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Consultancy

Editorial

Dear Readers,

As salamu alaikum

This issue was written during the Conference on Corporate Governance in Qatar – a topic which attracted the highest number senior executives of Islamic Banking per square metre; in one of the speeches, Sheikh Samel Kamel the Chairman of the General Council, demanded stronger influence and more reporting to shareholders of the Islamic banks.

Best regards wa salaams,

*Michael Saleh Gassner
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Contents

Islamic Finance in the West

German Conference took place / Insurance Study in Germany
Islamic Wealth Management Seminar in Geneva ahead

Islamic Banking

ABN Amro Bank Malaysia Strategy / CIMB Profit Rate Swap
Qatar Commercialbank opens Al Safa / Islamic Bank in Oman?
Regulation Bangladesh / Regulation Syria
Arbitration Kuala Lumpur / StanChart Malaysia's Strategy
Statistics Kuwait / Update Singapore
Qatar Financial Centre launched / Albilad Bank listed
Islami Bank Bangladesh awarded

Fixed Income (Sukuk, Murabaha)

USD 100 mn Kuwait Corporate Sukuk
DCA Sukuk listed on DFM
DMCC Sukuk oversubscribed / Indonesian Satellite Sukuk
Malaysian debt market / Midas Plantation Sukuk

Real Estate, Private Equity, Funds

ESB Sudan IPO/ Outperformance Islamic Indexes in UK
KFH Bahrain – Liberty transaction / Futuregrowth South-Africa
Gulf Finance House go ahead in Jordan
Arcapita invest in Japanese real estate
Solidarity European Real Estate Funds
Critics on artificial Islands
Commodity product of Deutsche and ADCB
Bahrain Islamic Bank looks for real estate company

Takaful

Credit Guarantee Corp. / Qatar Islamic Insurance
Bahrain rules / Investor Bank approved for Kuwait
Saudi-Arabia new insurance companies
Alliance Bank – Takaful Ihlas
Takaful Market Malaysia

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Dear Reader,

German Conferencer

On Sunday, 22nd we conducted in Germany the first conference on Islamic Finance and its recent developments in Europe. The event subtitled "away from the grey capital market to a regulated Islamic financial sector". Among the speakers were Professor Mahmood Faruqi, Vice-Chairman of the Institute of Islamic Banking and Insurance, Mohamed Boulif, the Islamic banking expert from Belgium, Dr Kilian Bälz law firm GleissLutz, Ahmet Muhassiloglu, KuveytTürk, Nikolaus Rafiq Schwarz, who spoke about Islamic funds, journalist Cornelia Uebel and lawyer Wilhelm Segelken which are examining the fraud wave of the so-called Turkish Holdings in Germany, in which Euro 5 bn were lost while stating to be an Islamic investment, which it was not. Reuters Television and other media covered the event which was also announced by IslamOnline.net, Islam.de, the Turkish daily Zaman and a number of banking magazines.

Insurance Study in Germany

Steria Mummert Consulting in Germany undertook their quarterly survey among insurance companies which stated that there is growing interest to reach special target groups but still insurers hesitate to target ethnic markets, the company said in a press releast on 22nd April.

Islamic Wealth Management Seminar Geneva

Please note that the Islamic Wealth Management Seminar will be already on 8/9 June – subscribe now to get the last chairs available! Send e-mail to gassner@islamicfinance.de.

Islamic Banking

ABN Amro Malaysia

ABN Amro Bank in Malaysia, wrote Doreen Leong in the The Edge Daily on 10th May is looking to setting up an Islamic subsidiary. The Managing Director, Jeremy Oliver, said they are looking rather to grow organically than to acquire an Islamic Bank, also he denied reports on AB Amro's interest in a 30 % stake in Affin Bank Bhd. They will still focus on the corporate sector, but could be open for acquisitions in the field of local retail banks in consent with the Central Bank of Malaysia.

Profit Rate Swap

Shanthy Nambiar reported on 3rd May on Bloomberg (and IHT) about the profit rate swap to be offered by the Malaysian CIMB. It took 4 years to develop the Islamic profit-rate swap and it should be offered to investors by the end of June Badlisyah Abdul Ghani, the head of CIMB Islamic, said. Target clients are in the Middle East and it should be offered with other investment banking products. Banks that offer the swap will earn a fee from the transaction. CIMB Islamic plans to expand its Islamic investment bank by underwriting bonds and providing infrastructure loans in the Middle East and considers to establish a physical operation in the Mideast.

Qatar: Al Safa

Gulf Times reported on 21st April on the opening of Commercialbanks Islamic Banking division, named Al Safa with its first dedicated branch. The Shariah Board consists of Sheikh Abdul Aziz al-Khulaifi (Qatar), Dr Mohamed al-Elgari (Saudi-Arabia) and Dr Abdul Sattar Abu Ghuda (Syria).

