



M. S. Gassner

Editorial

Dear Readers,

This newsletter with its first issue is a special service to the Islamic Finance industry members. You read about the news which appeared in the internet media.

Further we will publish information send to us directly. The format of the newsletter is kept short to save your time while being well informed.

We claim our copyright in a different manner: Instead of charging you we kindly ask you to send this newsletter to at least five of your colleagues and friends in the industry.

Sponsors and distribution partners are highly welcome to contact me.

Best regards wa salaams,

*Michael Saleh Gassner
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Dear Reader,

New Offers in UK

Gulf News reported in March about the **ABC Islamic Asset Management** that it has launched their retail Islamic financial services in UK under the brand name "Al Buraq". In the next months also a compliant mortgage product will be offered addressing the needs of the UK Muslims and the non-residents like Gulf Arabs alike.

Sukuk in the West

Mona Megalli at Reuters on 25th March, discussed the trend that more and more **Westeners are borrowing the Islamic style**. She mentioned the German Islamic Sukuk issued by the federal state of Saxony-Anhalt in June. Further she cites the global head of Islamic Finance at Deutsche Bank, Renald Sanzey, that Islamic financing is a good way to diversify the investor base and presents similar economic value to conventional transactions. The German bond would find good demand. The next borrowers from the west should be already in discussions with Islamic bankers. The only point remains is that Islamic bankers aim to invest their funds in Libor plus papers and not so heavily in high-rated Libor minus x basis points products.

Summit in Germany

More about the developments and trends from the European perspective will be given on the first "**Islamic Finance Summit: Developing Financial Products for Islamic Markets**", which will be held on 23rd and 24th of September in the Marriott Hotel, Frankfurt. Confirmed speakers are Axel Guehl, Head of Economic Affairs, Ministry of Finance of Saxony-Anhalt, who speaks about the first Sukuk of Europe. Mr. Guehl is also member of board of the German-Arab Chamber of Commerce. The next trend is the set-up of a fully fledged Islamic bank in UK. Waheed Qaiser will let the attendees know more about it. The summit will attract new players of Europe and get them in contact with the Islamic banking and takaful community. Dow Jones Indexes is Sponsor. Future Updates will be given or under www.islamicfinance.ecmg.de. The editor is engaged as conference director and kindly asks you to revert the enclosed fax doing a reservation already or inquiring about how to be represented as market player.

US Official in Bahrain

The Gulf Daily News wrote on 9th of April about the visit of the US congressman Mr. James Sensenbrenner to Bahrain. His intentions were to get a better understanding of Islamic Finance, the Hawalla system and controlling terrorist financing. Shaikh Saleh Kamel, Chairman of the General Council for Islamic Banks and Financial Institutions (GCIBFI) arranged a meeting with more than 30 government officials and Islamic bankers. *The US congressman promised to work so that American regulation would not unnecessarily hamper the growth of Islamic banking in the US.* Also new figures were published about the Size of the Industry: **The total worldwide assets reached USD 260 bn, the number of Islamic banks are 267 and the average growth rate of the last 5 years have been 23.5 %.**

Conferences:

Harvard Forum

The Harvard Law School in Cambridge, Ma., USA will hold **their 6th Harvard University Forum on Islamic Finance on 8th and 9th May 2004**. The topic is "Islamic Finance: Current Legal and Regulatory Issues". Keynote addresses are given by John Taylor Under Secretary for International Affairs, United States Department of the Treasury and the president of the Islamic Development Bank, Mr. Ahmed Mohamed Ali. It is the first Harvard Forum for three years!

IFSB – Regulation

The IFSB (International Financial Services Board) organises on **18th and 19th May in London the "Islamic Financial Services Industry and the Global Regulatory Environment"** Conference.

Leasinglife Conferences is addressing the topic of Islamic Leasing especially with a focus on ethnic minorities. A well timed topic presented in London on **27th of May**, titled "**The New Horizon: Islamic Leasing's Rising Star**"

Details could be found via www.islamicconferences.com

Islamic Banks

Syria Islamic banking moves to new countries as well inside the Islamic world. Jihad Yazigi, reports on AMEInfo on 28th of March that the **first Islamic Bank in Syria** is planned. A group of Syrian (Daaboul Group) and Qatari investors (Qatari International Islamic Bank) are preparing to apply for a license. There is no specific banking regulation for Islamic Finance yet in Syria.

