Islamic Finance news

A REDmoney Product

Vol. 4, Issue 18 4th May 2007

The World's Global Islamic Finance News Provider

UAE

Flying Halal Air

Etihad Airways will utilize a US$400 million Islamic lease financing facility to acquire four Airbus A340-500 aircraft.

Citigroup and Abu Dhabi Commercial Bank (ADCB) acted as mandated lead arrangers and joint bookrunners for the consortium of six lenders, consisting of ABC Islamic Bank, First Gulf Bank, Qatar National Bank, Standard Chartered Bank, with the Arab African International Bank and China Construction Bank Corporation, Hong Kong branch, as arrangers.

The Etihad fleet currently comprises 25 aircraft, which will expand to 31 by the end of the year, during which time the airline will take delivery of two Airbus A330-200 and four Airbus A340-600 aircraft.

James Hogan, chief executive of Etihad, said: "Etihad has set unprecedented standards for growth, which while earning it the title of the world's fastest growing airline, has also created an expectation and benchmark that will be hard to match."

This financing marks Etihad's first Shariah compliant agreement, and the largest of its kind by any airline.

UK

Islamic property

The Pan-European Islamic Real Estate Fund, sponsored by the European Islamic Investment Bank (EIIB), has purchased five UK commercial properties worth £58.8 million (US$117.16 million).

This deal marks the first inter-UK Shariah compliant real estate transaction, and aims to attract between €200 million (US$272.09 million) and €500 million (US$680.24 million) in investor funds. The properties currently account for 20%–25% of the EIIB Pan-European Real Estate Fund. The rest of the EIIB Fund will be invested in continental Europe.

Jeremy Beswick, head of asset management at EIIB, commented: "This acquisition is the EIIB Pan-European Real Estate Fund's first transaction, which is a milestone not only for the fund but also for Islamic finance in London. We expect significant investor interest in this fund, which will deliver to investors a diversified commercial property portfolio including exposure to the rapidly developing markets in Central and Eastern Europe."

The properties were previously held in a Shariah compliant fund co-sponsored by ABC International Bank and Global Securities House WLL.

SAUDI ARABIA

Setting the price

The construction and real estate SAAD Group will price its five-year benchmark sized Sukuk at 80 to 85 basis points above the London Interbank Offered Rate (LIBOR).

The Sukuk, which has been rated BBB+ by Standard & Poor's and Baa by Moody's, will be backed by land leased in Saudi Arabia to Golden Belt, the bond's issuers. BNP Paribas is arranging the Sukuk.

SAAD Group is 90% owned by tycoon Maan Al-Sanea and 10% owned by his wife Sana Al-Gosaibi.

In this issue

News Briefs

MALAYSIA

LOFSA Islamic boost

The Labuan Offshore Financial Services Authority (LOFSA) may introduce further tax incentives for businesses operating in Labuan. It is currently in discussions with the Malaysian Ministry of Finance on the topic.

LOFSA will expand its Islamic financial services and strengthen integration by leveraging on the Malaysia International Islamic Financial Center (MIFC) initiatives. These changes are likely to be announced in the 2008 Budget.

Dr Zeti Akhtar, governor of Bank Negara Malaysia and LOFSA chairman, revealed that a comprehensive review of the Labuan International Offshore Financial Center (IOFC) would aim to make it more competitive and cater to offshore environment demands. It is also thought that LOFSA will become an originating center for Islamic debt issuance.

The IOFC listed the world's first exchangeable and equity-linked Sukuk last year.

INDIA

India to surge?

India is set to be the new Islamic banking hub, ready to tap into the US$600 billion and growing Islamic investments, it has been reported.

It is predicted that Indian markets will see a massive inflow of capital looking to invest in Islamic stocks. 16.4% of India's population is Muslim.

MALAYSIA

The mediator

The Malaysia International Islamic Financial Center (MIFC) is set to draw Middle Eastern investments, according to Razif Abdul Kadir, deputy governor of Bank Negara Malaysia. Decreasing US and European shares of the Gulf's wealth leaves a larger opportunity for Malaysia to take advantage of.

Malaysia seeks to become an effective gateway for the sector, while further liberalization will propel Malaysia as an Islamic financial hub. Malaysia's relaxed Foreign Investment Committee rules and 10-year tax exemptions for international Islamic banks or Takaful operators will draw in oil money, Razif concluded.

UAE

New market player

First Gulf Bank, ALDAR Properties, Surouh Real Estate and Reem Investments have together established the Shariah compliant Aseel Finance.

Aseel was launched as a joint stock company with an authorized paid-up capital of Dh500 million (US$137 million). First Gulf Bank holds a 40% stake in the new company, followed by Surouh, Reem and ALDAR Properties, with 20% each.

Aseel's three primary activities will be mortgage and real estate development finance, complemented by corporate and project finance activities, but will exclude retail activities, as per the Central Bank's guidelines for Islamic finance companies operating in the UAE.

Abdul Hamid Saeed, chairman of Aseel Finance, elucidated: "Aseel's overall mission is to become the UAE's leading Islamic financial institution and the first choice for Shariah compliant financial products ... Islamic banking is now the world's fastest-growing sector in the financial industry, with a global investment value estimated at around US$500 billion. With the region demonstrating an increasing propensity for Shariah compliant products that exclude interest-based assets, the creation of Aseel is a business imperative," he added.

Abdul Hamid also stated: "We intend Aseel Finance to make a real difference to the market and assist in the economic diversification programs." The company's immediate plans include regional and international expansions.

Aseel's Shariah board is headed by Dr Hussain Hamid Hassan.

UK

The product police

The UK Financial Services Authority (FSA) will ensure that its regulations do not impede the growth of Islamic products, it has said. The authority has adapted its regulations to accommodate the market, taking into account both insurance services and banking.

Robin Gordon-Walker, spokesperson for the FSA, commented: "We do consult with Islamic scholars when we are planning our regulation to ensure that what we are doing will allow them to act Shariah compliant." Such actions should mean that financial services providers releasing Islamic products meet FSA standards, making Shariah compliant products no different to other types of finance.

UAE

The Lace Tower

Dubai Contracting Company (DCC) has commenced work on the 014 Tower.

The Dh300 million (US$81.67 million) project is being developed by Al Baraka Islamic Bank, through its 100% subsidiary Creekside Development Company. The project is due for completion by the first quarter of 2009.

SUDAN/QATAR

Feasibility study

Qatar Islamic Bank (QIB) is to study the feasibility of establishing a mega commercial and investment bank in Sudan. The mega bank is projected to have a capital of US$1 billion.

Salah Jaidah, CEO of QIB, signed a memorandum of understanding with strategic partners for the mega bank, stressing that the signing is in line with QIB's strategy to increase its successful investments at regional and international levels.

Salah added that QIB is encouraged by the significant changes in the Sudanese economy in general, especially its financial and banking sectors, as Sudan is now oriented towards a scalable economic opening, and has attracted macro-financial establishments from the Gulf and Asian countries.

BAHRAIN

Fuelling the financial boom

The Central Bank of Bahrain (CBB) is driving product proliferation via ongoing regulatory and market development work. The bank is also pushing for the implementation of Basel II to further its regulatory leadership.

The CBB hopes to boost Islamic finance via the International Islamic Financial Market (IIFM). Among CBB's current projects are the development of a master agreement for Islamic derivatives, standardized contracts and documentation, as well as market practices for Sukuk, a master agreement for Islamic treasury Murabahah contracts and an Islamic capital market platform.

"The CBB will continue to nurture this growth by providing a strong, business-friendly regulatory framework, which complies with international best practice, and ensuring an environment conducive to product innovation," commented Abdul Rahman Al Baker, director of financial institutions supervision at the CBB.

Hedge funds, trusts, Takaful products, captive insurance, new Islamic capital and money market instruments, as well as a re-energized inter-bank market, are among new products and services being spawned by ongoing regulatory and market development work by the CBB.

PAKISTAN

Mobile Sukuk

The Pakistani government will issue Sukuk for Pakistan International Airlines (PIA) and Karachi Shipyard and Engineering Works (KSEW) to salvage these public sector companies from their current financial ruts.

Pakistan's Ministry of Finance has finalized a PKR3 billion (US$49.54 million) Sukuk for the Karachi Shipyard, while PIA's transaction is still pending. The government has confirmed a PKR26 billion (US$429.39 million) package for PIA, with the Sukuk market yet to be decided. The KSEW Sukuk is set for issuance this year, with PIA's issuance slated for 2008.

The Pakistani government recently finalized agreements to raise a PKR8 billion (US$132.12 million) Sukuk for WAPDA. (See the last issue of Islamic Finance *news*, page 5.)

GLOBAL

According to McKinsey

McKinsey Quarterly has reported that Islamic banking is growing faster as a whole, from Malaysia to Saudi Arabia. However, despite its rapid growth, Islamic banks still hold less than 1% of global banking assets. Penetration also varies within Islamic countries.

McKinsey also cited the GCC has having "tremendous growth potential," however a patchwork of regulations that try to balance religious conformity with economic reality are currently impeding banks' potential. The report added that banks should not use "Shariah tags" to hide lax customer service or operations.

The report noted that Saudi Arabia and Malaysia have fostered the strongest competition, where almost all banks offer a wide range of Islamic products and foster a healthy banking environment.

A survey conducted by the firm showed that 75% of respondents prefer Islamic banks, and are waiting for Islamic banks to catch up with conventional services.

MENA

Move over, Hilton

Shariah compliant hotel group Shaza Hotels is set to open seven properties across the Middle East and North Africa region by 2010. The group's first launch is slated for 2008, along the Sheikh Zayed Road in Dubai.

Doha, Muscat, Jeddah, Bahrain, Cairo and Marrakech properties have also been earmarked for expansion.

MALAYSIA

Professionals overseas

The International Center for Education in Islamic Finance (INCEIF) is investigating setting up branch offices in London and Dubai by the end of 2007. Such a move would boost the center's Certified Islamic Finance Professional (CIFP) programs and, it is hoped, develop more top quality Islamic finance professionals.

Chief executive officer Agil Natt affirmed that INCEIF has received approval from the relevant authorities to branch out to Dubai and tap neighboring countries. The type of investment involved is still unknown, however its returns would be measured in the form of training human capital, Agil stated.

"We plan to have a presence overseas to market our CIFP programs and form collaborations with universities and professional institutions, to see how we can develop new Islamic finance programs and share a common goal," Agil added.

INCEIF currently has 600 distance learning students from 35 countries studying the CIFP program part-time and online. These students will take six and a half years to complete the entire program. INCEIF will see its first batch of 45 full-time students on the 1st June 2007. They should graduate in December 2008.

MIDDLE EAST

The chart-topper

Barclays Capital has topped the Islamic bonds Underwriter League Table for the first quarter of 2007. Barclays possesses 23% of the total market share through its involvement in significant Middle Eastern transactions.

Barclays Capital's Middle East operation is domiciled in the Dubai International Financial Center (DIFC) and the Qatar Financial Center (QFC), and is headed by vice-chairman Cyrus Ardalan.

Cyrus commented: "Building up our Middle East franchise has been one of Barclays Capital's key objectives over the past year. We have significantly expanded our investment banking and sales team in line with our strategy and by bringing in the best talent to work with our Middle East clients, including the development of the leading platform for Islamic finance."

UAE

Real property gains in ASAS

ASAS Real Estate, which has been established by the Sharjah Islamic Bank (SIB), aims to combine physical profit and rendering services to the community.

SIB chief executive Mohammad Abdullah stated: "By setting up ASAS Real Estate Co we seek to utilize the available opportunities, particularly in the UAE real estate development market, while vying for real estate investment opportunities abroad."

ASAS will engage in real estate management, construction, development and investment with the object of utilizing the available opportunities in the UAE.

UK

God Save the Queen

The Islamic Bank of Britain (IBB)'s deposit base has jumped by 75% to £83 million (US$165.19 million), with its assets charting a 32% growth at £120 million (US$238.8 million) last year.

The IBB's customer base has doubled since 2005, reaching 30,000 at the end of 2006. Customer accounts also grew by 100% to 50,000.

The IBB has played a key role in co-ordinating amendments to British tax laws for Islamic banking, as evidenced in the latest Budget for 2007. IBB currently has eight branches in the UK, spanning London, Leicester, Birmingham and Manchester. The bank has also been authorized to operate in other European Union nations.

2007 will see the Islamic bank provide real estate and commercial financing, it has revealed.

UK

Sole litigators

Norton Rose is the sole law firm to be appointed by the British government to its new Islamic finance forum. The forum discussed tax issues and the UK regulatory environment for Islamic finance at its first meeting last month. The prospects of a sovereign Sukuk were also under discussion.

Norton Rose partner and Islamic finance specialist Neil Miller said: "We've worked very closely with the Treasury on various issues and we've been advising them on how to develop Islamic finance in the UK for a year. The Government wants to anticipate any new developments of Shariah compliant instruments." He also added that: "The group will discuss how it would be best to provide these kind of instruments in the UK."

Pricewaterhouse Coopers and the European Islamic Investment Bank will also meet at Downing Street as forum contributors.

SINGAPORE

Healthy competition, please!

The world's largest exchange for Islamic bonds – the Dubai Financial Exchange – is working together with Singapore in order to further the city state's Islamic finance expertise.

The governor of the Dubai International Finance Center (DIFC) Omar bin Sulaiman is adamant: "The more Asian countries look into Islamic finance, the bigger the industry becomes and the more potential will be there. The more opportunities will be for all of us – Asia and Middle East. The competition will be at the institutional level, the banks will compete, the financial cities will compete, but that's healthy. They will all work harder and add value to their customers."

Countries such as Singapore are upping their Islamic market via collaborations with the Middle East. For example DBS Group Holdings has received approval to establish an Islamic bank in Singapore through a joint venture with GCC investors.

GLOBAL

Islamic World Bank

The World Bank will soon meet its match. Eamar International Bank is set to become the Shariah compliant rival of World Bank, with its launch planned for 2008.

Saleh Kamel, president of the Islamic Chamber of Commerce, divulged that the bank will have a paid-up capital of US$100 billion, for which commitments have already been received.

The bank's mission will be investment, not financing. "We'll invest in all projects. Our main criteria will be how many jobs it will create, what will be its product and whether it will increase exports of a member country. Islamic countries must support one another, not compete with each other. This is our main concept. We will also encourage research, technology and innovations in addition to investments in traditional areas of industry, agriculture and trade," Saleh added.

