

Islamic Finance *news*

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UAE (Dubai)

Al Tawfeek fund launched

Saudi investment firm Al Tawfeek has launched a US\$100 million Islamic private equity fund that will be invested in Middle Eastern and North African countries. The five-year Al Tawfeek Private Equity Fund, with a minimum subscription of US\$250,000, will invest in late-stage private equity investments and pre-IPOs.

Chief executive officer Hassan Al Ammari said the fund was expected to offer an annual minimum return of 20%, adding that the company planned to launch two more investment funds this year.

A subsidiary of Dallah Al Baraka Group, Al Tawfeek currently has a total of US\$1.5 billion under its management.

JORDAN

MTC syndicates Murabahah facility

In one of 2005's largest Islamic financings, a total of 20 financial institutions from the MENA region, Asia and Europe participated in MTC's US\$750 million Murabahah facility. Joint bookrunners ABC Islamic Bank, Calyon, Gulf International Bank and Kuwait Finance House successfully closed the syndication.

MTC has always relied on conventional facilities for debt funding requirements in the past, but decided to tap the Islamic market

for the first time through this one-year Islamic Murabahah Facility.

The facility was fully underwritten and pre-funded in December 2005 by mandated lead arrangers ABC Islamic Bank, Calyon, Gulf International Bank, Kuwait Finance House, Arab Bank, and the National Bank of Abu Dhabi. NBK Capital acted as financial advisor for this facility.

BAHRAIN

Unicorn to raise capital

Unicorn Investment Bank is set to increase its capital from US\$112 million to between US\$200 and US\$400 million in April.

The bank has acquired a strategic stake in a Malaysian bank and set up a beachhead in the US in a joint venture with a local bank that will give it the first ever Islamic financing presence in the US.

Chief executive officer and founder Majid Al Sayed Bader Al Refai commented that too many Islamic financial institutions were

loath to invest in product development and do research and development work.

"There are more than 1.2 billion Muslims in the world and I do not know many millionaires or billionaires who are happy with Islamic banking as it stands. We need 100 more Islamic banks and we need banks with a global outlook who do not have local monopolies and fail to develop special added service unless they are specifically asked for it."

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BAHRAIN

New Islamic bank proposed

A group of Asian and Gulf investors have made an initial agreement to establish an Asian Gulf Islamic bank with an initial capital of US\$500 million.

The investors come from a variety of different Asian and Gulf nations including Malaysia, Saudi Arabia, the UAE, Kuwait and Bahrain.

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Note from the Editor

During the 31 years of its existence, the Islamic Development Bank (IDB) has endeavoured to improve the effectiveness of its development assistance extended to member countries and to help in the socio-economic uplift of the Muslim communities worldwide. In seeking to fulfill this mission, the bank has faced a number of operational challenges, many of which emanated from the economic development issues confronting member countries.

At the same time, the bank had to explore ways and means of addressing the expectations of member countries in terms of serving the niche need, as well as further enhancing the volume of development assistance. Helping member countries to meet their developmental challenges also had to be addressed in the context of ensuring that the IDB's institutional strength and viability are maintained.

Enhancing economic cooperation between member countries is the overarching goal of the bank's activities. The IDB Group plays a pivotal role by serving as a catalyst in promoting mutually beneficial and complimentary activities at country and regional level. In order to deepen economic co-operation among member countries, the bank is exploring new mechanisms such as supporting trade liberalization measures under the Organization of the Islamic Conference (OIC) trade Preferential System, promotion of intra-investment opportunities by forging business to business contacts, implementing new measures to popularize Takaful in intra-trade transactions and establishment of a new trade bank entity within the IDB Group.

IDB is indeed the pride of Muslim nations. From a modest beginning in 1975, with 22 pioneering member countries, the IDB has since grown in leaps and bounds: membership is now up to 56 countries, authorized capital stands at ID15 billion (US\$21.8 billion), modes of financing increased from three to about a dozen, and gross approvals reached ID29.6 billion (US\$43.1 billion) for 4,967 projects and operations. In addition, the IDB has evolved from one entity to the IDB Group, comprising IDB (as flagship), the Islamic Corporation for the Development of the Private Sector (ICD), the Islamic Corporation for Insurance of Investment and Export Credit (ICIEC) and the Islamic Research and Training Institute.

On the 23rd March 2006 the IDB launched its 1440H Vision Report, which contains various strategic thrusts aimed at uplifting the economic well-being of Muslims, harnessing their potential and improving the image of Islam. The Vision is to further transform the IDB into a premier and proactive development bank with wide knowledge and competencies in all its core areas, while remaining responsive to the diverse needs of the people in member countries as well as non-member countries (please refer to page 10 for the full Vision report).

However, while the IDB is moving towards achieving these goals, man-made destruction is also on an upward trend. Not only commercial buildings or foreign embassies are being destroyed, but houses of god are also on the target list. Who would have ever imagined that one day mosques would be under threat of suicide bombs?

Attacks on civilians around the world by such groups cannot be justified by any religion or under any cause, and is strongly condemned by all religions, including Islam, as clarified by the words of God in the Quran.

"And spend of your substance in the cause of God, and make not your own hands contribute to (your) destruction; but do good; for God loveth those who do good."
2:195

We must remember that the spirit of the IDB is to help building Muslim nations and not to "rebuild" nations that have been destroyed by man!



Zakariya Othman, Editor

Islamic Finance news

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NEWS BRIEFS

MALAYSIA

RHB to launch three new funds

RHB Unit Trust Management (RHBUT) plans to launch three new funds this year to expand its total fund size to RM2 billion (US\$541.88 million) from the current RM1.6 billion (US\$433.5 million).

Chief executive officer Michael Tan Lib Chau said that through the newly set up RHB Multi-Funds Investment Platform, the company hoped to launch the first structured product – a global-based, Shariah compliant product with a capital guarantee for five years.

“We are also conceptualizing two more products, one for the local market and the other an innovative foreign fund,” Tan added.

The investment platform, in which RHBUT has invested RM250,000 (US\$67,735), is aimed at introducing an objective and customer-centric process to investment for both financial planners and investors. It is expected to contribute 20% to revenue in the first year and increase in the following years.

MALAYSIA

Islamic banking profits soar 57.4%

The Malaysian Islamic banking sector posted a pre-tax profit before zakat of RM1.55 billion (US\$419.94 million) in 2005, up 57.4% from RM988 million (US\$267.68 million) in the previous year.

This better profitability has increased the return on assets and return on equity to 1.5% and 21% from 1.1% and 15.7% respectively, despite having increased the asset size and capital funds. The net income for the sector rose 28.7% to RM3.19 billion (US\$864.22 million).

During the year, the Islamic banking sector's assets increased RM16.8 billion (US\$4.55 billion) to RM111.8 billion (US\$30.29 billion). More than half of this increase was due to a 16.5% growth in total financing.

Consumer financing accounted for the largest component (36.2%) of total financing extended by Islamic banking institutions. Of this financing, it was mainly for the purchase of cars (29.9%) and residential properties (23.8%).

MALAYSIA

OCBC to up Islamic investment products

OCBC Bank Malaysia plans to introduce more Islamic investment products to meet the great demand for Shariah compliant structured investment products which are currently not available in the market.

According to OCBC's chief executive officer Datuk Albert Yeoh, the bank's Islamic banking unit registered a 61% growth to RM1.4 billion (US\$378 million) in outstanding financing last year, while its no collateral cash financing-i facility grew by more than 150%. Its Islamic Acceptance Bills that were introduced in the third quarter of last year brought in outstanding financing of more than RM100 million (US\$27 million).

BAHRAIN

US\$3b Islamic bank licensed

The Bahrain Monetary Authority (BMA) has licensed a group of leading investors from the Gulf to set up an Islamic investment bank in Bahrain with an authorized capital of US\$3 billion.

United International Bank will start operations as soon as the founding shareholders have finalized the formalities.

Vice-chairman Sultan bin Fayed Al Matri said that the bank's main investor would be Saudi-based Athar Al Maged Holding Company: “We will have other strategic investment partners from Saudi Arabia and the Gulf. The bank will offer the Shariah compliant products and services to tap the huge potential of this highly specialized segment of the banking industry.”

INDONESIA

Bank Mandiri's profits sink

Indonesia's largest lender Bank Mandiri has reported an 88% plummet in net profit for 2005.

Net profits, which stood at Rp5,256 billion (US\$577.32 million) in 2004, fell to Rp604 billion (US\$65.7 million) in 2005. The majority government-owned bank's gross non-performing loans ratio rose to 25.3% at the end of last year, from 7.1% at the end of 2004.

This drop is blamed on an increase in non-performing loans and worsening macro-economic conditions.

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UAE (Dubai)

Bin Shabib & Associates join DIFC

Bin Shabib & Associates (BSA) is the first UAE-based law firm to be registered by Dubai Financial Services Authority (DFSA) to operate in the Dubai International Financial Centre (DIFC) as an ancillary service provider.

DIFC director general Dr Omar bin Sulaiman acknowledged that the registration reflected the sophisticated level of service offered and the high standards of the firm which were equivalent to those provided by global players: "Bin Shabib & Associates is one of the UAE success stories and we welcome them to the DIFC," he said. BSA is a law firm that combines local customs and practices with the western approach.

MALAYSIA

More Sukuk from IDB

The International Institute of Islamic Finance (IIIF) has called for more Sukuk issuance by the Islamic Development Bank (IDB) for the purpose of infrastructure funding, especially for the development of poor Muslim countries.

The IIIF president Dr Mohd Daud Bakar said the issuance of such Sukuk, apart from pulling back money into Muslim countries, would also spur Sukuk growth in the global market.

IDB previously announced that it would offer more soft loans to its less developed members under the 1440H Vision, with its priorities still in the areas of poverty eradication and building up of educational infrastructure (see article on page 10 and Editor's Note on page 2).

UAE (Dubai)

US\$70 million for Esco Murabahah

Iran-based Esfahan Steel Company (Esco)'s syndicated Murabahah financing facility has been successfully closed with a total of US\$70 million from leading regional Islamic and conventional institutions.

The 11-strong syndicate comprises the following financial institutions: Emirates Islamic Bank, ABC Islamic Bank, Commercial Bank of Qatar, Dubai Islamic Bank, Bank Melli, Bahrain Islamic Bank, Amlak Finance, British Arab Commercial Bank, Jordan International Bank, Banque Intercontinentale Arabe and the Arab Investment Company.

INDIA

New JV to invest Arab funds in India

A US\$250 million joint venture private equity fund to invest in India – Sabre Abraaj Capital – has been established by a partnership between private equity firm Sabre Capital Worldwide and Dubai-based Abraaj Capital.

The two companies will hold a 50:50 stake in Sabre Abraaj Capital, which will launch a US\$250 million fund to invest in the retail, business process outsourcing and auto components sectors in India.

Rana Talwar, chairman of Sabre Capital, said: "This venture reinforces our conviction in the India growth story and we believe there are a large number of companies across sectors which have the potential to become industry leaders."