Bangladesh The daily star (www.thedailystar.net) published that HSBC Amanah Finance became the **first foreign bank in Bangladesh** to launch an Islamic banking branch.

Malaysia The central bank of Malaysia, Bank Negara, outlined three areas of development for Islamic banking: "**accelerating innovation, strengthening management and leveraging on IT**", as The Edge Daily cites the governor Ms. Dr. Zeti Akhtar Aziz. These goals have to be achieved by financial support for advanced research, market research, consumer education and IT based risk management.

Kuwait Kuwait's currently sole provider of Islamic banking offers is the Kuwait Finance House. Two more players are announced now to go into this area. **Kuwait Real Estate** has according to tradearabia received an initial approval to convert into an Islamic bank. As well the Kuwaiti government approved the establishment of Kuwaiti shareholding company, **Boubyan Bank** which Kuwait Investment Authority will hold 20 % of.

Islamic Sukuks (Islamic Bonds)

Germany's Sukuk **Europe's premier Islamic sukuk** of the German federal state of Saxony-Anhalt raised tremendous attention in the media. The Euro 100 mn Sukuk will be placed in June to institutional MidEastern investors. There is no doubt that it will be oversubscribed. The local government also aims to attract Muslim investors to their state close to Berlin, the German capital. The Sukuk is structured by **Citigroups** Islamic division. The deal is backed by real estate owned by the Ministry of Finance which rights of use are transferred to a Dutch foundation, which is offering the Sukuk.

Car backed Sukuk The Bahrain based Shamil Bank and the Beirut based BSEC Investment bank, launched according to AMEInfo the **first Sukuk backed by a car fleet**. The vehicles and vehicle lease agreements are related to Hanco Rent A Car of Saudi-Arabia. "Caravan 1 Sukuk" converts illiquid assets into marketable securities.

Listed in Luxembourg Tradearabia reports that Tabreed Finance Corporation's USD 100 mn Trust certificate is endorsed by the Shariah committee of the International Islamic Financial Market. It is the **first global corporate Sukuk to be listed on the Luxembourg Stock Exchange**. The National Investor was the sole advisor and arranger and acted as Joint Lead Manager with **Credit Suisse First Boston (CSFB)**. Emirates Bank joined as co-lead manager, Shamil Bank of Bahrain, Kuwait Finance House and National Bank of Sharjah acted as co-managers.

Asian Bond Market K.P. Lee in "The Star in Malaysia" wrote about the Asian bond market initiative. The initiative will add more liquidity and attractiveness to the Asian bond markets, while Malaysia contributes **special expertise in Islamic bond structures**.

Islamic Real Estate

Islamic Real Estate The Islamic Conferences Group organised for the 2nd time the **Islamic Real Estate Finance Conference 29th and 30th of June**. On 28th of June occurs a pre-event workshop on liquid real estate hosted by the Corporation of London.

Asian Real Estate The **National Bank of Kuwait offers its first Islamic real estate fund**. It focusses the Asian countries like South Korea, China, Hong Kong, Japan, Malaysia and Thailand. NBK operates through the German base real estate firm TMW Immobilien AG on a shariah compliant basis, reports the Daily Star staff on April, 26.

Wind park portfolio

First Islamic the Bahrain based Investment bank ventured into the **UK wind farm park**. The portfolio's transaction is valued over GBP 400mn. First Islamic's Zephyr Investments Ltd. will hold a third of it. RWE Inogy another third and their subsidiary, National Wind Power, will be the manager, read on 31st of March on Tradearabia. An innovative investment done by an Islamic bank in Europe. Windpark business is a strongly subsidised inside the European Union. Main remaining risk is not to sell the energy which is guaranteed often by the state rather the point is whether technically a windpark delivers energy as promised. Anyway there are more deals ahead, especially as the accession countries like Poland will adopt such subsidising.

HSBC Pension Fund

HSBC Life Amanah Pension Fund targeting the **UK's two million Muslims** reports BBC on 13 of April. This offer is a good step forward for the Muslims living in UK. There are no such services yet available in France or Germany to our knowledge.