It is as yet unknown where Eamar International Bank will be domiciled, however Saudi Arabia, Malaysia, Bahrain and the UAE are all potential targets.

MALAYSIA

Tiger on the island

Maybank's MBB US$300 million Islamic subordinated Sukuk has been listed on the Labuan International Financial Exchange (LFX). Proceeds from the BBB+ rated Sukuk will be used to fund Maybank Group's Islamic banking operations and general Islamic activities.

Commenting on the listing, Yusli Mohamed Yusoff, chief executive officer of Bursa Malaysia, said: "The listing of the US$300 million Islamic subordinated Sukuk will serve to encourage more issuers and take advantage of the opportunities and benefits that LFX offers for fundraising activities."

The term sheet for Maybank's Sukuk can be seen at Islamic Finance *news*, vol. 4, issue 17, page 21.

UAE

Floating on the Thames?

One year after purchasing British ports group P&O using Islamic finance, DP World has hired Deutsche Bank and Shuaa Capital to consider whether to refinance or partially float its investment in the group.

Should DP World opt for a partial float, the Dubai government would retain control of the group and sell a minority stake. Shares from a potential partial flotation may list on the Dubai International Financial Exchange (DIFX) or on the London Stock Exchange (LSE). The company wants to make a decision relating to this before the end of 2007.

DP World would be expected to raise US$1.99 million from the float. However, fluctuating market conditions, especially the Dubai stock market's recovery from a sharp correction in trading in 2006, could prove unfavorable to the flotation.

BAHRAIN

Record high

Shamil Bank's net income grew by 151% to US$28.39 million in the first quarter of 2007, as compared to the same period in 2006.

Mohamed Hussain, chief executive of Shamil Bank, credits the bank's associates and subsidiaries for adding value for shareholders, investors and customers. The bank's associates and subsidiaries include Faysal Bank, Meezan Bank and Faisal Private Bank, which is based in Switzerland.

The bank's consolidated total assets grew to US$2.08 billion, up by 32% from the 31st December 2006. On the liability side, unrestricted investment accounts also increased by US$178 million – 21% – to US$1.01 billion. Shamil Bank's earnings per share increased to US$0.12 from US$0.04, with return on equity increasing from 3.47% to 8.15%. The increase in net income is attributed to substantial growth in earnings from investments.

Hussain concluded: "We are witnessing a strong customer growth which is reflective of the top quality financial products and advisory services we provide. The fast growing retail banking franchise is now helping Shamil Bank take its services to a larger number of customers in Bahrain's rapidly growing economy while the investment and private banking divisions are busy furthering the asset management and private wealth management activities. Our strategy for the rest of the year is to continue enhancing our retail franchise and further expand our delivery channels."

BAHRAIN

IIFM stays focused

The International Islamic Financial Market (IIFM) has launched a focused program to develop benchmarks and increase standardization. The program is specific to Islamic capital markets, although the IIFM also plans to standardize the structure and documentation for commodity Murabahah.

Ijal Alvi, CEO of the IIFM, stated that the commodity Murabahah master agreement will be voluntary to adopt, and is set to be implemented between June and September 2007.

After the IIFM's temporary cessation in activity until 2006, Ijal admitted: "It was hard to get market confidence back. The acceptability of the IIFM has, however, improved in the sector. Our approach is very focused now."

The IIFM's stated objectives are to develop benchmarks, before developing a number of procucts to standardize gradually. "Some people do not like market uniformity and standardization because they say that this will kill innovation. We do not plan to standardize everything, but only certain specific products. As the market matures, you can always expand this," Alvi explained.

The IIFM has so far signed two co-operative agreements with the International Swaps and Derivatives Association (ISDA) and the International Capital Market Association (ICMA).

The IIFM is also looking at developing an Islamic unit trust template and is completing a feasibility study on an Islamic management system covering clearing and settlement.

MALAYSIA

Ratings energized

Segari Energy Ventures (SEV)'s RM930 million (US$271.89 million) Sukuk Ijarah has been reaffirmed at AA1, with a stable outlook. SEV's Sukuk is in line with its mandate to establish and develop the Lumut Power Project. SEV is an independent power producer.

These ratings are premised upon SEV's consistent operating cashflow in excess of RM400 million (US$116.94 million) over the past five years, under its power purchase agreement (PPA) with Tenaga Nasional. SEV's operating capabilities have continued to meet Rating Agency Malaysia (RAM)'s expectations, with the plant surpassing the 86% availability requirement stipulated in the PPA. The plant's heat rate levels have also remained manageable and well within the acceptable limits, allowing SEV to fully pass through its fuel costs to TNB.

Given its strong net operating cashflow and robust cash reserves, RAM is confident SEV will meet its debt obligations.

MALAYSIA

Cagamas rated

Rating Agency Malaysia (RAM) has assigned ratings to Cagamas' Bithaman Ajil Islamic Securities (BaIS). The three BaIS issuances, at RM95 million (US$27.77 million), RM60 million (US$17.54 million), and RM245 million (US$71.58 million), with maturities of one, two and three years, respectively, are all rated AAA.

The ratings are premised upon the superior quality of Cagamas' assets, and the management's compliance with guidelines governing its loan purchase operations and investments.

The securities rank *parri passu* and equally with all other outstanding and future unsecured obligations. Proceeds from the securities will be utilized to finance the purchase of Cagamas' Islamic debt. Cagamas currently has RM21.63 billion (US$6.32 billion) worth of outstanding debt in the market, including this.

MALAYSIA

No more obligations

Malakoff is no longer under the jurisdiction of Rating Agency Malaysia (RAM) for its RM1.7 billion (US$496.77 million) cumulative non-convertible Islamic junior Sukuk, which has been withdrawn from the rating agency's Rating Watch.

This withdrawal is in line with Nucleus Avenue's completion of its Sukuk issuance. Nucleus Avenue has also retired its leveraged buy-out exercise on Malakoff. A portion of Nucleus Avenue's private debt securities has been earmarked to retire the entirety of Malakoff's existing debt instruments.

THIS TIME LAST YEAR

- Islamic investment funds in Bahrain increased by 20% from 2001 to 2006, almost reaching US$1 billion.
- The **Islamic Development Bank** signed six financing agreements worth more than US$170 million with the Palestinian authority and Morocco.
- The **Emirates Bank Group** announced a 123% increase in net profits to US$164 million for the first quarter of 2006.
- **Qatar Islamic Bank**'s new organizational structure requiring a Shariah control board was approved.
- The **Dubai Department of Civil Aviation** completed a US$1 billion 3-year Ijarah facility with **Dubai Islamic Bank**.
- Kuwaiti company **Markaz** opened a branch in the **Qatar Financial Center**.
- **Bank Asya**'s initial public offering was 50 times oversubscribed, raising US$160 million.
- **Shamil Bank** saw a 10% hike in net profit to US$11.3 million for the first quarter of 2006.
- **Arcapita Bank**'s US$800 million capital-doubling proposal was approved.
- **Maybank** raised US$417 million from the second sale of its Islamic bonds in six months.
- **Ithmaar Bank** embarked on an agreement with the **Bahrain Stock Exchange** to have its shares listed.
- **Central Bank of Kenya** approved the setting up of the first Islamic bank in Kenya.
- **Kuwait Finance House** revealed its US$150 million plan to build over 300 luxury villas close to Manama.
- **People's Leasing Co**, Sri Lanka's biggest company, began offering Islamic financial products to the 7.5% Muslim population.
- **Dubai Islamic Bank** launched its Al Islami Capital Protected Note.
- **First Dawood Islamic Bank** received an Islamic banking license from the **State Bank of Pakistan**.
- **Commercial Bank of Kuwait** increased its stake in the **Bank of Bahrain and Kuwait** to 20.15% from 6.75%.
- **Dubai Financial** successfully acquired a 31.5% stake in **Marfin Financial Group**.
- **Amlak Finance** established **Amlak Investments** with an authorized capital of US$136 million.

Finding an Islamic Finance Niche for Brunei

By Dr M. S. Ebrahim

The Islamic banking system in Brunei Darussalam is relatively successful, despite the low number of players. Islamic banking in the country currently stands in the position of a financial intermediary in an evolutionary phase; there is a strong need for the existing system to be complemented with capital markets that can facilitate securitization and the marketability of the profit and loss-sharing instruments such as Mudarabah and Musharakah. Prospects for Islamic banking in Brunei appear good, but efforts need to be made in the areas of designing, formulating and implementing innovative products and services, as well as developing strategies to market the products. The government is in a position to provide the necessary impetus to move the capital market to the next phase of development. Such a movement would help to mitigate risk and enhance the economic development of the nation.

Islamic banking promotes economic growth through risk-sharing instruments. The pay-off is a function of economic output without impairing the economic structure, as excessive fixed interest debt does in a poor economic environment (i.e. a recession). Islamic banking in Brunei Darussalam, if complemented by the capital markets, would be able to withstand extreme shocks of economic output by matching the users and the savers of funds, in an environment free of riba, gharar and maysir. One way is to achieve this is to pool assets and securitize them for sale to investors, in accordance with their investment horizons and risk preferences.

State of financial affairs

Only Bank Islam Brunei Darussalam (BIBD) and Tabung Amanah Islam Brunei (TAIB) offer Islamic banking services. The country's other banks offer financial services based on conventional banking practices. It was only in the early 1990s that Islamic banking facilities became available in the country.

In 2005, IBB merged with the Islamic Development Bank Brunei (IDBB) and is now known as Bank Islam Brunei Darussalam. BIBD's core customers are the affluent and the middle class segment of the population. TAIB is a government-owned savings and loan institution, with a focus on the underprivileged segment of the population.

There are two categories of conventional banks in Brunei: locally operated but foreign-controlled branches of international banks – Standard Chartered, Hong Kong Bank, CitiBank and Maybank – and locally operated and incorporated banks such as Baiduri Bank and the Development Bank of Brunei.

Foreign-controlled banks are not required to publish their local results under the prevailing Banking Act, and hence minimal information is available about their performance. The country's total Islamic banking deposits are believed to stand at 11.5% of the market share. Although there have been rising deposits in the banking system, the bulk of these are channeled overseas, especially to Singapore. As the local supply of funds is in excess of demand, interest rates charged by conventional banks should theoretically, therefore, be lower than those charged in Singapore. There is a strong need to keep funds at home in order to foster the economic development of the nation.

Strategizing for a diversified economy

Where Islamic banks go from here depends very much on where the country wants them to go. The consensus and development plans of Brunei point to further diversification from its primary export of oil. Such diversification requires the enhancement of Islamic financial intermediaries (IFIs) in the country. However, current evidence shows that a great proportion of the reserves of the country is collected and managed overseas by conventional methods, carrying elements of interest.

The possible development of IFIs assumes certain scenarios based on the current economic environment. Against the backdrop of low returns and a lack of long-term savings instruments in Brunei, the following scenarios are all possibities.

Scenario 1

By consuming most of the current discretionary income and savings, local and regional trading communities could be boosted. As most goods and services are imported into Brunei, the expected gain would be derived mainly from businesses acting as middle men, where value is gained through minimizing distribution costs, maximizing distribution outlets and providing some after-sales service. Ignoring the development of industries to cater for local needs through importation, substitution strategies might lead to a burgeoning trade deficit in the future. The long-term implications of this scenario would be retarding the economic growth of the country, increasing inflation and decreasing real returns.

Scenario 2

Investing income and savings in the property/real estate sector would create an oversupply of housing and commercial property. This obviously has serious implications on rental claims and impacts on the banks financing these properties negatively.

Scenario 3

Investing income overseas is another possibility, as there are few restrictions on the flow of capital into and outside of the country. This could be invested in productive ventures globally, a viable option due to the advantages of regional and global diversification and wider alternatives in evaluating risk–return portfolios. Depositors have been reported to achieve better returns on their overseas deposits than within the country. While the existence of foreign exchange risk must be noted, there are many alternatives from which to choose.

In order to enjoy the benefits of global investment, some form of participation by Brunei depositors is needed. Such participation can be viewed in terms of Islamic capital market products that fit the category of Mudarabah or Musharakah, or portfolios of these in the form of mutual funds that invest locally, with some exposure globally. The funds need to be marketed, suited and securitized sufficiently so that they are affordable. The primary focus, therefore, is to necessitate the development of IFIs, especially capital market products and services in market niches not currently served. This could be achieved by providing complementary Islamic investment banking facilities.

continued...

Finding an Islamic Finance Niche for Brunei *(continued...)*

The advantages of this strategy are to:

- deter excessive consumption practices in Brunei;
- restrict capital outflows;
- shift deposits from short-term debt such as securities to long-term hybrid/equity investments needed for national development;
- manage and minimize risk incurred by the current banking system through Islamic product innovations; and
- foster growth of the national economy.

The development of financial intermediation under the Islamic jurisdiction could be achieved in Brunei as follows:

1. Increase awareness of Islamic products and services via brochures, pamphlets and seminars. This will enable the Islamic banks to gain market share and retain financial resources in the nation.
2. Design, develop and implement Islamic facilities that enhance the competitiveness of Islamic banks and reduce their risk exposure.
3. Create Islamic money market instruments and intermediate-term notes by carefully securitizing Ijarah facilities for durable assets and capital goods. This will reduce the premium leasing rates currently being charged by few conventional finance companies and will lead to the overall growth of the market. Furthermore, a lease is considered an ayn (unique object), as opposed to a dayn (debt obligation), which makes it easier to securitize for sale in secondary markets.
4. Create Islamic bonds by resorting to the modified Mudarabah facility. This is also considered an ayn, which makes it easier to securitize for sale in secondary markets. Research on Mudarabah shows promise, as it can be molded synthetically for various financing purposes. For example, venture capitalists can design growth or growth and income Mudarabah to finance start-up enterprises; and assets that depreciate such as automobiles can be financed with a decreasing income Mudarabah.
5. Securitize equity shares of local companies and offer them to the public. Currently IBB shares are the only ones trading in the local bourse, which remains under-developed and lacks liquidity.
6. Pool/package the Ijarah/Mudarabah/Musharakah facilities into distinct portfolios for sale as mutual funds or unit trusts to the general public. This will also help in curtailing the cash outflow from Brunei.
7. Design, develop and implement Islamic hedging and risk minimizing facilities such as Islamic futures (Salam/Istisnah) and Islamic swaps. This will enhance the profitability of Islamic banks while simultaneously reducing their risk exposure.