Islamic Bank in Oman?

Mahmood Saberi wrote in Gulf News on 14th May about transparency of Islamic banks, mentioning also a survey that most people did not understand the concept of Islamic banking. Also it was pointed out that Islamic products may carry higher management fees and service charges than conventional ones. Finally we read the first time that Oman should have recently announced to set up an Islamic bank.

Regulation Bangladesh

Mizan Rhman in Gulf Times reported on 27th April that Bangladesh's central bank is working with a focus group on a set of policies and guidelines for the Islamic banking system of the country, which should lead to a drafted Islamic banking law. The Bank Governor Dr Fakhruddin Ahmed were cited further with some statistics: Bangladesh has 7 fully licensed Islamic banks, 14 Islamic banking branches being operated by 6 conventional commercial banks contribute 14 % of the total deposits in the banking system of Bangladesh. They also share 8 % of the total banking sector employment and 5 % of the total bank branches.

- Syria Regulation** The Syrian government, according to Ameinfo on 28th April has approved the draft Islamic Banking Law, which covers the activity of Islamic banks, previously not included in Law No 28 of 2001 which allowed private banking activities in Syria for the first time since the early sixties. It will be quite similar to the Law 28 according to the Minister of Finance, Mohammad Hussein. Foreign ownership is limited to 49 %. The minimum capital of these banks should stand at SYP 5 bn (ca. USD 100 mn) instead of SYP 1.5 mn for non-Islamic Banks, while no reason was given for this difference. The Syrian Financial Authorities received a number of applications, while the project of the Qatar International Islamic Bank in partnership with Daaboul Economic Group is stated to be the most advanced.
- KL Arbitration** The Star Malaysia reported on 2nd May that the Kuala Lumpur Regional Centre for Arbitration (KLRCA) has offered to conduct arbitration for Islamic banking disputes, citing the director Datuk Syed Ahmad Idris. The KLRCA was in the process of setting up a Shariah panel and had sent out invitations to local experts on Islamic laws and banking system to join the panel. The United Nations Commission on International Trade Law (UNCITRAL) rule, will be used as a guideline and being modified to serve Shariah laws in the country.
- StanChart Malaysia** Doreen Leong and Melissa Kueh reported on 10th May in The Edge Daily on Standard Chartered Bank Malaysia that they will looking into setting up a fully licensed bank subsidiary if its total Islamic assets reaches a bigger base of 11 % from the current 2 %.
- Kuwait Statistics** Kuwait News Agency reported on 9th May that the country recorded the highest capital increase in the GCC countries with an average increase of 40 % for the past 5 years. The capital reached according to the General Council for Islamic Banks and Financial Institutions (GCIBFI) USD 1.1 bn. Fixed deposit accounts stand at 10.5 bn second only to Saudi-Arabia with USD 15.5 bn. Current accounts have grown about 20 times to reach about USD 20 bn, and investment accounts have gone up to USD 25 bn.
- Singapore Qatar / Kuwait** Channelnewsasia reported on 13th April on the visit of Singaporean Senior Minister Goh Chok Tong., which advised the businessmen that they should not only focus on China and India not to miss out the opportunities in the Middle East. He sees in Qatar needs for roads, education and health centres while Kuwait is emphasising port and airport development and e-government. To step into Islamic Banking the understanding of the Monetary Agency of Singapore should be increased and therefore a delegation is to be sent in May to the Central Bank of Kuwait.



- Qatar Financial Centre** The Qatar Financial Centre launched on 1st May reported Ameinfo on 30th April. The centre will focus on commercial banking, project finance, asset managers and multinationals. Unlike the DIFC and Bahrain, Islamic banking and large back-office operations are not a priority. The authority structure consists of a Financial Regulatory Authority, the Qatar Financial Centre Authority and an arbitration body. Mr. Thorpe previously with DIFC is in charge to develop the regulation.

Albilad listed	The Albilad shares soared to SR 850.25 (USD 227) on the first day of trading, 17 times the subscription value of SR 50. The bank aims to have 31 branches across the country by the end of the year, and 120 to 130 within five years, reported Arab news on 1 st May.
Islami Bank Bangladesh	Global Finance, a US based finance magazine named Islami Bank Bangladesh Limited (IBBL) as one of the best emerging market banks in Asia, could be read on Newstoday Bangladesh on 9 th May. The bank exists since 1983 and is a multinational commercial bank in the private sector.
	Sukuk / Murabaha
Commercial Real Estate Comp. Sukuk Ijarah 125 bp 6-M Libor 133 % subscription	Khaleejtimes reported on 12th May about the USD 100 mn Sukuk Al Ijarah of the Commercial Real Estate Company, Kuwait. The 5 year term maturing in 2010 offers a semi-annual return of 125 basis points over USD 6 months LIBOR. The issue was oversubscribed with 133 %. The corporate Sukuk received a rating of "A" by Capital Intelligence. Kuwait Finance House and Liquidity Management Centre were the placement agents for the issue. It was underwritten by Senior Lead Manager Kuwait Finance House (Kuwait), Boubyan Bank, in addition to Deutsche Bank, Emirates Islamic Bank, Gulf Investment Corporation, Kuwait Financial Centre, Liquidity Management Centre, Bank Muscat International, Arab Islamic Bank (Palestine) and Arab Insurance Group.
DCA Sukuk listed on DFM	The USD 1 bn Sukuk Al Ijarah of Dubai Government Department of Civil Aviation (DCA) were listed on the Dubai Financial Market (DFM); being the fourth debt instrument listed on DFM. The 5 year issue was launched in October 2004, priced 0.45 above 6 month LIBOR. More than 70 % of the issue was placed with non-Islamic investors, while about 27 % was placed outside the Middle East, reported Khaleejtimes on 19th April.
DMCC Sukuk oversubscribed	The Sukuk Al Musharaka of the Dubai Metals and Commodities Centre (DMCC) ended the international roadshow because of indicated oversubscription, reported Khaleejtimes on 19th April, it received a rating of A long term and A+1 short term by S&P, making it the first rated issue in the UAE. As additional feature the Sukuk allows to receive payments in gold bullion instead of US dollars.
Indonesian Satellite	Karen Lane, Dow Jones Newswire wrote on Yahoo Australia on 9th May that Indonesian Satellite Corp. (IIT), will meet investors regarding placement of IDR 1 trillion in conventional bonds and IDR 200 bn in Sukuk Al Ijarah which will be used to finance satellite leases. The Sukuk may take a six year maturity and could be callable after 4 years.
Malaysian debt market	David Yong wrote in the International Herald Tribune on 26 th April about the Malaysian debt market. According to the Central Bank Islamic debt sold by Malaysian companies made up to 42 % of all corporate bonds issued at the end of the year. For this year Boustead plans to sell Ringgit 756 mn in the third quarter, Jimah Energy Ringgit 6.1 bn in this year to finance a power plant. Mohamed Noor Abdul Rahman, asset manager of the pilgrim's fund expects that this year could be the best year for Islamic bond sales.
OCBC Bank	OCBC Bank (Malaysia) Bhd has lead arranged Rimbunan Hijau (RH) Group's first Islamic Securities issuance, reported Bermans on 4 th May. The Islamic securities comprising a RM 93 mn issue and a Rm 50 mn Commercial Paper/Medium Term Notes (CP/MTN). Issuer is Midas Plantation Sdn Bhd (Midas Plantation), a SPV owned by RH Group. Unlike other Malaysian bonds it is based on the principle of Sukuk Al Ijarah. It is backed by oil palm plantation assets. The Rating Agency Malaysia Berhar (RAM) granted ratings of AAA to A.

Real Estate / Equity

ESB IPO	The Emirates and Sudan Bank (ESB) announced the launch of a USD 28.5 mn initial public offering (IPO). The offer, Khaleejtimes reported on 7th May, represents 25 % of the bank's paid up capital. The subscription is open for all nationalities and through specific centres in UAE and Sudan for one month starting on 15th May. Following the IPO the ESB will have a paid up capital of USD 113.5 mn and an authorised capital of USD 200 mn. The article further mentions that the substantial oil and gas reserves of Sudan in general attracting attention of investors.
Outperformance Shariah compliant Shares	Lina Saigol reported on 13th May in the Financial Times, that investments in UK listed shariah-compliant shares, that meet Islamic law, have outperformed the FTSE 100 during the past year, and the previous three and five years. The Dow Jones UK Islamic Index produced total returns of 15.2, more than twice that of the FTSE 100. The Shariah screening limits the number of possible stocks to invest in, and leads to a higher exposure to mining and energy shares.
KFH Bahrain Liberty	Kuwait Finance House Bahrain announced that the Liberty transaction is completely marketed to investors throughout the Gulf region, reported Gulf News on 10th May. In late 2004 KFH Bahrain acquired a 75 % stake in Liberty Aerospace Inc.
Futuregrowth South Africa	The Management of the Futuregrowth Abaraka Equity Fund has been transferred to Futuregrowth Asset Management formerly it was with Frater Asset Management. The fund is been running since 1992 and now managed by Ashraf Mohamed, 35, who has been part of Futuregrowth's Active Quantitative Equity division since August 2004, reported Sundaytimes South Africa on 13rd May.
GFH / Jordan	Gulf Finance House announced that the Royal Metropolis project in Jordan has received the go-ahead from the government in Jordan and is ready to be launched soon at an estimated initial investment of USD 500 mn, reported Khaleejtimes on 19th April.
Arcapita Japanese Real Estate	Arcapita (formerly First Islamic Investment Bank) went into a joint venture with Capitaland to invest in Japanese property. A portfolio should be build up worth Usd 300 mn in the next 12 to 18 months, reported jeana Wong on Channel NewsAsia on 11 th May. Capitaland will hold a 19 % in the joint venture while Arcapita will hold a 70 % stake. Goodwork Park Hotel will hold the remaining shares. Initially three rental apartment properties worth about USD 43 mn will be acquired. Said Azim Zafar is optimistic that some of the Mideast investors now want to get out the US Dollar based investments.
Solidarity European Real Estate Fund	Solidary, the leading Takaful company in Bahrain, has launched the Solidarity European Real Estate Fund, Ameinfo wrote on 1 st May. It seeks investments in European real estate markets characterized by low political risk, and acceptable levels of market liquidity in an environment of stable economic growth, controlled inflation and low market volatility.
Critics on Artificial Islands	News Journalonline covered an Associated Press article on 12 th May regarding the artificial islands being critical in the sense of environmental consequences. The new Bahrain project will bury a coral reef and cause other damage to the fragile marine environment, which supports a wide variety of species – including sea horses. It is mentioned that the go ahead came after the Bahraini government studies plans for construction and the environmental impact. Details about the official environmental impact assessment were not mentioned.
ADCB / Deutsche	Abu Dhabi Commercial Bank (ADCB) and Deutsche Bank concluded a Sharia compliant transaction for high net worth individuals. The principal-protected product is linked to a basket of three key commodities; named platinum, aluminium and crude oil. The benefit for investors shall be to diversify risk and decrease volatility in their portfolio, reported Khaleejtimes on 3rd May.
Goldman Sachs Commodity Index	Manuela Badawy wrote on Reuters on 26 th April among other topics that Goldman Sachs is to create an Islamic compliant product, the Goldman Sachs Commodity Index (GSCI) which will exclude investments in pork bellies. It is designed to be used by pension funds and institutional investors.
Bahrain Islamic Bank	Bahrain Islamic Bank is planning to set up a real estate company or partner up to complement its business, reported Mehmood Rafique on Bahrain Tribune on 20 th April.

Takaful

- Credit Guarantee Zurinna Raja Adam reported on NST.com.my on 10th May about the Credit Guarantee Corp (CGC). The CEO Datuk Wan Azhar Wan Ahmad said that CGC is gearing up this towards providing an avenue for Islamic banking to have access to its guarantee schemes as more international financial institutions incorporate Islamic banking in their services.
- Qatar Islamic Insurance The Peninsula Qatar reported on 4th May that the Qatar Islamic Insurance Company (QIIC) has discontinued its investment-linked insurance scheme, Sanabel, following a directive from the Ministry of Economy and Commerce. Reasons remain unknown for the Ministry's decision.
- Bahrain Rules Bahrain introduces new insurance rules reported Businessinsurance on 4th May, which will also cover takaful and retakaful companies.
- Investor Bank Kuwait Bahrain based Investor Bank has received regulatory approval to set up a takaful company in Kuwait with an initial paid up capital of KD 5 mn . After 3 years of operation the company shall be listed on the Kuwait Stock Exchange, reported Gulf Daily News on 4th May.
- Saudi Arabia PK Abdul Ghafour wrote on Arab News on 9th May that Saudi Arabia will shortly license 8 additional insurance companies, among them expressively Takaful Taawuni Company.
- Alliance Bank Alfean Hardy reported on Bernama on 12th April that Alliance Bank have chosen Takaful Ihlal for the bank's Islamic Financial Protection services, the Mortgage Reducting Term Takaful.
- Takaful Market Malaysia Takaful expanded, as the Central Bank of Malaysia reported according to Bernama News Agency. The Takaful 2004 Annual Report mentioned a market share of the takaful industry of 5.1 % (5.4 % in 2003) of the insurance sector contributions. The total assets of the takaful funds strengthened by 13.5 % to reach RM 5 bn in 2004, accounting for a 5.6 % share in the insurance sector. 70.7 % of total takaful contributions are made for family takaful business.

Best Regards,

Michael Saleh Gassner

Trainings – Info Request

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Islamic Wealth Management

- **8 / 9 June 2005, Geneva**

Global Sukuk Workshop

- **11 September 2005, Dubai**

Private Equity – A European Perspective

- **27 November 2005, Jeddah**

Introductory Workshop Islamic Finance

- **7 June 2005 Geneva**
- **6 September 2005 London**
- **10 September 2005 Dubai**

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