Operational risk | • Operational risk policies.<br>• Key risk indicators.<br>• Operational risk self-assessment (ORSA) at all levels of employees/staff.<br>• Risk awareness, training and work culture (KPIs, balance score cards of operations and support staff at all levels in branches, regions, head office departments/divisions). |
| 4 | Other risks: strategic, legal and business risks | • Financial institutions' mission and vision statement.<br>• Strategic planning decisions/ mandates.<br>• Board of directors' corporate governance. |

*Note: The author is currently the Executive Vice President / Chief Risk Officer of RHB Bank Bhd.*

# ISLAMIC FUNDS UPDATE

## Islamic Funds: Fund Characteristics and Shariah Compliance *By Grant Koziol, Eurekahedge*

Due to previous years' shortfall of information and the relative youth of the industry, Islamic funds are only now receiving substantial inflows, considering the vast wealth of their potential client base, as discussed in last month's edition. Disconnect between the consumer and the product can be attributed to structural deficiencies in the market and informational gaps, as well as the historically oblique nature of Islamic finance. More transparency, as with any developing industry, is needed to earn investor confidence.

Despite the vague understanding the investing public has of Islamic funds, most follow a few basic precepts that should allow investors to dispose of hesitancy in positioning themselves with one of these instruments. These characteristics, as well as the general requirements of Shariah, the set of principles that governs all Islamic funds, are addressed briefly below.

Most funds target high net-worth clients because Middle Eastern countries, which form the industry's primary clientele, have large wealth gaps and therefore a relative minority of potential investors. The funds, which are concerned primarily with asset inflows cater to individuals who can help them grow into a globally competitive position, and thus have minimum investments of around US$10,000 initially (although the figure ranges from US$500 to US$1 million). While Islamic funds target their local communities, the obvious choice for marketing is in the Middle East. It is this discrepancy of wealth between Arab and poorer Muslim countries that has resulted in the latter being overlooked by funds, which flock to oil magnates and wealthy inheritors for placements.

The market is young and does not boast a wide range of strategies or structured products. Most funds are simply invested long in global equities. A smaller percentage of these equity funds have positions in North American or European equities, while a still smaller portion maintain style (i.e. small cap) or sector specializations (i.e. technology). Many equity funds focus on emerging markets, which seems intuitive when one considers the economic growth of many Islamic countries. Outside the Middle East, Malaysia has an aggressive campaign to emerge as a leading provider of Islamic investments and has subsequently turned out its fair share of products.

Outside equities, however, the market remains limited. The very nature of Shariah compliance precludes riba, or interest-based income; consequently, fixed income instruments are difficult to construct (let alone complex strategies such as short selling). Thus, only a few bond (Sukuk) funds exist. Going forward, Shariah regulations will limit the breadth of investment vehicles available; thus, diversification is likely to occur in equity funds, within sectors, styles, and geographic markets, not in the structure of the instruments themselves. For instance, the first Shariah compliant hedge fund opened last month, but only after two years of working around Shariah-compliance issues to achieve its desired strategy.

While these Shariah demands may seem obsolete or out of place in a world governed by the profit motive and a hindrance to an expanding industry, consider the following rather sensible and moral tenets of the requirements as they apply to investment managers:

The basic distinction Shariah makes is between haram and halal – forbidden and lawful practice. Economic innovation, competition, and monetary gain, while all acceptable in their own right, should never come at the expense of society's welfare or basic moral obligations (a relevant and important demand given the recent corporate governance issues). An individual must not hoard wealth but instead distribute it or spend it in a conscientious fashion. Zakat, a form of charity applying to investment companies, requires Muslims to offer 2.5% of their annual salary to the poor.

In general, Shariah compliance requires mindfulness of a just and equitable society and is more a set of broad principles to guide Muslims than a detailed constitution preempting wrongdoers and specifying penalties. The discretion of adherence is turned over to the fund manager, and in return for this confidence requests ethical investment practice for the good of a larger social body.

Investing in its modern form is dominated by the world's western monetary epicenters that thrive on the concrete and the calculated, not an amorphous duty to a general code of ethics. An investing public inundated with such practices may struggle with the responsibility that Shariah requires, especially given the ease with which managers might circumvent hazy moral obligations. Shariah is therefore particularly important to understand for funds interested in this new investment frontier and in winning the trust of the investors who will precipitate its growth.

