



**Islamic Financial Engineering
& Advanced Products**
15 -18 November 2005, Kuala Lumpur



AZERBAIJAN

IDB to fund projects in Azerbaijan

The Islamic Development Bank (IDB) is to disburse a long-term credit for financing projects on social infrastructure for IDPs in Azerbaijan.

The project's major goal is reconstruction and building of sewage and water supply

systems, medical and other social sites in the Fizuli and Bilasuvar regions. The IDB is to allocate US\$10.27 million and the Azeri government US\$4.27 million for the project. The credit will be extended for 25 years and the project period is three years.

TUNISIA

Agreement for financing imports

The Islamic Development Bank recently signed an agreement for financing imports with the Tunisian Iron Industry Company. The Saudi-Tunisian Financing House will

purchase iron products worth US\$10 million and sell them to purchasers in Tunisia in accordance with the previously signed partnership agreement with the IDB.

SAUDI ARABIA

NCB launches Trading Equity Fund

The National Commercial Bank - Investment Services Division recently announced the launch of the AIAhli GCC Trading Equity Fund, (GCCTEF) an open-end Saudi Riyal-denominated fund. The fund, with a minimum subscription of US\$1,332 (SR5,000) is especially designed for investors seeking a Shariah-compliant long-term investment.

The bank said the fund's objective is to generate long-term capital growth by investing in Shariah-compliant GCC equities, Murabahah and Murabaha funds approved by the Na-

tional Commercial Bank's Shariah Board and managed according to the mutual fund regulations issued by the Saudi Arabian Monetary Agency.

GCCTEF would be targeting customers keen on investing in Shariah-compliant equities and having an optimistic long-term view of the markets in the GCC. It is also designed for those who do not have the time or the experience to venture into the stock markets in the region.

UAE

RAKBank poised to make entry into Islamic finance

RAKBank, the leading commercial mortgage lender in the UAE is poised to make a big entry into Islamic finance. The bank, which has about 10% of the combined mortgage assets of local banks said that it was the first among local banks to apply for a licence to set up an Islamic finance company.

The bank intends to offer a full range of Islamic financing solutions including mortgage and Islamic corporate and retail banking solutions.

Four commercial banks including Mashreqbank, Union National Bank and First Gulf Bank have applied for clearance for setting up Islamic finance companies.

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BEST ISLAMIC BANKS POLL 2005

NEWS BRIEFS

MALAYSIA

Festive bonus for investors

RHB Unit Trust Management has declared income distributions of 3 cents per unit and 2.5 cents per unit for its investors in the RHB Bond Fund and RHB Islamic Bond Fund, respectively.

RHB Unit Trust said the income distribution for both funds was for the financial year ended the 30th September, 2005. It also declared a one for 10 units split for RHB Bond Fund for the year ended the 30th September, 2005. All unit holders registered by the 30th September, 2005 will be entitled to the split.

It translates to an average income distribution of 6.3952 cents per unit and average dividend yield of 6.16% for RHB Bond Fund, and an average income distribution of 5.0552 cents per unit and average dividend yield of 5.08% for the RHB Islamic Bond Fund since the inception of both Funds.

As at 31st August, 2005, the total one-year returns for the RHB Bond Fund and RHB Islamic Bond Fund were 8.10% and 9.25% respectively.

QATAR

QIIB keen to tap expat market

The Qatar International Islamic Bank (QIIB) is keen to tap the vast expatriate population in the country, non-Muslims in particular, the bank said recently. QIIB strategists hope to reach out to the expatriate communities by spreading general awareness about Islamic banking.

QIIB is the only bank in the country that shares profits with customers four times in a year, on a quarterly basis. Other banks disburse returns twice a year.

MALAYSIA

AUT launches its maiden Shariah-compliant money market fund

Alliance Unit Trust (AUT) Management Bhd has made its maiden entry into the Islamic financial market with the launch of its first Shariah-compliant money market fund, the Alliance Islamic Money Market Fund (AIMMF).

AUT said the AIMMF provided investors with stable returns in the form of monthly distribution that is automatically reinvested lower investment risks as well as tax-effective income earned by the fund.

With the inception price of 50 cents, the fund is targeted at corporate investors seeking consistent, stable and tax-effective return on investments. The company said the fund's strategy is to invest in a diversified portfolio of short-term Islamic money market instruments with a remaining maturity period of up to 365 days.

MALAYSIA

Bank Islam to report loss

Bank Islam Malaysia Berhad is expected to report a US\$133 million (RM500 million) loss, marking the first time its books will go into the red in its 22-year history. News reports quoting executives familiar with the bank's financial situation said recently appointed CEO Datuk Noorazman Aziz is expected to announce losses at the bank level of close to US\$133 million (RM500 million) and also make a provision of US\$199.46 million (RM750 million) for bad debts.

Its four subsidiaries, however, continue to be profitable and are expected to turn in a profit of US\$29.25 million (RM110 million). This means that at the group level, BIMB should register a loss of US\$98.40 million (RM370 million) to US\$103.72 million (RM390 million).

The CEO is also expected to announce that the bank's non-performing loans (NPL) totalled close to 20% of the bank's assets — far above the market average of about 8%.

ISLAMIC FINANCE NEWS

Advisory Board:

Mr Daud Abdullah (David Vicary)
Managing Director
Hong Leong Islamic Bank

Dr Mohd Daud Bakar
Chief Executive Officer
International Institute of Islamic Finance

Prof Dr Mohd Ma'sum Billah
Associate Professor
International Islamic University of Malaysia

Ms Baljeet Kaur Grewal
Chief Economist
Aseambankers Berhad

Mr Sofail Jaffer
Partner & Chief Executive Officer
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Consultant/Trainer/Lecturer
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Mr Mohd Ridza bin Mohammed Abdullah
Managing Partner
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Prof Bala Shamugam
Director of Banking & Finance
Monash University Malaysia

Mr Muhammad Nejatullah Siddiqi
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Mr Abdulkader Thomas
President & Chief Executive Officer
SHAPE - Financial Corp.

Prof Rodney Wilson
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University of Durham

Dr Nordin Mohd Zain
Executive Director
Malaysia Accounting Standards Board

Mr Sohail Zubairi
Vice President & Head Shariah
Coordination
Dubai Islamic Bank

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NEWS BRIEFS

BAHRAIN

Deal for Shamil Bank's US\$100 million Murabahah sealed

Shamil Bank of Bahrain has mandated BNP Paribas, Boubyan Bank and Gulf International Bank (GIB) to lead arrange a US\$100 million five-year amortizing Murabahah syndicated facility.

This transaction follows the success of Shamil Bank's debut syndicated Murabahah facility for US\$50 million, which was underwritten by GIB last year.

The transaction is fully underwritten. The above banks have been joined by Commercial Bank of Qatar and Raffeisen Zentralbank A G of Austria as sub-underwriters, with the title of Mandated Lead Arrangers, prior to the launch of the general syndication.

MALAYSIA

Rating for Harun Intisari's Islamic notes

MARC has assigned a rating of MARC-1ID (cg) and AA-ID (cg) to Harun Intisari Sdn Bhd's (HISB) Al-Murabahah Commercial Papers (MCP) and Medium Term Notes (MMTN) respectively of up to a nominal value of US\$79.83 million (RM300 million).

The ratings reflect the unconditional and irrevocable corporate guarantee given by Gamuda Bhd (Gamuda), a leading construction company in Malaysia with shareholders' funds of over US\$532.25 million (RM2 billion). Listed on the Main Board of Bursa Malaysia since 1992, Gamuda's major business activities are civil engineering & construction, manufacturing, property development, toll roads and privatization of water projects.

BAHRAIN

Bank to launch state-of-the-art industrial oasis

Kuwait Finance House, a leading provider of Islamic commercial and investment banking services, recently announced plans for the establishment of a state-of-the-art industrial park in the Kingdom of Bahrain to be known as the KFH Industrial Oasis.

The project, a first of its kind in the Kingdom, is aimed at driving further economic diversification in the industrial sector, generating greater inward investment and stimulating job creation in Bahrain by capitalizing on the ongoing expansion in the industrial sector and fast growing demand for industrial based real-estate projects in Bahrain.

MALAYSIA

MARC rating for Syabas' Islamic debt securities

MARC has assigned ratings of MARC-1ID/AA- ID to Syarikat Bekalan Air Selangor Sdn Bhd's (Syabas) US\$798.31 million (RM3 billion) Bai Bithaman Ajil Commercial Papers/ Medium Term Notes Programme, reflecting its dominant position as the sole distributor of treated water for the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya; the Government's support for the water privatization programme; the low risk nature of the business given the importance of treated water for daily consumption; and the growing water demand in the said territories.

MALAYSIA

RAM reaffirms Dawama's A1/P1 ratings

Rating Agency Malaysia (RAM) has reaffirmed the respective long and short-term ratings of A1 and P1 for Dawama Sdn Bhd's US\$39.88 million (RM150 million) Commercial Papers/Medium-Term Notes Programme, under the Islamic financing concepts of Ijarah and Murabahah. The long-term rating has a stable outlook.

However, the ratings are only applicable to a maximum outstanding balance of US\$26.60 million (RM100 million) at all times on the Islamic CP/MTN. This approach reflects the integrity of the debt facility's financing terms, under which Dawama must first seek RAM's confirmation that any subsequent drawdown(s) on the remaining US\$13.30 million (RM50 million) of the Islamic CP/MTN would not adversely affect its ratings. The sub-limit of US\$13.30 million (RM50 million) on the Islamic CP has also been given due consideration for its role in curtailing roll-over risk to some extent.

BAHRAIN

Shamil to provide Financing for Abraj

Pearl Real Estate Development Company, a consortium of investors from Bahrain, Kingdom of Saudi Arabia and UAE, last week announced that it has entered into an agreement with Bahrain-based Shamil Bank to provide Islamic home financing to buyers in the US\$252.55 million (BD 95 million) Abraj Al Lulu development.

Under the terms of the agreement, Bahrainis, other GCC nationals and expatriates residing in the GCC, will be offered Shamil Bank's Islamic financing product, 'Shamil Tamweel Aqari'.

Under this financing product customers would not be required to start repayments during the construction period which will work out to be the benefit of a grace period on repayment as part of the product offering. These advantages come on top of additional facilities that include sale deeds from the government with resale rights.

KUWAIT

Kuwait firm to buy 30% BIB stake

Kuwait-based The Investment Dar Company, an Islamic investment firm, recently said that it plans to acquire a 30% stake in Bahrain Islamic Bank for US\$84.12 million (BD31.7 million).

GENERAL

Islamic banking software market expands

The Islamic banking software market is growing at an exponential rate, almost on par with the growth in the global Islamic banking and insurance market, software developers said recently.

Chief Executive and co-founder of Millennium Information Solution Ltd, Mahmoud Hossain, said Islamic banks' assets have reached US\$210 billion with a compound annual growth rate exceeding 8%. This translates to a strong growth in demand for Islamic financial software. He added that a large number of conventional banks are currently migrating towards Islamic banking that requires different software that offers Shariah-compliant services and products.

NEWS BRIEFS

QATAR

Qatar to raise US\$110 billion in project financing

Qatar plans to raise US\$110 billion in project financing by 2010 in loans of up to 30 years. Qatar is undertaking a massive overhaul of infrastructure, including a new port and airport, roads, and services. The Government is considering a range of options including Islamic and conventional debt, in both bonds and syndicated loans.

UNITED KINGDOM

Another Lloyds branch to offer Islamic banking

Lloyd's TSB in Bethnal Green joins Walthamstow, Edgware Road, Aldgate and Barkingside, as another London branch that offers the service designed to fully comply with Islamic Shariah law.

Head of Lloyds TSB Islamic Financial Services, Paul Sherrin, said: "Bethnal Green is home to one of London's strongest Muslim communities and by bringing Islamic banking to the area we hope to give our customers a real alternative to traditional banking."

The pilot Islamic banking pilot scheme has also been extended to banks in Birmingham, Luton and Dewsbury, Bradford, Slough, Letchworth, and Southampton.

MALAYSIA

BPMB to finalize US\$2.39 billion bond details by year-end

Bank Pembangunan Malaysia Bhd (BPMB) Group expects to finalize the structure of a proposed bond issuance by year-end to raise US\$2.39 billion (RM9 billion) to finance the expansion of its lending activities, including that of SME Bank.

The bank is in the midst of trying to identify the portions for Islamic and conventional loans.

The SME Bank is the result of the rationalization between Bank Pembangunan & Infrastruktur Malaysia Bhd and Bank Industri & Teknologi Malaysia Bhd. Following the exercise, the SME Bank is now a wholly owned subsidiary of BPMB.

UAE

ABC closes US\$100 million Sukuk

ABC Islamic Bank recently announced that the deal for the Investment Dar Company's Al Musharakah Sukuk has been sealed. The Sukuk placement received strong support from the market. As a result of a significant oversubscription, the Sukuk is to be increased from the initial US\$50 million to US\$100 million.

MALAYSIA

K&N Kenanga hopes to advise more Islamic issues

Stockbroking and financial services firm K&N Kenanga Bhd is looking at the possibility of arranging at least two more Islamic debt securities by the end of the year. The company said it hopes to arrange two more Islamic medium-term notes worth between US\$132.72 million (RM500 million) and US\$212.68 million (RM800 million).

MALAYSIA

Preliminary ratings for Golden Crop

Rating Agency Malaysia (RAM) has assigned preliminary ratings to Golden Crop's proposed US\$117.53 million (RM442 million) Sukuk Ijarah. The rating agency said Golden Crop is a bankruptcy-remote, special-purpose company specifically set up as the funding vehicle for this transaction, backed by 17 oil-palm plantations and 5 palm-oil mills.

The purpose of the proposed Sukuk Ijarah issue is to part-finance the purchase of the Plantation Assets from 10 companies within the Boustead Group.

SOUTH AFRICA

South Africa keen on Sukuk

South Africa recently said that it would consider Islamic bonds in its business expansion plan with the Gulf Co-operation Council (GCC) countries. South African Minister of Trade and Industry, Mandisi Mphahlaw, said this during a recent trip to the UAE to further bilateral business ties.

BAHRAIN

BMA grants licence for Al-Salam Bank

The Bahrain Monetary Agency (BMA) has granted a licence for the establishment of a new Islamic full commercial bank, Al-Salam Bank. The new entity will have a paid up capital of US\$265.37 million (BD100 million) and is being founded by a number of institutional and individual investors from Bahrain and other GCC states.

The founders intend to provide about 70% of the bank's capital. The remaining capital will be raised through an IPO.

MALAYSIA

Public Mutual Islamic Bond Fund ups fund size

The size of Public Mutual Bhd's Public Islamic Bond Fund (PI Bond) has been increased from the existing 300 million units to 800 million units after it had recently obtained the Securities Commission's approval.

The increase in fund size was due to the strong demand from the public. PI Bond has been performing well since it was launched in August 2001. For the period ended the 9th September, 2005, PI Bond generated a one-year return of 11.77%, and a three-year return of 26.55%.

BAHRAIN

Albaraka group plans IPO in 2006

Albaraka Banking Group (ABG) is preparing to list its shares on the Bahrain Stock Exchange (BSE) through an Initial Public Offering (IPO) - a major step forward for the bank to consolidate and enhance its businesses worldwide.

The group announced plans to list the shares on BSE and in other Gulf countries through an IPO, which will be open for subscription by investors from the GCC and other key Islamic countries. Gulf International Bank has been mandated to act as financial advisors and founders for this transaction.

NEWS BRIEFS

MALAYSIA

SBB Mutual declares distribution

SBB Mutual Bhd has declared a gross distribution of 2.5cents per unit for all unit holders of SBB Dana Al-Mizan (MIZAN), equivalent to 6.03% of the fund's NAV as at the 20th September, 2005.

Established in 2001, MIZAN has an approved fund size of one billion units. The investment objective of MIZAN is to achieve medium to long-term growth in both capital and income by investing in permissible Shariah investments.

BAHRAIN

Unicorn eyes acquisitions

Bahrain-based Unicorn Investment Bank (UIB) recently said that it is aggressively seeking to acquire smaller banks in Asia in its bid to be the first global Islamic investment bank.

Established in May last year, UIB made a net profit of US\$17 million on the back of US\$36 million revenue for the year ended the 31st December 2004.

MALAYSIA

MoU to promote investment

The Islamic Institution for Investment Insurance and Exports Credit recently signed a memorandum of understanding with the Malaysian Industrial Development Commission within the framework of co-operation between the Islamic Development Bank and Malaysia's Central Bank. The memorandum provides a general framework for co-operation between the two banks including programs of promoting investment.

SAUDI ARABIA

Assistance offered to India

Saudi Arabia is prepared to offer its services to India in developing Islamic banking products, a top official from the Saudi Arabian Monetary Agency (SAMA) said recently.