The new fund will close by the end of 2006, and investments will start from 2007.

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Andrew Tebbutt Tel: 603 2143 8100;
Email: Andrew.Tebbutt@IslamicFinanceTraining.com

NEWS BRIEFS

UK

EIIB plans for Bahrain ops

The European Islamic Investment Bank (EIIB) plans to set up its Bahrain operation in the second quarter of this year, in anticipation of obtaining authorization from the Bahrain Monetary Authority (BMA). The bank has an eye on the Gulf investor, as it already has strong Gulf links through its founding shareholders, which include Gulf-based individuals and institutions.

The bank will open for business in the UK at the beginning of April. As a London-based, independent, Shariah compliant investment bank, it is unique. The bank plans to offer a broad range of investment banking activities, starting with Islamic Treasury and Capital Markets, and then developing Asset Management/Private Banking, Trade Finance and Correspondent Banking, and in due course extending into Advisory and Corporate Finance.

UAE (Dubai)

Industry needs common standards

In anticipation of the US\$15 billion worth of Sukuk issuance this year, the Islamic finance industry needs to consolidate and must have common standards, said Dubai International Financial Exchange (DIFX) chief operating officer Nasser Al Shaali.

On consolidation, Al Shaali pointed out that of the 282 Islamic finance institutions, 80% were capitalized at under US\$25 million and thus had limited scope, so consolidation was very much needed in the industry.

He commented that players in Islamic finance should consider creating a global university to foster much-needed skills for the industry: "We face a shortage of professionals in Islamic finance."

"We need standardization of academic courses and maybe a global university. The required skill set is unique because it requires financial skills and an understanding of the Shariah," he concluded.

MALAYSIA

Interest rate hike won't affect Islamic bonds

Islamic bonds will continue to do well despite an expected hike in interest rates. Malaysia's second finance minister, Tan Sri Nor Mohamed Yakcop, said Islamic bonds had been very positive and were subscribed to not merely for their Shariah compliance, but because they were better than those in the conventional market.

Nor Mohamed said it was evident that Islamic bonds have become the preferred choice, as the Securities Commission last year approved a total of 126 bond issues valued at RM61 billion (US\$16.5 billion), of which 77 were Islamic bonds worth RM43 billion (US\$11.6 billion), or more than 70% of new bonds issued.

In the equity market, Malaysia has 826 Shariah compliant stocks listed on Bursa Malaysia, with a market capitalization of about RM440 billion (US\$118.8 billion), or 64% of the total market capitalization.

UAE (Dubai)

IIIF awards

The Global Continuing Contribution to Islamic Finance Awards, granted at the 3rd International Islamic Finance Forum in Dubai this week, were as follows: Media – Financial Times; Consulting firms – Ernst & Young; Law firms – Lovells; Takaful – Solidarity; Fund sponsor – SEDCO; Shariah Supervisory Board Recognition – AAO-IFI; IT – Path Solutions and Misys; Western Institution Contribution to Islamic Finance – Dow Jones Indexes; Contribution to Islamic Retail Development – Dubai Islamic Bank and Maybank; Contribution to Islamic Private Equity/Venture Capital – Gulf Finance House and Arcapita.

The Regional Continuing Contribution to Islamic Finance were as follows: North America contribution – Financial Guidance, Special Recognition – Dechert LLP, Vision – Devon Bank; Europe Contribution – ABC and Al Buraq, Special Recognition – FSA, Vision – Hilal Financial Services; GCC/MENA/South Asia Contribution – Dubai Islamic Bank, Vision – Unicorn Investment Bank; Asia Contribution – Maybank, Special Recognition – MUIS.

The individual winners were His Royal Highness Prince Al Waleed Bin Talal Bin Abdulaziz Al Saud for his Humanitarian Contribution to Islam; Saeed Ahmed Lootah (Dubai Islamic Bank), as the founder of the first Islamic bank in the world; Sheikh Mohammed Bin Mahfouz (Sedco) for Contribution to Islamic funds; Sheikh Saleh Abdulla Kamel (Al Baraka Group) for Life and Continuing Contribution to Islamic Finance; Esam Janahi (Gulf Finance House), for Contribution to the Development of Islamic Private Equity; and Majid Al Refai (Unicorn Investment Bank) for Contribution to Islamic Investment Bank.

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NEWS BRIEFS

SAUDI ARABIA

Credit Suisse to enter Saudi

In co-operation with the Olayan Group and other major investors in the Kingdom, Credit Suisse plans to increase its activities gradually in the region. Its chairman Walter Kielholz said that by establishing its presence in Saudi Arabia, the bank would emphasize the importance of, and its long-term commitment to, this market.

On Islamic banking, its director and head of strategic initiatives and business development, Michael F. Chahine said the bank provided innovative financial solutions that were Shariah compliant.

"At this moment we don't have a separate dedicated bank for this particular portfolio. But we definitely have expertise and long experience in managing assets in line with Shariah regulations," he said, adding that the group had a significant presence in London, undertaking structured Islamic financing for institutional and private investors.

MALAYSIA

Dow Jones Citigroup Sukuk Index launched

The Dow Jones Citigroup Sukuk index to measure the performance of global bonds complying with Islamic investment guidelines has been launched.

Citigroup Islamic Investment Bank's chief executive officer and managing director Mohsin Nathani said it would be a benchmark for investors seeking exposure to Shariah compliant fixed income investment, adding that the index would also serve to increase secondary market trading and facilitate cross-market relative value trading among different asset classes.

"We think it will encourage a lot of issuers to go into the Sukuk market. We are very optimistic and expect a lot of issues this year, both international and domestic," he said.

BAHRAIN

BIB's 27% dividend approved

The Bahrain Islamic Bank (BIB)'s proposed dividend of 27% for 2005 has been approved by the shareholders. Payment will be made with 15% cash and the issue of 12 bonus shares for every 100 shares held.

The higher proposed dividend as compared to 22% in 2004 was based on the bank's strong earnings achieved during the year under review, with net profits increased by 100% to a record BD7.4 million (US\$19.63 million) from the previous year.

The general assembly has also approved a new three-year strategic plan for 2006-08. Designed to support the bank's ability to respond to changing market conditions and ensure continued growth and sustainable profitability, the key strategic objectives include delivering superior returns to shareholders, positioning the bank domestically and regionally for future growth, increasing its focus on the real estate sector and continuing to invest in human resources and information technology, while developing new products and enhancing customer service.

UAE (Dubai)

DIB's rights issue postponed

It has been requested that the issuance of Dubai Islamic Bank (DIB)'s DH3 billion (US\$800 million) rights issue be postponed by the Ministry of Economy and Planning to prevent a drain of liquidity from the weak stock market.

The new timetable for the issue will be announced after consultation with the ministry, DIB stated.

The bank had earlier announced an extension of its rights issue deadline to the 10th April from the 30th March, in order to give investors more time to subscribe to the rights issue.

MALAYSIA

New Islamic banks ready to go

Affin Islamic Bank and EON Islamic Bank are set to start operations soon. Both banks have been granted approval from the high court of Malaya to transfer their Islamic banking businesses to their subsidiaries.

Affin Islamic Bank, which has secured a licence from the Minister of Finance, will start operations on the 3rd April this year, while EON Islamic Bank will get its licence once all the pre-licensing conditions have been satisfactorily met.

The current issued and paid-up capital of Affin Islamic Bank and EON Islamic Bank is RM2 (US\$0.54) each, comprising two shares of RM1 (US\$0.27) each.

Affin Islamic Bank proposes to increase its existing paid-up capital to RM160 million (US\$43.25 million) by issuing new shares to Affin Bank for cash, while EON Islamic Bank's issued and paid-up capital will be increased to RM397.8 million (US\$107.52 million). It will ask for more capital from parent EON Bank, under a rights issue.

INDIA

Organization to establish Islamic bank

An India-based Islamic organization, the Indian Jamaat-e-Islami (Jamaat) is seeking support from Qatar to establish an Islamic bank in India. Its chief, Dr Abdul Haq Ansari, invited the Qatar Islamic Bank to open its branch in India.

He said Jamaat had been campaigning to establish interest-free banks in India, as it considered interest to be a major economic evil that has been affecting badly the lives of millions of common people in the country.

Ansari noted that the Indian Prime Minister Manmohan Singh had recently stated that his government would consider granting permission for interest-free banks in the country: "We are expecting a positive response from the Reserve Bank of India to the proposal," he added.

NEWS BRIEFS

KUWAIT

Eva to float Islamic fund

Eva Financial and International Consultancy Company plans to float the Islamic Eva Fund, worth KD50 million (US\$171.20 million). With KD1 (US\$3.42) par value, the units are available for subscription to all Kuwaiti citizens, residents and non-residents, as well as Kuwaiti, Gulf and foreign companies.

The minimum subscription is 100 units and the maximum is 50% of the units placed for subscription, with the right of monthly recoverability after three months from inception of the fund activities.

UK

Europe's most Islam friendly economy

In establishing the UK as the most Islam-friendly economy in Europe, the UK government will continue to promote the country as a centre of Islamic finance for Muslims based abroad, in addition to providing for the 1.8 million Muslims who live in Britain.

Treasury spokesman Tom Youlton noted that global assets controlled by Islamic banks stood at around US\$500 billion and were growing at a rate of 10%–15% a year, adding that the Treasury had been very keen to understand the issues facing the development of Islamic financial products.

Currently, the Islamic Bank of Britain is the only fully Islamic retail bank in the country, but several British banks have begun to offer a line of Shariah compliant products in the last year.

BAHRAIN

Al Baraka net profits up 115.4%

Al Baraka Banking Group reported an increase of 115.4% in its net profits to US\$79.37 million for 2005. It was agreed to distribute cash dividends worth US\$17 million to shareholders and to issue new shares amounting to US\$122 million.

Net income jumped by 49.19%, from US\$211.85 million in 2004 to US\$316.07 million last year, reflecting growth across the group's financing and investment businesses. Total assets soared by 24.1% to US\$6.27 billion, while total deposits increased by 22.1% to US\$5.18 billion and shareholders equity by 34.2% to US\$566 million.

As a result, the return on average shareholders equity and on average assets increased from 9.27% and 0.8% respectively in 2004, to 16.06% and 1.4% in 2005.

QATAR

Right issues planned

The National Leasing Company (Al Ijarah) offered a rights issue to its registered shareholders representing 70% of the company's paid up capital, or 11.02 million shares, priced at a face value of QR10 (US\$2.7), with a premium of QR15 (US\$4.12).

The shareholders also approved the distribution of 12% bonus shares. Both the rights issue and bonus shares are to raise the company's paid up capital by 82% to QR15.74 million (US\$4.3 million).

BAHRAIN

Nine-fold increase for IIB

Bahrain-based International Investment Bank (IIB) posted a nine-fold increase in its profits to US\$7 million for 2005.