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# ISLAMIC LEAGUE TABLES

Islamic Finance News has teamed up with Dealogic to bring you up-to-date league tables every two weeks depicting the leading issuers and arrangers in the Global Islamic Debt Capital Markets.

## TOP 20 ISSUERS OF ISLAMIC DEBT 2004 YTD

| | Issuer | Amt US$ m | Iss. | %Share |
|---|---|---|---|---|
| 1 | Dubai Global Sukuk FZCO | 1,000.00 | 1 | 23.91 |
| 2 | Kapar Energy Ventures Bhd | 895.26 | 1 | 21.41 |
| 3 | Putrajaya Holdings Sdn Bhd | 394.74 | 1 | 9.44 |
| 4 | SAJ Holdings Sdn Bhd | 336.84 | 2 | 8.05 |
| 5 | BMA International Sukuk SPC | 250.00 | 1 | 5.98 |
| 6 | Optimal Chemicals (Malaysia) Sdn Bhd | 149.21 | 10 | 3.57 |
| 7 | Stichting Sachsen-Anhalt Trust | 120.39 | 1 | 2.88 |
| 8 | Optimal Glycols (Malaysia) Sdn Bhd | 119.21 | 10 | 2.85 |
| 9 | Sarawak Specialist Hospital & Medical Centre Sdn Bhd | 111.84 | 1 | 2.67 |
| 10 | Mid Valley City Sdn Bhd | 105.26 | 2 | 2.52 |
| 11 | National Central Cooling Co (Tabreed) | 100.00 | 1 | 2.39 |
| 12 | Talam Corp Bhd | 65.79 | 8 | 1.57 |
| 13 | Petroliam Nasional Bhd - Petronas | 65.79 | 5 | 1.57 |
| 14 | Selia Selenggara Selatan Sdn Bhd | 51.71 | 2 | 1.24 |
| 15 | Lingkaran Trans Kota Holdings Berhad-LITRAK | 45.79 | 5 | 1.09 |
| 16 | SI Capital Sdn Bhd | 43.95 | 1 | 1.05 |
| 17 | Ingress Sukuk Bhd | 42.11 | 3 | 1.01 |
| 18 | EP Manufacturing Bhd | 39.47 | 1 | 0.94 |
| 18 | Merbok Hilir Bhd | 39.47 | 1 | 0.94 |
| 20 | Pesaka Astana Sdn Bhd | 36.84 | 3 | 0.88 |
| | Total of issues used in the table | 4,182.04 | 79 | 100.00 |

## ISLAMIC DEBT 2004 YTD

| | Manager | Amt US$ m | Iss. | %Share |
|---|---|---|---|---|
| 1 | AmMerchant Bank Bhd | 886.32 | 3 | 21.19 |
| 2 | Citigroup | 703.73 | 3 | 16.83 |
| 3 | RHB Capital Bhd | 559.47 | 2 | 13.38 |
| 4 | HSBC | 542.54 | 29 | 12.97 |
| 5 | Dubai Islamic Bank | 333.33 | 1 | 7.97 |
| 6 | Aseambankers Malaysia Bhd | 331.10 | 29 | 7.92 |
| 7 | Bank Islam Malaysia Bhd | 151.75 | 3 | 3.63 |
| 8 | United Overseas Bank Ltd | 128.16 | 7 | 3.06 |
| 9 | Commerce International Merchant Bankers Bhd | 112.28 | 2 | 2.68 |
| 10 | Amanah Short Deposits Bhd | 102.63 | 8 | 2.45 |
| | Total of issues used in the table | 4,182.04 | 79 | 100.00 |

## ISLAMIC DEBT BY COUNTRY 2004 YTD

| | Amt. US$ m | Iss. | Pcnt. |
|---|---|---|---|
| Malaysia | 2,677.50 | 72 | 64.02 |
| United Arab Emirates | 1,100.00 | 2 | 26.30 |
| Bahrain | 250.00 | 1 | 5.98 |
| Germany | 120.39 | 1 | 2.88 |
| Indonesia | 34.15 | 3 | 0.82 |
| Grand Total | 4,182.04 | 79 | 100.00 |