For the above to be feasible, Islamic bankers need to use state-of-the-art financing technology allowed by the Shariah. They need to establish a rapport between themselves, as well as with the religious scholars and academics in institutions such as the University of Brunei Darussalam, to design, develop and implement products and services, as discussed above. In-house research and feedback from staff also needs to be encouraged. Finally, strategic alliances need to be drawn between the Islamic banks in Brunei Darussalam with institutions such as Bank Islam Malaysia and the Islamic Development Bank.

Conclusion

Islamic banking is in a rapidly growing stage as a feasible alternative to conventional banking. Although innovative solutions for some issues are still lacking, it would be unfair to compare its progress to that of established conventional finance. It is important to keep the spirit and flame growing in the progress of Islamic banking.

In this respect, Brunei Darussalam has seen tremendous change and improvement from practically zero Islamic banking to a feasible and practical approach in just over half a decade. However, more creative techniques do need to be undertaken to suit the financial needs of firms, based on their distinct requirements. Hence, retail banking is not enough. Islamic investment and retail banking must integrate to provide twin engines of growth and development in the country. To say the least, there is an urgent need for joint Ijtihad between the academics, ulama and practitioners, which is vital for the community.

The author is an academic at the University of Nottingham Business School, England. His expertise is in finance, investment, insurance and risk management and he has taken an interest in Islamic banking and capital markets. He can be contacted by email at: MShahidEbrahim@Nottingham.ac.uk. This article was prepared together with Tai Kan Joo, a consultant involved in manpower development and upgrading the skills of the Brunei public and private sector workforce.

MMEs in Brunei Darussalam – An Islamic Approach

By Hajah Salma Haji Abdul Latif

Introduction

Brunei Darussalam became known to the world as a wealthy nation after the discovery and production of oil and gas. Due to its high dependence on the production of hydrocarbon to fuel its economic development, the country's ability to sustain its economy has now become a concern. This is not only because the extant stock of oil and gas will gradually deplete, but also because of the slow progress of the other non-hydrocarbon sectors expected to diversify and replace the nation's dependence on hydrocarbon. The estimation of the country's revenue for 2007–2008 indicates that US$5.17 billion will come from the oil and gas sectors. The implication is that Brunei Darussalam, for 2007–2008, will continue to depend heavily on revenues emanating from the hydrocarbon sector to a significant level of 89%.

The government of Brunei Darussalam is not unaware of the importance of diversifying the economy. In fact, strategic steps have been taken since the Second National Development Plan (1962–1966), to aggressively pull away from oil and gas dependency. The effort became more poignant in 1989 when the Ministry of Industry and Primary Resources was set up with the mission to make Brunei Darussalam a diversified, competitive and sustainable economy. Since then there have been gradual improvements in the growth of the private sector.

Using 1988 as a base year, there has been an increase of close to 200% over a period of 16 years, which effectively gives an average increase of 312 new companies annually. Whether this number is encouraging or otherwise cannot be ascertained unless one is able to assess the success rate of the newly established companies over the years. Were the majority of these companies registered merely as shelf companies, or did these companies only just manage to break even, or have they prospered and expanded rapidly from micro to medium-sized companies with potential for further growth?

Spending, resource movement and dependency effect

In 1998, Dr Richard Heeks of the University of Manchester chose Brunei Darussalam as a case study in understanding the issue of the development of micro and medium-sized companies (MMEs) in a country which is mineral rich and sparsely populated. He raised varied issues on what is called the "Dutch disease," which he argues inhibited the growth of MMEs. The origin of this terminology is derived from Holland's manufacturing sector, which experienced a loss of competition following the discovery of natural gas in the 1960s.

Heeks states that the income downpour from oil and gas has mainly been spent locally in buying non-traded goods and services such as education, health, welfare, construction and other services. Although this spending may be a prerequisite for economic diversification, by itself it does not produce a "sound diversified economic base." Based on the early 1990s figures, Heeks concluded that there has been a massive expansion of the non-traded sector in terms of services (54%), and that the non-oil and gas parts of the economy were completely dominated by non-traded elements. Comparing the early 1990s figure with the latest available statistical figures of 2005, some interesting observations can be made. The services sector has decreased by 16%, showing reduced dominancy in this sector. The presence of the banking and finance sectors are more prominent, as they complement the growth and improvement in the traded goods and agriculture sectors, which now contributes to one-fifth of the value created in the non-oil and gas sectors of the economy.

It is noted that the demand for these services has reached a peak, where diminishing returns then set in. Furthermore, slow population growth (2.5% per annum) does not warrant the government to continue spending excessively on this sector, as is evident in the decrease to 38%. With the infrastructure in place, the initial development of MMEs is beginning to grow, and although the growth is not as high as expected, it does indicate that MMEs are moving in the right direction. Overall, the 2005 non-oil and gas sectors figures show a more balanced and diversified economic base, as compared to the early 1990s figures.

Another "Dutch disease" negative affect on MMEs, as mentioned by Heeks, is the "resource movement effect." This is where there is a shift in terms of capital and labor from a perceived less profitable sector to a more lucrative sector. Heeks quoted that in 1960, employment in agriculture fell from one-third of the total workforce to roughly 3%, in accordance with the 1991 census. At the same time, he noted a significant shift of labor and other resources into the non-traded sectors, which had indirectly benefited from the lucrative oil and gas sectors. He concluded that this resource movement effect has caused a loss of competitiveness, capital and labor in the agricultural, forest and fisheries sector.

By observing the distribution of the workforce from 1971 to 2001, it is noted that the oil and gas sectors' workforce dropped from 18% to 4%, as the industry moved from labor to capital-intensive methods of production. Over the last 24 years, there has been little movement in labor resource, with the exception of oil and gas production. The distribution of labor force between the government and the private sector, of 1971 and 2001, has hardly changed, at the ratio of 40:60.

Perhaps, as stated by Heeks, there was a significant change in the labor movement during the early period of discovery of oil and gas in the early 1950s and 1960s. However, statistics show that the movement leveled out in later years and has remained unchanged in the 30 years up to 2001.

Heeks applied some basic yardsticks to ascertain the dependency of Brunei Darussalam's economy on oil and gas. His contention is that Brunei's economy has depended highly on oil and gas since the 1930s. Based on similar yardsticks, such as the level of government revenue deriving directly or indirectly from oil and gas and the relative level of exports of oil and gas to other traded items, it is observed that the dependency effect is still significant. The economy remains vulnerable as it continues to rely heavily on the oil and gas sectors. It also emphasizes the urgency for a diversified economy, since oil prices are erratic and this uncertainty may have an adverse affect on Brunei's economy.

continued...

MMEs in Brunei Darussalam – An Islamic Approach *(continued...)*

Interactions of government, institutions and people

The Brunei government has had a visible hand in regulating, supervising and directly assisting the industry. Various schemes to provide financial support to the industries include the SME Financing Scheme, introduced in October 1999, and the Micro-Credit Scheme, introduced in April 2001. These schemes, with the collaboration of other banking institutions, were designed to alleviate the financial difficulties faced by many entrepreneurs in starting a business. The government has also actively supported the tourism industry, the emerging and promising "halal products" industries and primary industries such as fisheries. It has also facilitated foreign investments and conducted dialogues with local entrepreneurs and potential overseas business partners to explore the possibilities of promoting the local industry. These efforts have had a strong impact on the growth of the MMEs. However, we need to continue improving our efforts by observing, learning and adopting the best practices of other countries that have been successful in various economic activities.

An oft-quoted example is the success made by Dr Yunus of Grameen Bank in his effort to assist the entrepreneurs of cottage industries in Bangladesh. The success has been tremendous – a total loan portfolio of US$400 million annually, extended to approximately 35,000 villages. The ingredients that help made his vision a success are trust, close supervision, encouragement, teamwork and monitoring. Although the financing method applied by Grameen Bank was not based on the Islamic mode of financing, and there were comments that the interest charged was in fact excessive, the values underlining the administration of these loans was Islamic. The administrative method of the Grameen Bank is based on the "hands-on" principle. Lending is conducted on a group basis and members of the group are responsible for each other's performance on a collective and joint basis.

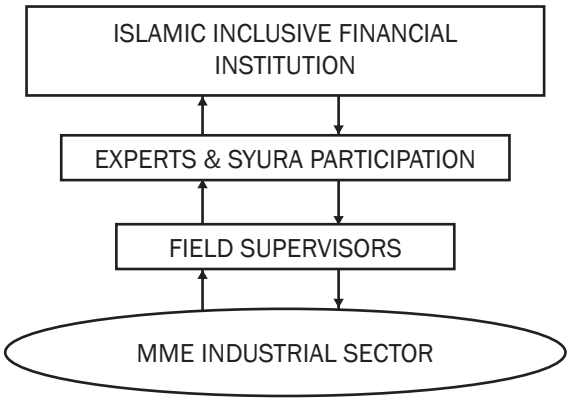
This ties in neatly with Ibn Khaldun's concept of solidarity. In his book *The Muqaddimah*, he said that the reason for differences in quality and the influence of different human and social organizations is the desire for co-operation. Strong factors must incite the desire to co-operate and this strong group feeling or group consciousness is what he termed as asabiyah, or solidarity. Ibn Khaldun, a Muslim philosopher and a historian, stated that a group with a powerful asabiyah achieved predominance over other groups. By the same token, applying this concept to group lending, individuals, in particular those considered in the high risk group for bank lending, may apply for a loan as a group instead. The incitement for the group is the synergy derived from being together with one objective – to be productive and to make profit. It is necessary to involve the government in making the necessary contacts to export the products. The local villagers may be able to produce, but their marketing contacts and skills are limited to the local market. This is pertinent because unless the products can be exported, it would be difficult to expand the production level from a micro to a medium enterprise. Gradually, the more knowledgeable team members will take over the role of the field supervisors as they learn the tricks of the trade and master the complexities involved in production and distribution of the products. Ibn Khaldun's concept of asabiyah is powerful, as it empowers the team under a strong leadership of the field supervisor. This Islamic method of forming group efforts becomes more effective when instilled with other Islamic values such as honesty, trust, fairness, perfection in quality of work, profitability and zakat.

The Islamic Inclusive Financial Institution (IIFI)

The United Nations Capital Development Fund defines IIFI "as a financial sector that offers a range of financial services to the entire active population of a country. This inclusive financial sector has many players with a diverse range of financial service providers. Its legal and regulatory environments are built to ensure the integrity of the financial sector and access to financial services."

A similar structure was formed in Pakistan in the 1960s where the government, in their effort to generate a manufacturing sector, established the Pakistan Industrial Development Co-operation. Another example is the alleviation of poverty, in which inclusive financial institution is practiced in the poorer parts of Africa. The Government gathered a broad range of stakeholders to mobilize resources for support at institutional level and for investment in a wide variety of financial services providers.

Simplified Structure of the Islamic Inclusive Financial Institution (IIFI)



As shown in the above diagram, the Islamic Inclusive Financial Institution has to be adopted as a national strategy, with the government as the main initiator. To build the inclusive finance sector, the government has to bring a broad range of stakeholders to address the vision of improving the MME sector. Stakeholders may come from varied areas of expertise – bankers, architects, prominent businessmen, Takaful operators, lawyers, land developers, labor controllers, trainers, engineers, computer programmers and analysts, amongst other players that can assist in the national strategy.

The stakeholders will form the framework of specific common goals through "syura" participation. The discussion would cover issues from identifying the niche markets of Brunei Darussalam, production capabilities, land usage, improved technology and transparency, institutionalizing streamlined procedures and reducing the level of bureaucracy and legal requirements to mobilizing resources and procuring investment funds. This would allow the comparative advantages of each stakeholder to contribute their expert knowledge to the formation of the national strategy for the improvement of the MMEs.

Hence, as required by effective "syura" participation, members must comprise very learned or experienced individuals of the respective fields in order to initiate the development of the MMEs. The members

continued...

MMEs in Brunei Darussalam – An Islamic Approach *(continued...)*

must be candid when contributing his or her opinion and should not have the objective of suggesting the ideas to benefit himself/herself alone.

Access to funds would be based on a capital market type of financial instrument, where the participating banks and institutions, corporate and affluent individuals can take a share of the total risks. Where foreign experts are needed due to high technology requirements, foreign participation should be encouraged. Smaller units can also be issued to allow the public to be part of the inclusive financial actors.

The third level of the structure comprises the field supervisors, who are the ears and the eyes of the inclusive financial institution. They are the main pillars that connect the people of the MMEs to the policy-makers. As per Ibn Khaldun's solidarity concept, the supervisors are the unifying force that binds the people to the decision-makers. They are the ones that rally the information of the MMEs – the difficulties, the challenges, the weaknesses, threats and the successes – to the experts who require this feedback to fine-tune their actions and decisions.

Such two-way communication can only be effective with the formation of a well-developed database. The database is the intelligent center where members, down to the root level, should be able to retrieve and give information. A high level of transparency in decision-making and the activities of the inclusive financial operators is essential for the MMEs and the public to have sufficient trust and confidence in the institution. There should be a free flow of information in areas such as the composition of the investment portfolio, type of industry invested, profile of the entrepreneurs and their capabilities and track record, success level of each group lending industry, review of the performance of group entrepreneurs, financial statements of the enterprises, share movements and current market value of each unit share and zakat contributions.

Undoubtedly the national strategy may require time to formulate, but the end result should be nationwide and should develop the productive capacity of a large group of MMEs. The inclusive financial market sector therefore is the engine of the MMEs' growth. By applying the style of a large corporation, the inclusive financial sector has the strong potential to improve MMEs industry rapidly and in a systematic, co-ordinated and organized manner.

Conclusion

Brunei Darussalam is a country that is dependent on hydrocarbon to drive its economy. The "Dutch disease," which according to Heeks stifles the economy of a rich and small country, has also afflicted Brunei Darussalam. However, statistics indicate that Brunei is gradually pulling away from its dependency on oil and gas and it is recovering from the affliction. On the other hand, it is also noted that the performance of the non-oil sectors, although improving, is too slow to make any impact on diversifying the economy. Looking at other countries, we see that other methods of financing the MME industry can be applied in Brunei Darussalam. An effort to expedite the performance of the MME entrepreneurs is to establish an Islamic Inclusive Financial Institute. The feature of this institute is its synergy of pulling together the government, the experts and their institutions and the people of Brunei Darussalam, which, when properly administered using Islamic values, will have an effective and lasting effect on the MMEs sector.

The author is director of the Centre of Islamic Banking, Finance and Management of the Universiti Brunei Darussalam. She can be contacted by email at: salma@fbeps.ubd.edu.bn.

Insights from Research: Retail Banking

By Wan Marhaini Wan Ahmad

The majority of retail products on offer in the financial services industry in Malaysia are for the purchase of residential property, cars and consumer credit. More than half of such financing products from Islamic banks are for consumer credit, while automobile purchases account for about 20% and a small 12% represents the purchase of properties.

Interestingly, the Malaysian population favors conventional banking for financing, despite the fact that more than half of the population are Muslim Malays. With a large Muslim population, it may be expected that there would be demand for a much larger volume of financing for all types of Islamic financing products, and not just for consumption financing.

Many reasons have been cited for the lack of demand for Islamic financing products as compared to those offered by conventional financial institutions: the uncompetitiveness of Islamic financing products; the differences in terms of wealth between non-Muslims and Muslims; the reluctance or total avoidance of subscribing to Islamic finance products among non-Muslims; and the lack of participation by Muslims themselves.

This article addresses primarily the third reason given above and the fact that religiosity is seen as a motivating factor among Muslims for utilizing only Islamic banking financing products.

Religion over finance

The measure of one's seriousness in practicing religion based on the principles outlined in the Islamic teachings includes not only elements of conviction – or akidah – but is also reflected by the actual practice of the religion.

We conducted a study by questionnaire distributed to 480 working Muslims. In all, 396 were returned and 334 responses were eligible for analysis. There were four major groups of questions covering demographic information, religious behavior, current financing types and influencing criteria relating to banking.

The top five key factors that attracted retail customers in our working group towards Islamic banking were: the availability of teller machines in any location, a fast and efficient service, the availability of deposit check and cash machines, comfortable repayment periods and the variety of services offered.

The availability of electronic machines that expedite the delivery and payment process was seen as the most important criteria in banking choice. It is therefore very important for Islamic banks to ensure that sufficient branches and outlets are available in order to attract customers from the working age group, so that these customers can conduct their transactions outside of banking hours.

While there is a certain preference for Islamic banking among the working class, regardless of gender or age, it is surprising that acceptance of Islamic banking is actually lower than expected, despite their religious knowledge.

The Shariah committees of financial institutions are apparently not an important factor in the eyes of the retail consumer. The reason for this is a lack of knowledge about what exactly is the function of Shariah advisors in the banking system.

In terms of financing selection criteria, a majority of those questioned found that apart from favorable credit terms, efficiency in services – especially the after-hour and low hassle factors of using electronic services – is the most important factor in choosing where they obtained their financing. In designing their products and perfecting their customer services, especially when developing market strategies concerning working Malay Muslims, bankers should take such factors into account.

A number of studies completed globally have found that a significant influence on a customer's ethical beliefs is his religious practice, and this itself will be reflected in his daily conduct and commitments. It has also been concluded that this forms an important determinant of a consumer's ethical beliefs and practices and, therefore, shapes a man's conduct, including his economic and commercial activities.

The teachings of Islam comprise three main components, namely iman (faith), Shariah (includes ibadah and worldly conduct) and akhlaq (virtues and vices), which together define the state of religiosity of a Muslim.

In relation to banking selection and religiosity, attempts have been made to look at the influence of Islam on the choice of banking, depth of knowledge, perception and awareness amongst the public regarding Islamic banking. In comparing Islamic and conventional banking customers, the motivation of profitability generally supersedes religious motivation in the selection of banks. This may be due to the fact that customers may have been used to a profit-oriented conventional banking environment. In contrast, however, there have been occasions where a preference for Islamic banking due to religious belief is a primary source of motivation, over financial knowledge. In other words, the stronger the religious commitment, the stronger the preference for Islamic banking services.

In summary, the two dimensions for Islamic financial services providers to consider are the impact of the level of religiosity on potential sources of banking and finance, and determinants of credit selection criteria. In terms of religiosity, a more religious customer will choose Islamic financing, and that a person tends to be more religious when they have received higher formal religious education exposure. These findings point to the importance of this group as target customers for Islamic financing products, as they are more likely to subscribe to Islamic products. For other groups, especially those who were found to be casually religious and those without any formal Islamic education, financial institutions need to approach them from a different perspective than merely stressing how "Islamic" the products are.

The author is an academic in international and Islamic finance at the University of Malaya, Malaysia. She can be contacted by email at: wmarhaini@um.edu.my. The research team for this project included Asmak Rahman, Azizi Seman and Nor Aini Ali.

The Best of Both Worlds

By Nuradli Ridzwan Shah Mohd Dali and Noor Azira Bt Mohd Rais

The fact that many conventional banking products cannot be offered by Islamic banks due to the interest element (riba) is well known. Islamic banking entities operate as profit-maximizing organizations just like conventional banks, but they are disallowed from any dealings with interest and from engaging in any business or trade in prohibited products.

In the past few years several Islamic financial institutions, in an effort to meet customer demand, have begun launching non-interest-bearing credit cards. While Muslim consumers will not want to compromise their religious beliefs by being involved in any transaction involving interest payments, they still require the convenience offered by a conventional credit card. The problem seems straightforward, one might think, but it is by no means an easy task for issuing banks to come up with Shariah compliant cards that add value for the customer while also benefiting the bank.

> "A recent report revealed that 80% of those taking up credit cards in the Middle East are government employees"

Islamic financial institutions are faced with a two-pronged competition – from amongst themselves and also from conventional financial institutions. Islamic banking performs the same function of financial intermediation as conventional banking, attracting financial resources from both retail and corporate customers, and directing the resources towards businesses in need of external finance to support their financial activities. In addition, Islamic banks are also not allowed to issue securities involving interest, such as long and short-term bonds, debentures and preference shares.

The liabilities of Islamic banks comprise four main sources of funds – shareholders' funds, current, savings and investment accounts. To avoid interest, Islamic banks enter into sales and purchase, profit-sharing and partnership agreements with their customers. Even though the nature of the contracts used differs, Islamic banks have managed to serve consumers' needs just as their conventional competitors have by including credit card facilities in their repertoire.

Credit cards have received attention from researchers, bankers and policy-makers for a number of reasons. Three factors found to have a strong influence on the credit card industry are that credit cards function as a major financing medium for bankers due to their low operational costs; there is further room for expansion in most developing countries, given that these markets remain unsaturated; and monitoring aspects of the cards industry requires serious attention, without which economic chaos could ensure.

Some of the debatable issues that have been addressed include the number of credit cards flooding the market, as well as the level of payment default. Moreover, rising credit card fraud, which poses a threat to the economy, needs to be dealt with. Nonetheless, advances and changing habits in purchasing activities have significantly contributed to credit cards becoming a necessity for consumer purchasing activities.

A recent report revealed that 80% of those taking up credit cards in the Middle East are government employees, who use them as a solution to their financial shortcomings, and to purchase everyday necessities. Government employees in Malaysia also have a higher probability of choosing Islamic cards, when compared to private sector employees. In addition, Islamic credit cards are favored for purchases made online.

Accepting a credit card is an easy trap to fall into, a trap which is only realized by the consumers when they spiral into a well of accumulated debts. The person then becomes indebted to the bank and is obliged to settle his bills within a month. Failure to meet these payments results in interest being charged, which continues to build up. Even worse, the consumer becomes blacklisted. Obtaining a credit card is easy, as you need only a minimal income, equivalent to about US$600 per month, in the Middle East or in Malaysia. Often first-time consumers are not aware of the implications of not paying their bills within the interest-free period.

We are all too aware of the positive relationship between usage rate and income, and also the higher credit limit readily granted by card issuers to higher income groups. This makes the latter targets for credit card issuers. Unfortunately for the issuers, the assumption that credit card problems can be easily resolved by these customers has frequently been proven otherwise.

The advantages offered by credit cards are many – the ease of making large purchases, not having to carry large amounts of cash around and their usefulness in internet purchases and rental collateral. However, the interest charged on any outstanding balance is a problem with respect to the Islamic Shariah.

Muslims using the facilities of (conventional) credit cards generally collude in the commitment of sin, as they agree to the payment of interest for any unpaid balance after the interest-free period when signing up for the credit card. Quite apart from that, the extension of credit with a view to making profit is not a qard hassan loan and is unacceptable from a Shariah perspective for both creditor and borrower.

Consumers who make full payment when their credit card balance falls due are unprofitable for the bank. Other than receiving membership fee income for the service provided, it is otherwise more of a value-added service to account holders, rather than a significant retail revenue stream. The result is that the banks are keen to offer fully functional and profitable Islamic credit cards.

Despite debates about the permissibility of credit cards, several banks offering Islamic credit cards have combined contracts of bai inah and

continued...

The Best of Both Worlds *(continued...)*

qard hassan and their market share has increased tremendously in the past few years. It would be beneficial for banks offering Islamic credit cards to focus on several factors that influence credit card holders in choosing their preferred credit cards.

> "The number of credit cards issued in Dubai is estimated at 2.5 million credit cards and the potential is huge, growing at 25% annually"

The industry is definitely growing. The number of credit cards issued in Dubai is estimated at 2.5 million credit cards and the potential is huge, growing at 25% annually. It is for this reason that Dubai Islamic Bank (DIB) re-entered the market to issue Visa credit cards that conform to Shariah principles. Earlier this year, DIB divested its entire credit card business to another subsidiary of Dubai Holdings, Dubai First. There were some 80,000 members in the former business, giving Dubai First about a 3% share of Dubai's credit card business. Entitled the Islamic Covered Card, the new operation is similar to a conventional card and has targeted 10,000 customers by the end of 2007. While cardholders are allowed to utilize the new card at any merchant outlet and franchise around the world, any transaction in non-Shariah compliant places – airlines, casinos, liquor shops and gambling outlets – is prohibited.

Islamic credit cards contain no elements of riba, no compounding interest, no profit charges if payment is made in full before the due date, zakat payment, insurance coverage and there is transparency in the maximum profit which banks impose within the contract period, as Islamic credit is based on profit margins with fixed amounts, unlike the undetermined interest charges that conventional credit cards are based on.

Islamic cards integrating 0% interest, easy payment plans, balance transfers and low profit rates on outstanding balances serve to encourage even non-Muslims to use Islamic credit cards as an alternative and value-added service.

In conclusion, the demand for the Islamic credit card is on the rise due to their interest-free status and because they adhere to Shariah rules and regulations. A shift in credit card preferences towards Islamic cards is being noted worldwide. Another positive impact is the stimulation of competitiveness among Islamic and conventional banks to introduce and also to improve upon products that will satisfy the customer's needs and preferences.

Nuradli Ridzwan Shah Mohd Dali is an academic at the Faculty of Economics and Muamalat at the Islamic University of Science, Malaysia. His co-author is a recent graduate from the University. They can be contacted by email at: mohdddalins@yahoo.com and azira24@yahoo.com.

Separating the Myth from the Meltdown: The US Mortgage Market and its Intersection with Islamic Finance

By David Loundy

This article concludes our three-part feature on the mortgage scene in the US, this week focusing on how Islamic finance fits into the sector.

Islamic finance in the US market

The Islamic financing transactions currently being done in the US are fortunately isolated from many of the aforementioned evils (see the previous two issues of Islamic Finance *news*). This is due, frankly, to the market's immaturity, its size – because of the limited number of players in the industry and who they are in particular – and because of the different customer base than there exists in the conventional mortgage market. Essentially, there is effectively no such thing in the US as an analogous sub-prime Islamic mortgage market at present.

The largest originators of retail Islamic finance products in the US are two tiny banks, a larger community bank and a mortgage company. Most, if not all, underwrite transactions using Fannie Mae and Freddie Mac underwriting standards, not to the standards of some investment bank that thinks it can make some money following the trend by putting together a mortgage conduit. Those providers that do have portfolio capacity are all regulated financial institutions, with government regulators conducting regular examinations. Islamic financing comes under particular scrutiny from the bank examiners – not because of its religious basis – but because the products are still a novelty for the examiners to try to understand. For the same reason, title companies also scrutinize transactions more carefully (and often employ the title company's more experienced staff in the closings), thus further reducing the potential for fraud. For transactions that are sold to Fannie Mae or Freddie Mac, they are subject to the quality control standards of trillion dollar mortgage specialist companies that have no interest in seeing their reputations and their ability to sell bonds globally damaged by having a bond default (bonds which many, erroneously, believe to be backed by the full faith and credit of the US government). The bulk of the universe of investors for Islamic financing transactions does not overlap with the bulk of the investors in payment option ARMs and sub-prime mortgages, and thus, such riskier deals largely do not get done – at least not today.

The Islamic finance marketplace does not have an army of commissioned brokers, and thus is less likely to have any brokers that may be shady, fly-by-night operators looking only for a fast paycheck. Rather, the majority of business is generated by word of mouth referrals and relationship building. The community is too small and connected to risk a short-term profit attitude. All of the providers I have spoken with agree that the bulk of their business comes from word-of-mouth referrals.

With the size of the Islamic finance market in the US, it has not yet attracted the attention of financiers who feel the need to push the envelope for more business. All of the residential Islamic financing transactions outstanding in the US amount to no more than a rounding error on the balance sheet of a Fannie Mae or a Freddie Mac. The existing originators do not have the size necessary to handle every potential customer, and therefore they focus their limited resources on the more traditional "A" credit customers. While Fannie Mae and Freddie Mac do have the size necessary to absorb greater risk, the market itself is insufficient in size to be worthy of the government sponsored entities (GSEs) resources beyond the higher volume commodity products. There are few options available for Alt-A or sub-prime Islamic finance customers. (Devon Bank has a small pool of funds allocated for such transactions, but we do not actively promote its availability, and we have only done a few "low doc" transactions – true Alt-A, not sub-prime.) For there to be an Islamic sub-prime market, there has to be an institution willing to handle this subset of a subset of the mortgage market, and be willing to invest in the higher risk profile that such a particular subset would offer. It is foreseeable that such a market could be served in the future, but it is not served now, and thus there is nothing to melt down with the conventional sub-prime market.