The bank's operating income grew by 192% to US\$12.4 million, with total assets amounting to US\$63.4 million, 43% higher than the previous year. The bank's capital adequacy ratio stood at 101%, eight times the minimum 12% regulatory requirement.

In light of its strong performance, an 8% dividend has been proposed by the board, subject to its annual general assembly's approval. The bank aims to retain US\$3.4 million of its 2005 earnings in order to further enhance its capital base. This will serve to support IIB's growing investment activities across key regional and international markets, as well as its ability to underwrite a number of larger transactions in the year ahead.

MALAYSIA

Al-Rajhi to open 50 branches in Malaysia

Al-Rajhi Bank plans to have another 50 branches in Malaysia within the next five years, having opened its first branch in the second quarter of this year. The third largest Islamic bank in Saudi Arabia offers retail and corporate products such as car and real estate financing, alongside mutual funds.

Al-Rajhi Bank is the only bank from the Kingdom to be issued a licence to operate in Malaysia. The other two licences were awarded to Kuwait Finance House and a Qatar Islamic Bank-led consortium.

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NEWS BRIEFS

BAHRAIN

BIsB outsourcing

Bahrain Islamic Bank (BIsB) will outsource the driving of its existing network of 19 ATMs, the management of its existing 44,000 debit cards and the issue of its new debit cards to Euronet Middle East, which will manage these operations from its headquarters in Manama.

The agreement signed states that Euronet Middle East will also provide the bank with all related driving services, such as a help desk, monitoring services and a call centre.

BIsB chief executive officer Yousif Saleh Khalaf said the agreement illustrates BIsB's plans to aggressively increase its ATM network in Bahrain to support the increased issue of debit cards. This was considered a key decision that would provide the bank with lower transaction costs, higher security and reduced risks.

UAE (Dubai)

EIB to finance Falconcity

Emirates Islamic Bank (EIB) has signed a contract with Falconcity of Wonder to finance properties developed within the project. Falconcity, a part of Dubailand, features replicas of the wonders of the world such as the Pyramids, the Hanging Gardens of Babylon and the Leaning Tower of Pisa.

Salem Almoosa, chairman and CEO of Falconcity of Wonders, said it was an exceptional project of unparalleled size, and the group's intention was to satisfy the needs and requirements of investors and end users.

"This alliance with Emirates Islamic Bank, the premier Islamic banking service in the UAE, is assured to provide effective and innovative financial solutions for the investors and buyers of the project," he said.

INDONESIA

Islamic infrastructure fund from US

Washington-based private equity firm, Emerging Markets Partnership, plans to start an Islamic infrastructure fund worth US\$500 million to invest in Indonesia, the world largest Muslim-majority nation.

Managing director Mumtaz Khan said there was a high demand for Islamic assets from Islamic investors in the Middle East, but not many were available. Kuwait Finance House and Singapore's Pacific Star Group started a US\$600 million Islamic real estate fund last year, which has invested in a Malaysian project that includes offices and apartments, its first in Asia.

According to Khan, the proposed infrastructure fund might be listed on the Dubai International Financial Exchange in the UAE.

UAE (Dubai)

SRI to be encouraged

The Islamic finance sector should do more to encourage socially responsible investing (SRI). A growing force in the international investment industry, SRI is a process that evaluates the social and environmental consequences of investments within the context of rigorous financial analysis. Companies that meet certain standards of corporate social responsibility (CSI) are regarded as morally sound investment opportunities that deliver value to society at large, as well as to shareholders.

SRI is viewed by many industry analysts as the key to sustainability, which is attractive to investors. Alex Barkawi, managing director of Switzerland-based SAM Indexes, commenting on the product and business opportunities that arise from the packaging of SRI with Shariah principles, said companies that were both sustainability leaders and compliant with Shariah principles over the last couple of years actually perform better.

RATINGS UPDATE

PAKISTAN

Meezan Islamic Fund rated

JCR-VIS Credit Rating Company has assigned a management quality rating of AM2 to Al Meezan Investment Management (AMIM).

AMIM is a subsidiary of Meezan Bank and has been in operation for over 10 years. The credentials of Meezan Bank as an Islamic financial institution translate into an established franchise value for AMIM.

AMIM's Meezan Islamic Fund's performance for the period ending on the 30th June 2005 has been rated at MFR 4-Star, which denotes good performance. The funds have been invested in accordance with the guidelines provided by Shariah advisors.

MALAYSIA

Ambang Sentosa's BaIDS downgraded

Malaysian Rating Corporation (MARC) has downgraded the long-term ratings of Ambang Sentosa's Bai Bithaman Ajil Islamic debt (BaIDS) asset-backed securities (ABS) facility, with a negative outlook.

The rating for Ambang Sentosa's RM272 million (US\$73.68 million) class B BaIDS ABS facility was downgraded from A ID to BBB+ ID, while the RM226 million (US\$61.22 million) class C BaIDS ABS facility was downgraded from A-ID to BBB ID.

The downgrades were based upon prolonged construction delays, resulting in significantly lower progress receipts compared to projections.

The rating downgrades are mitigated by a proposed refinancing exercise involving the issuance of private debt securities prior to the redemption date of Class B BaIDs on the 28th July 2006.

NEWS BRIEFS

RATINGS UPDATE (continued...)

MALAYSIA

Reaffirmation for Prai Power

Rating Agency Malaysia (RAM) has reaffirmed the AA3 rating of Prai Power's RM780 million (US\$210.58 million) Al Istisnah Fixed-Rate Serial Bonds. The rating outlook has also been revised from stable to positive, premised on the company's improved operational performance in 2005.

Prai Power is an independent power producer which has had operational problems since commencing work. However, its financial health has remained robust, as has its debt-servicing ability, and RAM may upgrade the bonds rating if this continues to improve.

Southern Bank retains ratings

Southern Bank's A1/P1 general bank ratings, with a stable outlook, have been maintained by Rating Agency Malaysia (RAM), in spite of the bank's acquisition by Bumiputra-Commerce Holdings.

After Southern Bank has been de-listed from Bursa Malaysia and all its assets and liabilities absorbed by Bumiputra-Commerce Bank, Southern Bank's ratings will be withdrawn by RAM.

Citibank rated at AAA/P1

Rating Agency Malaysia (RAM) has reaffirmed Citibank's general bank rating at AAA/P1, with a stable outlook. The rating is driven by Citibank's impeccable asset quality, above industry average profitability, sound funding and liquidity position, as well as sturdy capital adequacy in supporting its efficient business model.

Citibank's niches in credit cards and home loans continue to propel its franchise, holding 21% and 8% respectively of the commercial banking industry's outstanding loans as at the 30th June 2005 – an impressive achievement given its three-branch network and the keenly competitive business environment.



RETAIL NEWS

UAE (Dubai/Abu Dhabi)

Good response for National Bonds

The national bonds launched by the Dubai-based National Bonds Corp (NBC), received a strong response from UAE nationals and residents. The bonds were sold at 100 branches of Emirates Islamic Bank, Al Ansari Exchange, Al Ghurair Exchange, Thomas Cook Al Ros-tamani Exchange Company and UAE Exchange Centre.

At the end of the financial year any profits made by NBC will be determined and 20% of this amount will be redistributed among the bond holders.

"This is an additional investment channel for people to save and earn money. If this scheme is successful in the UAE, it may be replicated in other Muslim countries," said Faisal Aqil, general manager of retail banking at Emirates Islamic Bank.

MALAYSIA

Islamic products from Citigroup

Citigroup plans to offer retail Islamic products in Malaysia by the third quarter of this year, having already announced the launch of its pilot retail Islamic banking project in Malaysia.

The bank is still in the process of finalizing the type and number of products to be launched – the outcome will be announced in a few months' time.

The banking group has a significant presence in Islamic investment products, but is considered a small player in the Islamic retail banking industry, despite having an annual growth of 40%.

UAE (Dubai)

New products from StanChart

Standard Chartered Bank has launched two new Shariah compliant products, namely the Islamic Savings Accounts and Islamic Term Account, to further expand its Islamic banking offering.

Global head of Islamic banking, Afaq Khan, said the extension of its Islamic product suite was in line with the bank's intention to lead the way in providing Shariah compliant banking solutions. Both new products operate under the Islamic principle of Mudarabah, and Afaq Khan claimed they were the first of their kind in the Middle East to be offered by an international bank.

The new Islamic Savings Account is a transaction account that pays profit, gives holders a free international debit card and allows access to funds 24 hours a day: "The bank will invest the funds in its pool of Shariah compliant assets and share the profits with account holders," explained Khan.

The Islamic Term Account is designed to provide attractive profits while giving customers the flexibility to choose a suitable tenure, ranging from one month to one year.

The IDB 1440H Vision

After 31 years of sterling achievement and being one of the most successful and influential institutions in the Muslim world, the Islamic Development Bank (IDB) felt that a review of the needs of its member countries was needed in order to guide its role as a catalyst for growth in the Islamic world.

To meet these objectives, the Jeddah-based IDB established the "IDB 1440 H Vision" Commission to identify the strategic challenges confronting the Muslim world, key development needs and to chart IDB's future role.

The Vision aims to transform IDB into a premier and proactive development bank with wide knowledge and competencies in all its core areas, which is responsive to the diverse needs of the people of the member countries and Muslim communities in non-member countries.

THE IDB 1440 H VISION: A VISION FOR HUMAN DIGNITY

"By the year 1440 Hijrah IDB shall have become a world class development bank, inspired by Islamic principles, that has helped significantly transform the landscape of comprehensive human development in the Muslim world and helped restore its dignity."

IDB should be a dynamic and proactive organization that is world class in terms of its knowledge and competencies in all of its core fields, in best practices and good corporate governance, in work ethics and service delivery, and in its sensitivity and responsiveness to the diverse needs of the people in the member countries and in non-member countries.

IDB should attain this world class status within three years. By 1440 Hijrah IDB, inspired by the Islamic vision of development and working in strategic partnership with member countries and others, IDB should have helped achieve significant advancement in comprehensive human development and human dignity in the Muslim world.

The magnitude of progress that IDB should aspire for, in collaboration with others, is outlined below:

- Continue to provide an alternative form of financing that is inspired by Islam; the lending services offered should conform fully to the Shariah.
- Should no longer be confined primarily to promoting Islamic banking and providing financial services for economic development. Instead operate on the Islamic notion of development centered on the comprehensive development of the human person.
- Must give greater weight and allocate more resources to addressing the most urgent and serious problems confronting the Muslim world.
- Should pay heed to the aspirations and needs of people not

only in the member countries, but also of Muslims in other parts of the world.

- Its focus on the wellbeing of people in the Muslim world according to Islamic precepts should not be viewed as exclusive or hostile to the wellbeing of non-Muslims.

The Mission of IDB

Given the Vision of IDB and the most urgent challenges confronting the Muslim world, the Commission recommends that the Mission of IDB be stated thus:

"The Mission of IDB is to promote comprehensive human development, with a focus on the priority areas of alleviating poverty, improving health, improving governance and prospering the people."

The new Mission statement requires that IDB transforms its mandate and greatly widens and diversifies its development focus. Its primary function has been to provide banking and financial services based on Islamic principles for economic development.

IDB must now become a development bank that is more expansive in its scope, focusing on spurring comprehensive development in the Muslim world that extends beyond economic development. This is a fundamental transformation necessitating profound adjustments to the IDB Group's mindset, development strategies, expertise and skills capacity, organizational structure and resources.

IDB's Mission also requires the bank to facilitate comprehensive development across borders in a multi-cultural setting. It has to be sufficiently clued into the local terrain and fully engage diverse communities.

Given these requirements, IDB can best fulfill its Mission if it is guided by the following operating principles:

- IDB shall be a corporate khalifah for development. It must guide and lead based on Islamic precepts of comprehensive human development.
- IDB should be pro-active. It must reach out rather than wait to be approached.
- IDB shall seek the support and co-operation of the governments concerned for any project. Their views should also be sought and heard.
- IDB shall ascertain the needs and aspirations of target communities before formulating any program.
- IDB should consult closely with the stakeholders of every proposed program and design the program in close collaboration with them, wherever possible. Ultimately it is the community itself that is the most important stakeholder.
- IDB shall encourage local initiative where there is promise.
- IDB's general approach shall be to communicate the "how to," rather than "give" a completed project. However, where initiative, skill or work ethics are lacking, IDB should consider carrying out a project itself.

continued...

The IDB 1440H Vision (continued...)

The key strategic thrusts

The optimal realization of IDB's vision within the time frame of 1440H requires that IDB focuses its comprehensive development agenda and resources on some critical and carefully selected areas that are consistent with its new Mission. The Commission accordingly recommends that IDB adopts a 1440H Vision implementation agenda that is driven by the following nine key strategic thrusts:

1. Key strategic thrust one: Reform IDB

The bank is urged to consider the following important institutional and enabling changes and reforms:

- Begin the process by adopting the new Vision and Mission.
- Membership in IDB should automatically qualify a member country for services offered by affiliates.
- There should be a quantum increase in the focus of human development.
- Give greater attention to country-focused development strategies.
- Research and training facilities should be upgraded.
- A strong public affairs office should be established within a year.
- Become more responsive to member country needs.
- Transform itself into a knowledge-based bank.
- Become a more networked organization.
- Act as a network builder for member countries.
- Leverage upon its lending to promote good governance and performance.
- Embrace global best practices in every aspect of its operations.
- It has at its disposal all the capital it needs.

2. Key strategic thrust two: Alleviate poverty

The Commission recommends that IDB works with member countries and international organizations such as World Bank to implement programs that can achieve the following targets:

- Reduce by three-quarters the proportion of the population living on less than US\$1 per day.
- Halve the poverty rate of member countries whose poverty rate is presently above 40%.
- Reduce by three-quarters or more the poverty rate of member countries whose rate is presently below 40%.

3. Key strategic thrust three: Promote health

The Commission recommends that IDB works with member governments, non-government bodies and international organizations such as the World Health Organization to achieve the following:

- Reduce by three-quarters the under-five death rate.
- Reduce by 90% the maternal mortality rate.
- Check and reverse on a sustainable basis the spread of HIV/AIDS and other diseases.
- Reduce by two-thirds the number of people without sustainable access to safe drinking water and sanitation.

4. Key strategic thrust four: Universalize education

IDB should set a target of universalizing both primary and secondary education by 1440H. Special attention needs to be paid to developing the skills and capacity essential for the development of knowledge-based economies.

The Islamic vision of development and education also includes the inculcation of moral values, moderation and ethical conduct.

IDB can make a critical contribution by doing the following:

- Launch a concerted joint initiative to mobilize added funding and education materials.
- Spearhead the establishment of an Education for All Movement.
- Encourage research and development.
- Develop special programs for women that equip them better for imparting knowledge.

5. Key strategic thrust five: Prosper the people

The Commission recommends that IDB works with member countries to achieve strategic targets:

- Double, at the least, the GDP of all member countries.
- Halve, at the least, the number of LDMCs.
- Graduate at least five member countries to the status of developed nations.
- Halve, at the least, income inequity in all member countries. Growth with equity should be the economic development goal of all member countries.

continued...

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The IDB 1440 H Vision (continued...)

6. Key strategic thrust six: Empower the sisters of Islam

The IDB can contribute to this crucial exercise by embarking on the following:

- Mount awareness campaigns on the subject of the empowerment of women.
- Extend support to civil society groups.
- Provide expert advice on the creation of sustainable lending programs.
- Make available similar lending schemes for women.
- Promote investment in women businesses.
- Set up scholarships for women.

7. Key strategic thrust seven: Expand the Islamic financial industry

A mature and globally competitive Islamic financial industry should be in place within five years. The following immediate initiatives merit consideration:

- Strengthen the infrastructure for governance in Islamic financial institutions.
- Expand the non-bank financial sector of the Islamic financial industry.
- Upgrade the knowledge capacity and skills required.
- Invest in strong research and development facilities.

8. Key strategic thrust eight: Facilitate integration of member country economies among themselves and with the world

IDB can play a timely and important role in advancing this key thrust in the following respects:

- Undertake feasibility studies on closer economic co-operation.
- Explore the prospects and design specifications for a preferred free trade area.
- Enhance the capacity of the IDB to provide training, technical expertise and policy advice.

9. Key strategic thrust nine: Improve the image of the Muslim world

The Muslim world must address both fronts when attempting to repair its image – the front within and the front without. IDB can help portray the truth by supporting quality forums, including forums on air that explore not only the manifestations of terrorism, but the causes as well; forums that can correctly highlight the issues on both sides; and forums that condemn both the terrorists as well as the injustices that breed them.

From Vision to reality: the road to 1440H

From Vision to reality: the road to 1440H

For the IDB 1440H Vision to become reality within this period, there are some fundamental imperatives. They are:

Political will

The governments that make up the governing board must put their full weight behind the initiative. Their full commitment will be indispensable.

Leadership

Leadership from the top will be vital but not sufficient. Leadership will be required at every level.

Resources

The Muslim world has enough resources at its disposal. It needs to commit these resources.

Stamina

Any lengthy journey requires stamina and IDB must remain wedded to realizing the Vision over the long haul, changes in leadership notwithstanding.

Skilful management

A well-formulated change management program should be set in motion and meticulously monitored. When need be, the course must be corrected.



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The Need for Islamic Accounting

By Bala Shanmugam and Vignesen Perumal

This is the first section of a two-part article on accounting standards. This first part will set out the history of accounting and examine conventional accounting standards. Next week, the article will continue to look at Islamic accounting and the need for standards in this sector.

Introduction

Generally, accounting standards are characterized according to the assumptions of the economic community. Thus cultural, social, economic and political factors all have a considerable bearing on financial statements. However, these factors are not similar in all countries, and each country uses an accounting system which fits its own specifications. For example, in western nations the main users of financial statements are investors and creditors, governments, and even social organizations.

However, theoretical concepts of accounting are mainly based on Anglo-American models operating in free economies characterized by private ownership of property. Since the eighteenth century economists such as Ricardo, Smith, Marshal and Mill have been writing about the significance of amassing wealth and the importance of economic activity. In this way economics has gradually become a scientific discipline as well as a distinct activity of its own in many sectors such as manufacturing, agriculture and service.

Definitions of conventional accounting theory

There are at least three major definitional views of conventional accounting theory.

Hendriksen gives a practical dictionary definition:

“The coherent set of hypothetical, conceptual and pragmatic principles forming the general frame of reference for a field of inquiry.”

Hendriksen elaborates this theory as the logical reasoning in the form of a set of broad principles that: (1) provide a general frame of reference by which accounting practice can be evaluated; and (2) guide the development of new practices and procedures.

Then there is the definition by Watts and Zimmerman:

“A systematic statement of the rules or principles which underlie or govern a set of phenomena i.e. a framework for the organization of ideas, the explanation of phenomena and the prediction of future behaviour. Accounting theory is that branch of accounting which consists of the systematic statement of principles and methodology as distinct practice ... which it underlies, explains and attempts to predict. There cannot be any basic contradiction between theory and fact or between theory and practice.”

Belkaoui follows a functional approach, defining accounting theory as:

“A set of interrelated constructs, definitions and propositions that represent a systematic view of phenomena by specifying relations among variables with the purpose of explaining and predicting phenomena.”

All three definitions suggest accounting as a science that can be explained in some manner. However, the purpose of accounting theory also depends on the view one takes. A positive view would suggest that accounting theory is to explain and predict accounting practices as they are. In the minds of Watts and Zimmerman, Jensen and Meckling and Dopuch, accounting theory should be used to describe a value-free, unbiased and neutral reality. They oppose normative accounting theorists such as Sweeney, Macneal, Patton and Littleton, and Alexander, whose main concern about accounting theory is that it should “record, collate and present economic truths” – which otherwise means calculating the true income.

Another backbone of conventional accounting theory is projectibility and predictability. Belkaoui argues that the purpose of accounting is to provide a basis for the prediction and explanation of accounting behaviour and events. He too takes a positivist view, which is to explain and predict phenomena. The predictive ability to evaluate the usefulness of accounting data was also taken into account by Beaver et al.

In general, positivist accounting theory considers earnings and share price as important criteria. These models also emphasize the relevance of predicting the riskiness, timing and future cash flows.

However, the current system of conventional accounting follows generally accepted accounting principles or fundamental accounting concepts. These take into account, amongst other things: historical cost, conservatism, accrual and matching, substance over form, going concern, monetary measurement, materiality and consistency. Although these principles were defined and elaborated from the beginning of the last century, they nevertheless favour the historical development of western civilizations.

A search for conventional accounting principles

The quest for defining accounting principles has largely been based around individual researchers in the US such as Patton, Hatfield and Canning. In fact, one of accounting’s first theories came from Patton, who made references to the corporate enterprise.

The formation of the American Accounting Association (AAA) in 1916, consisting of academics and professionals, helped the profession tremendously. Appropriately this association published a series of accounting theory statements, beginning with “Accounting Principles” in 1936. This marked a new phase in collective research by a committee of researchers and professionals. In 1966, the association issued a statement known as the “Basic Accounting Theory.” This statement redefined accounting as the communication of economic information in order to allow for informed decision-making. In 1977 this statement was enhanced to “Accounting Theory and Theory Acceptance,” although it failed to provide a universally accepted accounting theory, instead reviewing various conflicting theories on accounting.

As Russell has observed, modern western society is the outgrowth of Judeo-Christian traditions with input from the Greek and Roman civilizations, along with Islamic influence in the sciences. According

continued...

The Need for Islamic Accounting (continued...)

to him western society is based on historical developments, and certain views of the west such as sovereignty, democracy, liberalism, individualism and libertinism, social contract, materialism, secularism, rationalism and scepticism.