## ISLAMIC DEBT BY CURRENCY 2004 YTD

| | Amt US$ m | Iss. | Pcnt. |
|---|---|---|---|
| Malaysian ringgit | 2,677.50 | 72 | 64.02 |
| US dollar | 1,350.00 | 3 | 32.28 |
| Euro | 120.39 | 1 | 2.88 |
| Indonesian rupiah | 34.15 | 3 | 0.82 |
| Grand Total | 4,182.04 | 79 | 100.00 |



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# MOVES & PROMOTIONS

## RHB BANK - Malaysia

RHB BANK has appointed Tuan Haji Iskandar Bin Haji Razali as Islamic Banking Division Head following the departure of Raja Shaharul Niza bin Raja Abdul Aziz. Mr Iskandar was previously the Head of Islamic Banking Division of Bank Utama (Malaysia) Berhad prior to the merger between the two entities.

## UNITED GULF BANK OF BAHRAIN - Bahrain

UNITED GULF BANK OF BAHRAIN the investment arm of Kuwait Projects Company has appointed Mr Amine Fehmi as Senior Vice President and Head of Financial Institutions and Marketing. Mr Fehmi will be responsible for spearheading the banks institutional relationships, marketing its treasury and Investment products and developing the Bank's Islamic Finance business throughout the Middle East.

## DEUTSCHE BANK - Asia

DEUTSCHE BANK Asia has appointed Ken Borda as its Executive Chairman. The role of Chief Executive Officer goes to Colin Grassie currently Head of Global Markets in Europe. Mr Grassie has previously worked in the fixed income divisions in Hong Kong with both Deutsche and JP Morgan.

## BANK NEGARA MALAYSIA - Malaysia

BANK NEGARA MALAYSIA has announced the appointment of 10 new members to its Shariah Advisory Council for Islamic Banking and Takaful for a period of two years.

The appointed members are:

1. Datuk Sheikh Ghazali Abdul Rahman – Director General, Shariah Judiciary Department Malaysia;
2. Datuk Haji Md. Hashim Haji Yahaya – Academic Fellow, International Islamic University Malaysia;
3. Datuk Dr. Abdul Monir Yaacob – Director General, Institute of Islamic Understanding Malaysia (IKIM);
4. Dato' Haji Hassan Haji Ahmad – State Mufti of Penang;
5. Dato' Dr. Abdul Halim Ismail – Executive Director, BIMB Securities Sdn. Bhd.;
6. Dato' Abdul Hamid Haji Mohamad – Judge, Federal Court of Malaysia;
7. Associate Professor Dr. Mohd Daud Bakar – Deputy Rector, International Islamic University Malaysia;
8. Associate Professor Dr. Abdul Halim Muhammad – Lecturer, National University of Malaysia;
9. Dr. Mohd Ali Hj. Baharum – Deputy Chairman, National Co-operative Organisation of Malaysia (ANGKASA); and
10. Dr. Mohd Parid Sheikh Ahmad – Lecturer, International Islamic University Malaysia.

## HSBC - Asia

HSBC has appointed Richard Yetsenga as the new Regional Currency Strategist covering the entire Asian region including Australia and Japan. Mr Yetsenga moves from Sydney where he was Currency Strategist and Deputy Chief Economist at Deutsche Bank. He will also be responsible for assisting in the development of emerging markets currency products.

## OASIS LEASING - Abu Dhabi

OASIS LEASING the Abu Dhabi based leasing company has appointed Kenneth Edmondson as its new Chief Financial Officer. Mr Edmondson previously held the same position at HP Financial Services in the Asia Pacific and Japan.

## OCBC - Singapore

OCBC has announced the appointment of Ms Koh Ching Ching as its new Head of Group Corporate Communications. Ms Koh takes over from Mr Peter Zheng and will be responsible for the banks media relations, corporate and employee communications and the community affairs programme.

Peter Zheng stays with OCBC and will spearhead the Bank's efforts to grow its finatiq.com business at Bank of Singapore. Bank of Singapore is a wholly-owned subsidiary of OCBC Bank.

IF YOU HAVE ANY APPOINTMENTS OR MOVES YOU WOULD LIKE TO ANNOUNCE, EITHER EMAIL US AT PressRelease@IslamicFinanceNews.com OR FAX US ON +603 2141 5033


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