The offer follows recent announcements that the Indian Central Bank (RBI) had set up an internal committee to look into various facets of Shariah-compliant banking products.

MALAYSIA

UEM World plans to issue Islamic bonds

UEM World Bhd plans to issue up to US\$160 million (RM600 million) Islamic commercial papers/medium term notes (CP/MTN) as an alternative source of financing for the company. It said money from the Islamic CP/MTN programme will be used, among others, to refinance the outstanding bridging loan of US\$66.48 million (RM250 million) from Commerce International Merchant Bankers Bhd as well as to refinance the US\$66.48 million (RM250 million) bridging loan of its wholly-owned subsidiary Trinity Saga Sdn Bhd from Bumiputra-Commerce Bank Bhd.

The money will also be used as working capital and general funding for UEM World and its subsidiaries, and to finance related expenses in relation to the Islamic CP/MTN programme.

UAE (Dubai)

Dubai launches new financial market

The Dubai International Financial Exchange (DIFX) has been launched with the execution of a trade transaction for Investcom Securities. The DIFX, owned by the Dubai International Financial Center Authority (DIFCA), aims to become the main exchange in the Middle East region for equities, bonds, Islamic products, funds, index products and derivatives.

The target areas of the DIFX for seeking issuers include the Gulf Co-operation Council (GCC) states and the rest of the Middle East and North Africa, as well as South Africa, Turkey, Central Asia and the Indian sub-continent.

MALAYSIA

Preliminary ratings for RH Capital's debt securities

RAM has assigned preliminary ratings to RH Capital Sdn Bhd's proposed US\$22.61 million (RM85 million) Sukuk Ijarah and US\$13.30 million (RM50 million) Sukuk Ijarah CP/MTN Programme. RH Capital Sdn Bhd is a special-purpose company set up as a financing vehicle for this Islamic sale and leaseback transaction.

RH Capital is 100% owned by Tiong Toh Siong Holdings Sdn Bhd one of the main holding companies within the Rimbunan Hijau Group. The Sellers/Lessees in this transaction are the respective operators of 3 oil-palm plantations spanning a total of 12,348 hectares, and 2 palm-oil mills; these assets are located in Kuching, Mukah, and Miri in the State of Sarawak.

BAHRAIN

More than 100% return on TAIB fund

TAIB Bank recently announced that its Shariah-compliant fund, TAIB Islamic GCC Index Fund, has given a return of more than 100% to investors in less than one year.

The TAIB Islamic GCC Index consists of shares of companies that operate in a Shariah-compliant manner and are listed on the stock exchanges of Bahrain, Qatar, Saudi Arabia, Oman, Kuwait and the UAE. These companies include some of the region's largest corporations in a variety of major sectors such as telecommunications, Islamic banking, transportation and others. To determine the Islamic suitability of individual companies, research is done by TAIB analysts as well as respected Islamic scholars.

SAUDI ARABIA

SABB launches unique consumer finance product

The Saudi British Bank (SABB) and Hamad A Al-Essa & Sons Co have entered into an agreement, offering customers at Al-Essa showrooms Amanah Shariah-compliant consumer finance products.

The EasyBuy Plan from SABB will allow all customers, Saudis and non Saudis, to apply for and receive a decision on an instalment plan for consumer electronics and home appliances within minutes, which will allow customers to buy products that better suit their needs and offers an easy and convenient extended payment option.

NEWS BRIEFS

UNITED KINGDOM

Bristol and West launch Muslim mortgages

Bristol & West and the Arab Banking Corporation (ABC) has announced that it is offering a new Islamic Shariah-compliant buy-to-let mortgage. The range of products, known as the Alburqa range, are also available through Lloyds TSB and selected Islamic Home Finance consultants.

Bristol and West also offer an Islamic Shariah compliant current account. The products have been devised for Bristol & West with the Arab Banking Corporation.

MALAYSIA

Pesaka Astana defaults on Islamic bonds

Pesaka Astana (M) Sdn Bhd, the maker and supplier of trucks to government agencies, has defaulted on its Islamic bonds and its credit rating was downgraded by Malaysian Rating Corp Bhd (MARC).

This is the third such downgrade by a local rating agency in about a month, after the rating downgrades on textile retailer Kamdar Group (M) Bhd and toll highway operator Sistem Lingkar-Lebuh raya Kajang Sdn Bhd.

Pesaka Astana did not meet a repayment of US\$9.09 million (RM34.2 million) and MARC downgraded its credit rating to "D" from "A+ID". Under the trust deed signed with Mayban Trustees Bhd, any non-payment under the Al-Bai Bithaman Ajil Islamic Debt Securities (ABBA) facility on the due date is considered a default, MARC said in a statement.

MALAYSIA

Degem's ratings reaffirmed

DeGem Bhd's US\$13.30 million (RM50 million) MUNIF/IMTN program has been reaffirmed at MARC-2ID/A+ID to reflect the Group's proven track record as one of the leading jewelers in Malaysia. The ratings also took into consideration DeGem's better-than-average financial profile characterized by its low gearing and favourable liquidity profile. Moderating factors include the inherent risks of the retail industry and price competition among the existing players.

SINGAPORE

Existing regulatory framework to be used for Islamic banking, says MAS

The Monetary Authority of Singapore (MAS) recently announced that there would be no separate banking regulatory framework for Islamic financing in the country. Instead MAS planned to promote Islamic financing using the existing regulatory framework.

The Central Bank believed that not having a separate regulatory framework could make it less burdensome for Islamic banks to set up shop in the island Republic.

In what is viewed as a step forward, the Central Bank announced late last month that all banks would now be allowed to offer Murabahah.

GENERAL

Shariah compliant funds new source of shipping finance

Demand for Shariah compliant private equity funds, particularly in the shipping sector, is on the rise, with Islamic financing growing at 15% a year, according to Bote de Vries, Head of Investment Management at DVB Bank. The Frankfurt-based bank specializes in global transport finance.

De Vries, who is also the CEO of NFC Shipping Funds, a joint venture between DVB Bank and Northern Navigation Group, was speaking ahead of his planned address at Middle East Money & Ships - the region's conference for maritime financiers, insurers, lawyers, banks and investors, to be held at the Grand Hyatt Dubai from the 12th - 13th December.

He said asset-based investments like real estate, work well for Shariah compliant structures because of the Ijarah lease concept that involves the bank acquiring the property, leasing it in return for rent and then transferring it to the lessee once all payments are made. He added that such an instrument also works with shipping and aviation. He pointed out that Islamic banks have high liquidity levels of between 60-70% and they need to find profitable investment opportunities for the funds available.

He said that there will be a substantial need for equity in shipping for the years to come thanks to the order book. He pointed out that the internal generated cash will reduce and the need for external equity will increase.

UAE (Dubai)

ENOC and Emirates Islamic Bank on Ramadan charity drive

To coincide with the holy month of Ramadan and foster the spirit of giving, ENOC Group, Dubai's leading fuel retailer, and Emirates Islamic Bank, announced the launch of a month-long Ramadan charity drive 'Put a smile on someone's face'.

Starting on the 4th October, over 162 ENOC/EPPCO petrol stations will join forces with Emirates Islamic Bank outlets for a month-long fund raising drive. Customers will be encouraged to participate by purchasing coupons worth US\$2.72 (AED 10). At the end of Ramadan, the proceeds of the funds collected will be donated to charity.

MALAYSIA

Maybank launches Shariah compliant margin financing facility

Malayan Banking Bhd (Maybank) has introduced the first-of-its-kind Shariah compliant share trading and margin financing facility that according to the bank is targeted at "small time investors".

The facility Maybank invest-i would be offered in the form of the Islamic Cash Line facility, which is equivalent to an overdraft facility. The margin financing facility is from US\$13,255 (RM50,000) to US\$79,532 (RM300,000) for a maximum of five years. To operate the Maybank invest-i, customers need a Premier Maybank Account-i (PMA-I) and a cash line facility-i.

The bank hoped to disburse between US\$13.26 million (RM50 million) and US\$26.52 million (RM100 million) by year-end.

NEWS BRIEFS

MALAYSIA

Islamic finance gaining momentum

Global development of Islamic finance is now gaining momentum, with major banks in the US and Europe setting up divisions in their institutions to develop Islamic products and services.

Malaysia's Central Bank Governor Tan Sri Dr Zeti Akhtar Aziz said she had met with some of the major banks in the US and Europe who had indicated this to her. She was attending the International Monetary Fund and World Bank AGM in Washington.

UAE (Abu Dhabi)

ADCB mulls Islamic banking Takaful

Abu Dhabi Commercial Bank (ADCB) is weighing its options to venture into Takaful, Islamic banking and launching a number of investment funds.

It added that this move could be in the shape of a dedicated division in the existing set up of the bank to launch products based on Islamic principles or by even launching a full-fledged subsidiary. However no decision has been made on the proposed paid up capital and other details yet.

MALAYSIA

Consumer business to contribute more to Muamalat

Bank Muamalat Malaysia Bhd recently said that it expects revenue contribution from its consumer banking business to grow to 50% by the end of next year from 45% currently.

PAKISTAN

Dubai Bank acquires strategic stake in BankIslami

Dubai Bank confirmed its acquisition of an 18.75% strategic stake in BankIslami Pakistan Limited, which is the first new bank to have received a license from the State Bank of Pakistan after the latter decided to grant commercial banking licenses for Islamic banks in 2003.

Dubai Bank will join the DCD Group and Jahangir Siddiqui and Company as founding shareholders and together will collectively control a majority of the Bank. This partnership creates a strategic alliance with the DCD Group, an international conglomerate that has acquired strategic stakes in a number of Islamic banks worldwide and Jahangir Siddiqui and Company which is one of the largest financial services and business groups in Pakistan.

INDIA

RBI is looking for ways to unlock Islamic deposits

A special committee of the Reserve Bank of India (RBI), appointed by the Directors of the Government of India, is studying offering Shariah compliant financial products that could lead to the unlocking of large financial capital.

Formed in July, the committee headed by Anand Sinha, Chief General Manager in charge (Banking Operations and Development), RBI, has not fixed a deadline to complete the study.



KUALA LUMPUR

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MALAYSIA



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NEWS BRIEFS

PAKISTAN

Islamic licence for Bank of Khyber

The State Bank of Pakistan recently issued a licence to the Bank of Khyber allowing it to start Islamic banking operations in Naushehra. The bank's branch will be converted into a full-fledged Islamic banking branch in the near future.

MALAYSIA

RHB Islamic appoints foreign experts

RHB Islamic Bank Bhd (RHB Islamic) has appointed two foreign Islamic financial experts to its five-member Shariah Committee.

The move to include foreign experts in its Islamic financial ethics regulating committee makes RHB Group the first financial service provider to have foreign experts making up its Shariah panel.

The bank said the appointment of foreign experts was also aimed at complying with the global Islamic banking ethics and subsequently enabling the bank to market its products overseas. Another benefit of having foreign experts is that it will create the opportunity to integrate the understanding of Shariah solutions for Islamic banking products among experts and practitioners of divergent views.

The Shariah Board members are: Sheikh Sir Dr Mohamed Aboulkhair Zaki Badawi (England); Dr Ahmed Mohieddin Ahmed (Saudi Arabia); Prof Dr Abdul Samat Musa (Malaysia); Associate Prof Dr Joni Tamkin Borhan (Malaysia); Prof Dr Mohd Ma'sum Billah (Malaysia).

UAE (Sharjah)

SIB's net expected to rise 164%

Sharjah Islamic Bank's (SIB) profits are projected to grow by 164% to around US\$38.93 million (Dhs143 million) by the end of the third quarter compared with US\$14.70 million (Dhs54 million) in the corresponding period last year.

The bank disclosed that its total assets rose by 47% to US\$1.36 billion (Dhs5 billion) by the end of the third quarter of the current year compared with US\$939.31 million (Dhs3.45 billion) by the end of 2004. The growth in profits reflected the bank's strategy, which was initiated in the middle of last year and was based on three major themes: restructuring the business sector, updating individual products and attracting more investments.

The bank posted profits of US\$26.79 million (Dhs98.4 million) for the first half of the current year, up by 160% over the US\$10.32 million (Dhs37.9 million) posted in the corresponding period last year.

MALAYSIA

Islamic banking on track

Islamic banking is on track towards attaining the target of representing 20% of the country's financial market by 2010.

The Malaysian Government said it is already 11% and added that Islamic banking in the country is growing at a rapid pace, faster than the domestic conventional banking and Islamic banking abroad. The Government added that for the past five years, the Malaysian Islamic banking industry grew at an annual rate of 19% compared to between 10 and 15% annually elsewhere in the world.

TURKEY

Turkey weighs benefit of Islamic bond

The Turkish Government intends to propose a law to parliament that would allow the country to begin to issue bonds that comply with Islamic norms. Turkish Finance Minister Kemal Unakitan said such bonds would not be specifically called Sukuk to avoid precipitating a clash with the constitution of the secular republic.

The proposed law could be tabled before the parliament any time during its new season that begins on the 3rd October and lasts until June next year.

Turkey has considered introducing measures to issue such bonds for more than a year, but the action has so far been delayed, partly due to concerns in Turkey that such a bond might violate the constitution. Some Turkish Government officials have also expressed concern that to issue Islamic bonds might be unhelpful in regard to negotiations for its eventual entry into the European Union.

MALAYSIA

Preliminary rating for Manor Edge's proposed US\$1 billion Islamic MTN

Rating Agency Malaysia (RAM) has assigned a preliminary rating of A2 to Manor Edge Sdn Bhd's proposed US\$1 billion (RM380 million) Islamic Medium-Term Notes programme.

Manor Edge had been incorporated solely to act as the funding vehicle in this transaction, and is wholly owned by Moccis Trading Sdn Bhd. Proceeds from the issuance of the i-MTNs are to be used to fund its purchase of receivables, in the form of Skim Ansuran Murabahah MOCCIS contracts originated by MTSB.

The transaction has been structured with a 5-year investment period, during which Manor Edge may purchase receivables from MTSB, so long as no early amortisation event has occurred.

The structure also includes a 5-year amortisation period commencing from the end of the investment period, during which the outstanding i-MTNs will be redeemed with the cash flow collected from the receivables. The issuance of the last i-MTN series must be completed within 2 years from the first issuance date. Although the i-MTNs will be issued in different series, all i-MTNs rank pari passu amongst themselves.

UAE (Abu Dhabi)

Abu Dhabi firm launches equity fund

Abu Dhabi Investment House (ADIH) recently launched its maiden investment product - the US\$75 million Al Arabi Private Equity Fund - that will allow investors to participate in the tremendous growth opportunities offered by the burgeoning private sector across the Gulf.

The minimum investment for individual investment to the fund is US\$150,000, while for institutional investors the minimum investment stands at US\$250,000. The fund will target an attractive Internal Rate of Return (IRR) of more than 20% over the term of the fund.

The fund will offer 7.4 million shares with a par value of US\$10 each and will be open to both individual and institutional investors.

NEWS BRIEFS

BAHRAIN

BIB unveils Islamic home finance product

Bahrain Islamic Bank recently unveiled its Ijarah Muntahia Betamleek home finance product. The scheme provides mortgage finance for up to US\$530,000 with a repayment period of up to 20 years. The product is available for a plot of land, or a completed house or one still under construction, an apartment or a property mortgaged with other banks.

UNITED KINGDOM

Company seeking London listing

Tejooi Ltd's imminent listing on the London Stock Exchange's Alternative Investment Market will make it the second company from the region in just more than a week to pursue a listing in London. The soon-to-be formed Islamic investment company plans to list on the AIM by the end of the year.

It would be joined by Beirut-based mobile telecoms firm Investcom, which announced last week that it would carry out two initial public offerings - one in London and the other in Dubai.

LIBYA

DIB looks to Libya for growth

Dubai Islamic Bank (DIB) has announced that it is looking to expand its business in Libya and will be participating in an exhibition for UAE-based companies as part of its growth plans.

The bank said it would promote its financial packages at the 'UAE in Libya' event taking place from the 27th - 30th November, when companies looking to break into re-opened markets will converge on Tripoli as part of the government-backed event.

UAE (Sharjah)

Tamweel inks joint venture deal with Sharjah property developer

Tamweel, the leading home finance provider, and Ali Moosa & Sons (AMS) Group, a prominent Sharjah based property developer, have announced their joint venture, thus making Tamweel the first mortgage provider to finance properties in the Emirate of Sharjah.

In the absence of a Tamweel branch in Sharjah, Tamweel's mortgage advisors will be available at AMS Group's offices to assist homebuyers with their finance documentation. According to the mutual agreement of both parties, finance will be provided up to 70% cent of the property value over a repayment period of up to 25 years starting at a fixed profit rate of 4.99%.