Hameed argues that sovereignty here implies the capacity and authority to make laws for individuals and society. From the Greek point of view this has been vested in the will of the people (democracy) exercised either directly, or through representatives in a modern representational democracy, or through a despotic ruler who was considered above the law (monarchy). It can then be implied that only man can decide what is good for him and his fellow man and his right, therefore, is absolute.

Hameed suggests that the west obtained its idea of the rule of law from the Romans and Judaism. He further suggests that whereas Judaism was legalistic and ritualized, Christianity loosened the bonds of religious law. Although Catholicism attempted to impose the will of the Church on Europe, the inherent dichotomy between the sacred and the profane, which became a creed of the Church, always relegated worldly affairs to the state.

Tawney argued that the Renaissance and the discovery of the new world led to the gradual detachment of moral values from the state, and after the Reformation, religion became individualistic rather than the functional society advocated by Catholicism, in part due to the irrational interpretations of the Church, which could not be defended after the discovery of science.

In economic terms the taboos of the church regarding avarice, interest, trade and a negative stance towards wealth were discarded in favour of wealth accumulation. Weber shows how a religious ethic can influence an economic system, or at least give rise to an attitude that can influence the economy. Marx claims that such a "superstructure" can be more powerful than the economic base of rationality.

Furthermore, the Protestantism movement initiated by Calvin legalized interest. In addition, the undertakings of economist Adam Smith lessened the grip on individualism in the form of market forces and self-interest. However, although Adam Smith had a moral context, capitalism flew out of the spiritual cage and became amoral. The works of Marx and his theory on historical materialism also led to atheistic materialism and the subsequent elevation of economic forces and factors of production as the determinant of social systems.

Later, the growth of trade aided by the formation of limited liability corporations and stock markets enabled the mobilization and concentration of vast amounts of capital. These factors gave rise to managerial and investor capitalism, which resulted in the development of modern accounting and financial reporting practices, based on stewardship and later on decision usefulness. Quite understandably the development of modern accounting standards enabled the control of geographically and culturally dispersed units of business.

London. Seven years later in 1887, the American Association of Public Accountants was established. This organization later merged with the American Institute of Certified Public Accountants.

The irony was while the formation of such bodies came to the forefront of the accounting profession, they were not particularly numerically inclined, nor had they the political clout to make amendments to laws pertaining to business. However, from 1920 the profession gained momentum in the US, mainly due to the country's growing economy, the increase in the number of students wanting to study accounting and academics who started conducting research in this field. Unfortunately the profession did not progress so well in the UK, where accounting was not even considered a subject worth studying at university level until the 1960s.

Meanwhile in the US, increasing corporate activity led to the need to establish accounting principles. The American Institute of Accountants initiated this, partly called for by the Securities Exchange Commission. The establishment of the Journal of Accountancy in 1914 – which ran till the 1940s – also helped create a vibrancy in this field. The robustness of accounting helped to establish the Accounting Principles Board

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The creation of institutional accounting structures

Accounting bloomed into a profession in the late 19th century. This was as a result of the industrial revolution, followed later by tax and company legislation. The Society of Accountants was formed in 1853 in Edinburgh, Scotland. In 1880, as the accounting profession became more pronounced and flourished across the UK, the Institute of Chartered Accountants in England and Wales was created in

The Need for Islamic Accounting (*continued...*)

in 1959, which was replaced by the Financial Accounting Standards Board (FASB) in 1974. The FASB had more clout, and began to issue compulsory standards.

In the UK, in contrast, the English Chartered Institute only started issuing recommendations on best practices in 1942. This was replaced by the Accounting Standards Steering Committee, which was in 1992 replaced by the Accounting Standards Board. The latter began issuing binding and compulsory standards for companies via the Financial Reporting Standards.

Conventional accounting – a social agenda

Historically, accounting was used as a tool in the economy to regulate social relationships between individuals, business and government. Accounting and economics were considered as part of human civilization since the early times.

In recent years, however, it has been recognized that accounting has (mostly undesirable) consequences and there have been calls to redress this issue by radical theorists, who have challenged conventional accounting, relying on Marxist, Critical Theorist and Deconstructionist views. While these radical theorists have not been successful in changing the accounting profession entirely, they have nevertheless obtained academic support from the UK.

The limitations of conventional accounting

In looking at why an alternative approach is needed in accounting, one has to examine the reasons. There is no doubt that conventional accounting controls the global financial markets, however it does have its limitations. Some theorists feel the western style of accounting adopts narrow, marginalist, utilitarian economic principles (Lehman) and the assumption of a pristine liberal economic democracy as the basis of society (Gray et al).

What could have contributed to this disparity in ideas? One reason could be due to the original objective of accounting, which is the provision of useful information in allowing informed decision-making, as defined by the AAA (in 1966 and 1977), has been subsequently adopted and rectified by a framework promulgated by the Anglo-American Accountancy, and other research and regulatory bodies such as the Corporate Report 1975, FASB (1978–85) and the International Standards Accounting Board (1989).

The FASB, in its definition of financial accounting concepts, has stated that financial statements are based on the amount, timing and certainty of cash flows. As a result decisions made will be rational in nature. Thus accounting is said to provide information which makes the markets function more efficiently by allowing market participants to make effective economic decisions leading to the efficient allocation of resources, which in turn leads to economic growth and social welfare (AAA, 1977). However, this link between useful information and social welfare has been criticized some theorists.

In a way then, conventional accounting has been held responsible for the destruction of the environment through financial greed. This has led to the inequitable state of world affairs where 20% of the world's population consumes 80% of its resources. What has brought about this dilemma is what are known as externalities, which have social costs.

Conventional accounting has been partly blamed for both the world's bad news (widespread poverty, environmental degradation, inequitable distribution of income and wealth) and the good news (high standard of living in the west and newly industrialized countries, longer life span, globalization and developments in computer and communications technology).

Gray et al feel that conventional accounting, which is based on the decision-usefulness and a functional approach, is partly responsible for creating the current social imbalances and continues to motivate behaviour in the direction of self-destruction. Grey says there is a "need to replace the user needs approach with the more fundamental concept of accountability."

Similarly, conventional accounting is also said have its own reality and hyper-reality, so the terms created by accountancy assume importance and significance which may not be entirely in the interests of society. For example, the use of budgets can lead to tensions and conflicts within organizations.

Worse still, the positivist and functionalist approach of conventional accounting research results in the dominance and propagation in mainstream accounting literature.

In addition, there have been calls to study the complex interaction of accounting, organization and society, rather than accounting purely as a technical discipline devoid of the sociological perspectives.

Looking at these arguments, it would be more complex and rich if different societies with different ontologies and epistemological views were incorporated. That is why Hove argues that if it were possible to study the dynamics of accountancy, organization and society within one societal paradigm, the conclusions and result if applied to other societies may lead to dysfunctional and possibly disastrous results, due to the inappropriate technology.

Hameed goes a few steps further, arguing that in addition to the contractual relationship between the parties, the essence of the accountability model derives from the role that society ascribes to relationships, i.e. the social contracts. Gray et al recognize that two different categories of rights and responsibilities exist – legal and non-legal (moral or natural rights and responsibilities) – and that the law lays down the minimum level of responsibilities and rights. However, they note that while the law establishes responsibilities for certain actions (e.g. equal opportunities), it does not provide equal responsibility on all actions. Therefore the legal responsibility for action and legal responsibility to account for are not equal.

Another problem Gray et al identify with the conventional accounting model is that there is a difference between absolute and relative philosophical responsibilities. For instance in a society where religious values do not permeate, even the absolute moral values are relative.



The authors are from Monash University Malaysia. References are available on request from the authors.

Meet the Head

Islamic Finance news talks to leading players in the industry



Name: Maryadi Aryo Laksmono
Position: Head of Private Bank
Company: Bank Niaga Private Banking
Based: Jakarta, Indonesia
Age: 33
Nationality: Indonesian

Could you provide a brief journey of how you arrived where you are today?

I started my career with Union Bank of California in Los Angeles, United States. At that time, I was in charge of business development within community banking. My responsibility was to provide the top management with a view of where the business or our competitors were heading and trying to build up a business model so that the bank would not fall behind. I worked for the bank from 1996 to 1998.

From 1999 to 2001, I continued my study.

From 2001 to 2004, I worked for ABN AMRO Bank Indonesia in charge of offshore product development. My responsibility was to introduce offshore products in Indonesia. During my service with ABN AMRO Bank, I was able to sell US\$60 million offshore funds in Indonesia within a 5-month period.

From 2004 to present, I have been working for Bank Niaga Private Banking supervising 45 people which includes 16 private bankers, 10 in the product team, 10 in the support team and 9 in the operations team.

What does your role involve?

My main role as a private banking head is to realign Bank Niaga Private Banking. I focus on repositioning the bank to be at least on a par with foreign private banks, growing the business by tapping second generation, and improving the quality of skill and knowledge of my private bankers.

What is your greatest achievement to date?

My greatest achievements so far have been to improve the skill and knowledge quality of my private bankers; improve their morale so that they are aware that they are competing with foreign private bankers; bring up Bank Niaga Private Banking to become the only local private bank that operates as a private foreign bank; and contribute more than 10% of the bank's profit.

Which of your products/services deliver the best results?

So far, the best performing products have been mutual funds,

structured notes, treasury products and discretionary portfolio onshore and offshore. In addition, bancassurance is growing at a high pace.

What are the strengths of your business?

There are several areas that we consider as our strengths:

- Number of networks.
- Brand name.
- Product selections.
- CRM/private bankers.

What are the factors contributing to the success of your company?

Our key success factors are human resources development and variety of products.

What are the obstacles faced in running your business today?

Paradigm shift and culture.

Where do you see the Islamic finance industry, maybe in the next five years?

The Islamic finance industry is an area which a lot of people need to consider in the future. With the idea of saturation of the current financial world, Islamic finance will become the alternative. For the next five years, with the seriousness to develop the industry, I believe that Islamic finance will become as big as the conventional industry. However, this development should be followed by the development of the simplicity in terms of Islamic finance concept, including the idea of halal dan haram. In addition, Islamic finance should not only be targeted to Muslims, but also for non-Muslims.

Name one thing you would like to see change in the world of Islamic finance.

More variety of ideas.



From its modest beginnings in 1955, PT Bank Niaga has evolved into a financial institution which has achieved a position of leadership in Indonesia's growing financial industry. It started as a single branch bank and years later, PT Niaga merged with Bank Agung, Bank Tabungan Bandung and Bank Amerta, significantly expanding its geographical coverage. In 1974, Niaga obtained its foreign exchange license, allowing it to provide international banking services. Fifteen years later, it became the fifth bank to have its shares listed in the Jakarta Stock Exchange.

Today, Niaga has a network of 55 branches spread throughout the Indonesian archipelago. Abroad, it has branches in Los Angeles and the Cayman Islands, as well as a deposit taking company in Hong Kong. Bank Niaga is also more than just a commercial bank. The bank, through its financial subsidiaries, provides a wide array of financial services, which include Life Insurance, Securities Brokerage and Underwriting, as well as Leasing and Factoring.

Islamic Finance forum

Is limitation of liability Islamically acceptable, and if so, why?

The issue of limited liability under Shariah was first addressed in English by Muhammad Nujatullah Siddiqi in his pioneering book, *Partnership and Profit-Sharing in Islamic Law*, published by the Islamic Foundation in 1985.

He concludes that where a Musharakah or Mudarabah enterprise has expanded through invested capital, the partners are only liable to the extent of their investments. Where, however, the enterprise has expanded through conventional borrowing, then the liability of partners may exceed their initial investment.

Clearly much has happened in Islamic finance since 1985. The Fiqh Academy of the OIC ruled that it was legitimate for Muslims to invest in equities, and not simply businesses run on a partnership basis, provided the business activity was consistent with Shariah law, and sectoral and financial screens applied.

This is an implicit recognition of the legitimacy of investment in joint stock companies, all of which are organized on the basis of limited liability. Applying financial screens should prevent Muslims getting involved in excessively indebted businesses. Hence their personal assets are less likely to be at risk in any case, as less indebted businesses are unlikely to be forced into bankruptcy. In such circumstances the issue of limited liability is much less likely to arise.



PROFESSOR RODNEY WILSON
Director
University of Durham

On the question, it is my view that limitation of liability is acceptable from a Shariah point of view, provided that it is agreed by the contracting parties at the beginning of the contract by virtue of a private arrangement between the parties.

MOHAMED RIDZA & Co
Advocates & Solicitors

MOHAMED RIDZA
Managing Partner
Mohamed Ridza & Co

The concept of "limited liability" has now become the norm in large-scale enterprises of trade and industry throughout the modern world, including Muslim countries. Although it is a new concept and there is no mention of it in the original sources of Islamic fiqh, the Shariah viewpoint can be sought based on ijihad or qias.

The question of "limited liability" is closely related to the concept of juridical personality of the modern corporate bodies. Based on this concept, a joint-stock company in itself enjoys the separate entity status, as distinguished from sole proprietorships.

The basic question is whether the concept of a "juridical person" is acceptable in Shariah or not. Once the concept of "juridical person" is accepted, we will have to accept the concept of "limited liability," based on the logical result of the former concept.

Islamic Finance news

Next Forum Question

Can we have the same person on the Shariah supervisory boards of two rival companies?

If you would like to air your views on the next Islamic Finance Forum Question, please email your response of between 50 and 300 words to Christina Morgan, Islamic Finance news Manager at: Christina.Morgan@IslamicFinanceNews.com before Wednesday 29th March.



THAILAND

Dhipaya increases Takaful marketing

Dhipaya Insurance plc is stepping up marketing of its Takaful policies for its Muslim customers. Managing director Charuek Kungwanphanich said with the new marketing strategy, the Takaful business was expected to produce about THB50 million (US\$1.28 million) in premiums this year, THB80 million (US\$2.06 million) next year and THB120 million (US\$3.08 million) in 2008.

The company started offering the Muslim policy late last month through the Islamic Bank of Thailand, the Government Savings Bank and the Bank of Agriculture and Agricultural Co-operatives.

BAHRAIN

Nation takes lead in industry

To enhance its position as a leading centre in the insurance industry, Bahrain has drawn up strategies, including the issuance of the insurance manual in 2005, representing the first monitoring framework of its kind in the region.

Bahrain Monetary Agency (BMA) deputy governor Anwar Khalifa Al Sada said apart from monitoring activities, BMA also undertook a number of initiatives aimed at developing the sector, including the establishment of the Al Takaful Society in Bahrain.

The deputy governor was speaking at the opening of the 3rd Middle East Insurance Forum on the 20th March 2006 in Manama, with more than 350 participants representing public and private sectors, in addition to Arab and international insurance companies.

Deputy Director of the Economic and Business Group, Faisal Abu Zaki, said that the Kingdom had proven itself as a vital centre for Islamic finance and insurance in the area.

BAHRAIN

BMA to establish Takaful Association

The Bahrain Monetary Agency is finalizing its plans to establish an International Takaful Association (ITA). Bahrain is proposed as the international headquarters for the association, based on the fact that the country has achieved a solid reputation as a strong centre for Islamic financial activities

The BMA currently supervises a significant number of Takaful companies, as well as Islamic banks. The insurance industry has also achieved a good track record, having one of the highest penetration rates within the MENA region.

BMA executive director of financial institutions supervision, Abdul Rahman Mohammed Al Baker, said the agency, being part of the International Association of Insurance Supervisors and Working Groups, was in the process of developing international standards on Takaful.

UAE (Dubai)

AMAN gold sponsor at Forum

The Dubai Islamic Insurance and Reinsurance Company (AMAN) gave its full support to the 3rd Middle East Insurance Forum in Bahrain on the 20th and 21st March.

AMAN actively participated as a gold sponsor of the event and also through a lecture in the conference entitled: "Developing the Medical Insurance and Retirement Plans: Insurer-Regulator Relationship," with Hussein Al Meeza, managing director of AMAN, as the moderator of the session.

Hussain Al Meeza said that participating in such events regionally and internationally was essential for AMAN, as the group would benefit in sharing experience and case studies from the region in order to preserve its leading position in the UAE market.

QATAR

Al Khaleej capital increase

Al Khaleej Insurance is raising its capital by 150% through a bonus issue for its shareholders. The bonus issue will translate into a capital base of QR127 million (US\$34.9 million), from the present QR50.8 million (US\$13.9 million).

The capital increase comes as part of Al Khaleej's business strategy, which includes expanding Takaful insurance services through tie-ups with similar co-operative insurers in the Gulf, Arab region and other parts of the world. Al Khaleej Takaful achieved impressive growths in gross premium and profits, despite being a new entrant to the industry.

The Al Khaleej board has drawn up a plan for a Takaful scheme, with the aim of capturing a share of the insurance premium from the local insurance market; keeping up with the latest developments in the local and international market; improving insurance penetration; and achieving distinction in the service offered to customers.

BAHRAIN

Insurers urged to exploit growth

The Arab insurance sector was urged to exploit the increasing economic growth in the region, especially in light of the Bahrain government's implementation of reforms gearing towards free trade and an investment boom, it was concluded at the 3rd Middle East Insurance Forum in Bahrain.

Changes faced by the insurance market, notably the requirements of the General Agreement on Tariffs and Trade (GATT), the regional blocs and the impact of technological developments in the insurance sector, as well as close ties between banks and insurance companies, in addition to new reinsurance trends, were also highlighted.

The Forum stressed the need to strengthen regional co-operation given the rapid development of foreign insurance markets.

Takaful and Unemployment

By Sami Matraji

The aim of this article is to propose a new model of Takaful which is unique, yet complements existing Takaful models in securing a good economy based upon co-operation and solidarity within the community.

Unemployment: an inevitable threat¹

Unemployment statistics compiled by the International Labour Organization show that the Arab world has the highest rate of unemployment globally. The average percentage of unemployment for 2003 in the world was 6.2%. In the Arab world, however, it was 12.2%, meaning that more than 16 million people are unemployed. In addition, according to the Davos World Economic Forum, unemployment has reached 15% in the Arab world (2005 figures), 30% of which is amongst the youth. Moreover, the Chief of the Arab Economic Forum has warned against the rising of unemployment figures, which could reach 80 million in the Arab world by 2013.

This background reveals that unemployment is a serious and growing threat in the Arab world. The ramifications of this crisis in the economical and social arenas are as pressing as the consequences for poverty, and it has become a necessity to seek practical and achievable solutions for this problem.

Takaful: a potential solution

Over the past three decades, Takaful has been applied, in addition to insurance, for two main purposes: commerce and charity.

The first purpose, which is undoubtedly more attractive to both investors and policyholders, was practised by the insertion of the Al Mudarabah contract, where the Takaful operator and participants share any profit resulting from the investment in Shariah compliant business, and the surplus according to a pre-determined ratio. Furthermore, the market has witnessed the emergence of a variety of profit earning Takaful models (i.e. the Ta'awuni, Al Mudarabah, and Al Wakalah models), which in form are identical, as they seek to generate profits for shareholders and policyholders. However, they differ with regard to internal issues relating to the operator's investment policy and the time and process in which the operational expenses are deducted from the premium.

The second purpose was achieved, on the one hand, through the non-profit model, which mainly includes social/government-owned enterprises and programs operated on a non-profit basis, where the participants willingly give to the less fortunate members of their community. As a consequence, there is no surplus in this model and the profits resulting from investment activities are irrelevant to the participants. On the other hand, the International Cooperative and Mutual Insurance Federation (ICMIF) has adopted another model of charitable Takaful which aims to alleviate poverty. In fact, in an article entitled "Takaful and Poverty Alleviation" (<http://www.icmif.org/takaful>), S. Pattel argued that Takaful is "an effective mechanism for reducing the vulnerability of the poor from the impacts of disease, theft, disability, and other hazards as well as safeguarding the productive use of savings and credit facilities." He based his argument: first, on the World Bank's suggestions that reducing vulnerability, with all of its debilitating consequences, is central to improving material well-being (or preventing reversals) and empowering poor people

and communities; and, secondly, on Omar Fisher's statement that "Takaful is the second most important social institution in the Islamic community to counter poverty and deprivation."

Hence the new Takaful model, which aims to reduce unemployment among youth, works along the lines of poverty alleviation, as unemployed people may well eventually suffer financial difficulties. While poverty alleviation seeks to satisfy and recover, temporarily, any misfortune faced by the poor in the short term, the reduction of unemployment secures a permanent income to the individual concerned and results in the improvement of his economic situation. This inter-relationship between poverty and unemployment reflects the popular Chinese proverb which states: "Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime."

Practical difficulties and solutions

A salient difficulty lies in the implementation of this project in practice through the incorporation of a Takaful company. Three issues are outstanding here: first, regulatory legislation might impose a high capital requirement. Secondly, the operation of the Takaful company itself requires modern technology, a good marketing department (given the competition with conventional insurance companies and other Takaful operators, in particular in relation to benefits for policyholders) and well-qualified staff who should possess a dual knowledge – of the principles of Takaful and of insurance practice. Finally, what role will the unemployed assume in the new scheme? Will they be policyholders? Or will they be the subject of investment by Takaful companies?

The latter suggestion, which is preferable, proposes that Takaful companies will modify their investment strategy in order to benefit the unemployed and secure permanent jobs for them. The main advantage to implementing this strategy is that policyholders and shareholders will be satisfied as they will still be generating income by investing in projects. However, the investment will be focused on activities and industries which will aim to foster the reduction of unemployment. In other words, the investment will be directed to develop certain sectors in the community which are not yet saturated and require labour. This kind of investment is risky, but the risks can be mitigated and managed through seeking professional financial advice.

Although income may be minimized in such a project, the overarching objective is the welfare of society, which is the very essence of Takaful. Furthermore, if this project gains the support of governments and international organizations, it might prove to be an attractive opportunity for investors, given the substantial and growing number of unemployed in the Arab world.

Takaful and unemployment is still a niche idea which needs to mature further in order to become a realizable project. In particular it should be studied from an actuarial and investment perspective with regard to Takaful fund management.

The author can be contacted by email on: sami.matraji@gmail.com

¹ Right Start Foundation International and Life Makers, 'Unemployment Survey Results', 'Background' section: www.amrkhaleed.net 2005.

MOVES

AFFIN ISLAMIC BANK – Malaysia

Bank Negara Malaysia has approved the appointments of Tan Sri Ismail Omar, Datuk Abdul Hamidy Abdul Hafiz, Tan Sri Lodin Wok Kamaruddin, Zulkiflee Abbas Abdul Hamid and Kamarul Ariffin Mohd Jamil as directors of Affin Islamic Bank.

The Central Bank also approved the appointment of Kamarul Ariffin as the acting chief executive officer of the bank.

DEUTSCHE – Hong Kong

Wayne Ng has been appointed the director of the institutional client group's commodity and foreign exchange sales team in China. Ng joins from JP Morgan in Hong Kong, where he worked on marketing foreign exchange, commodity and interest rate products to financial institutions in China and Hong Kong.

Jonathan Ross has been appointed as the head of equity capital markets execution, Asia. Ross first joined Deutsche from university in 1994.

NOMURA – Singapore

Thaddeus Beczak has been appointed chairman of Nomura Asia Holdings, after serving the group as senior advisor in Hong Kong. Beczak has held senior positions including committee member of the Hong Kong Association of Banks and president of JP Morgan Securities Asia.

Kunio Watanabe has been appointed co-president of Nomura International (Hong Kong). He is currently managing director of the financial institutions department at Nomura Securities.

Hirishi Toda has been promoted to president and chief executive officer of Nomura Asia from his previous role as deputy president and chief operating officer. Mr Yoshinori Go will take over as co-president and chief operating officer.

NATIONAL BANK OF DUBAI – UAE (Dubai)

National Bank of Dubai (NBD) announced the appointment of Hesham Abdulla Qassimi as deputy head of corporate banking. An expert in the field, Qassimi first joined NBD in 1995, when he worked in the Exchange Department controlling inward and outward remittances and swift administration.

The appointment of Mr Qassimi comes as an integral part of NBD's Emiratization strategy to train, develop and promote young UAE talents within the bank.

GULFBANKERS – UAE (Dubai)

GulfBankers, a Forum International company headquartered in Dubai, has appointed Adnan Mansoor Alam as the firm's human resources (HR) practice director, based out of the Bahrain office.

In addition to conducting national and international searches for mid- to upper-level managers in the banking and financial industry, GulfBankers now provides professional HR services in the region.

Having started his career with Ernst & Young in Bahrain, Adnan Mansoor Alam has over four years of HR experience.

HSBC BANK MIDDLE EAST – UAE (Abu Dhabi)

HSBC has announced the appointment of Mohamed Almulla as chief executive officer for HSBC Bank Middle East in Abu Dhabi.

Mr Almulla succeeds Charles Moncrieff who took up the position of chief executive officer for HSBC in Qatar. He has been with the bank since 1995. Prior to his appointment, he was senior manager of commercial banking. He has extensive experience in human resources, credit and risk, corporate and commercial banking. He is also the chairman of HSBC in the Community Middle East Foundation.

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Experience: Manager	Industry: Financial Services
Function: Asset Liability and Market Risk Management	Location: Malaysia
Availability: Immediate	Date Posted: 23 th March 2006

Ref: IFNRC/002

Experience: Manager	Industry: Financial Services
Function: Product Marketing	Location: Malaysia
Availability: Immediate	Date Posted: 23 th March 2006

THE RECRUITER

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Experience: Vice President	Industry: Financial Services
Function: Fund Management	Location: Bahrain
Availability: Immediate	Date Posted: 23 th March 2006

Ref: IFNRC/004

Experience: Director	Industry: Financial Services
Function: Finance	Location: Bahrain
Availability: One Month	Date Posted: 23 th March 2006

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Tel: +603 2141 6024; Email: Geraldine.Chan@IslamicFinanceNews.com

EVENTS DIARY

DATE	EVENT	VENUE	ORGANIZER
March			
28 th – 29 th	The 3 rd International Seminar on Challenges Facing the Islamic Financial Services Industry	Kuwait	IFSB
April			
4 th – 6 th	Securitisation World MENA 2006	Dubai	Terrapinn
9 th – 10 th	World Takaful Conference 2006	Dubai	Mega Events
22 nd – 23 rd	7 th Harvard University Forum on Islamic Finance 'Integrating Islamic Finance in the Mainstream: Regulation, Standardization and Transparency'	Massachusetts US	Harvard Law School
24 th	Seminar on Challenges and Opportunities in Islamic Finance jointly organized with The World Bank	Washington DC	IFSB
25 th – 26 th	STEP Arabia Conference	Dubai	Barker Brooks Media
May			
7 th – 8 th	The World Islamic Funds & Capital Markets Conference & Exhibition	Manama	Mega Events
8 th – 10 th	The World Halal Forum	Kuala Lumpur	The Halal Journal
17 th – 18 th	3 rd Islamic Financial Services Board Summit: Aligning the Architecture of Islamic Finance to the Evolving Industry Needs	Beirut	IFSB
June			
4 th – 7 th	Commodity Investment World Middle East	Dubai	Terrapinn
4 th – 7 th	Funds World Middle East	Dubai	Terrapinn
12 th – 15 th	The International Islamic Finance Forum Asia	Singapore	IIR Middle East
19 th – 20 th	Backroom Operations for Financial Institutions		ABF Asia
September			
5 th – 6 th	3 rd Annual Asian Islamic Banking & Finance Summit	Kuala Lumpur	Euromoney Seminars
16 th – 17 th	Brunei Islamic Financial Services Forum hosted by the Ministry of Finance Brunei	Brunei	IFSB
17 th – 18 th	The World Islamic Real Estate Investment Conference	Dubai	Mega Events
26 th – 28 th	Islamic Funds World	Dubai	Terrapinn
November			
13 th – 16 th	The International Islamic Finance Forum Europe	Zurich or Geneva	IIR Middle East
December			
9 th – 11 th	The World Islamic Banking Conference & Exhibition	Manama	Mega Events

Islamic Finance news teamPublished By:  **RedMoney**

Suite A, Level 7 Menara Angkasa Raya,
Jalan Ampang, 50450 Kuala Lumpur,
Malaysia
Tel: +603 2143 8100
Fax: +603 2141 5033

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EDITORIAL TEAM

Managing Editor	Frances O'Sullivan Frances.O'Sullivan@IslamicFinanceNews.com
Editor	Zakariya Othman Zakariya.Othman@IslamicFinanceNews.com
Deputy Editor	Sreerema Banoo Sreerema.Banoo@IslamicFinanceNews.com
Correspondents	Seelan Sakran Kamal Bairamov Shirene Shan
Website Content	Christina Morgan Christina.Morgan@IslamicFinanceNews.com
Production	Jeya Jeevan Jeevan@IslamicFinanceNews.com

SALES TEAM

New Business Manager	Charles Phillip Charles.Phillip@IslamicFinanceNews.com Tel: +603 2143 8100 x 13
Subscriptions	Geraldine Chan Geraldine.Chan@IslamicFinanceNews.com Tel: +603 2141 6024

MARKETING TEAM

Manager	Zalina Zakaria Zalina.Zakaria@IslamicFinanceNews.com Tel: +603 2141 6021
Assistants	Dhana Dorasamy Sharifah Shazana
Administration	Kim Yong Kim.Yong@RedMoneyGroup.com
Managing Director & Publisher	Andrew Morgan Andrew.Morgan@IslamicFinanceNews.com Tel: +603 2141 6020

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Islamic Finance Training

Managing Director	Andrew Tebbutt Andrew.Tebbutt@RedMoneyGroup.com Tel: +603 2141 6022
Sales Manager Training	Derrick Lee Derrick.Lee@RedMoneyGroup.com Tel: +603 2143 8100 x 14

RINGGIT ISLAMIC DEBT MARKET: FORTNIGHTLY SNAPSHOT

AS AT 8th Mar 2006

Key Benchmarks Trend (by volume)	Rating	This week close (RM)	1 Mar 06 (RM)	22 Feb 06 (RM)	15 Feb 06 (RM)
Private Debt Securities					
PLUS 0.00000% 16.06.2017 - SERIES 2	AAA (RAM)	53.06	51.85	52.09	52.13
CELCOM 0.00000% 13.04.2007	AA1 (RAM)	104.61	104.70	104.72	104.82
PLUS PRIMARY BONDS SERIES 7 - 29.05.2009	AAA (RAM)	105.80	105.85	105.74	105.65
PUTRAJAYA RM80m 6.600% 05.07.2010	AAA ID (MARC)	109.10	108.92	108.70	108.92
TTPC 0.000% 13.09.2011	AA3 (RAM)	115.29	115.71	115.52	115.65
Government Investment Instruments					
PROFIT-BASED GII 24/2005 08.12.2010	n/a	99.95	99.95	99.90	99.96
GII 3/2004 0.00000% 29.10.2009	n/a	87.63	87.87	87.77	87.70
GII 1/2003 0.00000% 31.03.2008	n/a	93.10	93.06	92.99	92.94
GII 1/2004 0.00000% 15.06.2007	n/a	95.78	95.75	95.71	95.65
Quasi Government					
KHA1/05 1B 0-CP 5Y 18/01/2010	n/a	86.38	86.32	86.31	86.55
KHA1/03 1B 0-CP 5Y 18/6/08	n/a	92.37	92.37	92.29	92.28
KHA1/00 1.02B 0-CP 7YR 20/3/2007	n/a	96.56	96.50	96.54	96.49
KHA1/01 700M 0-CP 5YR 20/3/2006	n/a	99.91	99.85	99.79	99.73

SPREAD VS GII (in b.p)

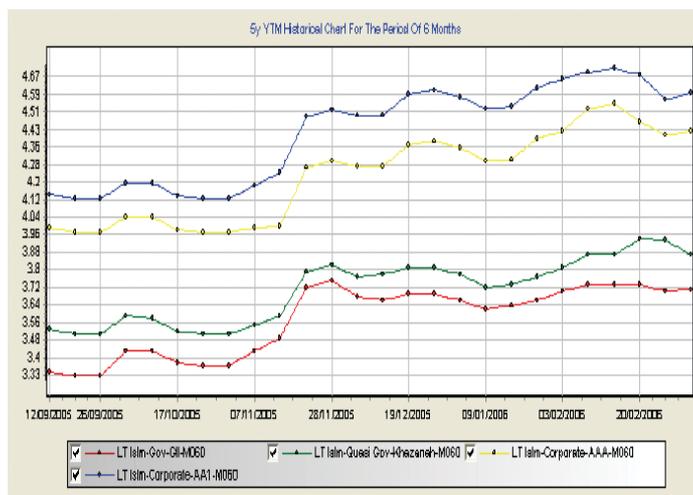
	TENURE					
	1Y	2Y	3Y	5Y	7Y	10Y
GII	3.41	3.49	3.58	3.71	3.93	4.18
Cagamas	0.44	0.53	0.63	0.66	0.6	0.53
Khazanah	-0.01	0.03	0.07	0.22	0.14	0.11
AAA	0.18	0.29	0.51	0.71	0.6	0.91
AA1	0.29	0.5	0.66	0.88	0.98	1.28
A1	1.07	1.45	1.73	2.57	2.97	3.16