Commonly utilized mortgage products

It is possible to replicate nearly any mortgage product with a Shariah compliant structure. You could replicate an interest-only loan, as well as one with a teaser rate, and probably even a payment option adjustable rate mortgage (ARM). However, in Devon Bank's experience, the Muslim market is not asking for these products. In addition, I do not know of any provider of Islamic finance in the US that would be willing to take the risk of offering such an exotic product as a way to get someone into a home who cannot afford the home. To do so, I believe, would be a use of an otherwise Shariah compliant product in a way that would not be in line with the intent of the Shariah – it would be subjecting someone to a likelihood of financial hardship in the future. We are even cautious of the use of products with a balloon payment for this same reason, even though they are extremely common in conventional financing, in particular commercial conventional financing.

The most-used Islamic transaction form in the US is what some experts consider to be an improperly implemented Musharakah. A properly done Musharakah transaction involves a loss-sharing arrangement with the customer that could increase the financier's risk in an environment of decreasing home values above the level of risk faced by a conventional lender. (Importantly though, a properly done Musharakah also, by definition, results in a sharing of the risk between the financier and the customer based on their respective equity shares. However, with a long-term diminishing Musharakah, in light of the greater likelihood of property prices increasing over time than decreasing, if there is a loss to be borne, it is more likely to be earlier in the transaction's life, and thus assumed in large part by the financier rather than the customer.) To the extent that there are loss mitigators built into the transaction, such as mortgage insurance, or to the extent that the Musharakah does not fully share any losses, the risk may not be exaggerated due to using an Islamic structure. Proper retail Musharakah transactions have not been approved for use in the US by the relevant banking regulators, and thus only a non-bank entity may offer a proper residential Musharakah at this time.

continued...

Separating the Myth from the Meltdown: The US Mortgage Market and its Intersection with Islamic Finance *(continued...)*

The next most popular transaction form is a Murabahah. Residential Murabahah transactions are available from a couple of providers in durations ranging from 8 years to 40 years. By its nature as a static pool of debt, a Murabahah has no re-pricing risk as does a conventional ARM or its exotic variants. If a customer qualifies for a Murabahah at its inception, unless the customer's circumstances change, the customer will be qualified at its conclusion.

An Ijarah wa iktina is the third most popular transaction form used. If it is done with a fixed rental rate for the duration of the transaction, then it fits into the same risk category as a Murabahah transaction.

An Ijarah wa iktina with an adjustable rental rate tied to an index, or an adjustable Musharakah, is subject to re-pricing risk, as is a conventional ARM. However, the only currently available sources of money behind such products are too conservative to allow for the use of such products with the lax underwriting standards and aggressive marketing to sub-prime customers that are producing the potential for risk in the conventional market. The risk still exists in the Islamic market, but it is muted by the more conservative range of financiers comprising the market.

A typical customer

Finally, it is important to look at who the average Muslim customer is to see how his/her payment behavior may lead to a result distinctly different to that which is being hyped as the worry du jour in the conventional mortgage market. Differences are visible in credit philosophy, equity position and knowledge.

The stereotypical Muslim customer has little experience of the home buying process. They are not likely to know much, if anything, about exotic mortgage products and how they can be misused. Up until recently, many never paid attention to the home buying process because they assumed it was not an option open to them. They are often most interested in the most simple products – a 30-year fixed product. Customers like this are likely to have good, but "shallow" credit. Because most available forms of debt are not Shariah compliant, such customers are not heavily levered, but may not have much credit history as a result. They may have credit cards, but pay their bills in full each month to avoid interest charges.

These customers take the home-buying process very seriously because they see it as having spiritual as well as fiscal implications. They want to make sure they understand the risks to which they are exposing themselves. There is a religious imperative to become informed about the process of buying a home and incurring related debt. It is not simply a response to receiving a postcard shouting "OWN A HOME WITH 0% DOWN, NO CLOSING COSTS AND LOW, LOW MONTHLY PAYMENTS!"

Additionally, although one-fifth of the world's population is Muslim, the percentage in the US is not nearly as high, and many are first or second generation immigrants. As such, many, if you will excuse the stereotype, have an "immigrant mentality" of having worked hard to come to the US and not wanting to mess things up now that they are here. Buying a home is a political statement, a point of pride and a measure of success. It is not just a tax break over the alternative of renting. In general, mortgage debt is one of the safest forms of debt because people will let most other things go before they will risk being thrown out into the street.

Additionally, many new immigrant communities have tightly knit support systems – some family members work to bring over other family members from the Old Country, and are willing to put their own resources into helping the new settlers get established. It is not uncommon for us to see multiple relatives signing on to an Islamic financing transaction to add the benefit of their more established credit to the deal.

As to equity, similar to the sub-prime market, there is a large demand for low down-payment Islamic products. However, in some, but not all cases, there is a qualitative difference between the Muslim customer and the conventional customer in this regard. A customer that sees no acceptable financing product will generally take one of two positions. Either the customer will start saving to buy a home with cash, in the hopes that they can eventually amass enough, or the customer will assume that it is not possible to achieve such a goal, and therefore will not save any money towards home ownership. When an acceptable option becomes available, the saver will often come in with a particularly large down-payment. The non-saver, however, may not be able to make a minimum required down-payment. Unlike many conventional customers seeking low down-payment financing, the reason the Muslim customer has no money to put down is not because he or she is incapable of saving, but rather it is because he or she did not previously see the need to save for such a purpose.

Conclusion

The current concerns in the US mortgage market are the result of a set of historical artifacts coming together to form a perfect storm of threat, focused predominantly on one portion of the market. The true scope of likely losses in the sub-prime market has yet to be determined. In part also due to a set of historical artifacts, the Islamic finance market is likely to be reasonably immune to those threats. As the Islamic market develops, it is likely to have the potential for increased risk in line with the conventional market. However, with history as a guide, the Islamic market may develop with appropriate safeguards in place to prevent many of the threats from ever being incorporated into the system. Religious and cultural differences may also help reduce the risk of the Islamic market falling into some of the same traps. However, the most important risk mitigator is still simply quality underwriting, selling the right product to the right customer, and turning away those that cannot afford the cost of a home until they can muster sufficient resources. In light of recent events, any new sub-prime mortgages are likely to be more carefully produced, whether they are done conventionally, or in a yet-to-be-created Islamic sub-prime mortgage market.

DEVON BANK

The author is a director and corporate counsel for Devon Bank in Chicago, where he also leads the bank's Islamic finance strategy (more information is available at: http://www.devonbank.com/Islamic). He is also the chairman of Devon Real Estate Asset Management, a Shariah compliant real estate and real estate finance company now in formation. He can be contacted at: David@DevonBank.com, or at: (773) 465 2500, extension 1317.

Islamic Finance *news* talks to leading players in the industry

Name: Naruhito Kuroda

Position: Managing director

Company: AEON Credit Service (M)

Based: Kuala Lumpur, Malaysia

Age: 45

Nationality: Japanese

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

I joined AEON, Japan, in 1984 shortly after obtaining my degree from Kansai University of Foreign Studies and retail experience from Tosco, Japan. Prior to becoming the managing director of AEON Credit Service (M) (AEON Credit) in 2001, I was a director in AEON Thana Sinsap (Thailand), deputy managing director of ACS Capital Corporation, Thailand in 1998 and I was appointed director of AEON Credit Service (ASIA) in Hong Kong in 1999.

What does your role involve?

My role involves creating a good and strong business model in Malaysia based on the know-how of AEON Credit Group's consumer financing expertise. I also ensure that the company achieves its strategic objectives and I provide leadership and direction to the staff. I am also responsible for the creation of the company's culture and our emphasis on customer first.

What is your greatest achievement to date?

Since our inception in 1996, we have launched various products, which have contributed to diversified revenue sources for us. In 2003, the General Easy Payment (GEP) scheme comprised almost 100% of our total product sales. By 2007, the company successfully diversified its products to include various micro financing credit consumer products, including credit cards, personal financing, GEP and Motorcycle Easy Payment (MEP) schemes. Our GEP and MEP contributed 29% and 23% respectively of our sales volume for 2007.

We have a strong and growing merchant network for our GEP and MEP products. This showcases our good business relationship with our merchants and the support given by our customers for our micro credit consumer products.

Which of your products/services deliver the best results?

All of our products create best results. In 2003 our GEP and MEP schemes accounted for 94% and 1% of total revenue, respectively, but in 2007, our MEP scheme – based on the Islamic principle of bai inah – has shown the best growth amongst our products, and currently accounts for 29% of our total revenue.

What are the strengths of your business?

Most importantly, we understand the needs of today's demanding world. At AEON Credit, we believe in continuously providing value added financial services to meet the lifestyle needs of individual customers. We have been providing micro credit consumer financing to consumers in Malaysia for the past 10 years now. Our strengths therefore lie in credit processing, credit management and our operations systems, which are suitable for our micro credit consumer financing.

We are the first non-bank financial institution in Malaysia to launch not only an ATM network and a line of credit cards with its own financing capability, but also the first Japanese company to tap into the Islamic debt market. By doing this, I believe that we are setting a high benchmark for competitors in the same industry who wish to jump on the bandwagon that we have created in Malaysia.

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

Diversification, fresh ideas, speed, dedicated staff, constantly pushing the boundaries of success, AEON Credit Group's expertise and good business partners/merchants.

What are the obstacles faced in running your business today?

I believe that we suffer from what every business suffers from – resources. When I say resources, I mean in the staffing and manpower sector. We have to deal with staff retention issues, and fulfil the high demand for manpower within the company. Finding suitably qualified candidates to fill the positions is difficult. Our mitigating actions lie in increasing staff motivation and identifying suitable training programs.

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

I foresee the Islamic finance industry doing very well, in Malaysia and also globally. AEON Credit is the first Japanese company to tap into the capital markets for Islamic financing. I hope to see Malaysia as the international Islamic financial center in the next five years or less, and hopefully AEON Credit will play a role in realizing this.

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

The one change I would like to see happen is the consolidation (for the lack of a better word) of interpretation of Shariah terms, as there are currently many different interpretations of the same type of Shariah products, resulting in difficulty in attracting certain types of investors.

AEON Credit Service (M) is a subsidiary of AEON Credit Service Japan and a member of the AEON Group. AEON Credit Japan is one of the leading consumer finance services companies in Japan and is listed on the main board of the Tokyo Stock Exchange.

Al Waab City Murabahah

INSTRUMENT	Murabahah
ISSUER	Al Waab City WLL
ISSUE SIZE	US$225 million
PRINCIPAL ACTIVITIES	Real estate development. Al Waab City is an innovative, multi-purpose real estate development in the heart of Doha, incorporating villas, apartments, retail and commercial space, all in a cohesive and landscaped environment with architectural resemblance to local Arabic traditions. Al Waab City will not only introduce a higher standard of living, but will also provide Doha with a family-oriented community which will harmoniously combine state-of-the-art technology with a celebration of Islamic culture.
BOARD OF DIRECTORS	Sheikh Nawaf bin Nasser Khaled Al-Thani and Sheia Hanadi bint Nasser Khaled Al-Thani.
DATE OF ISSUE	The agreement was signed on the 8th April 2007.
MATURITY	12 months
COUPON	N/A
PAYMENT SCHEDULE	Bullet
MANDATED LEAD ARRANGERS	Qatar Islamic Bank, Ahli United Bank, HSBC Bank Middle East, Masraf Al Rayan, Standard Chartered Bank and Qatar National Bank.
LEGAL COUNSEL	Norton Rose and Patton Boggs.
COORDINATOR	HSBC Bank Middle East
INVESTMENT AGENT	HSBC Bank
DOCUMENTATION	HSBC Amanah acted as the documentation bank.
METHOD OF SYNDICATION	Club deal. The facility is in the process of completing the first phase of its overall financing.
PURPOSE OF SYNDICATION	To raise bridge financing for the development of the project.
RATINGS	Neither the company nor the transaction are rated.

Takaful news
www.islamicfinancenews.com

BAHRAIN

Product agents

Shamil Bank will sell the Takaful products of Solidarity. Both companies signed an agreement mandating Shamil Bank as distributor for Solidarity's general and family Takaful products.

Shamil Bank will distribute the products via its network of seven branches and 15 ATMs strategically located all over Bahrain, in addition to a direct sales force and its online banking, call center, phone banking and SMS banking.

Mohammed Hussain, chief executive of Shamil Bank, commented: "As a forerunner to the agreement, Shamil Bank is already offering Solidarity motor Takaful as an added benefit to the successful applicants of its current car finance campaign." He stated: "Upgrading the service levels is the key to our growth. Packaging Islamic financing with Takaful products will make it a hassle-free arrangement for the customers."

Solidarity currently offers Takaful in Bahrain, Saudi Arabia, Qatar, Oman, Europe and Asia. The firm also plans to expand in key international markets in the Middle East, Asia and Europe. Solidarity's general Takaful products offer Islamic insurance cover for motor, home, property, business contingencies, engineering projects, accidents, liability risk, employee benefits and marine cargo.

MALAYSIA

Responding to the market

MNRB Retakaful will commence operations in June. This is in response to the steady growth (of 25% a year) in the Takaful sector since 2001.

MNRB Retakaful is poised to meet the market's re-Takaful needs in the family and general business line and is also set to retain more risk locally. There are currently nine Takaful operators in the country.

As at the 31st March 2006, MNRB reported a net profit of RM116.5 million (US$34.03 million), against a revenue of RM751.4 million (US$219.65 million).

QATAR

The new recruit

The American Life Insurance Company (ALICO) and AIG Life have been licensed to operate from the Qatar Financial Center (QFC). The group business will cover retail and individual deals in and from the QFC, as soon as the QFC retail regime is in place.

ALICO and AIG Life are established players in the GCC region, and have been contributing to the economy in Qatar since 1962.

Next Forum Question

Should we witness a worldwide economic downturn and increasing levels of credit default, are Islamic banks equipped with adequate risk management practices in order to protect themselves? If not, what can be done in the short term?

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, Forum Editor, at: Christina.Morgan@RedMoneyGroup.com before Wednesday 9th May 2007.

In Contempt of Shariah Principles

By Fauzi Mohammad Amin

This article is the conclusion of a two-part feature on Takaful, this week focusing on mutual insurance. The first installment was published in last week's edition.

Group and self-insurance from the Islamic perspective are special cases of the broader category of insurance known as mutual insurance. The Islamic principles of co-operation and risk diversification through Mudarabah make mutual insurance the single most admissible form of pooling risk under the Shariah. Other extended forms of this mutual insurance device are workmen's compensation, disaster insurance and social insurance.

Mutual insurance

By definition, a mutual insurance company is owned and controlled by its policy-holders. There are no stockholders and, therefore, no capital stock. This results in an insurance arrangement where no profit is made for the insurer and all insurance is provided at cost. This is the conventional idea of mutual insurance. Mutual insurance schemes can be affected by two types of risk:

- risks which occur fairly regularly year by year; and
- risks which occur irregularly over a period of years.

Mutual insurance does not cover contingencies that are fairly uncertain and remote in time, because for an Islamic plan the mutual insurance would operate as a one-yearly renewable term plan, with a pay-as-you-go method of financing. The first type of cost needs small reserves to be accumulated. In both cases a high level of liquidity and only short-term investment support are required. Consequently, the problems of long-term financing, such as hedging against inflation, the choice of long-run productive investments and automatic stabilization of economic downturns do not inhibit the pay-as-you-go method of financing involved in mutual funds.

For Islamic private insurance schemes, the pay-as-you-go method of financing is indeed the recommended method. Each year estimates are made of the total cost of benefits and the waqf is activated to meet this cost. If any part of it remains, it is returned to the shareholders (policy-holders) as dividends after establishing a minimum reserve. These dividends are generated through the short-term investment of the shareholders' contributions into equity shares of the corporation (insurer) operating on the principle of Mudarabah.

The scope of Islamic mutual insurance is slightly different from that of conventional mutual insurance. In the conventional system premiums are fixed, which is tantamount to a pre-determination of risk. The annual proceeds from the premiums are not invested, i.e. the conventional mutual company does not have capital stock, does not build up reserves and does not have profits. In Islamic mutual funds, fixed premiums are inadmissible, and are replaced by the insured person's own voluntary contribution.

In the broader case of mutual institutions, there have been Islamic injunctions to make the insured person's contribution to the mutual fund compulsory. The annual net reserves after deducting year benefit payments, administrative costs and dividends are invested in common pursuits permissible in Islam, so that a reasonable amount of accumulation of mutual funds takes place in order to maintain the reserves.

Workmen's compensation

Workmen's compensation can effectively take the form of Islamic mutual insurance schemes. The workman enters into a mutual sharing agreement of price and risk with his employer, by voluntarily contributing his premium to waqf. In return he gets a promise for wages, a dividend in proportion to the level of contribution and compensation for workplace injury.

"For Islamic private insurance schemes, the pay-as-you-go method of financing is indeed the recommended method"

It has been argued that collectives could be formed where profits in different firms are pooled. Profit-sharing between the workmen and the single-employee firm is made independent of the employment condition of the firm and, in this way, the expected profits that would determine the workers' employment prospects. Therefore, the establishment of a mutual fund involving pooled risks of several firms creates real diversification.

In an Islamic mutual insurance scheme a zakat reduction could exist for the shareholders (policy-holders) who mobilize their savings into real investment through the mutual fund.

Farm mutuals

Farm mutuals work on the same principle as other mutual insurance schemes. However, it is interesting to note here that zakat can be directly funded. One of the purposes of zakat is to help those in debt or struck with heavy losses to recover their footing. Take, for example, a disaster in a farm enterprise; the affected farmer who was once a contributor of zakat to Bait Maal (Islamic public treasury) can now himself qualify for economic assistance.

Mutual insurance schemes based on this principle of zakat funding would apply to other forms of disasters like floods and earthquakes. There are instances when conventional insurance companies have not been able to extend coverage in these low probability, high disaster situations, because the information on risks and the consequences of the perils are not sufficiently well known to the insurance industry. In such disaster insurance cases, the pooled risk has to be shared by the private and the public sector jointly. Zakat is an example of such a public policy.

continued...

In Contempt of Shariah Principles *(continued...)*

Community-based mutual insurance

At a community level, the Islamic mutual insurance scheme is similar to a social insurance scheme. Types of assistance under the mutual fund that could be available in such a case would be financing of programs of human capital formation and self-employment assistance. Zakat is particularly effective in this area, when the program funds reach the needy.

It is well-known in the literature on manpower planning that in the event of structural unemployment, disguised unemployment and under-employment, the monetary and fiscal policies implemented to improve the unemployment situation are often not found to be effective. This is due to the failure of macroeconomic policies in tackling problems that lie embedded at a micro-level, as in the case of pockets of hardcore unemployed and disadvantaged people. Since one of the expressed objectives of zakat is to provide cash benefits, training and education to the needy, it is found to be an effective instrument to alleviate the problems of the hardcore unemployed and disadvantaged.

Funding training programs and unemployment assistance programs through zakat are associated with an income multiplier effect – the zakat rate increases on real assets, causing holders of idle cash balances to put them to productive use. This generates investment flow, causing an increase in income through the multiplier effect. Increased investment also creates a higher labor force participation rate.

Mutual insurance can, therefore, be used in certain short-run programs of social assistance, leaving the long-run programs to be covered by social security. In such cases zakat can be a powerful instrument for financing the cost of associated contingencies.

Conclusion

In summary, the contemporary life insurance business in all its different aspects is disallowed in Islam as it counteracts the following principles of Shariah: the virtue of exchange, whether as fungibles or as quantity, must be capable of delivery. Islam forbids the sale of things that are not certain; a subjective nature never forms part of an Islamic financial contract, which must be unambiguous to all partners; and financial transactions involved in the contract must be permissible under Islamic law.

The essence of the mutual insurance system in Islam is based on the applicability of Shariah in the sphere of financial transactions. It is one of equity and ethical perfection. Establishing mutual insurance schemes at a Muslim community level in accordance with Islamic principles is not merely a spiritual necessity, but a profitable undertaking.

The author is an independent financial consultant with Takaful Nasional Agency, Malaysia, and can be contacted on: +604 732 8710.

CALYON – Bahrain

Safdar Alam has left Calyon in order to join JP Morgan in July. He will head the firm's Islamic business.

Mr Alam previously served as Calyon's director of Islamic banking, where he specialized in new product and internal organizational development, as well as client coverage. He has been with Calyon's Islamic banking unit since August 2005.

After obtaining his Association of Chartered Accountants (ACA) certification from KPMG, Safdar kick-started his career at the Bankers Trust, working on exotic foreign currency products. He then moved to UBS London, where he was absorbed into the Islamic finance team in 2002. There, Mr Alam focused on sales and product development for capital markets.

HERBERT SMITH – Middle East

Neil Brimson will be relocated from Paris to Herbert Smith's Dubai office, with David Laurence and Stephen Rayfield to follow suit in several months.

Mr Laurence and Mr Rayfield are both based in London. Combined, Mr Brimson, Mr Laurence and Mr Rayfield bring with them finance expertise spanning international projects, Asian markets and general mergers and acquisitions.

Partner Craig Sheperd will move to Dubai to set up a disputes practice later in the year. Mr Sheperd will receive support from former partner Charles Plant, who will serve as a consultant.

SHUAA – UAE

Amin El Kholy has joined SHUAA Asset Management as its chief investment officer.

Amin will draw on his extensive experience in regional and international markets to play a central role in advising on and expanding the division's product range.

His last position at the National Bank of Dubai (NBD) included a key role in setting up the asset management activities and launching two funds aimed at investors in Arab and Turkey. Previous posts have seen Amin in fund management at PrimeCorp Investment.

Lloyds TSB – UAE

The recent major restructuring of Lloyds TSB Dubai has led to several new appointments.

Steve Williams, chief operating officer, Middle East, will lead the business banking and personal banking division teams, which have now merged into consumer banking.

The restructuring is an effort to better align Lloyds with the needs of its personal, business and corporate customers. Both the local personal banking business and international offshore banking have been integrated into personal banking.

Giles Cunningham relinquishes his regional CEO post and moves to a new role as director of onshore banking in Lloyds TSB International Banking in London. He will be responsible for the division's strategy and change. Bert de Ruiter will act as interim CEO until an appointment is made to replace Giles as CEO in the Middle East.

OASIS – UAE

Salem Rashid Al Nuaimi has been appointed acting CEO for Oasis Leasing. At 32, he is the youngest CEO of a publicly listed company in the UAE and Abu Dhabi. Mr Al Nuaimi replaces Gordon Dixon, who has resigned.

Prior to joining Oasis Leasing, Mr Al Nuaimi served in the Investments Department of Dubai Islamic Bank, and has had internships with the UAE Central Bank, Abu Dhabi Fund and Kraft Foods.

Mr Al Nuaimi graduated from Boston's Northeastern University with a Bachelors degree in Finance and International Business. He has completed the first level of the Chartered Financial Analyst (CFA) program.

FBD – Singapore

Freshfields Bruckhaus Deringer has closed its Singapore office, relocating its two remaining partners to Hong Kong.

Finance specialists, Bruce Cooper and Yeelong Tan will be moving to Hong Kong, in line with asset finance partner, Paul Ng's promotion to partner. Freshfield's Singapore closure will result in the termination of its joint venture with Singapore firm Drew & Napier.

Freshfields has been overhauling several of its Asia practices recently, including relocating corporate partner James Wood from London to Tokyo to spearhead renewed mergers and acquisitions in Japan. Mr Wood will be assisted by corporate partner Edward Cole.

Deal *tracker*

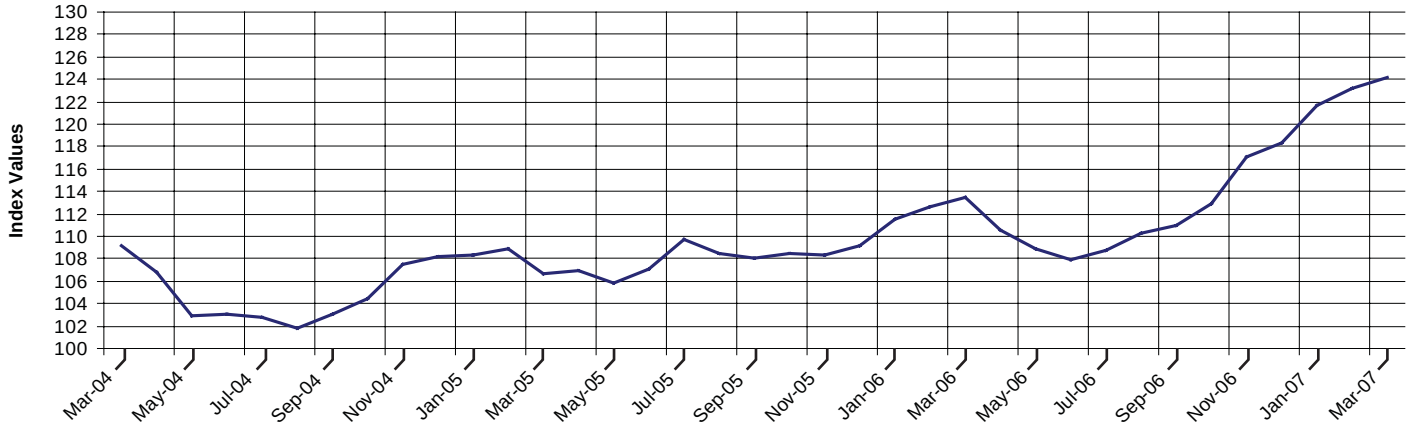
Keeping you abreast of the world's upcoming Shariah compliant deals

Another **Islamic Finance** *news* exclusive

ISSUER	SIZE (million)	INSTRUMENT
IJM Corporation	US$511.60	Sukuk Istisnah
Ras Al Khaimah Investment Authority	US$400	TBA (Sukuk)
ARAPESONA	US$56.9/US$19.9	ICP/MTN
Bank Syariah Mandiri	US$3.25	Subdebt
Cagamas	US$584.60	TBA
Gamuda	TBA	Murabahah or Musharakah
Saudi Electric Company	US$4,000	Sukuk
MTC	US$1,200	Sukuk
Prolintas	US$170.70	Senior Ijarah/Junior Musharakah
Tomei Consolidated	US$28.50	Islamic Commercial Papers
Sui Southern Gas Co.	US$49	Islamic Commercial Papers
JBIC	US$250 – US$350	Sukuk
Dynamic Communication	US$143.40	Istisnah/MTN program
GLOMAC	US$50.18	Murabahah MTN program
Indonesia Comnets Plus	US$11.02	Sukuk Murabahah
Karachi Shipyard	US$69.19	TBA
Kwantas	US$69.19	Murabahah/Off CP/MTN program
Malaysia International Shipping	US$286.30	Sukuk Murabahah
Gamuda	US$256	ICPs/IMTNs
Islamic Development Bank	US$142.40	Ringgit denominated Sukuk
AMMB Holdings	US$114.20	Sukuk
ADIB	US$408.50	Sukuk
Moccis	US$108.80	Sukuk Murabahah/2 Tranches/6 Series
MTD Infraperdana	US$71.50	Murabahah (CP/MTN program)
Sabah Ports	US$22.90	Bai Bithaman Ajil
Orient Technology Indonesia	US$120	Islamic and conventional bonds (TBA)
Tiong Toh Siong Holdings	US$24.20	Sukuk Ijarah
FACB Industries	US$22.8/US$42.8	Murabahah/ Bai Bithaman Ajil
Tiong Nam	US$83.40	Sukuk Ijarah
Indonesia	TBA (in IDR)	Sukuk Ijarah
Lahore SunCity	US$250	Sukuk Musharakah

For more details and the full list of deals visit
www.islamicfinancenews.com

Top 10 Islamic Funds by Key Performance Statistics



Monthly returns for developed markets funds (as of 3rd May 2007)

	FUND	MANAGEMENT COMPANY	March 07 Return (%)	FUND DOMICILE
1	Alfanar Europe	TT International	3.09	British Virgin Islands
2	Alfanar US Capital Value	Apex Capital	2.26	British Virgin Islands
3	Amana Income	Saturna Capital	2.09	US
4	Alfanar US Equity Hedge Fund	Peconic Partners	1.54	British Virgin Islands
5	Alfanar Investment Holdings NV	AIH Investment Management Company	1.52	Netherlands
6	Amana Growth	Saturna Capital	1.41	US
7	Dow Jones Islamic Fund	Allied Asset Advisors	1.23	US
8	Azzad Ethical Income Fund	Azzad Asset Management	1.10	US
9	UBS Islamic Fund – Global Equities (USD)	UBS Islamic Fund Management Company	0.92	Luxembourg
10	Takaful Sinaran Fund	Deutsche Asset Management Asia	0.70	Singapore
	*Eurekahedge Developed Markets Islamic Fund Index**		*0.43*	

Monthly returns for emerging markets funds (as of 3rd May 2007)

	FUND	MANAGEMENT COMPANY	March 07 Return (%)	FUND DOMICILE
1	Zajil – Service & Telecommunications Fund	National Investments Company	13.27	Kuwait
2	Markaz Islamic Fund	Kuwait Financial Centre	8.55	Kuwait
3	Al Safwa Investment Fund	National Investments Company	8.21	Kuwait
4	Al Darij Investment Fund	National Investments Company	7.15	Kuwait
5	Tijari Islamic Fund	Commercial Bank of Kuwait	7.10	Kuwait
6	ING Ekuiti Islam Fund	ING Funds	6.99	Malaysia
7	Al Dar Securities Fund	ADAM	5.63	Kuwait
8	Frater Islamic Equity Fund	Frater Asset Management	5.28	South Africa
9	Apex Dana Al-Faiz-i	Apex Investment Services	4.92	Malaysia
10	MAAKL Al-Faid Fund	MAAKL Mutual	4.87	Malaysia
	*Eurekahedge Emerging Markets Islamic Fund Index**		*0.74*	

EUREKAHEDGE

Contact Eurekahedge

To list your fund or update your fund information: islamicfunds@eurekahedge.com

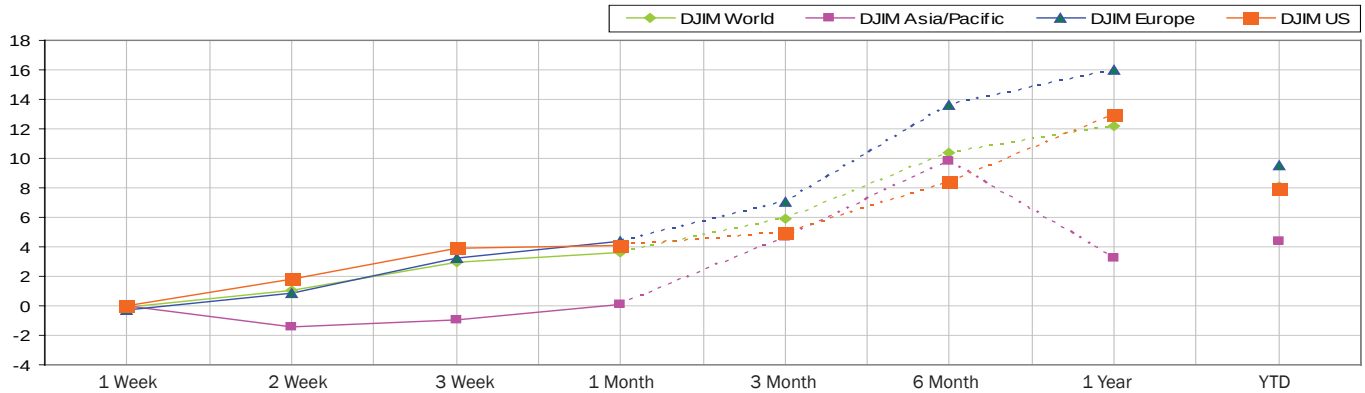
For further details on Eurekahedge: information@eurekahedge.com

Tel: +65 6212 0900

EUREKAHEDGE

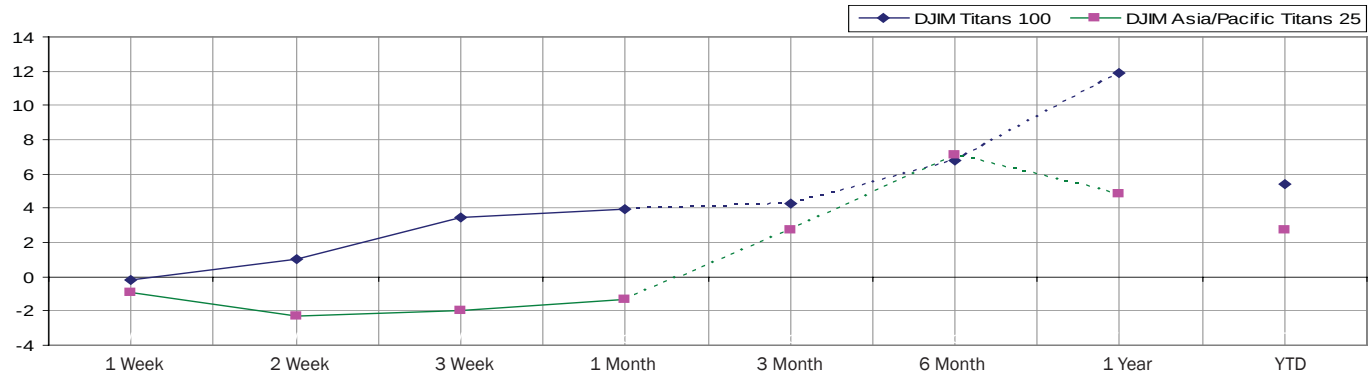
Data as of the 2nd May, 2007

PERFORMANCE OF DJ INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	-0.05	1.02	2.96	3.61	5.86	10.39	12.23	8.1
DJIM Asia/Pacific	0.04	-1.46	-0.95	0.12	4.69	9.8	3.27	4.38
DJIM Europe	-0.24	0.9	3.2	4.39	7.01	13.6	16.02	9.56
DJIM US	-0.01	1.84	3.88	4.07	4.95	8.34	12.94	7.9

PERFORMANCE OF DJ TITANS INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM Titans 100	-0.17	1.03	3.46	3.92	4.25	6.76	11.89	5.4
DJIM Asia/Pacific Titans 25	-0.91	-2.26	-2.01	-1.29	2.72	7.09	4.8	2.75

DESCRIPTIVE STATISTICS		Market Capitalization (US$ billions)						Component Weight (%)	
Index	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Largest	Smallest
DJIM World	2372	18154.97	15388.12	6.49	1.6	454.45	0.01	2.95	0
DJIM Asia/Pacific	946	3242.75	2314.2	2.45	0.61	85.74	0.01	3.7	0
DJIM Europe	357	4877.24	3894.28	10.91	3.22	218.3	0.28	5.61	0.01
DJIM US	728	8553.19	8144.72	11.19	3.12	454.45	0.29	5.58	0
DJIM Titans 100	100	7709.43	7020.85	70.21	47.67	452.66	1.18	6.45	0.02
DJIM Asia/Pacific Titans 25	25	902.83	629.11	25.16	18.46	69.97	7.37	11.12	1.17

Mean, median, largest, smallest and component weights are based on float adjusted market capitalization, not full market capitalization.

RINGGIT ISLAMIC DEBT MARKET: WEEKLY SNAPSHOT

AS AT 2nd May 2007

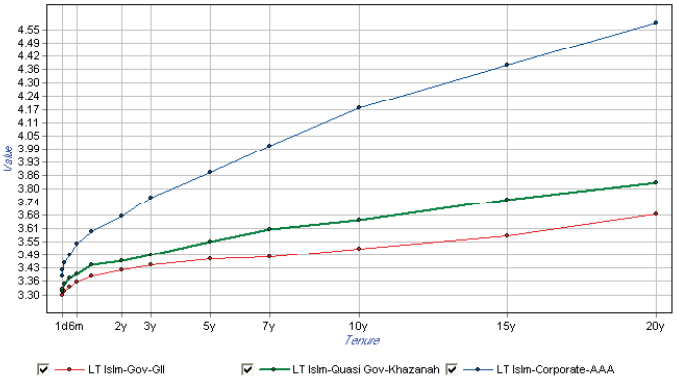
Key Benchmarks Trend (by volume)	Rating	This week close (RM)	25 April 07 (RM)	18 April 07 (RM)	11 April 07 (RM)
Private Debt Securities					
NAB IMTN 5.783% 30.04.2013 – MTN 001	AA3 (RAM)	101.18	N/A	N/A	N/A
NAB IMTN 6.682% 29.04.2022 – MTN 007	AA3 (RAM)	115.30	N/A	N/A	N/A
DRB-HICOM 0% 26.07.2010	A+ID (MARC)	91.05	91.01	90.96	90.91
RANTAU IMTN 0% 15.03.2012 – MTN 3	AAA (RAM)	101.10	101.23	101.55	101.29
NAB IMTN 6.382% 30.04.2019 – MTN 006	AA3 (RAM)	112.36	N/A	N/A	N/A
Government Investment Instruments					
GII 1/2003 0.00000% 31.03.2008	N/A	96.94	96.94	96.91	96.83
Quasi Government					
CAGABAIS 13/2006 0% 10.08.2009	AAA (RAM)	101.96	101.93	101.97	102.00

SPREAD VS GII (in b.p.)

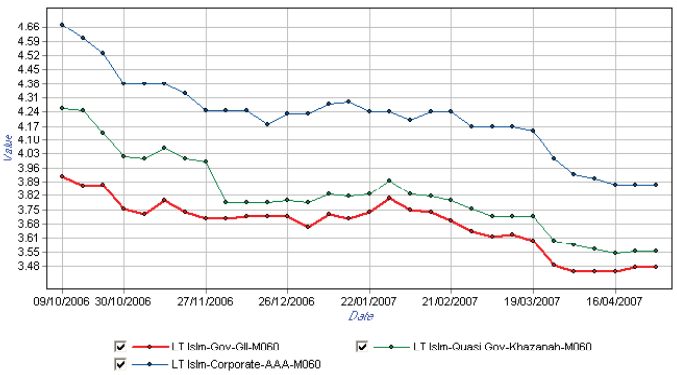
	TENURE					
	1Y	2Y	3Y	5Y	7Y	10Y
GII	3.39	3.42	3.44	3.47	3.49	3.52
Cagamas	0.12	0.14	0.15	0.19	0.24	0.3
Khazanah	0.05	0.04	0.05	0.08	0.12	0.13
AAA	0.21	0.25	0.32	0.41	0.51	0.66
AA1	0.3	0.38	0.47	0.6	0.74	0.92
A1	1.27	1.49	1.68	2.05	2.43	2.85

MYR ISLAMIC DEBT YIELD CURVES

YTM Curves



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



TOP ISSUERS OF ISLAMIC BONDS — MAY 2006 – MAY 2007

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Nakheel Development	UAE	Convertible Sukuk Ijarah	3,520	2	19.3	Barclays Capital, Dubai Islamic Bank
2	Malaysia	Malaysia	Islamic Sukuk	2,638	3	14.5	Malaysian Government bond
3	Aldar Funding	Malaysia	Exchangeable Sukuk Mudarabah	2,530	1	13.9	Barclays Capital, Credit Suisse Securities (Europe), Abu Dhabi International Bank
4	Rantau Abang Capital	Malaysia	Sukuk Musharakah MTN	975	2	5.3	CIMB, AmMerchant
5	ADIB Sukuk	UAE	Sukuk Ijarah	800	1	4.4	HSBC
6	Dubai Islamic Bank	UAE	Sukuk Musharakah	750	1	4.1	Barclays Capital, Citigroup, Standard Chartered
7	Rafflesia Capital	Malaysia	Periodic Payment Exchangeable Trust Certificates	750	1	4.1	CIMB Investment, HSBC Amanah, UBS
8	Projek Lebuhraya Utara Selatan	Malaysia	Sukuk Musharakah MTN	743	18	4.1	CIMB Investment
9	Cagamas	Malaysia	Bithaman Ajil Islamic Securities	627	13	3.4	Cagamas, AmMerchant, Aseambankers
10	Nucleus Avenue (M)	Malaysia	Cumulative Non-Convertible Islamic Junior Sukuk	496	1	2.7	CIMB Investment
11	Aabar Sukuk	UAE	Exchangeable Sukuk Mudarabah	460	1	2.5	Deutsche Bank
12	Maybank	Malaysia	Bai Bithaman Ajil Subordinated Bonds	416	1	2.3	Aseambankers
13	Jimah Energy Ventures	Malaysia	Istisnah Islamic MTN	308	20	1.7	AmMerchant, Bank Muamalat Malaysia, MIMB, RHB Sakura
14	MBB Sukuk	Malaysia	Subordinated Sukuk Trust Certificates	300	1	1.6	HSBC, Aseambankers, UBS
15	Segari Energy Ventures	Malaysia	Sukuk Ijarah	258	6	1.4	Aseambankers
16	SIB Sukuk Co	UAE	Musharakah Sukuk	225	1	1.2	HSBC
17	Putrajaya Holdings	Malaysia	Murabahah MTN	211	5	1.2	Alliance Merchant, CIMB, RHB Sakura
18	Kuala Lumpur Sentral	Malaysia	Sukuk Musharakah	208	7	1.1	HSBC
19	Tabreed 06 Financing Corp	UAE	Sukuk Istisnah	200	1	1.1	CIMB, HSBC, Dresdner Kleinwort Wasserstein
20	KMCOB Capital	Malaysia	Murabahah MTN	178	4	1.0	CIMB Investment, United Overseas Bank (Malaysia)
	Total of issues used in the table			**18,367**	**267**	**100.0**	

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

TOP ISSUERS OF ISLAMIC BONDS — NOVEMBER 2006 – MAY 2007

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Nakheel Development	UAE	Convertible Sukuk Ijarah	3,520	2	28.9	Barclays Capital, Dubai Islamic Bank
2	Aldar Funding	Malaysia	Exchangeable Sukuk Mudarabah	2,530	1	20.8	Barclays Capital, Credit Suisse Securities (Europe), Abu Dhabi International Bank
3	Malaysia	Malaysia	Sukuk	1,821	2	15.0	Malaysian Government bond
4	ADIB Sukuk	UAE	Sukuk Ijarah	800	1	6.6	HSBC
5	Dubai Islamic Bank	UAE	Sukuk Musharakah	750	1	6.2	Barclays Capital, Citigroup, Standard Chartered Bank
6	Rantau Abang Capital	Malaysia	Sukuk Musharakah MTN	570	1	4.7	CIMB
7	Nucleus Avenue (M)	Malaysia	Cumulative Non-Convertible Islamic Junior Sukuk	496	1	4.1	CIMB Investment
8	MBB Sukuk Inc	Malaysia	Subordinated Sukuk Trust Certificates	300	1	2.5	HSBC, Aseambankers, UBS
9	Cagamas	Malaysia	Bithaman Ajil Islamic Securities	217	7	1.8	Cagamas, AmMerchant, Aseambankers
10	Kuala Lumpur Sentral	Malaysia	Sukuk Musharakah	208	7	1.7	HSBC
11	Jimah Energy Ventures	Malaysia	Istisnah Islamic MTN	208	10	1.7	RHB Sakura, MIMB, Bank Muamalat Malaysia, AmMerchant
12	KMCOB Capital	Malaysia	Murabahah MTN	178	4	1.5	CIMB Investment, United Overseas Bank (Malaysia)
13	MTD InfraPerdana	Malaysia	Murabahah MTN	174	8	1.4	AmInvestment, CIMB Investment, United Overseas Bank (Malaysia)
14	AmIslamic Bank	Malaysia	Subordinated Sukuk Musharakah	113	1	0.9	AmMerchant
15	Syarikat Pengelar Air Sungai Selangor	Malaysia	Murabahah MTN	103	19	0.8	United Overseas Bank (Malaysia)
16	Mukah Power Generation	Malaysia	Sukuk Mudharabah	83	10	0.7	RHB Islamic
17	OCBC Bank (Malaysia)	Malaysia	Mudharabah Islamic Bond	55	1	0.5	OCBC Bank (Malaysia)
18	Sarawak Power Generation	Malaysia	Sukuk Musharakah	30	11	0.2	RHB Islamic
19	Sabah Ports	Malaysia	Bithaman Ajil Islamic Debt Securities	23	8	0.2	Bank Muamalat Malaysia, MIDF Amanah Investment
20	Aeon Credit Service (M)	Malaysia	Bank Guaranteed Musharakah MTN	17	2	0.1	Aseambankers, Bank of Tokyo-Mitsubishi UFJ (Malaysia), CIMB Investment
	Total of issues used in the table			12,286	116	100.0	

ISLAMIC BONDS				MAY 2006 – MAY 2007
	Manager or Group	**Amt US$ m**	**Iss.**	**%**
1	Barclays Capital	2,853	4	15.6
2	Malaysian Government bond	2,638	3	14.5
3	CIMB	2,398	50	13.1
4	Dubai Islamic Bank	1,768	3	9.7
5	HSBC	1,602	15	8.8
6	AmInvestment	1,028	49	5.6
7	Aseambankers Malaysia	949	26	5.2
8	Abu Dhabi Investment	843	1	4.6
9	Credit Suisse	843	1	4.6
10	Deutsche Bank	460	1	2.5
11	Standard Chartered Bank	409	19	2.2
12	UBS	350	2	1.9
13	United Overseas Bank	340	44	1.9
14	RHB	274	54	1.5
15	Citigroup	250	1	1.4
16	Cagamas	217	7	1.2
17	Merrill Lynch & Co	168	1	0.9
18	Kuwait Finance House	154	8	0.8
19	Bank Muamalat Malaysia	135	39	0.7
20	Alliance Investment Bank	117	11	0.6
	Total of issues used in the table	**18,367**	**267**	**100.0**

ISLAMIC BONDS				NOVEMBER 2006 – MAY 2007
	Manager or Group	**Amt US$ m**	**Iss.**	**%**
1	Barclays Capital	2,853	4	23.5
2	Malaysian Government bond	1,821	2	15.0
3	Dubai Islamic Bank	1,768	3	14.5
4	CIMB	1,227	20	10.1
5	HSBC	1,010	10	8.3
6	Abu Dhabi Investment	843	1	6.9
7	Credit Suisse	843	1	6.9
8	Standard Chartered Bank	258	2	2.1
9	United Overseas Bank	250	31	2.1
10	Citigroup	250	1	2.1
11	AmInvestment Bank	232	20	1.9
12	Cagamas	217	7	1.8
13	RHB	165	31	1.4
14	Aseambankers Malaysia	116	6	0.9
15	Kuwait Finance House	104	7	0.9
16	Bank Muamalat Malaysia	64	18	0.5
17	Oversea-Chinese Banking Corp	55	1	0.5
18	EON	52	10	0.4
19	MIDF-Sisma Securities	20	7	0.2
	Total of issues used in the table	**12,163**	**112**	**100.0**

ISLAMIC BONDS BY COUNTRY			MAY 2006 – MAY 2007
	Amt US$ m	**Iss.**	**%**
Malaysia	9,540	253	51.9
UAE	8,485	8	46.2
US	168	1	0.9
Kuwait	100	1	0.5
Pakistan	35	2	0.2
Indonesia	21	1	0.1
Saudi Arabia	18	1	0.1
Total	**18,367**	**267**	**100.0**

ISLAMIC BONDS BY COUNTRY			NOVEMBER 2006 – MAY 2007
	Amt US$ m	**Iss.**	**%**
UAE	7,600	5	61.9
Malaysia	4,669	110	38.0
Pakistan	16	1	0.1
Total	**12,286**	**116**	**100.0**

ISLAMIC BONDS BY CURRENCY			MAY 2006 – MAY 2007
	Amt US$ m	**Iss.**	**%**
US dollar	9,821	13	53.5
Malaysian ringgit	8,490	251	46.2
Pakistan rupee	35	2	0.2
Indonesian rupiah	21	1	0.1
Total	**18,367**	**267**	**100.0**

ISLAMIC BONDS BY CURRENCY			NOVEMBER 2006 – MAY 2007
	Amt US$ m	**Iss.**	**%**
US dollar	7,900	6	64.3
Malaysian ringgit	4,369	*109*	35.6
Pakistan rupee	16	1	0.1
Total	**12,286**	**116**	**100.0**

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

DATE	EVENT	VENUE	ORGANIZER
May			
2nd – 6th	Islamic Finance Summer School	Durham	Durham University
6th – 7th	World Islamic Funds & Capital Market Conference	Bahrain	Mega Events
7th – 8th	World Halal Forum 2007	Kuala Lumpur	Kaseh Dia
15th – 16th	4th Islamic Financial Services Board Summit: "The Need For A Cross-Sectoral Approach to the Supervision of Islamic Financial Services"	Dubai	IFSB
17th – 18th	3rd International Conference on Islamic Banking, Finance and Insurance	Ottawa	Ansar Financial Group
21st – 22nd	Commodity Investment Week 2007	Dubai	Terrapinn
22nd – 24th	Islamic World Finance North America 2007	Toronto	Terrapinn
27th – 29th	3rd World Islamic Economic Forum	Kuala Lumpur	ASLI
29th – 30th	32nd Islamic Development Bank Annual Meeting	Senegal	IDB
June			
3rd – 6th	Funds Middle East	Madinat Jumeirah	Terrapinn
18th – 19th	The 2nd International Islamic Financial Markets Conference	Bahrain	Islamic Finance events/IIFM
18th – 19th	International Islamic Banking & Finance Forum 2007	Singapore	Marcus Evans
25th – 27th	Islamic Finance and Investment World Europe 2007	London	Terrapinn
25th – 28th	3rd International Islamic Finance Forum 2007	Kuala Lumpur	IBC Asia
July			
2nd – 6th	Islamic Markets Program	Kuala Lumpur	Securities Commission
August			
13th – 14th	MIF Forum 2007	Kuala Lumpur	Islamic Finance events
November			
27th – 28th	3rd Seminar on the Regulation of Takaful	Cairo	IFSB

Islamic Finance news team

Published By: REDmoney

Suite C, Level 10 Bangunan Angkasa Raya,
Jalan Ampang, 50450 Kuala Lumpur,
Malaysia
Tel: +603 2143 8100
Fax: +603 2141 5033

Published every Friday (50 issues per year)

EDITORIAL TEAM

Managing Editor Frances O'Sullivan
Frances.OSullivan@RedMoneyGroup.com

Editor Nora Salim
Nora.Salim@RedMoneyGroup.com

Deputy Editor Nazneen Abdul Halim
Nazneen.Halim@RedMoneyGroup.com

Features Editor Shabnam Mokhtar
Shabnam.Mokhtar@RedMoneyGroup.com

Correspondents Kamal Bairamov, Seelan Sakran
Shirene Shan

Forum Manager Christina Morgan
Christina.Morgan@RedMoneyGroup.com

Production Manager Hasnani Aspari
Hasnani.Aspari@RedMoneyGroup.com

Production Executive Mahadir Mohamed
Mahadir.Mohamed@RedMoneyGroup.com

SALES TEAM

New Business Manager Charles Philip
Charles.Philip@RedMoneyGroup.com
Tel: +603 2143 8100 x 13

Subscriptions Manager Musfaizal Bin Mustafa
Musfaizal.Mustafa@RedMoneyGroup.com
Tel: +603 2141 8100 x 24

MARKETING TEAM

Assistant Dhana Dorasamy
Dhana@RedMoneyGroup.com

Associate Publisher Geraldine Chan
Geraldine.Chan@RedMoneyGroup.com
Tel: +603 2141 6024

Financial Controller Faizah Hassan
Faizah.Hassan@RedMoneyGroup.com

Managing Director Andrew Tebbutt
Andrew.Tebbutt@RedMoneyGroup.com
Tel: +603 2141 6022

Managing Director & Publisher Andrew Morgan
Andrew.Morgan@RedMoneyGroup.com
Tel: +603 2141 6020

Individual Annual Subscription Rate: US$525
Company-Wide Subscription Rate: US$2,250

Yes! I would like to subscribe to Islamic Finance News

INDIVIDUAL SUBSCRIPTION

- ◯ 1 Year at US$525 net*
- ◯ 2 Years at US$920 net*

COMPANY WIDE SUBSCRIPTION

- ◯ 1 Year at US$2,250 net*
- ◯ 2 Years at US$3,600 net*

(Max: 10 Individual Subscriptions)

Each subscription will receive:

- 50 issues of Islamic Finance news available every Friday.
- Exclusive login details for each subscriber.
- Unlimited access to the archived library of all past issues
- All additional supplements, guides and reports.

***Exclusive Corporate Subscription packages are available. Contact us today!**

YOUR DETAILS

Full Name

(First Name) (Surname)

Company Name

Designation

Address

.....

.....Postal/Zip.....

Country.....

Work Email

Telephone

Fax

The information you provide will be safeguarded by RedMoney, whose subsidiaries may use it to keep you informed of relevant products & services.

☐ Tick here if you do not wish to receive further Islamic Finance related information.

PAYMENT METHOD

☐ By Cheque:
Please make cheques payable to Red Money Sdn Bhd

☐ By Telegraphic Transfer (T/T):
Account Name: Red Money Sdn. Bhd.
Account No: 2 14129 00 19527 7 (Malaysian Ringgit)
Account No: 6 14129 00 00574 3 (US Dollars)
Swift Code: RHBBMYKL
Bank Name & Address: RHB Bank, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Please send your T/T advice with this form to us either by post or fax. **ALL TELEGRAPHIC TRANSFER FEES ARE BORNE BY THE SUBSCRIBER.**

HOW TO ORDER


+603 2143 8100


+603 2141 5033


Subs@IslamicFinanceNews.com


Suite C, 10th Floor, Bangunan Angkasa Raya, Jalan Ampang, 50450 Kuala Lumpur, Malaysia

Company Index

Country Index

INTERNATIONAL ISLAMIC FINANCIAL MARKET BAHRAIN CONFERENCE 18th & 19th JUNE 2007

Developing the Global Islamic Financial Markets

The 2nd International Islamic Financial Market Conference Bahrain "Developing the Global Islamic Financial Markets" 18th & 19th June 2007

This forum will focus on five key areas notably:

- Hedging, Framework & Development
- Islamic Liquidity Management & Interbank Market
- Islamic REIT – Trends & Developments
- Islamic Unit Trusts – Future Prospects
- IIFM Efforts Towards Uniformity

FREE TO ATTEND!

Participants include:
H.E. Rasheed Al Maraj, Governor, *Central Bank of Bahrain*; **Dr. Ahmad Jachi,** First Vice-Governor, *Banque Du Liban, Lebanon;* **Khalid Hamad**, Executive Director, *Central Bank of Bahrain;* **Dr. Mohammed N. Alchaar**, Secretary-General, *AAOIFI*; **Robert Pickel**, CEO, *ISDA, New York, USA*; **Sh. Nizam Yaquby**, Shariah Scholar; **Syed Tariq Husain**, CEO, *Emirates Global Islamic Bank, Pakistan*; **Badlisyah Abdul Ghani**, CEO, *CIMB Islamic Bank, Malaysia*; **Dr. Mohamad Daud Bakar**, Shariah Scholar, *Malaysia*; **Ahmed Adil**, Partner, *Ernst & Young*; **John Weguelin**, Managing Director, *European Islamic Investment Bank, UK*; **Abdul Rahman Al Baker**, Executive Director, *Central Bank of Bahrain*; **Prof. Mahmood Faruqui**, Vice Chairman, *Institute of Islamic Banking & Insurance, UK;* **Lilian Le Falher**, Head of Treasury, *Kuwait Finance House*; **Wafik Grais**, Senior Adviser, *World Bank, USA*; **Dato' Azizan Abdul Rehman**, Director General, *Labuan Offshore Financial Services Authority, Malaysia;* **Mohammed Sulaiman Al-Omar**, General Manager, *Kuwait Finance House, Kuwait*; **Stella Cox**, Managing Director, *Dawnay Day Global Investment Ltd, UK*; **Abdulkader Thomas**, President & CEO, *Shape Financial, Kuwait*; **Agil Natt,** Chief Executive Officer, *INCEIF, Malaysia*; **Habib Motani**, Lawyer, *Clifford Chance, UAE;* **Dr. Sami Al Suwailem**, *Islamic Research & Training Institute, Saudi Arabia*; *Shariah Scholars, Legal and IIFM Board Members*

Organizer
International Islamic Financial Market

Joint Organizer
Islamic Research and Training Institute
A Member of the Islamic Development Bank Group

Plantinum Sponsor
EIIB
EUROPEAN ISLAMIC INVESTMENT BANK PLC

Gold Sponsor
Kuwait Finance House

Gold Sponsor
CALYON
CRÉDIT AGRICOLE CIB

Supported by
Central Bank of Bahrain

Supported by
BAHRAIN
FINANCIAL SERVICES DEVELOPMENT

Silver Sponsor
Bank Islam

Lunch Sponsor
CIMB ISLAMIC

Educational Sponsor
INCEIF

Event Manager
Islamic Finance events
A REDmoney Product

Lead Media Partner
Islamic Finance news
A REDmoney Product

Media Partner
Bloomberg

Media Partner
GFI

Media Partner
BUSINESS LIFE

REGISTER NOW!
http://www.islamicfinanceevents.com/bahrain07

+603 2143 8100 +603 2141 5033 enquiries@redmoneygroup.com