AMS Group signed this agreement exclusively with Tamweel for their Ali Moosa Tower 1 and 2 located around Khalid Lagoon. In all, the towers boast 416 apartments.

MALAYSIA

Centre for Islamic finance education

Bank Negara Malaysia (BNM) Governor, Tan Sri Dr Zeti Akhtar Aziz, has announced that Malaysia is undertaking an initiative to establish an international centre for education in Islamic finance.

She said that the initiative is taken in order to fast track the creation of talents and skills set to meet increasing manpower requirements in the Islamic Financial System. The centre would be designed to act as a professional certification body and a training institute for post-graduates.

UAE (Dubai)

Amlak & Abraj tie-up at Citiscape

Amlak Finance PJSC, Islamic finance innovator and home finance pioneer has said that it has tied up with Abraj Property Developers to offer home finance to customers purchasing at the Timeplace project at the prestigious Dubai Marina.

Amlak Finance described the tie-up with Abraj for the 34-storey Timeplace Tower as an excellent opportunity for both the companies to benefit from each other's strength and expertise. It added that Timeplace is the first such deal to be announced from Amlak's participation at Citiscape. A number of similar agreements are in the pipeline and will be announced in the near future.

UAE (Sharjah)

Sharjah Islamic Bank holds summer training award ceremony

Sharjah Islamic Bank held a Summer Training Ceremony to award training certificates to the summer trainees of summer 2005 in recognition of their contribution and achievement during their training period with the bank.

The summer trainees came from various colleges and universities across the UAE, such as the University of Sharjah and the American University in Sharjah. The program is part of the bank's ongoing commitment towards the society and emiratization.

UAE

Emirates Islamic Bank property fund anticipates attractive returns

Emirates Islamic Bank announced recently that its Emirates Real Estate Fund, the first Shariah compliant property fund in the region, has registered a strong capital growth of 2% since its launch.

The fund invests in a variety of physical real-estate focusing on the UAE to take advantage of growth and rental income opportunities represented by the regions' as well as one of the world's most dynamic real estate markets. The fund also retains the option to invest in markets outside of the UAE.

MALAYSIA

Amlslamic Bank to start in 2006

AMMB Holdings Bhd expects its Islamic banking subsidiary to be up and running on the 1st April 2006. To be called Amlslamic Bank, the new subsidiary will have total assets of US\$2.12 billion (RM8 billion) and capital funds of US\$212 million (RM800 million).

The Group did not discount the possibility of Amlslamic Bank looking for a foreign partner to take up a 49% stake of the bank.

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NEWS BRIEFS

GENERAL

Call for the ITFC

The Final Declaration of the Inaugural World Islamic Economic Forum last week recommended that the Islamic Development Bank (IDB) set up the Islamic Trade Finance Corporation (ITFC).

The Declaration, issued after the three-day deliberation, also called upon the IDB to enhance its services in funding mobilization to promote further the economic and social development of Muslim communities.

It also called on the OIC Governments to create a conducive environment for business, investment and economic growth through regular dialogues and consultations with the private sector.

The Declaration also urged the OIC countries to substantially increase the resources committed to education and the development of human capital at every level including leadership development, capacity building in science, technology and vocational training.

The Declaration called on the OIC states to consider the establishment of an Islamic Free Trade Agreement (IFTA) through regional and sub-regional FTA's in a step by step, time bound process that would ultimately lead to an Islamic Common Market.

MALAYSIA

Calls for Islamic investment in infrastructure

Malaysia's Prime Minister Abdullah Ahmad Badawi last week said that Islamic countries should expand investments in telecommunications, transport and public utilities to spur economic growth and trade. Addressing participants of the first World Islamic Economic Forum, he said Islamic countries are already investing "billions of Dollars" in infrastructure.

The PM's comments came as the 57-nation Organization of the Islamic Conference sought ways to arrest a decline in its members' share of global exports. Ten of the 11 nations in the Organization of Petroleum Exporting Countries, including Saudi Arabia and Indonesia, are OIC members. Others include Pakistan, Malaysia, and Egypt.

There are an estimated 1.5 billion Muslims worldwide and the number is forecast to rise by 2.9% a year. Still, the gross domestic product of Islamic countries is less than 5% of the global economy and trade among these nations' accounts for only about 6 to 7%, or US\$800 billion, of total trade, he said.

MALAYSIA

Rating for Konsortium Lebuhraya

MARC has assigned a rating of A+ID to Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd's (Kesturi) proposed issuance of up to US\$206.78 million (RM780 million) redeemable secured serial bonds under an Islamic Istisnah Sukuk.

The assigned rating reflects amongst others, Duta-Ulu Kelang Expressway's (DUKE or the Highway) strategic alignment connecting the North Klang Valley Expressway on the western part of Kuala Lumpur to the Kuala Lumpur-Karak Highway on the eastern side of the city and onwards to Middle Ring Road 2 (MRR2) at Jalan Ulu Kelang and the Federal Government's (GOM) funding support as well as its commitment to bear all costs in relation to land acquisitions.

UAE (Abu Dhabi)

ADCB unveils Excellency Wealth Management

Abu Dhabi Commercial Bank (ADCB) has announced the launch of a new wealth management proposition targeted at the needs of the high net worth individuals.

According to the bank, the Excellency Wealth Management is designed to specially cater to the needs of high net worth individuals with innovative packaged products. The bank has tied up with some of the best providers of financial products, such as Gulf Finance House, to bring to its clients a host of third party products including mutual and hedge funds, structured products, offshore trusts, bancassurance benefits and services.

Gulf Finance House, one of the leading Islamic investment banks in the region, is the lead sponsor of Excellency Wealth Management. ADCB said it is also offering its clients with one of the most powerful debit and credit cards within the UAE, hosting a comprehensive bouquet of benefits and services such as luxury travel services and lifestyle management services.

GENERAL

Islamic finance boost for SMEs

Small-and-Medium Enterprises (SMEs), usually considered to be the backbone of an economy, are set to receive a major boost especially in the Islamic banking and finance sector. Countries such as Saudi Arabia and Malaysia are encouraging greater allocation of financing for SMEs by the banking sector in an effort to stimulate the private sector and to boost rural and inner city poverty alleviation policies.

In Malaysia, for instance, according to Bank Negara, the Central Bank, financing for SMEs by the Islamic banking sector continued to increase from US\$927.94 million (RM3.5 billion) in 2002 to US\$1.64 billion (RM6.2 billion) in 2003 to US\$2.12 billion (RM8 billion) in 2004. The year-on-year increase in 2004 was almost 30%. Furthermore, the market share of Islamic banking financing out of total financing for SMEs in Malaysia almost doubled from 7.5% in 2003 to 13.9% in 2004.

However, the Islamic SME financing in Malaysia in 2004 is merely US\$2.12 billion (RM8 billion) out of a total financing by the Islamic financial sector of US\$15.34 billion (RM57.882 billion), which suggests that there is a huge challenge and business opportunity for Islamic banking in Malaysia in respect of financing SMEs.

This trend is reflected elsewhere in member countries of the Islamic Development Bank (IDB), as the role and contribution of the SMEs to GDP and economic activity assumes greater importance.

Saudi Arabia is also encouraging the financing of SMEs. The country's largest bank, National Commercial Bank (NCB), earlier this year launched a Shariah-compliant financing scheme aimed at small businesses and self-employed professionals.

The "Al-Ahli Program for Free Tradesmen" offers Shariah-compliant loans of up to US\$266,000 (SR1 million) repayable over three years to small businesses and professionals such as consultant doctors, engineers, and accountants who own and manage their own activities.

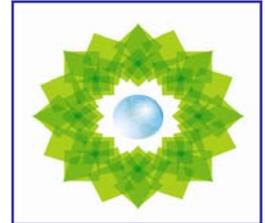
This financing program is said to be the first of its kind on the Saudi market, and offers financing without collateral to all qualifying business people whether they are NCB customers or not.



EVENT REVIEW

THE WORLD ISLAMIC ECONOMIC FORUM

Forging New Alliances for Development and Progress



By Seelen Sakran

Pertinent issues raised at forum

The three-day World Islamic Economic Forum (WIEF), formerly known as the OIC Business Forum, hosted by Malaysia between the 1st - 3rd October, with the participation of more than 30 Muslim and non-Muslim countries and over 400 participants had many applauding in unison over the points raised and debated.

The key initiatives discussed included forming several task forces to help less developed Muslim nations. One way of achieving this is via Islamic Free Trade Agreements, via regional and sub-regional FTAs. More importantly, it also called for the participation of women in business. In line with this the delegates noted the need to establish a World Islamic Businesswomen Network.

In fact the Asian Strategy and Leadership Institute (ASLI) CEO Dr Michael Yeoh said the forum could be singled out as one of the most important opportunities where participants were updated on the global Muslim market – which was not restricted to the Organization of Islamic Conference (OIC) countries.

"This was an opportunity even for non-Muslims to see the potential of the Muslim markets," Yeoh said. He added that Islam was now one of the fastest growing religions in the western world, especially in the US.

Yeoh had said earlier that the forum would address key issues facing the Muslim societies ranging from business and economics to science and technology. "The forum was also used as a link for business operations of non-Muslim nations, especially those from Europe."

The forum was co-organized by ASLI, the Ministry of Foreign Affairs, Islamic Chamber of Commerce and Industry and Islamic Centre for Development and Trade.

It was a follow-up to the successful conclusion of the second OIC Business Forum held last October, at the end of which a declaration was made to rename the forum WIEF. Yeoh added that the change in name would help facilitate dialogue between Muslim and non-Muslim countries.

The forum also sought to address the potential of Muslim women in the Muslim market that had not been given sufficient prominence before.

Three women ministers from Kuwait, Bahrain and the United Arab Emirates spoke at length on the Muslim women issues and their emerging potential in the 21st century.

Overall, the forum, attended by several heads of governments, including the Malaysian Prime Minister Abdullah Ahmad Badawi, the Pakistan Premier Shaukat Aziz and the Maldives President

Maumoon Abdul Gayoom provided a vital platform for positive and healthy interaction between government leaders, civil society and business communities for the benefit of Muslim communities worldwide.

As an added piece of punch to the forum former Malaysian Premier Mahathir Mohamed delivered a special luncheon address on Islamic Renaissance where explained why Muslims were not united because of their folly.

Boosting intra-Islamic trade

As was the case at the 30th Islamic Development Bank annual meeting held in Kuala Lumpur earlier this year, boosting intra-Islamic trade and development dominated the agenda.

Malaysia put forward several suggestions including the adoption of its bilateral payments arrangement (BPAs) to facilitate easy and cost-effective settlement of accounts between countries at the Central Bank level.

It also called for the issuance of a global Islamic infrastructure bond to help the development of infrastructure especially in the developing member countries of the OIC; a preferential trade system of OIC countries; the introduction of a fair intra-Islamic system of procurement of goods and services; and the institutionalization and globalization of zakah and waqf through the establishment of a Universal Musharakah Fund, which could be modelled as a development aid fund.

WIEF QUOTE

"The first thing we could do is change our priorities. We have not paid enough attention to building a human capital base. In my view the OIC Secretariat has not played an active role in promoting trade and investment in the Islamic world as the European Union and Asean Secretariat have been doing in their respective regions".

Shaukat Aziz, Pakistan Prime Minister on the OIC Secretariat

Malaysian Prime Minister Abdullah Ahmad Badawi is keen for OIC countries "to seriously consider the BPA form of trade facilitation, with a view to implementing it across many more OIC countries."

To date Malaysia has BPA agreements with 24 countries, of which only nine are members of the OIC.

According to Malaysia's Central Bank, Malaysia's trade with these nine OIC countries increased 30-fold in the period 1988-2004, compared with a 10-fold increase of the country's total trade for the same period.

This suggests that the BPA with the nine OIC countries acted as a vital catalyst for increased trade.



EVENT REVIEW (continued...)

Pakistan: Work together and with the rest of the world

Pakistan, next year's host for World Islamic Economic Forum, made several recommendations on boosting economic co-operation among Muslim countries at the three-day event.

Prime Minister Shaukat Aziz described the forum as very significant as it would attempt to prepare a road map towards enhancing such co-operation.

"The Muslim world has to work together and also work with the rest of the world. By working together we can leverage on our resources and by working with the rest of the world we can develop ourselves even further," he said.

Aziz said Muslim countries would need to show reform, good governance and sound economic management to enable them to develop their full potential.

"The first thing we could do is change our priorities. We have not paid enough attention to building a human capital base. In my view the OIC Secretariat has not played an active role in promoting trade and investment in the Islamic world as the European Union and Asean Secretariat have been doing in their respective regions," he observed.

On his meeting Malaysia's Prime Minister Abdullah Ahmad Badawi, he said, it would have an added significance given that Abdullah is also Chairman of the Organisation of the Islamic Conference (OIC).

Both leaders discussed on the future of the OIC, the proposed get-together of Muslim Heads of state later in the year, furthering economic co-operation and the challenges facing the Muslim countries.

He also confirmed that their talks would also cover the proposed free trade agreement between Malaysia and Pakistan."

WIEF QUOTE

"While many Muslim states had developed and prospered, there are still 24% of the Muslim population who earned less than a dollar a day and an average of 39% who live below the poverty level. Muslims constitute 19% of the world's population but only 6% of its income".

Oumar Sylla, Secretary General, Ministry of Economy and Finance, Republic of Senegal on Muslims worldwide

Aziz also unveiled a 10-point strategy for leveraging the collective social, economic and political potential of Muslim countries for their emancipation by restructuring their economies and improving delivery of social services, and creating a necessary intellectual environment for the renaissance of the Muslim world.

Aziz got a rousing applause for his thought-provoking address in which his thrust was that without attaining economic self-reliance and huge investment for promotion of education, especially in the field of science and technology, the Muslim countries, whose economies were weak, would not be able to be on their own.

He called upon economically weak Muslim countries to stop looking towards the rich countries - Muslim or non-Muslim - for aid and grants, and instead create a conducive environment for attracting investment at home.

Aziz said the conference has been convened at a time when the Ummah was faced with several challenges, especially Iraq and Afghanistan, which were confronting the menace of violence and turmoil and terrorism was being associated with their faith.

"The Muslims of Palestine and Kashmir are continuously being denied freedom. In these conditions, it has become imperative for the Muslim Ummah to unite in order to overcome these challenges," emphasised Aziz.

The greatest challenge the Muslims face today, he said, emanated from the "insidious linkage that is made between terrorism and Muslims. We are being dubbed as fundamentalists, extremists and fanatics and the theory of a clash of civilization has been put forward. We can negate this negative image and prevent people from behaving irrationally by leveraging our potential and improving their standard of living," said the Prime Minister.

WIEF QUOTE

"Poverty and low human development are among the most perennial challenges facing the Ummah. Available statistics show that more 25% of the population in several least developed member countries of the Bank is living under the poverty line of US one dollar per day".

Dr Ahmad Mohamed Ali, President of Islamic Development Bank on Muslim Ummah

In unveiling his roadmap for the Muslims, he said: "We must promote greater unity, cohesion and co-operation within the Muslim Ummah. This requires us to address and resolve dissensions within our societies as well as the disputes that embroil us."

He pointed at the need for "implementation of reforms to restructure our economies through de-regularization, liberalization and privatization to leverage the full potential of productive capacities of Muslim states that would ensure a sustained high growth trajectory to raise living standards of their people."

Aziz also urged them to encourage co-operation "to share best practices with each other" and create complementarities between them in the economic and trade fields to ensure a win-win situation for all." He emphasized the "need to move forward towards an eventual Islamic Economic Union."

Calling for urgent reorganization of the OIC, the sole voice of Ummah, the Prime Minister said it should be reinvigorated and repositioned as a forum for empowerment of the Muslims to meet the challenges of the new millennium.

Aziz stressed the need for reforms in the Islamic world as "our faith enjoins us to adapt change through Ijtihad."

He observed that there was no substitute for good governance, empowerment of people, effective management, structural reforms, Consistency of policies, transparency and accountability.



EVENT REVIEW (continued...)



Responding to questions, he said education was much more important than the arms, adding that this would only be possible when these lingering disputes were resolved. He pointed out that Malaysia was the leading example and successful model of how the Muslim Ummah could meet the challenges of the 21st century.

He also referred to the various structural reforms being made by the regime in Pakistan for rejuvenating and repositioning across the entire spectrum of governance to meet the challenges of devel-

Globalization – An Inter-faith Perspective

opment and progress.

Kamran Mofid, the Founder of Inter-faith, a global inter-faith dialogue, in an open address to the World Islamic Economic Forum offered an interesting view on globalization.

He said economic globalization may be able to address economic problems but neither the free market nor any other free system can fill a moral vacuum. The undeniable fact of life confronting us on this planet of ours is that there is gross and growing inequality, amongst people, different nations within nations. Material well being, economic growth and wealth creation are important. But, to create a world of true happiness, peace and wellbeing, wealth must be created for a noble reason.

WIEF QUOTE

“Governments and the private sectors of the member countries of the Organisation of Islamic Conference (OIC) should take a qualitative leap to establish an Islamic Free Trade Area (FTA) to overcome obstacles and bottlenecks that hinder the development of trade and investment between member states”.

OIC Secretary General Ekmeleddin Ihsanoglu on OIC's progress

“Today's business leaders are in a unique position to influence what happens in society for years to come. With this power comes monumental responsibility. They can choose to ignore this responsibility, and thereby exacerbate problems such as economic inequality, environmental degradation and social justice, but this will compromise their ability to do business in the long run. The world of good business needs a peaceful and just world in which to operate and prosper”.

Kamran stressed economics, commerce and trade, without a true understanding of the aspirations of the people is affecting, and cannot bring justice to all. “Social transformation can be achieved only when unselfish love, spirituality and a rigorous pursuit of justice are embraced”.

He also said that considering the many economic questions and issues they should also reflect on the Divine dimension of life. “Moreover, and should, in contrast to what is practised today, be concerned with the world of heart and spirit. Although self-interest is an important source of human motivation, driving the decisions we make in the marketplace every day, those decisions nevertheless have a moral, ethical and spiritual content, because each decision we make affects not only ourselves but others too”.

He added today's modern economists consider their discipline a

science, and thereby divorced from ethical details, the normative passions of right and wrong. “They have turned their discipline into a moral-free zone”

“If we want to truly succeed, globalization will need to combine economic efficiency to meet human needs with social justice and environmental sustainability. Moreover, we should do our utmost for the creation of an ‘ecumenical space’, for dialogue amongst civilizations and the building of community for the common good by bringing economics, spirituality and theology together”.

A cornerstone of promoting ecumenical and inter-faith dialogue, he added, that world religions could be paths, rather than obstacles, to peace. Religions can jointly contribute to the process of peacemaking by sharing the depth of their accumulated wisdom and reflective resources. “Through education and meaningful interaction in settings of openness, dignity and respect, people of faith can bring about significant societal transformation”.

“Therefore, what the world needs now is a “Spiritual Revolution”. One of the main causes of today's global disorder is the absence of justice and the rise in the false religion of materialism,” he said.

Continuing, he said that when justice disappears it is no wonder that oppression, corruption, occupation and terrorism reign. “So, applying justice is a key factor and a necessary step towards restoring peace and security in the world. Coupled with this, materialism, the philosophy that argues what matters most is the matter itself, denies the existence of all spiritual entities, and God Himself.”

In retrospect he added globalization for the Common Good, by addressing the crisis that face us all, empowers us with humanity, spirituality and love. It engages people of different races, cultures and languages, from a wide variety of backgrounds, all committed to bringing about a world in which there is more solidarity and greater harmony. “This spiritual ground for hope at this time of want on destruction of our world, can help us to recall the ultimate purpose of life and of our journey in this world”.

Leading Initiatives in Global Islamic Integration

In her speech, Dr Zeti Akhtar Aziz, Malaysia Central Bank Governor said Islamic finance in Malaysia has now taken on a new dimension to become more internationally integrated.

WIEF QUOTE

“OIC members with a population of 1.25 billion possessed 70% of the world's total energy and 40% of the raw materials, but Muslims all over the world were weak and vulnerable due to many challenges they were facing. The solution of those problems lay in collective efforts, especially in the fields of economic growth, science and technology, technical education and women empowerment”.

Malaysian Foreign Minister, Syed Hamid bin Syed Jaafar Albar OIC's future

She added this is part of the strategy to evolve Malaysia as an integrated international Islamic financial hub that will have a greater role in facilitating international economic and financial flows.



EVENT REVIEW (continued...)



"The liberalization of the Islamic financial system in Malaysia commenced in 2004 with the issuance of three new Islamic bank licences to foreign Islamic financial institutions," said Zeti who recently won an award for "World's Best Central Bank Governor" for overseeing successful reforms in Malaysia's financial markets.

She said these new entrants with distinct capabilities and strengths will not only participate in the growing domestic Islamic banking industry, but will also be able to tap new markets in the region.

"This initiative will also promote healthy competition, thereby contributing to elevate the domestic industry to new levels of dynamism. In addition to this initiative, up to 49% foreign interest is permitted in the Islamic subsidiaries of the conventional banking institutions and in the Takaful companies," she added.

WIEF QUOTE

"We are against such wild attacks. There is no reason at all for doing that, and I think (the attackers) are not helping the cause. If there is a backlash, what does it achieve? I have repeatedly said that people don't blow themselves up for no reason. You must find the reason and then you deal with the reason".

Tun Dr Mahathir Mohamed, Malaysia's former Prime Minister on the recent Bali bombings

With regards to increased international integration she said that this is also reinforced by Malaysia's own institutions venturing beyond our domestic borders, in particular to the Asian region and to the Middle East. This international integration would contribute towards facilitating greater cross-border flows in terms of increased trade and investment transactions, thereby strengthening the global economic and financial inter-linkages.

Towards this end, Malaysia together with other OIC countries, are collaborating with the Islamic Development Bank and Islamic Financial Services Board to formulate a 10-year master plan for the future global development of the Islamic financial services industry. The masterplan will provide a road map to achieve a convergence towards the common vision among countries in the development of an Islamic financial system.

Zeti added in developing and strengthening Malaysia's Islamic banking and financial system to become more integrated with the international financial system, it is positioning itself as an Islamic financial gateway to the East Asian region. "In emerging on the radar screen of international investors, Malaysia is thus not only offering financial communities that want to deal in Islamic financial transactions, but also the international investment community at large, the potential for further opportunities for financing and investment in productive activities," she said.

Zeti also expressed confidence in Malaysia's mission for the development of an increasingly international integrated Islamic financial system. "I am confident that in taking this approach, it would contribute towards facilitating increased trade and investment transactions, strengthening the global economic and financial inter-linkages, and thereby raising the prospects for more balanced global growth and shared prosperity among the Ummah".

Establishing Islamic FTAs

Governments and the private sectors of the member countries of the Organisation of Islamic Conference (OIC) should take a qualitative leap to establish an Islamic Free Trade Area (FTA) to overcome obstacles and bottlenecks that hinder the development of trade and investment between member states.

In making the call, OIC Secretary General Prof Ekmeleddin Ihsanoglu said the share of Intra-OIC trade in overall trade has recorded positive improvements in the last few years. It has risen from 10% in 2000 to 13.5% in 2003.

"Despite this slight increase, the share of Intra-OIC trade remains low, considering the abundance of natural resources and wealth of the Islamic world, such as energy, agriculture and industrial products," he said in his speech at the inaugural World Islamic Economic Forum (WIEF).

He was represented by Director General of the Islamic Centre for Development of Trade, Allal Rachdi.

Prof Ekmeleddin said factors hindering the expansion of trade and investment were namely tariff and administration obstacles and the lack of communication and transport means and inappropriate financing schemes.

He said to achieve the objectives set by the Islamic Summits to strengthen Islamic Common Action in the economic and commercial fields, the Framework Agreement on Trade Preferences among Islamic countries was considered as the milestone that would pave the way for the establishment of the Islamic Common Market.

"Governments and the private sectors of the member countries of the OIC should take a qualitative leap to establish an Islamic Free Trade Area (FTA) to overcome obstacles and bottlenecks that hinder the development of trade and investment between member states," he suggested.

This has been recommended by the various Islamic Summits since the eighth Islamic Summit held in Tehran in 1997. "This stage remains a very modest progress that has been made to meet our aspirations in the field of Intra-OIC trade," he said.

He called on the private sectors of OIC member states to play a pivotal role in the field and act as the main driving force for the strengthening of trade and business relationships between Islamic countries.

"I am confident that the new team of the Islamic Chamber of Commerce would enable it to perform its task in the most effective manner in keeping with the Islamic Common Action, especially as it is highly skilled and experienced in the economic and commercial field," he said.

Touching on the three-day forum, Prof Ekmeleddin said such an event was the embodiment of the principal of Islamic solidarity, which gave pivotal importance to the economic field as the corner stone and driving force for enhancing the capacities and strength of peoples and states.



EVENT REVIEW *(continued...)*



IT Competency

Information Technology (IT) is King. That is the essence of Dr Mohamed Ali Mohamed Shukri's message to participants at the World Islamic Economic Forum. The Director of Jamiah Naleemiah (the leading Islamic academic institution in Sri Lanka) said the Islamic world will not be able to achieve competency in IT if it does not urgently address the problems of illiteracy and poverty.

He said serious efforts must be taken to arrest the prevalent poverty rate and eradicate poverty in the Muslim countries, so that Muslims could become competent in IT. In a session entitled "Optimizing Intellectual and Human Capital: Competing Successfully in the Global Knowledge Economy", Ali cited widespread poverty and illiteracy as the major problems facing the Muslim world.

He pointed out that the resource-rich Muslim world produced two thirds of the global oil production, two thirds of palm oil, and half of the tin and phosphate, but yet accounts for less than 5% of the world economic production and more than 600 million Muslims live below the poverty line.

He said that Muslims must produce a comprehensive plan identifying problems and strategies to solve them. The plan must, among others, consider promotion of knowledge and education, increasing investment in science education, increasing investment in scientific and technological research and evolving a national policy for rational allocation of resources with a major focus on education and human resource development.

Addressing the same session, Dr Ismawi Zen, Deputy Director, International Islamic University Malaysia, said that the performance of Muslim communities in the knowledge economy will depend on the ability and willingness of Muslims to play the roles of knowledge workers.

He said that there is a need for more awareness on knowledge economy and cultivating a culture of excellence among the populace. Dr Ismawi also emphasized on education for women, who should be equal partners in nation building. He said that by 2015 women are expected to outnumber and out-qualify men in knowledge economy.

He said that policymakers, educationalists and parents, should guide and best utilize the biggest assets in the Muslim world, namely among its 1.5 billion populace.

The need to develop human capital

Malaysian Prime Minister Datuk Seri Abdullah Ahmad Badawi urged Muslims to develop human capital and to ensure that their societies create a new spirit of inquiry and openness, at the World Islamic Economic Forum (WIEF).

"We have at our fingertips the means and tools to give full rein to our creativity and potential," Abdullah told the delegates.

"It is therefore distressing that many Muslim nations are still grappling with basic problems such as poverty, large income disparities and illiteracy. Unless and until we can deal with these issues, we will be increasingly left behind by the rest of the world," he said.

Abdullah, who is also the current Chairman of the Organization of the Islamic Conference (OIC), said Muslims must continue to foster greater co-operation through trade and capital flows among them.

"We have already begun to pool our energies and resources in developing a business face for the OIC," he said, asserting that the onus was on Muslims to work together for the betterment of their nation.

Abdullah maintained that the economic future of the Muslim world was not unremittingly bleak because Muslims had many advantages that they could use to their benefit. He also observed that Muslim countries possessed enormous natural resources and collectively made up about a quarter of the world's population.

Abdullah hoped the WIEF would succeed as a platform where networks could be formed, ideas could be discussed and concrete action plans could be put in place.

President of the Islamic Development Bank, Dr Ahmad Mohamed Ali said without eradicating literacy and upgrading education at all levels, the Ummah will not be able to face challenges facing the muslim world.

Education is key

"Education should be first (priority), second and third," he said in his special keynote address at the World Islamic Economic Forum (WIEF).

Dr Ahmad also proposed the establishment of a Muslim education fund to address the issue of education, especially in the areas of science and technology.

Dr Ahmad hoped that a conclusion would be made on all programmes carried out and brought over to the coming summit in Mecca by year-end.

The extraordinary Islamic summit was called for last January by Saudi King Abdullah, then Saudi Arabia's crown prince with the declared aim of healing rifts among Muslims.

Some 100 Muslim scholars from around the world had gathered in Mecca last month to prepare for the summit to be held in the holy City.

"This forum can contribute to the progress of the Ummah, and the IDB would be pleased to co-operate with this forum in formulating working programmes," Dr Ahmad said.

Dr Ahmad added the economic prospects for OIC member countries look much better than they used to a few years ago. He added many countries have made progress in achieving macroeconomic stabilization and laying the foundation for sustained growth.

"Projections for growth rates in the IDB member countries in 2005 range from 5.3% for all member countries to 6.0% for the least developed ones. This is very much in line with the projected average growth rate of 5.9% for all developing countries during the same period... even with inflation rates estimated to be around 16% for IDB member countries during 2005."



EVENT REVIEW (continued...)



Dr Ahmad added this is one reason the IDB was established and the organization is increasingly looking at reducing the gap between the have and have nots.

Singapore's Minister of State for Foreign Affairs Zainul Abidin Rasheed noted the people of the Middle East, Asia and Africa can trace their relationship with each other for many centuries.

Arab-Asia-Africa Synergy

"In Asia, our commercial and cultural ties with the Middle East go as far back as the 7th century when resourceful Arab traders established trade routes among us and established Islam in our region. In fact, many Asians are descendants of the Arab traders," he said.

He noted over in Africa in the 15th century, China's Ming Dynasty Explorer Admiral Cheng Ho threw open Asia's trade links with Africa when he made his historic voyage from China to the present-day Kenya. Swahili Arab traders travelled along the coast of East Africa, establishing trading ports in Zanzibar and Mozambique.

"With the advent of globalization, the ancient links between businessmen, academics and religious leaders across the Middle East, Asia and Africa are now being re-established. While we once traded in spices, porcelain and silk, today we trade in modern goods and services, creative ideas and innovative business solutions," he added.

He added that two recent events have ushered a momentum for rediscovery among Asia, the Middle East and African nations. These were the April 2005 Asian-African Summit in Jakarta and the Inaugural Asia-Middle East Dialogue (AMED) held in Singapore in June 2005. It is therefore timely for us to explore how to forge ahead with our exciting journey of rediscovery.

Zainul added the rationale for closer economic co-operation is compelling. "The three regions bring together 73% of the world's population, a combined GDP of US\$9.3 trillion and an abundance of natural resources. Significant changes are taking place in our three regions. We can secure our future by seizing the opportunities for closer economic co-operation".

He also noted all three regions are experiencing fast growth at the same time. "Within Asia, South East Asia grew at an average of 6% in 2004. China and India have grown faster at 9% and 7% respectively. Sub-Saharan Africa has seen GDP growth accelerate to 5.1%, the highest in almost a decade. In the Middle East, governments are diversifying their economies away from the traditional dependence on oil and have opened up their economies to international trade and foreign investment. In Africa, the New Partnership for Africa's Development, or NEPAD, has led to economic improvements across the continent."

He felt these positive changes have tossed up exciting new investment opportunities. The Middle East is looking for alternative investment opportunities while Asia and Africa are looking for new investment partners. "We have what you seek. You have what we seek," he said in conclusion.



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INDUSTRY REPORT

Understanding the Shariah Process

By *Abdulkader Thomas, Stella Cox and Bryan Kraty*

This is the first in a two part report taking a closer look at Shariah Boards. In the next issue of Islamic Finance News we will feature two interesting Case Studies on this matter.

Introduction

Shariah scholars have played a highly visible and critical role in the development of modern commercial and financial services that comply with Islamic precepts. Often business people, including bankers, lawyers and beneficiaries, as well as regulators have found the Shariah process daunting. Some feel it to be a non-systemic approach to law driven by personal whim. Many have failed to understand that the modern application of Islamic principles is actually taking place in a legal vacuum. Therefore, Shariah scholars are as much engaged in product development, legal analysis and compliance oversight. As the scholars have worked hard for more than 20 years to build consensus on the primary products of the industry, business people impatient for results have chafed. Yet, there are often challenges merging the Shariah-engineered product into a financial regulatory environment that does not accommodate the fine points of Shariah structures when shoe-horned into the operations of banks.

Today there are three primary centers for thought on Islamic matters: Cairo, the Arabian Gulf-Indian Sub-continent axis and Malaysia. In the matters of Islamic finance, Cairo has taken a backseat, although Egyptians are engaged and active in the field in the two leading centers. Within the Arabian Gulf and Sub-continent regions the guidelines have tended to be stricter than Malaysia, relating in part to a strongly different view on the question of trading and discounting debt. Except in these two matters, the areas of convergence are wide and inclusive across the regions.

Shariah Boards

*'It is the nature of Islamic jurisprudence to insist on the freedom of qualified jurists to formulate and hold their own opinions. In fact, the inner dynamic for renewal known as ijihad ensures the relevance of Islamic law to changing circumstances by empowering jurists to constantly revisit points of law and to improve upon them when and where necessary.'*¹

Composition

There have been two distinctive approaches to the formation of Shariah Advisory Boards with a third emerging. The first has been an effort of banking institutions to secure the membership of prominent and well-known Islamic scholars. Whenever the appointing body is an Islamic bank, the panel is normally appointed by the General Assembly or Board of Directors. As such, the panel is an independent process of the management of the company and reports directly to the owners or their representatives. Often the appointing party will seek for the panel to include scholars who are well known within their home markets. Sadly, the

universe of well-known scholars across borders who are multi-lingual is very small; perhaps only a dozen scholars are thus recognized. Many of these scholars are known as the 'Wall Street Sheikhs' due to their membership on the Shariah Advisory Panel of the Dow Jones Islamic Market Indexes.