GFH Pension Fund

Gulf Finance House is targeting the MidEastern pension funds with a sectoral Islamic fund, offering a vehicle for regional pension and social insurance to invest in productive Shariah-compliant investments with stable returns. Target yield is 7 % and therefore above conventional offers. The fund will invest in equity financing, Islamic senior debt (Murabaha, Istisna and Ijarah) as well as Islamic Mezzanine financing. The risk advisor is Muhamma & Co. (Tradearabia 3/31/2004)

Hedge Funds**Warren Buffet**

The instrument of Hedge Fund is somehow limited by Islamic law. Nevertheless some structures could be applied. The well-known investor and multi-billionaire **Warren Buffet criticised strongly the development of the conventional hedge fund** industry and also mentioning the enormous fees charged inside these funds. Nevertheless the sector is very popular with conventional oriented investors, expecting higher and more stable returns. Islamic investors have only limited access to the market segment:

SEDCO

The **first ever Islamic hedge fund** was launched in **autumn 2003** already by the Saudi Economic and Development Company in response to the strong demand from investors. The five year medium-term note has a 100 % principal protection provided by Societe Generale which fits Shariah. Strategies of Islamically oriented hedge funds are restricted, short sales cannot take place as you cannot sell what you not own. Options involve Gharar (uncertainty) which makes them also forbidden. Islamic law knows stipulated options, being an advanced partial payment. If the buyer does not take the good consequently the seller could keep the advance. The salam sale could be a short-selling instrument without forbidden borrowing, as it is a full up-front payment for delivery at a future date. (Sundaytimes, South Africa, 9/3/2003).

State Bank Pakistan

GEO Business News reports that the Governor of the **State Bank of Pakistan** (SBP), Dr. Ishrat Hussain, said that government was introducing hedge trading product based on Islamic teachings.

Shariah Funds, Inc.

Finally Eric Meyer of Shariah Funds, Inc. worked out a fund of fund concept for Muslim investors with the support of Sh. Nizam Yaquby. It targets the USD 200 – 300 bn under management by Islamic financial institutions according to a study of Standard & Poors. The target buyers are institutions, pension funds and investors with USD 10 mn minimum. More Shariah scholars were involved such as Yusuf Talal DeLorenzo and Mohamed Ali Elgari. The volume should reach USD 250 mn. (Wall Street Journal, 10, 5 2003).

**Your comments and proposals on this news collection are highly appreciated:
We like also to be informed of industry related press releases:
gassner@islamicfinance.de.**

Best regards wa salam,

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**Islamic Finance Summit
Developing Financial Products for Islamic Markets**

**23rd and 24th of September 2004
in the Marriott Hotel Frankfurt in Germany
Organiser: ecmg AG**

Confirmed speakers:

Axel Gühl, Ministry of Finance, federal state of Saxony-Anhalt, Germany
Waheed Qaiser, Head of Retail Banking, Islamic House of Britain, UK
Rushdi Siddiqui, Global Director, Dow Jones Islamic Market Indexes, USA
Shaharuddin Zainuddin, Director of Banking Operations, AAOIFI, Bahrain
Abdul Rais Abdul Majid, CEO, International Islamic Financial Market, Bahrain
Ayyub Köhler, General Secretary, Central Council of Muslims in Germany

Reasons to be there:

1. *Receive practical guidance regarding the development of financial products to meet excess and increasing demand from Islamic markets*
2. *Use networking opportunities between financial executives, experts in Islamic finance and top level representatives of the Islamic community from Europe, the Middle East and South East Asia*
3. *Represent your company and product to decision-makers from Islamic banks and institutional investors*

Please tick one of the following points:

- We wish to attend. Please send us more details and the early bird offer with 500 Euro discount, paying only 990 Euro instead of the full price of 1490 Euro.
For orders till 31st of May.
- We would like to represent our company. Please send us the sponsorship information.
- I am representative of a Muslim organisation. Please inform me about special offers for participation and program.

Organisation:

Name, Surname:

Street/PO Box:

Country, Postal Code, City:

Phone:

E-Mail: