

Islamic Finance in Germany: Roundtable Report

By Jonathan Lawrence, Rüdiger von Hülst and Matthias Grund

On 4 June 2013, Rüdiger von Hülst and Matthias Grund of the Berlin and Frankfurt offices of international law firm K&L Gates hosted a roundtable in relation to the future role of Islamic finance in the German economy. The roundtable was held in Berlin and was initiated by the Arab Financial Forum. The AFF's Advisory Board is chaired by the former Chairman of the Arab British Chamber of Commerce, Sir Roger Tomkys, and the former Secretary General of the Gulf Cooperation Council, Ambassador Abdulla Bishara (www.meconsult.co.uk).

Represented at the roundtable were representatives from the investment management, banking, legal, academic and diplomatic communities.

The keynote speaker was Sir Gavyn Arthur, the 675th Lord Mayor of the City of London. He spoke about the City of London's role as one of the leading Islamic finance centres in the world. London activity has significantly increased investment from market participants in the Islamic Middle East and Far East investing in major real estate and infrastructure projects in the United Kingdom.

A discussion then ensued amongst the representatives. The general findings were:

1. there has been an increasing depth and breadth of experience in the UK from which Germany could benefit;
2. current activity in Islamic finance in Germany is still nascent however, the German Federal State of Saxony Anhalt has pioneered the way with a EUR 100 million Islamic bond ("sukuk");
3. possible areas for the expansion of Islamic finance in Germany are:
 - municipal owned real estate;
 - investments by energy suppliers in private and public ownership, eg in the renewable space;
 - investments by municipalities, federal states and state universities in the healthcare sector; and
 - Private Public Partnerships in infrastructure projects such as toll roads;

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4. while at the moment the inexpensive refinance opportunities for all state levels in Germany through the European Central Bank mechanisms make alternative sources of finance less necessary, Islamic finance would offer other advantages:
- diversification of financing sources as a "hedge" against the risk of rising interest rates and any future crisis in the conventional financial markets through tapping into the EUR 1.5 trillion Islamic capital markets;
 - attracting foreign direct investments from private investors, financial institutions and sovereign wealth funds in the Islamic Middle East and Far East;
 - using Germany's comprehensive network of trade and investment treaties and thus reducing over-reliance on the Russian and Chinese markets.

For further information regarding the Islamic finance and investment practice at K&L Gates, please [click here](#).

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