The second approach has been for a panel to include one or more of the well-known scholars as well as one or more that are less well known. The latter may be popular or respected in local markets. In addition, the latter may be viewed as candidates for membership in the more exclusive global universe of leading scholars.

Duties

Shariah Boards will normally deliver an annual letter of audited Shariah compliance to be included in an Islamic institution's annual report and addressed to the shareholders, directors and public. The boards may also deliver a letter or fatwa relating to specific activities, transactions, or products to be posted or circulated as appropriate for the purpose of the fatwa. In the latter case, such letters may be addressed internally as guidance or externally as approval. It is not uncommon for scholars to view themselves as an additional layer of independent compliance oversight and audit for a business.

The evolving trend in several markets including Pakistan and Malaysia is for the Central Bank or other national authorities to establish a national panel and require institutions to have in-house scholars. The former sets either hard and universal rules or establishes broad guidelines. The latter assist in the process of product development and implementation, assuring adherence to the rules or transacting within the guidelines.

Often, external observers fail to understand that the typical Shariah Board is an independent body. Although a panel may be compensated very well, the members are compensated whether or not they meet, issue a fatwa or prove favorable to the institution appointing them.

The vast majority of Shariah scholars hold one or more of three main qualifications. Many hold an ijaza or license from a traditional institution or noted scholar of authority in the appropriate branch of fiqh. Others are recent graduates with western-style degrees from specific degree-granting institutions in various Islamic countries. Examples of these include the International Islamic University in Malaysia or Al Azhar University in Cairo. A small number of active scholars are self-taught and have gained the respect of their formally educated peers and are admitted as colleagues by accepted Islamic scholars on the merits of their demonstrated expertise.

What is a fatwa?

A fatwa (plural: fatawa) is a certificate representing the opinion of its issuer, a mufti. In certain countries, the mufti is a formal judge with the power to adjudicate disputes and issue rulings of law which must be followed. In Islamic finance, the majority of scholars issuing fatawa are advising believers that they have formally examined the product, business, service or process and found it to comply with the rulings of Shariah. Such a fatwa is non-binding, but a company would lose its Shariah advisers (they would resign) and run significant reputational risk if it failed to comply with the terms of a fatwa.

INDUSTRY REPORT

Understanding the Shariah Process (*continued...*)

The elements of research and approach are best described by one leading scholar:

*'All Shariah Boards I know of, including ours at (The International Investor Co., Kuwait), and the International Fiqh Academy of OIC, Jeddah, do not restrict their fatwas [sic] in financial transactions to the rulings of any particular school of fiqh. They have the capacity and authority to choose a prior fiqh ruling from one school or the other, or exercise fresh ijihad (original juristic ruling) not bound by the prior fiqh rulings of any school. This gives rise to Multiplicity and Variance.'*²

Although confusing to outsiders and those unfamiliar with the Shariah decision process, most Islamic scholars are comfortable with variability in fatawa and the periodic, apparent contradictions that may arise. This is because they retain, like any reasonable common law judge, the right to analyze the particulars of specific situations and local conditions in order to arrive at the best rulings that allow people of different circumstances to comply with the Shariah. Likewise, so long as the impermissible is not incidentally embraced, the scholars generally wish to encourage innovation.³

The vast majority of fatawa surprise their readers with their simplicity. Islamic scholars do not believe that they have an obligation to do more than certify the correctness of a product or process when it is treading ground already well covered. For instance, a bank wishing to use the well-established Murabahah or Ijarah methods in consumer mortgaging, now well developed in the field of Islamic finance, may find that their fatwa comprises one or two paragraphs. However, fatawa relating to complex products often mirror the complexity of the product. For instance, a profit-sharing deposit at a US bank may have a primary fatwa for internal guidance running five or six pages and covering certain issues in depth. That same bank may have a shorter fatwa for public display as well. Or, a fatwa for a hedge fund complying with Shariah may stretch to more than 50 pages.

Dr Zarka offers an important warning relating to the understanding of Islamic certificates or fatwa:

*'Fatwas are not created equal! Those who have sufficient financial and fiqh background have a moral duty to look critically at different fatwas and be forthright in their well reasoned approval or disapproval. Shariah scholars have a binding religious duty to retract an erroneous fatwa or correct it. We can help them in this by critically examining fatwas and their implications.'*⁴

Preparing for the process

The best preparation for securing a fatwa is a detailed schematic of the product or process that is the object of debate. The schematic needs a clear legal analysis for the product, identification of tax issues, and logical flow of how the product or process works or is crafted. Diagrams supporting the text are helpful. If there are specific Islamic references or particularly relevant matters of 'urf known to the bankers, these should be highlighted clearly. This schematic is the first step in what is almost always an iterative process with Islamic advisers.

There are several elements to the fatwa process. The scholars will have looked at a concept and rooted their analysis with the core sources of Shariah. The primary meaning of Shariah is the path (to truth, to pure water). This path of analysis will take general principles from the Qur'an, then look to the hadith, then the athar. Judgments, historical and recent are examined for applicable principles. The depth to which the Shariah scholars will look into these resources will depend upon the novelty of the suggestion. For instance, the adaptation of a Murabahah contract to a new jurisdiction will require less complex analysis than the determination of whether or not a hedging strategy is permissible or is tainted by impermissible instruments or processes.

Historically, the approach of the scholars was to pursue the strict methodology of one of the primary schools of fiqh: Hanafi, Hanbali, Maliki, Shafi'i or Jafaari. Yet, the complexity of modern commerce and finance has caused scholars trained in the unique disciplines of each school to work across disciplines. Increasingly, this interdisciplinary approach is prevailing among the most active scholars as they manage new innovations and oversee ever more complex financial institutions. Islamic scholars do not follow a uniform code and are not obliged to follow legal precedent, as are Anglo-American judges; they have considerable flexibility within the law.⁵ Nonetheless, the Muslim scholar finds that the nature of contracts within the Shariah ambit is well defined, meaning that interpretive flexibility is limited with respect to the core of transactions. Interpretation becomes more critical on the margins, driving scholarly analysis into high gear with respect to novel transactions.

What will often frustrate bankers is that the well-known nominative contracts Mudarabah and Musharakah, Murabahah, Aalam and Istisnah, and Ijarah are traditionally practiced as commercial contracts. Therefore, their application to finance is an adaptation that does not cause these contracts to shed their nature. This will cause new costs or challenges to arise in structuring a transaction that may not be present in the writing of a traditional banking transaction.

Another challenge for bankers is that there are variances between rulings at different Islamic institutions. Such differences often involve the same scholars. The implications of these differences include accounting, tax and regulatory treatment. Moreover, such distinctions may also make it difficult to compare the principles of Shariah in order to draw conclusions about the development of repetitive processes.

1. DeLorenzo, Yusuf, 'Shariah Boards and Modern Islamic Finance: From the Jurisprudence of Revival and Recovery to the Jurisprudence of Transformation and Adaptation', presented at Islamic Financial Services Board Conference, May 2004.
2. Zarka, Dr. Muhammad Anas, 'Schools of Fiqh and Differences in Financial Rulings', posted 26 December 2004 at www.islamic-finance.net
3. Zarka, op. cit.
4. Ibid
5. DeLorenzo, op. cit

This article is an excerpt from *Structuring Islamic Finance Transactions*, a book by Abdulkader Thomas, Stella Cox and Bryan Kraty newly published by Euromoney Books, London. www.euromoneybooks.com



KEYNOTE - Securities Commission

The Malaysian Islamic Capital Market

By Dr Nik Ramlah Nik Mahmood



Over the past two decades or so the Islamic Capital Market (ICM) in Malaysia has emerged as a significant area of growth. It has come a long way since the first issue of Islamic bonds by Shell in 1990, the establishment of the first Islamic unit trust fund by Arab Malaysian Unit Trust Bhd in 1993 and the establishment of BIMB Securities, the first full-fledged Islamic stockbroking company, in 1994. The Malaysian ICM today has the full complement of products, infrastructure, institutions, intermediaries and investors contributing to greater depth and breadth of the entire capital market.

Today we have 826 Shariah compliant stocks listed on Bursa Malaysia with a market capitalization of about US\$117.08 billion (RM440 billion) or 64% of the total market capitalization.

The availability of Shariah compliant stocks has also boosted the development of the Islamic funds management industry. Starting with 2 equity funds in 1993 we now have 77 Islamic unit trust funds comprising both equity and bond funds with a net asset value of about US\$1.81 billion (RM6.8 billion) or about 8% of the total NAV of the unit trust industry. Over the last 10 years Islamic unit trust funds have been growing at a compounded annual rate of 47% while the unit trust industry as a whole grew at about 9.6%.

The same success story can be seen in the bond market. The growth and development of Islamic bonds is also very impressive as we have witnessed a significant increase in the size of Islamic bonds issued by corporate bodies. Total outstanding Islamic corporate bonds currently stand at about US\$20.75 billion (RM78 billion) or 41% of total outstanding corporate bonds. In the first six months of this year, there were 33 issues of Islamic bonds structured based on various underlying Shariah principles including Mudharabah and Musharakah. With total nominal value of just under US\$3.85 billion (RM13 billion), this represents 78% of the total corporate bonds issued in Malaysia during that period.

The objective of effective and efficient mobilization of Islamic funds has been achieved

Clearly we have come a long way since the early days. The efforts of the government over the past decade or so in developing the ICM has shown results. These efforts were initially driven by the specific need to address effective and efficient mobilization of funds of Islamic banks, Takaful as well as other Islamic institutions such as Tabung Haji, and enhancing the liquidity management of these sectors. Today not only has this objective been attained, Islamic capital market products and services have also become part and parcel of the broader capital market landscape in Malaysia, offering viable and competitive alternatives to conventional products and services, hence reflecting their increasing popularity and acceptability both as financing and investment tools.

To the extent that early efforts, policies, and strategies were in-

tended to fill a gap and to bridge investors' faith-based demands for products and services with faith-based business and financial solutions and products, these policies and strategies clearly have been more than successful. There is now a sufficiently wide array of Shariah-compliant products in the capital market to fulfill the needs of investors looking for faith-based investing. We have bonds structured using a variety of Islamic principles, we have Shariah-compliant stocks for direct investment in the capital market, we have unit trust funds for those who prefer the collective investment vehicle. We also have the Shariah Index, we have intermediaries and advisers offering expertise both on the demand and supply sides.

Government-driven policies and initiatives were key to the success of the initial phase

These have been achieved through clear policies and government-driven initiatives. The establishment twelve years ago of the Securities Commission (SC) whose mandate included not just regulating but also developing the market, provided ownership and leadership to the governments efforts to develop the ICM. This statutory developmental mandate enabled the SC to move very quickly to put in place the necessary institutional and regulatory infrastructure for the development of ICM. Significant top-down initiatives were pursued.

The establishment of a Shariah Advisory Council for the capital market at the level of the regulator in 1996 provided the single most important impetus for the success of other initiatives. With the SAC presiding as the highest point of reference with respect to all Shariah matters in the capital market, many other building blocks were able to be put in place. The SC's extensive powers with respect to issuance and offer of securities in the market paved the way for the SC to issue legally binding guidelines and requirements with respect to the Islamic Capital Market. This enabled for instance the SC to impose specific requirements for Islamic unit trust funds and Islamic bonds.

The adoption and pursuit of a screening process to determine Shariah compliant stocks, the issuance of numerous guidelines to impose additional requirements on products that are identified as Shariah compliant, the ability to respond to queries and clarifications on Shariah issues from the market, coupled with the SC's own ability to address regulatory and tax impediments with the relevant authorities and to introduce education and awareness programmes through the publication of resolutions of the SAC and through specific programmes organized by the Securities Industry Development Centre, enabled the necessary building blocks to be put in place.

Taking the ICM to its next phase of development – A strategic shift

What then should the focus of the next phase of development be? Where do we go from here? To me, taking the Malaysian Islamic capital market to its next level of development requires a strategic shift on several fronts.

First, we should move beyond the desire to fulfill the special needs of faith-based investors to providing real and viable investment alternatives to all. Second, the focus of our efforts should extend beyond the domestic market. Third we have to move from product adaptation and imitation to product origination and innovation. Fourth, we have to move from government-driven, top-down policies and initiatives to market-driven efforts. Let me elaborate on each of these.

(Continued...)

KEYNOTE - Securities Commission (continued...)

From fulfilling the needs of Muslims to providing real and viable investment alternatives to all

The ICM serves the same economic purpose as the conventional capital market. Hence the ICM must move beyond bridging investors' faith-based demand for products with faith-based business and financial solutions and products. Universal acceptability, not exclusivity must be the objective and hallmark of ICM going forward.

It is a well-known fact that in Malaysia, Islamic banking, Takaful and capital market products are beginning to be accepted as viable, competitive alternatives to conventional products. In fact according to an independent survey more than two thirds of financing provided by Islamic banks are to non-Muslims. Similarly more than half of the units offered by Islamic unit trust funds are subscribed by non-Muslims. Similarly the issuance of Islamic bonds by corporations whose financing needs can also be met by the use of conventional instruments and the interest of public-listed companies not belonging to Muslims in the status of their Shariah compliance are testimony to this.

In this regard, it is no longer appropriate to talk of the potential market for ICM in terms of the number of Islamic funds, the Muslim population and such narrow parameters. The entire financial system must be the potential for the ICM. The success in "mainstreaming" Islamic products and services in Malaysia, should be replicated on the international front. The potential market for global ICM products is therefore not the often quoted assets of 265 or so Islamic banks worth in excess of US\$260 billion, with deposits growing at between 10 to 20% annually, or the total amount of investible funds belonging to GCC countries said to be in excess of US\$400 billion or those belonging to their high net worth individuals said to be in excess US\$1.6 trillion.

On the contrary, the potential global market for ICM products and services is the global financial system. A recent survey by McKinsey & Co estimated the global stock of financial capital available for intermediation stood at US\$1.18 trillion in 2004 and is expected to exceed US\$200 trillion by 2010. Roughly 80% of the global financial stock is in developed economies like US, Europe and Japan. Today, almost all are likely to comprise conventional products.

Hence, the challenge going forward is how to make ICM products the products of choice for all issuers, intermediaries and investors irrespective of their faith. ICM product and services must therefore compete against the best and most competitive in the world, not just against what is offered by other ICM centers. The strategy going forward must be to focus on convergence rather than differentiation; on similarities with, rather than differences from, conventional products. It is therefore imperative that standards of documentation, governance structure and practices, levels of transparency, disclosure, and the protection accorded to investors, are benchmarked against existing international standards, best practices and codes.

From domestic to global focus

Looking beyond the domestic market to the global market is in fact not a new strategy. It is clearly articulated in the Capital Market Masterplan (CMP). One of the six strategic objectives of the CMP is the establishment of Malaysia as an international Islamic Capital

Market Centre. This is because Malaysia has a comparative and competitive advantage with respect to the Islamic capital market. Towards this end, the CMP calls for the enhancing of the value recognition of the Malaysian Islamic Capital Market internationally.

Among others, specific recommendations of the CMP include enhancing awareness of Malaysia's Islamic capital market at domestic and international levels. Establishing strategic alliance with other key Islamic capital market centers, issuance of international Islamic bonds by government and government-related entities and the possibility of listing Malaysian funds in the international market.

Some of the specific initiatives that are being pursued in the attainment of this initiative is to continue the path of developing more universally acceptable Shariah compliant products.

Of course fundamentally and at the most basic level this calls for the adoption of Shariah principles that are universally acceptable. But that is not all. As mentioned earlier, standards, practices and documentation must also be internationally benchmarked. Product developers, issuers and advisers must ensure international acceptability and compatibility through benchmarking against international best practices and standards such as IOSCO's Objectives and Principles of Securities Regulation and OECD's Corporate Governance Principles. Furthermore the listing of products on the international exchanges will enhance investor access to those products and facilitate the participation of conventional issuers and investors, thus further facilitating the integration with the global financial system.