MYR ISLAMIC DEBT YIELD CURVES

YTM Curves



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





ISLAMIC LEAGUE TABLES

TOP ISSUERS OF ISLAMIC DEBT							MAR 2005 – MAR 2006
Issuer or Group	Nationality	Instrument	Amt US\$ m	Iss.	%	Manager	
1 PCFC Development	UAE	Convertible Sukuk	3,500	2	31.5	Barclays Capital, Dubai Islamic	
2 Cagamas	Malaysia	Bithaman Ajil Islamic Securities	777	11	7.0	Cagamas/AmMerchant	
3 Rantau Abang Capital	Malaysia	Musharakah MTN	594	1	5.4	CIMB, AmMerchant	
4 Emirates Airlines	UAE	Sukuk Al Musharakah	550	1	5.0	Dubai Islamic, HSBC, Standard Chartered	
5 Cagamas MBS	Malaysia	Sukuk Musharakah Islamic Bond	542	6	4.9	CIMB, HSBC, ABN AMRO, AmMerchant	
6 Islamic Development Bank	Saudi Arabia	Islamic Bond	500	1	4.5	Deutsche, HSBC	
7 PLUS Expressways	Malaysia	Serial Bai Bithaman Ajil Islamic Securities	349	4	3.1	CIMB	
8 Syarikat Bekalan Air Selangor	Malaysia	Bai Bithaman Ajil Commercial Papers/ MTN	273	4	2.5	CIMB, Bank Islam Malaysia, HSBC Bank (Malaysia)	
9 Maybank	Malaysia	Islamic Subordinated Bond	265	1	2.4	Aseambankers	
10 Senai Desaru Expressway	Malaysia	Bai Bithaman Ajil Islamic Debt Securities	249	26	2.2	Aseambankers, Standard Chartered	
11 Jimah Energy Ventures	Malaysia	Istisnah Islamic MTN Facility	245	10	2.2	AmMerchant, RHB Sakura, Malaysian International Merchant Bankers, Bank Muamalat Malaysia	
12 Putrajaya Holdings	Malaysia	Murabahah MTN	235	4	2.1	Alliance, CIMB, RHB Sakura	
13 DRB-HICOM	Malaysia	Bai Bithaman Ajil Islamic Debt Securities	209	11	1.9	AmMerchant, Malaysian International Merchant Bankers	
14 Konsortium Lebuhraya Utara-Timur (KL)	Malaysia	Redeemable Secured Serial Sukuk Istisnah	207	9	1.9	CIMB	
15 Gold Sukuk dmcc	UAE	Islamic Sukuk Al Musharakah Issue	200	1	1.8	Standard Bank, Dubai Islamic Bank	
16 International Bank for Reconstruction & Development – World Bank	Supranational	Bai Bithaman Ajil Islamic Debt Securities	200	1	1.8	ABN Amro Bank, CIMB	
17 Musharakah One Capital	Malaysia	Asset Backed Sukuk Musharakah Issuance Program	176	7	1.6	CIMB	
18 Special Power Vehicle	Malaysia	Bai Inah Islamic MTN Facility	163	13	1.5	Malaysian International Merchant Bankers, AmMerchant, RHB Sakura, Bank Muamalat	
19 Ranhill Power	Malaysia	Islamic MTN Program	142	12	1.3	Aseambankers	
20 Sistem Penyuraian Trafik KL Barat	Malaysia	Al Bai Bithaman Ajil Notes Issuance Facility	136	5	1.2	United Overseas Bank (Malaysia)	
Total of issues used in the table			11,095	288	100.0		



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

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For all enquires regarding the above information, please contact:

Catherine Chu
Email: Catherine.Chu@Hk.Dealogic.com
Phone: +852 2804 1223; Fax: +852 2529 4377



ISLAMIC LEAGUE TABLES

TOP ISSUERS OF ISLAMIC DEBT

SEP 2005 – MAR 2006

Issuer or Group	Nationality	Instrument	Amt US\$ m	Iss.	%	Manager
1 PCFC Development	UAE	Convertible Sukuk	3,500	2	51.2	Barclays Capital, Dubai Islamic
2 Cagamas	Malaysia	Bithaman Ajil Islamic Securities	725	9	10.6	AmMerchant/Cagamas
3 Rantau Abang Capital	Malaysia	Musharakah MTN	594	1	8.7	CIMB, AmMerchant
4 Maybank	Malaysia	Islamic Subordinated Bond	265	1	3.9	Aseambankers
5 Senai Desaru Expressway	Malaysia	Bai Bithaman Ajil Islamic Debt Securities	249	26	3.6	Aseambankers, Standard Chartered
6 Putrajaya Holdings	Malaysia	Murabahah MTN	235	4	3.4	Alliance, CIMB, RHB Sakura
7 Konsortium Lebuhraya Utara Timur (KL)	Malaysia	Redeemable Secured Serial Sukuk Istisnah	207	9	3.0	CIMB
8 Sistem Penyuraian Trafik KL Barat	Malaysia	Al Bai Bithaman Ajil Notes Issuance Facility	136	5	2.0	United Overseas Bank (Malaysia)
9 WAPDA First Sukuk Co	Pakistan	Sukuk Al Ijarah	134	1	2.0	Citibank (Pakistan), Jahangir Siddiqui & Co, MCB
10 Sime Darby	Malaysia	Al Murabahah CP/MTN Programme	133	1	1.9	CIMB, HSBC (Malaysia)
11 Golden Crop Returns	Malaysia	Sukuk Al Ijarah	117	15	1.7	Affin
12 BNM Sukuk	Malaysia	Sukuk Al Ijarah	107	1	1.6	Government bond/no bookrunner
13 Tenaga Nasional	Malaysia	Murabahah MTN Programme	66	1	1.0	United Overseas Bank (Malaysia), Aseambankers, Bank Muamalat, KAF Discount, AmMerchant, CIMB
14 Sarawak Gateway	Malaysia	Redeemable Secured Serial Sukuk Ijarah	64	6	0.9	CIMB, RHB Sakura
14 Sweetwater SPV	Malaysia	Serial Bai Bithaman Ajil Islamic Securities	52	3.0	0.8	Avenue Securities
16 Sacofa	Malaysia	Istisnah Islamic Bond	42	6.0	0.6	CIMB, RHB Sakura
17 IJN Capital	Malaysia	Sukuk Musharakah	27	5.0	0.4	RHB Sakura
18 Harum Intisari	Malaysia	Murabahah Commercial Paper/MTN Program	27	1	0.4	HSBC Bank Malaysia
19 UEM Builders	Malaysia	Murabahah Commercial Paper/MTN Program	27	1.0	0.4	AmMerchant
20 Vastalux Capital	Malaysia	Sukuk Musharakah	26	4.0	0.4	KAF Discounts
Total of issues used in the table			6,832	128	100.0	

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

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Catherine Chu

catherine.chu@hk.dealogic.com

+852 2804 1223

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ISLAMIC LEAGUE TABLES

ISLAMIC DEBT		MAR 2005 – MAR 2006		
Manager or Group	Amt US\$ m	Iss.	%	
1	Dubai Islamic	2,033	4	18.3
2	Barclays Capital	1,750	2	15.8
3	CIMB	1,709	53	15.4
4	HSBC	951	18	8.6
5	AmMerchant	819	47	7.4
6	Cagamas	645	10	5.8
7	Aseambankers	542	40	4.9
8	Standard Chartered	316	28	2.9
9	RHB	307	54	2.8
10	Deutsche	275	3	2.5
11	United Overseas	264	23	2.4
12	EON	206	34	1.9
13	Bank Muamalat Malaysia	179	49	1.6
14	Affin Merchant	136	17	1.2
15	Alliance Merchant	132	14	1.2
16	OCBC	111	26	1.0
17	Government bond/no bookrunner	107	1	1.0
18	ABN AMRO	100	1	0.9
18	Standard Bank	100	1	0.9
20	Bank Islam Malaysia	91	4	0.8
Total of issues used in the table		11,095	288	100.0

ISLAMIC DEBT BY COUNTRY		MAR 2005 – MAR 2006		
	Amt US\$ m	Iss.	%	
Malaysia	5,950	278	53.6	
UAE	4,250	4	38.3	
Saudi Arabia	500	1	4.5	
United States	200	1	1.8	
Pakistan	134	1	1.2	
Indonesia	61	3	0.6	
Total	11,095	288	100.0	

ISLAMIC DEBT BY CURRENCY		MAR 2005 – MAR 2006		
	Amt US\$ m	Iss.	%	
Malaysian ringgit	6,150	279	55.4	
US dollar	4,750	5	42.8	
Pakistan rupee	134	1	1.2	
Indonesian rupiah	61	3	0.6	
Total	11,095	288	100.0	

ISLAMIC DEBT		SEP 2005 – MAR 2006		
Manager or Group	Amt US\$ m	Iss.	%	
1	Barclays Capital	1,750	2	25.6
1	Dubai Islamic	1,750	2	25.6
3	CIMB	721	31	10.6
4	Cagamas	592	8	8.7
5	AmMerchant	467	4	6.8
6	Aseambankers	400	28	5.9
7	RHB	165	23	2.4
8	United Overseas	147	6	2.2
9	Affin Merchant	136	17	2.0
10	Standard Chartered	125	26	1.8
11	Government bond/no bookrunner	107	1	1.6
12	HSBC	103	5	1.5
13	Alliance Merchant	81	5	1.2
14	Avenue Securities	52	3	0.8
15	Citigroup	45	1	0.7
16	Jahangir Siddiqui & Co	45	1	0.7
16	MCB	45	1	0.7
16	KAF Discount	40	7	0.6
19	OCBC	22	7	0.3
20	OSK Asia Securities	13	4	0.2
Total of issues used in the table		6,832	128	100.0

ISLAMIC DEBT BY COUNTRY		SEP 2005 – MAR 2006		
	Amt US\$ m	Iss.	%	
UAE	3,500	2	51.2	
Malaysia	3,199	125	46.8	
Pakistan	134	1	2.0	
Total	6,832	128	100.0	

ISLAMIC DEBT BY CURRENCY		SEP 2005 – MAR 2006		
	Amt US\$ m	Iss.	%	
US dollar	3,500	2	51.2	
Malaysian ringgit	3,199	125	46.8	
Pakistan rupee	134	1	2.0	
Total	6,832	128	100.0	

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