The best way to achieve the above is to allow our products to be offered to investors across the globe and to open our markets not only to foreign investors but also to foreign issuers and intermediaries. The more diversified the issuer and investor base, the further ICM products move up the ladder of international compatibility, competitiveness and acceptability. In this regard, Malaysia's global sovereign Sukuk in 2002 – the world's first – is a fine example. Facilitated by local and international intermediaries, this issue achieved by way of geographical distribution of investors, 51% from the Middle East, 30% from Asia, 15% from Europe and 4% from the US. On the flip side we have more recently seen the issuance in Malaysia of Ringgit denominated Islamic bonds by supranationals, again facilitated by local and international intermediaries. These again attracted both local as well as international investors. In this regard, the involvement of global issuers, investors and intermediaries in the ICM will ensure that these goals are achieved, as they would demand standards of compliance, transparency and governance that they are familiar with and accustomed to. The licensing of foreign Islamic banks, foreign stockbroking and fund management companies will all contribute significantly to the achievement of this goal.

Recent liberalization measures that were announced by the SC are also expected to facilitate cross-border issuance and investment including with respect to ICM products. The liberalization measures among others, allows non-Ringgit bonds to be traded in Malaysia without SC's prior approval if traded between sophisticated investors. Malaysian PLCs are also allowed to issue non-Ringgit bonds to sophisticated investors in Malaysia. Additionally Malaysian investors can now invest in foreign securities listed on recognized foreign exchanges while the offering of foreign shares is allowed subject to SC approval. While these measures are not targeted specifically to ICM, it is expected that they will go a long way in helping promote ICM internationally.

(Continued...)

KEYNOTE - Securities Commission (continued...)

From product adaptation to product origination

There is nothing wrong with adaptation and imitation. It is our willingness to unravel conventional products and structures and address those portions that are not Shariah compliant that have brought success to the ICM in the first phase of development. In fact to do otherwise in the first phase of development may not have been possible as investors would want to invest in products with which they have a certain degree of familiarity and comfort. But to continue to do so would mean that ICM would always lag behind the conventional market. It would also mean that the richness of Shariah principles will never be fully utilized or tapped.

Product origination and innovation, however, cannot take place if ICM products must continue to fit into conventional regulatory straight jackets. Our experience with respect to Islamic bonds is a clear case study in this regard. As some of you may be aware in our effort to facilitate product innovation in ICM, the SC released the Guidelines on Offering of Islamic Securities in 2004. These Guidelines introduced an umbrella framework for Islamic securities, enabling and facilitating the development of a more innovative and sophisticated ICM.

Prior to the issuance of these Guidelines, the issuance of Islamic bonds was subject to the guidelines for the issuance of conventional bonds, subject to appropriate modifications, particularly in terms of the requirements of the Shariah advisers etc. Conventional bonds as we all know are based on the legal concept of debentures, which involves the element of indebtedness. Hence this had a limiting effect on the development of Islamic bonds based on structures involving elements of equity participation like Musharakah (profit and loss sharing) and Mudharabah (profit sharing) bonds. Hence the issuance of Islamic bonds were then confined to those based on BBA (deferred sale) and Murabahah (sale and purchase transaction involving cost plus profit margin) principles. This had a constraining effect on the growth of the Islamic bond market. The introduction of the Islamic Securities Guidelines and some changes to the definition of securities in the law, effectively de-coupled Islamic bonds from the definition of debentures and allowed issuers to structure products based on the very rich fiqh muamalat principles.

From policy-driven to market-driven initiatives

The ICM is no longer in the construction phase. The building blocks are all in place – the institutional and regulatory framework, the market infrastructure, the tax incentives and indeed the long-term policy direction. Of course the government will need to address residual legal or tax issues and fine-tune existing frameworks to ensure relevance and effectiveness. The global market is now convinced of favorable policies and facilitative framework for Malaysia's ICM. What they need to see is more innovative products originating from Malaysia and marketed to the world. What they need to see is Malaysian intermediaries offering their ICM skills and expertise to the global financial community. While it has to be acknowledged that even in the first phase this was beginning to happen, more needs to be done. Hence the focus of efforts in the next phase must be largely industry-driven. Product innovation, ensuring global compatibility and acceptance, branding and profiling and promotion must be pursued by the private sector. In the Islamic equity market for instance, a financial intermediary in Malaysia has developed a specialized product to meet the specific needs of their investors and clients in the form of the RHB-Dow Jones Islamic Index which was launched several months ago.

Targeting beyond meeting the needs of faith-based investors means ICM products can no longer wait to be bought, they must be sold, and sold aggressively. In this regard, strategic cross-border alliances by our market intermediaries and institutions as well as the direct participation of Malaysian intermediaries in some foreign markets will greatly contribute to achieving an international presence for Malaysian ICM products and services.

Key Challenges

What are some of the key challenges in taking the Malaysian ICM to the next phase of development? First, the need to ensure greater convergence on Shariah matters. Second, ensuring compliance with internationally acceptable standards. Third, ensuring availability of appropriate human capital. Fourth, the need for greater international co-operation and co-ordination.

A lot has been written and said about the need for greater Shariah convergence and this is also a matter being addressed at the international level. Clearly the realization is there and the increasing acceptability of particular products by investors in various parts of the world is testimony to the fact that there has been some progress in the process. With more regular dialogue and discussion among international Shariah scholars not only among themselves but also with academics and capital market practitioners, with efforts being pursued by the likes of the IDB and with the growing demand for ICM products that are globally acceptable, we should be able to see greater convergence in the near future. Where complete convergence cannot be achieved, there must be greater tolerance and appreciation of differences in Shariah interpretation.

Efforts in ensuring Shariah compliance must be complemented with efforts to ensure international acceptability and compatibility through benchmarking against international best practices and standards such as IOSCO's principles and objectives of securities regulation, OECD's Corporate Governance principle and international accounting standards. In this regard, the significant efforts of organizations like IDB, IFSB and AAOFFI cannot be over-emphasized. However at the end of the day, the key driver for this is the need to attract global investors and global issuers.

Human capital is pivotal in taking the ICM to its next phase of development. There is a great need to enlarge the pool of human capital in areas like Islamic and conventional finance and specialized tax, legal and accounting expertise. In this regard, market professionals must complement and support the efforts of organizations like SIDC and IBFIM.

For the ICM to make significant headway in the global financial system international co-operation and co-ordination is vital. In this regard, the efforts of IDB in formulating a 10-year Masterplan for the ICM is a good start. Furthermore, where appropriate we can emulate efforts that are currently being pursued in the development of the conventional capital markets by various regional groupings and agencies such as the ADB, the ASEAN+3 Bond Market Initiative as well as the APEC and ASEAN Finance Ministers' initiatives with regard to capital markets.

This Keynote Presentation By Dr Nik Ramlah Nik Mahmood, Director, Market Policy & Development Division on "The Malaysian Islamic Capital Market Towards the Next Phase of Development" was delivered during the 2nd Annual Asian Islamic Banking & Finance Summit

Islamic Finance forum

Are financial structures commonly used in Malaysia, such as Murabahah bonds and Bai Bithaman Ajil bonds sufficiently acceptable to Middle Eastern investors? If not, do you think this has contributed to the lower than anticipated levels of investment in Malaysia by Middle Eastern funds, and if so what needs to change?



CHRIS COOK

Principal
Partnerships
Consulting LLP,
London

There are probably two factors at work here.

Firstly, a LIBOR-based rate of return is very clearly a "Deficit-based" but "Asset-backed" return - in other words obviously based upon bank-created credit secured by a claim over assets.

I suspect that only a minority of Middle Eastern investors are prepared to suspend their critical faculties in order to accept such a return, rather than a return based upon the actual market value in use ("usufruct") of the asset.

The second factor may be a residual suspicion on the part of investors in relation to Malaysia's robust attitude in respect of capital flight exemplified by her implementation of exchange control measures in 1997/8.

"Asset-based" solutions (based upon actual ownership of productive assets and associated revenues) allow us to transcend the first problem of course, as I point out elsewhere.

The second issue comes under the heading of "political risk" and will continue to be taken into account by investors - the question being whether Dr Mahathir's successors would take the same (in my view, absolutely correct) view he did or subscribe to neo-Liberal orthodoxy.



PROFESSOR RODNEY WILSON

Director
University of Durham

Murahabah is acceptable in the Gulf, but Bai Bithaman Ajil is not used, although it is not very different from Murabahah in financial terms.

The problem with BBA is when it is traded, as trading debt unconnected to an underlying asset is quite rightly forbidden by Gulf Shariah scholars. Islamic banks everywhere are moving away from Murabahah which is very short term debt finance to longer term finance such as Ijarah.

Shariah scholars have been happy to see this development, as back in the 1980s and 1990s almost 80 percent of total Islamic finance consisted of mark up Murabahah transactions. Hopefully in the longer term we will see more Musharakah participatory finance as this is more in conformity with the spirit of Islamic finance that involves sharing risk rather than putting most risk onto the client.



ADNAN AZIZ

Research Analyst
Dar Al Istithmar
London

An obvious answer to the question would be no. This is because much of the debate on the said financial structures, as used in Malaysian bonds, indicates that Middle Eastern (ME) Shariah scholars consider trading such bonds in secondary markets akin to riba.

Nevertheless, Malaysia is a leading player in offering of this asset class as an investment vehicle. About two thirds of the current volume of global Sukuk issues (estimated to be over US\$20 billion) has come from Malaysia alone. Almost half of this (over US\$7 billion), however, is due to Murabahah and Bai Bithaman Ajil (BBA) bonds only.

Malaysian Sukuk attracts investments from both Islamic and conventional investors. Investments from the Middle East region also helps form this pool. One may be inclined to say, under the circumstances, that the levels of investments must have been lower than anticipated. This may be the case, as until recently, there has not been any Malaysian Sukuk listed on the Middle East exchanges. Malaysian Global Sukuk is, in fact, the first Malaysian bond issue to be listed on the Bahrain Stock Exchange and even that is based on the Ijarah principle.

In wake of the recent Asia-Middle East dialogue on financial co-operation and the fact that Malaysia's trade with the Middle East nations remains relatively untapped, growing financial links are likely to pave the way for economic growth and reflect comparative advantage of the country as a trading nation. To that end, Malaysia should consider issuing Sukuk based on financial structures acceptable to the Middle East investors such as Ijarah and Mudarabah. An alternative could be using a hybrid structure where BBA and Murabahah may also feature to the extent of Middle East-accepted limits. Such re-thinking is very likely to attract 0.3 million high net worth individuals from the Middle East region with over US\$2 trillion of investable capital.

Islamic Finance *forum* (continued...)



James Hume

Chief Executive Officer
Omega Marketing Consultants,
Dubai

It is no secret that, generally speaking, there is a greater degree of conservatism in the Middle Eastern countries than in Asia when it comes to interpretation of the Shariah as it relates to acceptable financial structures and instruments.

It is also apparent that high and rapidly increasing levels of wealth in the Middle East, largely derived from oil production, can be readily absorbed by the Asian capital markets where rapid development and economic expansion ensures a high demand for investment capital in that region. So maybe there is some truth in the old adage 'he who pays the piper, calls the tune' - evidenced by hesitance on the part of conservative Middle Eastern based investors to test boundaries of acceptability.

Change is coming, albeit slowly, from increasingly homogenous Shariah boards, with members representing a cross-section of views that transcend regional boundaries. The AAOIFI Board is a perfect example of what can be achieved in this respect.

However, a note of caution - the long term interests of Islamic finance are not necessarily well served by continually pressing to eliminate long-established and supportable distinctions between Shariah-compliant and conventional financial instruments if the main objective is merely to copy. Similar utility should be sought through innovation, not emulation.

Next Forum Question

Is it the case that Islamic banks have yet to introduce a sufficient range of financial products to cater to a wide investor and client base? If so, what steps do these organizations need to take in order to attract new clients and investors?

If you would like to air your views on the next Islamic Finance Forum Question, please email your response of between 100 and 300 words to Christina Morgan, Islamic Finance News Manager at: Christina.Morgan@IslamicFinanceNews.com before Wednesday 19th October.

Or similarly if you would like to pose a future question for our readers and expert panel please forward your suggestions.

Structuring Islamic Finance Transactions



Edited by Abdulkader Thomas, Stella Cox and Bryan Kraty
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NEWS BRIEFS

BAHRAIN

Solidarity unveils single contribution plan

Solidarity, one of the largest Takaful companies in the world, has launched an innovative single contribution plan, SolidBond, to offer national, expatriate and international investors a focused investment vehicle.

The Shariah compliant plan includes special features to help customer's capital get the most from Shariah compliant investment opportunities such as investment flexibility and the ability to switch funds as the market changes.

The company said the SolidBond plan has two special attractive features and is the enhanced allocation to units and the loyalty bonus. Unlike many other types of investments, there is no bid/offer spread so investments are not subject to a front-end charge. The plan, which is open to anyone aged 18 years and above, requires a minimum investment of US\$20,000, which can be increased at any time during the plan's lifespan.

UAE (Dubai)

Salama - A new corporate identity

Islamic Arab Insurance Company, the world's largest Takaful and re-Takaful provider, has announced that it is re-branding its business as "Salama" Islamic Arab Insurance Company.

According to the company, the aim of the re-branding is to create a strong platform for local, regional and international expansion and to strengthen its position as a leading provider of Islamic insurance and re-insurance products and services.

An established Islamic insurance and reinsurance company, "Salama" Islamic Arab Insurance Company was recently listed on the Dubai Financial Market following an Initial Public Offering, which was many times over subscribed, raising the company capital to US\$272.26 million (Dh1 billion). "Salama" Islamic Arab Insurance Company has six Takaful companies and provides services in 70 countries through Tunisia-headquartered BEST Re, the world's biggest Islamic "re-Takaful" company.

In another development, the 'Salama' Islamic Arab Insurance Company also announced that it would be issuing life and medical insurance and would begin providing this by the end of the year or within the first quarter of 2006.

QATAR

QIIC to restructure investment portfolio

The Qatar Islamic Insurance Company (QIIC) has decided to restructure its investment portfolio and offload a portion of shares it holds in locally listed companies to finance expansion overseas.

Offloading of the shares began last week and will continue until the 31st December this year. As a result, the company's profits for the current year are likely to soar to US\$40.11 million (QR146 million) as against US\$7.42 million (QR27 million) last year, reflecting a 440% rise.

The shareholders of the company stand to benefit substantially from the move. The company also plans to use added profits thus gained from the sale of shares to finance expansion abroad. Plans are afoot to set up operations overseas and the company may either set up new insurance ventures or buy equities in existing ones.

JORDAN

Jordan Loan Guarantee Corporation signs agreement with Islamic insurance body

The Jordan Loan Guarantee Corporation (JLGC) last week signed a co-operation agreement with the Islamic Corporation for Insurance of Investments and Export Credits (ICIEC), an affiliate of the Jeddah-based Islamic Development Bank (IDB).

JLGC said the agreement would support Jordanian exports as the ICIEC would increase the corporation's ability to guarantee them. Similar agreements have been signed with organizations in Islamic countries such as Tunisia, Egypt, Iran, Kazakhstan and Malaysia as part of the IDB's policy that seeks to enhance these countries' export capabilities.

BAHRAIN

Takaful International eyes joint ventures in Kuwait and Saudi Arabia

Bahrain-based Takaful International recently announced plans to set up joint ventures in Kuwait and Saudi Arabia to take advantage of the rapid growth of Islamic insurance in the region.

The company has obtained a licence to set up an insurance company in Kuwait with a capital of US\$17 million, of which it will have a 20% stakeholder, and has applied for a licence in Saudi to set up a firm with a capital of US\$27 million.

Next Forum Question

Competition within the Takaful industry is rapidly escalating. What approach is necessary for guaranteed long term success?

In the next issue of Takaful News we will publish your thoughts on the above question. If you would like to contribute please email your responses to Christina.Morgan@islamicfinancenews.com before Wednesday 19th October.

BAHRAIN

BMA outlines new guidelines for insurance firms

The Bahrain Monetary Agency (BMA) recently held an information session for insurance firms, focused on providing guidance on the licensing requirements for insurance licensees.

New regulations, issued in May, impose a number of new requirements for all insurance licensees. BMA said the new regulations aim to provide an even playing field for all insurance providers, and ensure the safety and reliability of insurance firms operating both in and from Bahrain.

The Insurance Rulebook (Volume 3 of the BMA Rulebook) sets out BMA requirements for the insurance, reinsurance, Takaful and re-Takaful industries. It also includes a new system applicable specifically to captive insurers, covering issues such as high-level standards, business standards, reporting requirements, enforcement and redress.

PAKISTAN

MNI poised to launch products in Pakistan

Malaysia National Insurance (MNI) said it is ready to launch its products in Pakistan and was awaiting the Pakistani Government to gazette the rules on the introduction of Takaful products in the country.

MNI's 80% Takaful Nasional Sdn Bhd has a 25% stake in a joint-venture Takaful investment company Pak Kuwait Takaful Company Ltd.

Pak Kuwait Investment Co (Private) Ltd (PKIC) holds 30% of the JV, with the remaining shareholders being Meezan Bank Ltd (10%) and others (35%).

PAKISTAN

Investors to float insurance companies in Pakistan

Qatari investors have got together to float two major insurance companies in Pakistan – one dealing in Takaful and the other general insurance. Feasibility studies have been completed indicating immense potential for the two insurance ventures in Pakistan. The launch of the companies reported to be at the final stages.

Earlier last week a delegation of Qatari investors visited Islamabad and called on President Pervez Musharraf. The delegation included Sheikh Ali bin Abdullah Al Thani, Abdul Basit Al Sheibi, General Manager of Qatar International Islamic Bank (QIIB), and Izzat Al Rashid, General Manager of Qatar Islamic Insurance Company (QIIC).

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SECTOR REPORT

E-Takaful: Why the Neglect?

By Asem Ahmad

One of the major challenges facing the development of the Takaful industry worldwide is the fierce competition from the conventional Insurance industry. Conventional insurers with their financial muscle, diversified portfolio, sophisticated information systems, powerful and highly trained manpower and established geographical presence, all are real challenges to the newly established Takaful industry. One of the major developments Takaful operators are urgently needed to undertake is expanding their distributional network. Unlike the conventional insurance industry, Takaful operators do have the advantage of attracting Muslim customers who wish to conduct their financial affairs within the guidelines of the Shariah. So what is going wrong?

The Takaful industry worldwide, except in Malaysia, is still relying on traditional distribution channels. That means, agents, brokers and direct sales are still the main methods used by the Takaful industry. Furthermore, the Takaful industry is also still relying on traditional marketing strategies, including, newspaper ads, TV and radio ads, leaflets, contacting customers and potential customers, etc. Although such marketing strategies are still valid and useful, the Takaful industry needs to take advantage of modern technology to expand its distribution network and marketing strategies. To resolve that, the Takaful industry should consider entering the e-commerce arena and develop its IT services. One of the main distribution channels adopted by the conventional insurance industry is e-insurance (e-Takaful). So what is e-Takaful, and how does it work?

E-Takaful could be defined as, "The application of e-commerce, e-marketing and other IT tools by Takaful operators on the production and distribution of their products". In a narrower sense, e-Takaful could be defined as the provision of an insurance cover whereby a Takaful policy is solicited, offered, negotiated and contracted using the Internet. Undoubtedly, e-commerce and IT terms have become an integral part of the financial industry worldwide. For Takaful operators, embracing e-commerce has become a mean for effective competition and wider product distribution. E-Takaful can provide the Takaful industry with many benefits, including,

- The reduction of internal administration and management costs for Takaful companies through automating business process and improving management information.
- The reduction of commissions paid to intermediaries and agents by selling directly to consumers through the Internet.
- Takaful customers will have a wide range of prices and policies from different Takaful operators to choose from.
- Takaful operators selling online can exploit the cost efficiencies arising from the application of IT in production or distribution and pass these savings on to policyholders.
- Takaful operators could benefit from the Internet to market their products and hence catching the attention of more potential policyholders.

The application of e-commerce and IT services by Takaful operators would undoubtedly pave the way for more market dominance and control. It is worth noticing that the conventional insurance industry in many parts of the world has already established its place in the e-commerce arena. E-insurance has become a popular marketing and distribution tool for insurance companies worldwide. For Takaful to survive the competition, e-commerce and IT should be put on the top of its development agenda. The Malaysian Takaful industry has already started the development of the e-Takaful sector, although it is still far from becoming the main distribution channel for the Takaful industry there, nonetheless, it could provide the needed precedence for the Takaful industry worldwide to start developing their own e-Takaful services.

When considering that e-Takaful represents the application of e-commerce and IT tools, the following services could be included under e-Takaful,

- E-policies: policyholders will have the option of joining a Takaful scheme from their homes or work places by using their personal computers. This creates a direct relationship between the Takaful operator and its policyholders without the need of agents or brokers. Also, existing policyholders will have the choice to renew their policies online. This service is less costly and more convenient to both Takaful operators and policyholders.
- E-claim: policyholders will be able to make claims on their policies through the Internet and by providing all the details and documentation needed through the e-channel. All required forms could be filled in on the web, pictures, reports and official papers can all be sent through the Internet. Policyholders do not need to go to the offices of the Takaful operator to make their claims; they only need to follow the procedures provided on the operator's website.
- Automated Teller Machines (ATM's): this type of technology provides policyholders with quick access to all the needed information about their policies and products. Usually this type of technology will be provided through dialling a phone number and then choosing from a list of options covering different aspects of Takaful operations. However, the option of speaking directly to a Takaful advisor or customer service officer will always be provided as an option to the caller.
- E-marketing: the era of using radio, television and posters to market products is shrinking and the era of the World Wide Web is emerging very strongly and quickly. Definitely, the traditional marketing methods are still applied; still, many businesses are adopting the e-marketing strategies for its low cost and ability to reach millions of customers all over the world.
- E-education: Takaful operators can use modern technologies to educate the public about the benefits of Takaful and its privileges. This approach is already emerging in Malaysia, where the Financial Authorities and Takaful operators are using the Internet to spread the knowledge on the Takaful industry. There are many websites that could be found on the Internet where people can learn about Takaful.

SECTOR REPORT E-Takaful: Why the Neglect? (continued...)

- Short Messaging System (SMS): this new type of technology can be provided by Takaful operators to their policyholders by using mobile technology. In simple terms, policyholders or potential customers can request some information regarding Takaful operations and products using their mobile phones. This new service is still in its developing stages and soon could become very popular among policyholders. STMP is the first Takaful operator to introduce the SMS service.

Accordingly, the e-Takaful concept is much wider than perceived by many. However, entering the e-commerce zone should not be seen as a straight forward process. Takaful operators should study and carefully consider every step towards adopting the e-commerce approach. In the business world, any company with plans to develop new services, any potential challenges that could face such development must be carefully and thoroughly examined. With regard to the introduction of e-commerce to the insurance business in general, the International Association of Insurance Supervisors (IAIS) proposed the following questions to be considered by every insurance company before making any decision to engage in e-commerce,

- What are the distinctive features of electronic commerce and what are the associated operational risks.
- How e-commerce fits with the strategic orientation and the priorities of the company and how it helps achieve those.
- Whether e-commerce fits the company's image.
- Who will be the target group for this channel of distribution and will new products have to be designed to meet any specific needs of this target group (and which markets will be excluded).
- What will be the effect on consumer satisfaction?
- What implication will this new distribution channel have on traditional business and can they co-exist or be combined; what savings will result; will the business be profitable.

- Whether to develop a strategic alliance on the internet.
- Whether to use portals to group insurance products.
- What information will be supplied to the consumer?

Accordingly, the same questions should also be considered by Takaful operators before engaging in e-commerce and before the introduction of any IT service. However, considering the unique nature of Takaful business as a Shariah-complaint and new business, there are a number of challenges that could arise with the introduction of e-commerce, which can be summarized as follows,

- As a new industry, Takaful operators need to concentrate their efforts on building strong relationships with their policyholders. Offering their business through the Internet, for example, would not assist this approach. Usually, businesses in their formative years should make their best efforts to create a solid relationship with their customers, and the best way to achieve this is through face-to-face dealings and meetings.
- Entering the e-commerce zone is not a cheap option. For the experience to be successful and profitable, Takaful operators need to invest heavily in IT equipment, training staff, employing third party experts, and marketing their e-products. Furthermore, to maintain customer awareness of the company's website may involve significant advertisement costs.
- Shariah-compliance is another factor that needs to be considered when entering the e-commerce zone. Issues like electronic payments using credit cards, avoiding gharar by making sure that everything is clear and easy to understand by existing policyholders and potential policyholders, and the appointment of an e-commerce expert on the Shariah Supervisory Board to ensure the legality of all e-Takaful operations and products.
- One of the main obstacles for the development of e-Takaful is low internet penetration rates in the Muslim world (See Table 1).

Internet Penetration in the World

Arab/Muslim Countries			Non-Arab/Non-Muslim Countries		
Nation	Population	Internet Users	Nation	Population	Internet Users
Algeria	32.53 million	180,000	Australia	20.09 million	13.01 million
Bahrain	688,345	140,200	Belgium	10.36 million	4.87 million
Bangladesh	144.32 million	150,000	Canada	32.81 million	20.45 million
Egypt	77.51 million	2.42 million	Denmark	5.43 million	3.72 million
Indonesia	241.97 million	12.86 million	Finland	5.22 million	3.27 million
Iran	68.02 million	420,000	France	60.66 million	25.47 million
Jordan	5.76 million	212,000	Germany	82.43 million	41.88 million
Kuwait	2.34 million	200,000	Hong Kong	6.90 million	4.58 million
Lebanon	3.83 million	300,000	Italy	58.10 million	25.53 million
Libya	5.77 million	20,000	Japan	127.4 million	78.05 million
Malaysia	24 million	10.04 million	The Netherlands	16.41 million	9.79 million
Morocco	32.72 million	400,000	Norway	4.59 million	3.03 million
Oman	3 million	120,000	Russia	143.42 million	21.23 million
Pakistan	162.42 million	1.2 million	South Korea	48.42 million	31.67 million
Saudi Arabia	26.42 million	2.54 million	Spain	40.34 million	13.44 million
Sudan	40.19 million	56,000	Sweden	9 million	6.12 million
Syria	18.45 million	60,000	Switzerland	7.49 million	4.60 million
Tunisia	10.07 million	400,000	Taiwan	22.89 million	9.52 million
Turkey	69.66 million	7.27 million	United Kingdom	60.44 million	33.11 million
UAE	2.56 million	900,000	United States	295.73 million	185.55 million

Table 1: Source: http://www.clicks.com/stats/sectors/geographics/article.php/5911_151151

SECTOR REPORT

E-Takaful: Why the Neglect? (continued...)

Takaful operators should study the internet market very carefully before investing in IT technologies and e-commerce. Also, credit card penetration rates and other methods used in electronic payments are very low, as for those that are already in use they are still unreliable and limited to small sections of Muslim Societies.

- There is a lack of regulatory framework for e-commerce, e-marketing and IT strategies in most parts of the Muslim world. This new area of business is still unnoticed by the legislative authorities in many Muslim countries, which leaves the operator and policyholders dealing in an unregulated sphere. E-Takaful requires modern e-commerce legislation that permits the operator and the policyholder to safely and unambiguously exchange

information, make electronic payments and validate their responsibilities through 'digital signature'.

What can be concluded is that, e-Takaful is a vital tool that is needed for the development of the Takaful industry. It is true that it presents the Takaful industry with new challenges however, it also provides many benefits. The international financial services market is moving towards "electronizing" their services and products, the internet has become the new domain for trading and marketing, and for the Takaful industry to develop and grow, they should conquer this domain. The Takaful industry cannot afford neglecting this new area of business for any longer.

Note: The author is currently doing a PhD on Takaful at the University of Birmingham- UK. e-mail: asem_albasheer@yahoo.com

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MOVES

AMERICAN EXPRESS – UAE

American Express Middle East has appointed four Regional Directors underlining the Groups plans for regional growth.

Premal Patel, Regional Marketing Director. His responsibilities will include ensuring the American Express brand reputation is in line with those of the rest of the world. Mr Patel was previously with Bates PanGulf a leading marketing services group.

Henry George, Technologies Director. Amongst others he will introduce state-of-the-art payment technologies and products. Mr George arrives from the Oracle Corporation in the UK.

Maruf Ahmed, Country Operations Director. This is a new position in the Middle East region for the firm. Mr Ahmed will 'streamline' operations throughout the region excluding Saudi Arabia and the UAE. He moves from Standard Chartered, Bahrain where he was acting CEO.

Simon Mitchell, Country Director, UAE. Mr Mitchell has been with American Express for almost 15 years with roles in Marketing, Risk Management, General Insurance and the Consumer Card business. He will be responsible for all business deliverables within the UAE.

DEUTSCHE ASSET MANAGEMENT – UAE

Daniel Smaller has been appointed Head of Deutsche Asset Managements' Middle East, Northern Africa and Pakistan operations.

Previously Head of Global Equity Sales in Asia, Mr Smaller is responsible for developing a local dedicated asset management presence in the Middle East, selling the group's global products into the region.

DEUTSCHE BANK – Hong Kong

Two new senior regional Equity hires at Deutsche Bank have been announced. Colin Fan, previously Global Head of Convertibles Trading and Co-Head of Structuring Trading, relocates from the Banks' New York office to become the Head of Asian Equities responsible for Cash Equities, Programme Trading, Equity Derivatives and Prime Services.

Charles McLaughlin joins the bank to become Chief Operating Officer for Asian Equities, the same position he held previously at JP Morgan.

TAIB BANK - Bahrain

Bahraini Taib Bank has announced the appointment of Mr Mohamed Saleh to the post of President and Chief Operating Officer.

Mr Saleh was previously the General Manager at Caylon, a company he had been with since 1993.

INJAZAT TECHNOLOGY FUND - UAE

The first Islamic venture capital firm in the MENA region, Injazat Technology Fund, has appointed Rami Bazzi as its Fund Manager for the territory.

Injazat Technology Fund E.C. is a US\$50 million Venture Capital Fund operating in compliance with Shariah principles and targeting technology companies within the MENA region.

BAHRAIN ISLAMIC BANK - Bahrain

In a series of placements aimed at enhancing Bahrain Islamic Banks' Management Team and attracting highly qualified Bahraini capabilities Faisal Alshowaikh has been appointed Director or Corporate & Institutional Banking.

Mr Alshowaikh has previously held several various senior positions with financial institutions in London and Bahrain, including KPMG, Schlumberger, Sterling Software Inc., Bank of Bahrain & Kuwait, Gulf International Bank, Standard Chartered Bank, and most recently Arab Banking Corporation.

EMIRATES BANK – Dubai

Zeina El Haj has joined Emirates Bank as its new Manager of Retail Public Relations, Events and Sponsorships.

Prior to her new role Ms El Haj was with the Arab Media Group and Dubai Radio Network where she held the position of Public Relations and Events Director.

JULIUS BAER – Dubai

Dominique Leimer has been appointed the New Chief Executive Officer Julius Baer (Middle East) Ltd, one of the leading Swiss based Private Banks.

Mr Leimer, who is replacing Brij R. Singh, has a wealth of experience in the Private Banking industry having served in Managerial positions with the Credit Suisse Group since 1991.

RHB ISLAMIC BANK - Malaysia

RHB Islamic Banks' Chief Executive Officer, Khalid Bhaimia and Head of Product Development, Jasani Abdullah officially introduced the banks five member Shariah Board. They will each serve a two-year term beginning from April 2005.

The Shariah Board members are: Sheikh Sir Dr Mohamed Aboulkhair Zaki Badawi (England); Dr Ahmed Mohieddin Ahmed (Saudi Arabia); Prof Dr Abdul Samat Musa (Malaysia); Associate Prof Dr Joni Tamkin Borhan (Malaysia); Prof Dr Mohd Ma'sum Billah (Malaysia).

HSBC - Dubai

The Corporate, Investment Banking and Markets (CIBM) division of HSBC Bank Middle East Limited has appointed David E King as Managing Director of Business Development.

Mr King was previously Acting Chief Executive of the Dubai Financial Services Authority. He has also held the position of Chief Executive of the London Metal Exchange.

CITIGROUP – Middle East

Citigroup has appointed Akbar Shah as the Head of Global Wealth Management for the Middle East region, a newly created position.

Mr Shah will be based in London and will be responsible for managing the regions Private Banking business.

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

RINGGIT ISLAMIC DEBT MARKET : FORTNIGHTLY SNAPSHOT

AS AT 6th Oct 2005

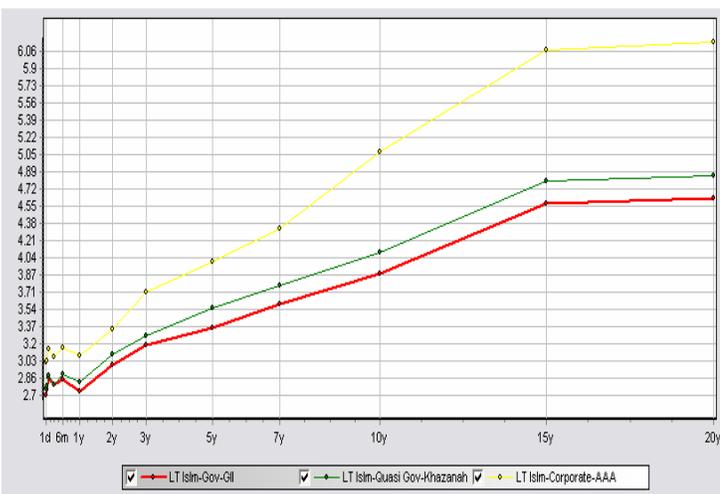
Key Benchmarks Trend (by volume)	Rating	This week close (%)	29/9/2005 (%)	22/9/2005 (%)	15/9/2005 (%)
Private Debt Securities					
K ALAM 0.000% 14.07.2010	AA3 (RAM)	113.80	114.46	114.15	114.25
SSHMC RM45M 3 YR 20.09.2007	AAA ID (S) (MARC)	101.88	101.83	101.86	101.86
PLUS PRIMARY BONDS SERIES 9	AAA (RAM)	113.09	113.09	113.38	113.38
BAYUPADU 0% 26.02.2010	A+ ID (MARC)	101.80	N/A	N/A	N/A
PLUS PRIMARY BONDS SERIES 4	AAA (RAM)	101.36	101.36	101.39	101.26
G SAGA 0.00000% 18.09.2009	AA3 (RAM)	110.89	110.14	109.17	109.17
Government Investment Instruments					
GII 1/2002 0.00000%		99.55	99.55	99.48	99.42
GII 1/2004 0.00000%		94.94	94.95	94.92	94.87
GII 1/2003 0.00000%		92.49	92.54	92.52	92.44
PROFIT BASED GII 1/2005		104.25	104.25	104.30	104.23
Quasi Government					
KHA1/04 1.15B 0-CP 5Y		87.47	87.47	87.36	87.15
KHA1/05 1B 0-CP 5Y 18.01.2010		90.82	90.87	90.81	86.13
KHA2/03 1B 0-CP 5Y 18/9/08		90.82	90.87	90.81	90.69
KLIA 0.000% 30.01.2016 PN		128.55	128.55	128.13	128.13
KHA 3/99 1.15B 0-CP 10Y 18.9.09		87.39	87.39	87.33	87.13

SPREAD VS GII (in b.p)

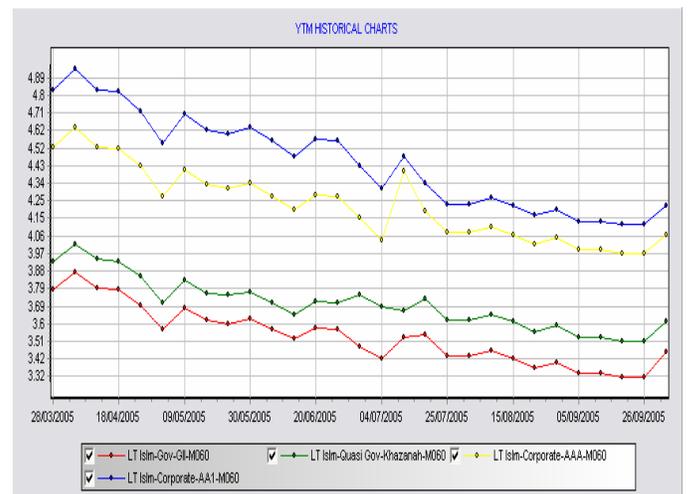
	TENURE					
	1-Year	2-Year	3-Year	5-Year	7-Year	10-Year
GII	2.85	3.09	3.24	3.45	3.68	3.99
Cagamas	0.23	0.28	0.33	0.29	0.32	0.33
Khazanah	0.08	0.09	0.09	0.16	0.18	0.2
AAA	0.34	0.34	0.52	0.62	0.73	1.18
AA1	0.38	0.49	0.77	0.77	0.9	1.28
A1	1.1	1.19	1.45	2.17	2.68	2.88

MYR ISLAMIC DEBT YIELD CURVES

YTM Curves



5-YEAR YTM Historical Charts (weekly closing, over last 6 months)





ISLAMIC LEAGUE TABLES



TOP 20 ISSUERS OF ISLAMIC DEBT						OCT 2004 - OCT 2005
Issuer or Group	Nationality	Instrument	Amt US\$ m	Iss.	%Share	Manager
1 Dubai Global Sukuk FZCO	United Arab Emirates	Sovereign Islamic Bond	1,000	1	13.2	Citigroup, Dubai Islamic Bank, HSBC
2 Pakistan International Sukuk Co Ltd	Pakistan	Sukuk-Al-Ijarah Sovereign Islamic Bond	600	1	7.9	Citigroup, HSBC
3 Wings FZCO	United Arab Emirates	Islamic Sukuk-Al-Musharakah Issue	550	1	7.3	Dubai Islamic Bank, Standard Chartered Bank, HSBC
4 Cagamas MBS Bhd	Malaysia	Asset-backed Sukuk Musharakah Islamic Bond	542	6	7.2	CIMB, HSBC, ABN AMRO, AmMerchant Bank Bhd
5 Islamic Development Bank	Saudi Arabia	Islamic Bond	500	1	6.6	Deutsche Bank, HSBC
6 Sarawak Corporate Sukuk Inc	Malaysia	Sukuk-Al-Ijarah Sovereign Islamic Bond	350	1	4.6	UBS (London)
7 PLUS Expressways Bhd	Malaysia	Serial Bai Bithaman Ajil Islamic Securities	349	4	4.6	Commerce International Merchant Bankers Berhad
8 SAJ Holdings Sdn Bhd	Malaysia	Al-Bai Bithaman Ajil Islamic Debt Securities	337	2	4.5	Aseambankers Malaysia Bhd, Bank Islam Malaysia Bhd, Commerce International Merchant Bankers Bhd
9 Syarikat Bekalan Air Selangor Sdn Bhd	Malaysia	Bai' Bithaman Ajil Commercial Papers/Medium Term Notes	273	4	3.6	Commerce International Merchant Bankers Bhd, Bank Islam Malaysia Bhd, HSBC Bank (Malaysia) Bhd
10 Jimah Energy Ventures Sdn Bhd	Malaysia	Istisnah' Islamic MTN Facility	245	10	3.2	AmMerchant Bank Bhd, RHB Sakura Merchant Bankers Bhd, Malaysian International Merchant Bankers Bhd, Bank Muamalat Malaysia Bhd
11 DRB-HICOM Bhd	Malaysia	Bai' Bithaman Ajil Islamic Debt Securities/Murabahah CP/MTN Facility	209	11	2.8	AmMerchant Bank Bhd, Malaysian International Merchant Bankers Bhd
12 Gold Sukuk dmcc	United Arab Emirates	Islamic Sukuk-Al-Musharakah Issue	200	1	2.6	Standard Bank, Dubai Islamic Bank
12 International Bank for Reconstruction & Development - World Bank	Supranational	Bai' Bithaman Ajil Islamic Debt Securities	200	1	2.6	ABN Amro Bank Bhd, Commerce International Merchant Bankers Bhd
14 Saudi Hollandi Bank	Saudi Arabia	Islamic Bond	187	1	2.5	ABN Amro, Saudi Hollandi Bank
15 Encorp Systembilt Sdn Bhd	Malaysia	Al-Bai' Bithaman Ajil Notes Issuance Facility	180	1	2.4	United Overseas Bank (Malaysia) Berhad
16 Musyarakah One Capital Bhd	Malaysia	Asset-Backed Sukuk Musharakah Issuance Programme	176	7	2.3	Commerce International Merchant Bankers Bhd
17 Special Power Vehicle Bhd	Malaysia	Bai' 'Inah Islamic MTN Facility	163	13	2.2	Malaysian International Merchant Bankers Bhd, AmMerchant Bank Bhd, RHB Sakura Merchant Bankers Bhd, Bank Muamalat Malaysia Bhd
18 Ranhill Power Bhd	Malaysia	Islamic MTN Programme	142	12	1.9	Aseambankers Malaysia Bhd
19 Antara Steel Mill Sdn Bhd	Malaysia	Al-Bai Bithaman Ajil Islamic Debt Securities	133	6	1.8	AmMerchant Bank Bhd
20 International Finance Corp - IFC	Supranational	Al-Bai Bithaman Ajil Islamic Debt Securities	132	1	1.7	Commerce International Merchant Bankers Bhd, HSBC Bank (Malaysia) Bhd
Total of issues used in the table			7,552	217	100.0	



Dealogic is a leading supplier of relationship and transaction management software and information systems for the investment banking industry

www.dealogic.com

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ISLAMIC LEAGUE TABLES



TOP 20 ISSUERS OF ISLAMIC DEBT							YEAR-TO-DATE
Issuer or Group	Nationality	Instrument	Amt US\$ m	Iss.	%Share	Manager	
1 Pakistan International Sukuk Co Ltd	Pakistan	Sukuk-Al-Ijarah Sovereign Islamic Bond	600	1	11.9	Citigroup, HSBC	
2 Wings FZCO	United Arab Emirates	Islamic Sukuk-Al-Musharakah Issue	550	1	10.9	Dubai Islamic Bank, Standard Chartered Bank, HSBC	
3 Cagamas MBS Bhd	Malaysia	Sukuk Musharakah Islamic Bond	542	6	10.8	CIMB, HSBC, ABN AMRO, AmMerchant Bank Bhd	
4 Islamic Development Bank	Saudi Arabia	Islamic Bond	500	1	9.9	Deutsche Bank, HSBC	
5 PLUS Expressways Bhd	Malaysia	Serial Bai Bithaman Ajil Islamic Securities	349	4	6.9	Commerce International Merchant Bankers Berhad	
6 Syarikat Bekalan Air Selangor Sdn Bhd	Malaysia	Bai' Bithaman Ajil Commercial Papers/Medium Term Notes	273	4	5.4	Commerce International Merchant Bankers Bhd, Bank Islam Malaysia Bhd, HSBC Bank (Malaysia) Bhd	
7 Jimah Energy Ventures Sdn Bhd	Malaysia	Istisna' Islamic MTN Facility	245	10	4.9	AmMerchant Bank Bhd, RHB Sakura Merchant Bankers Bhd, Malaysian International Merchant Bankers Bhd, Bank Muamalat Malaysia Bhd	
8 DRB-HICOM Bhd	Malaysia	Bai' Bithaman Ajil Islamic Debt Securities	209	11	4.1	AmMerchant Bank Bhd, Malaysian International Merchant Bankers Bhd	
9 Gold Sukuk dmcc	United Arab Emirates	Islamic Sukuk-Al-Musharakah Issue	200	1	4.0	Standard Bank, Dubai Islamic Bank	
10 International Bank for Reconstruction & Development - World Bank	Supranational	Bai' Bithaman Ajil Islamic Debt Securities	200	1	4.0	ABN Amro Bank Bhd, Commerce International Merchant Bankers Bhd	
11 Musyarakah One Capital Bhd	Malaysia	Asset-Backed Sukuk Musharakah Issuance Programme	176	7	3.5	Commerce International Merchant Bankers Bhd	
12 Special Power Vehicle Bhd	Malaysia	Bai' 'Inah Islamic MTN Facility	163	13	3.2	Malaysian International Merchant Bankers Bhd, AmMerchant Bank Bhd, RHB Sakura Merchant Bankers Bhd, Bank Muamalat Malaysia Bhd	
13 Ranhill Power Bhd	Malaysia	Islamic MTN Programme	142	12	2.8	Aseambankers Malaysia Bhd	
14 Antara Steel Mill Sdn Bhd	Malaysia	Al-Bai Bithaman Ajil Islamic Debt Securities	133	6	2.6	AmMerchant Bank Bhd	
15 Cagamas Bhd	Malaysia	Bithaman Ajil Islamic Securities	105	4	2.1	Cagamas Bhd	
16 Konsortium Lapangan Terjaya Sdn Bhd	Malaysia	Al-Bai Bithaman Ajil Islamic Debt Securities	101	9	2.0	Alliance Merchants Bank Bhd, United Overseas Bank (Malaysia) Bhd	
17 Kingdom of Bahrain	Bahrain	Sukuk Al-Ijarah	80	1	1.6	Bahrain Monetary Agency	
18 Bayu Padu Sdn Bhd	Malaysia	Istisna' Bond	66	8	1.3	United Overseas Bank (Malaysia) Bhd	
19 Konsortium Lebuhraya Butterworth-Kulim Sdn Bhd	Malaysia	Bai' Bithaman Ajil Islamic Debt Securities	66	25	1.3	Bank Muamalat Malaysia Bhd	
20 Harum Intisari Sdn Bhd	Malaysia	Murabahah CP/MTN Programme	53	1	1.1	HSBC Bank (Malaysia) Bhd	
Total of issues used in the table			5,035	181	100.0		

Islamic Finance news LEAGUE TABLE DATA – IS IT CORRECT???

If you feel that the information within the league tables is incorrect then please contact the following:



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If you don't release the information on the deals you have advised on then you can't expect to have the information included!

ENSURE YOU CLAIM YOUR RIGHTFUL PLACE



ISLAMIC LEAGUE TABLES



ISLAMIC DEBT		YEAR-TO-DATE		
Manager or Group	Amt US\$ m	Iss.	%Share	
1 HSBC	1,149	14	22.8	
2 Commerce International Merchant Bankers Bhd	988	22	19.6	
3 AmMerchant Bank Bhd	373	49	7.4	
4 Citigroup	300	1	6.0	
5 Dubai Islamic Bank	283	2	5.6	
6 Deutsche Bank	250	1	5.0	
7 EON Bank Bhd	246	47	4.9	
8 Standard Chartered Bank	192	2	3.8	
9 Bank Muamalat Malaysia Bhd	168	48	3.3	
10 Aseambankers Malaysia Bhd	142	12	2.8	
11 RHB Bank Bhd	142	31	2.8	
12 United Overseas Bank Ltd	117	17	2.3	
13 Cagamas Bhd	105	4	2.1	
14 ABN AMRO	100	1	2.0	
14 Standard Bank Group Ltd	100	1	2.0	
16 Bank Islam Malaysia Bhd	91	4	1.8	
17 Bahrain Monetary Agency	80	1	1.8	
18 Alliance Merchant Bank Bhd	51	9	1.8	
19 Abrar Discount Bhd	42	4	1.8	
20 PT Andalan Artha Advisindo	38	2	1.8	
Total of issues used in the table	5,035	181	1.8	

ISLAMIC DEBT		OCT 2004 - OCT 2005		
Manager or Group	Amt US\$ m	Iss.	%Share	
1 HSBC	1,548	16	20.5	
2 Commerce International Merchant Bankers Bhd	1,166	25	15.4	
3 Citigroup	633	2	8.4	
4 Dubai Islamic Bank	617	3	8.2	
5 AmMerchant Bank Bhd	389	59	5.2	
6 UBS	350	1	4.6	
7 United Overseas Bank Ltd	297	18	3.9	
8 Standard Chartered Bank	292	3	3.9	
9 EON Bank Bhd	263	48	3.5	
10 Aseambankers Malaysia Bhd	254	14	3.4	
11 Deutsche Bank	250	1	3.3	
12 Bank Islam Malaysia Bhd	203	6	2.7	
13 ABN AMRO	193	2	2.6	
14 Bank Muamalat Malaysia Bhd	177	49	2.3	
15 RHB Bank Bhd	151	32	2.0	
16 Cagamas Bhd	105	4	1.4	
17 Standard Bank Group Ltd	100	1	1.3	
18 Saudi Hollandi Bank	93	1	1.2	
19 Abrar Discount Bhd	83	6	1.1	
20 Bahrain Monetary Agency	80	1	1.1	
Total of issues used in the table	7,552	217	100.0	

ISLAMIC DEBT BY COUNTRY		YEAR-TO-DATE		
	Amt US\$ m	Iss.	%Share	
Malaysia	2,844	172	56.5	
United Arab Emirates	750	2	14.9	
Pakistan	600	1	11.9	
Saudi Arabia	500	1	9.9	
United States	200	1	4.0	
Bahrain	80	1	1.6	
Indonesia	61	3	1.2	
Total	5,035	181	100.0	

ISLAMIC DEBT BY COUNTRY		OCT 2004 - OCT 2005		
	Amt US\$ m	Iss.	%Share	
Malaysia	3,910	201	51.8	
United Arab Emirates	1,750	3	23.2	
Saudi Arabia	687	2	9.1	
Pakistan	600	1	7.9	
United States	332	2	4.4	
United Kingdom	100	1	1.3	
Indonesia	95	6	1.3	
Bahrain	80	1	1.1	
Total	7,552	217	100.0	

ISLAMIC DEBT BY CURRENCY		YEAR-TO-DATE		
	Amt. (US\$) m	Iss.	%Share	
Malaysian Ringgit	3,044	173	60.5	
US Dollar	1,850	4	36.7	
Bahraini Dinar	80	1	1.6	
Indonesian Rupiah	61	3	1.2	
Total	5,035	181	100.0	

ISLAMIC DEBT BY CURRENCY		OCT 2004 - OCT 2005		
	Amt. m (US\$)	Iss.	%Share	
Malaysian Ringgit	3,991	203	52.8	
US Dollar	3,200	6	42.4	
Saudi Arabian Riyal	187	1	2.5	
Indonesian Rupiah	95	6	1.3	
Bahraini Dinar	80	1	1.1	
Total	7,552	217	100.0	

