

Islamic Banking Bulletin

November 2007



Islamic Banking Department
State Bank of Pakistan

Islamic Banking Department

Mission

Promote and regulate Islamic Banking Industry in line with best international practices, ensuring Shariah Compliance and transparency

Vision

Make Islamic banking the banking of first choice for the providers and users of financial services

For any query please contact:

<i>Imran Ahmad</i>	<i>imran.ahmad@sbp.org.pk</i>	<i>+9221-2453711</i>
<i>Sarfraz Ahmed</i>	<i>ahmed.sarfraz@sbp.org.pk</i>	<i>+9221-2453772</i>

State Bank of Pakistan

Islamic Banking Bulletin

Islamic Banking Bulletin gives an overview of the Islamic Banking Industry of Pakistan and provides information regarding the developments taking place in the industry locally and internationally.

Inside this issue:

Islamic Banking	1
Analysis of Balance Sheet	2
Industry Progress and Market Share	4
Deposits	5
Modes of Financing	6
Ratio Analysis	7
Book Review	8
Bank in Focus	9
Mode of Finance in focus	10
Developments at IBD	11
Local News	12
International News	14
Branch Data	16
City Wise Branch Data	17

Islamic Banking

Islamic finance has gripped the world with a strong fervor and passion. Interest in this discipline has proliferated to almost 60 countries, going beyond the Islamic world to the leading global financial centers. For quite sometime, United Kingdom has adopted an open door policy and provided a level playing field to Islamic finance and now Singapore is following its lead. Every day, Islamic finance is breaking new boundaries and new frontiers. Leading Islamic banks have fast spread their network from home base to develop a regional and global reach. Some of the Middle East banks are now entering into African and Central Asian markets and are sizing up Australian financial market.

Motivation and renewed interest in Islamic finance industry stems from its strong economic, financial and social considerations, backed by its unique features. Most significant is its appeal to add to financial diversity and innovation being skewed towards (i) asset backed and equity based transactions, which promote entrepreneur friendliness and consideration of project viability; (ii) equitable distribution of risks and rewards among the stakeholders; and (iii) inculcating market discipline and higher ethical standards given its emphasis on non-exploitation and social welfare. In the wake of high Asian domestic savings rates and build up of the region's foreign exchange reserves as well as oil surpluses of Middle East in the last few years, Islamic finance is now also emerging as a way to wealth management, both of richer nations and high net worth individuals.

Excerpts from PAKISTAN ISLAMIC BANKING: PAST, PRESENT AND FUTURE OUTLOOK, Dr. Shamshad Akhtar, Governor, State Bank of Pakistan, 11 September 2007 at the Dawn Asia Conference. The speech can be accessed at: <http://www.sbp.org.pk/about/speech/index.asp>

Islamic Banking Sector

Comparative Consolidated Balance Sheets

Description	Mar-07	Jun-07	% Change
ASSETS			
Cash and balances with treasury banks	15,505	21,777	40%
Balances with other banks	22,192	18,464	-17%
Due from financial institutions	8,382	12,942	54%
Investments	8,403	11,519	37%
Financings	69,993	78,834	13%
Operating fixed assets	4,079	5,067	24%
Deferred tax assets	343	440	29%
Other assets	6,745	9,948	47%
Total Assets	135,641	158,990	17%
LIABILITIES			
Bills payable	1,528	1,723	13%
Due to financial institutions	6,462	8,164	26%
Borrowings from Head office*	5,743	6,166	7%
Deposits and other accounts	93,068	108,293	16%
Sub-ordinated Loans			
Liabilities against assets subject to finance lease	40	43	8%
Deferred tax liabilities	832	932	12%
Other liabilities	7,044	8,431	20%
Total Liabilities	114,716	133,753	17%
NET ASSETS	20,925	25,238	21%
REPRESENTED BY		-	
Paid-up capital/Head office capital account	18,944	22,209	17%
Reserves	531	1,374	159%
Unappropriated/Unremitted profit	860	1,106	29%
Sub Total	20,334	24,689	21%
Surplus /(Deficit) on revaluation of assets	590	549	-7%
Equity	20,925	25,238	21%

* In case of Islamic Banking Branches.

Analysis of the Consolidated Balance Sheet

- The Balance Sheet footing of the Islamic Banking Industry increased during the past quarter. The total assets portfolio in the Islamic Banking Sector expanded by 17% to Rs. 158,990 million in June 2007 from Rs. 135,641 million in March 2007.
- Financings constituted 49.6% of the total assets and stood at Rs. 78,834 million in June 2007 as compared to Rs. 69,993 million at the end of March 2007, showing an increase of 13%.
- There was a decrease in “Balances with other banks”. Balances held by Islamic Banking Institutions at the other Banks decreased by 17% to Rs.18,464 million from Rs.22,192 million,.
- Deposits increased by 16 % to Rs. 108,293 million as at the end of June 2007 from Rs. 93,068 million at end March 2007.
- Islamic Banking Sector’s equity increased by 21% to Rs. 25,238 million as of June 2007 from Rs. 20,925 million at the end of March 2007. Reason for this increase are Booking of quarterly profits by the banks.
- Unappropriated / unremitted profit as at the end of quarter (June 2007) increased by 29% to stand at Rs. 1,106 million in comparison to the previous quarter’s figures of Rs. 860 million.

“What is comforting and encouraging that Islamic world has collectively launched IF with a fair degree of commitment and fervor backed by adequate capital base. The process has been further supported by the right mix and blend of institutional frameworks that have led to gradual development of internationally accepted architecture for regulatory and accounting frameworks⁰ for Islamic industry.”

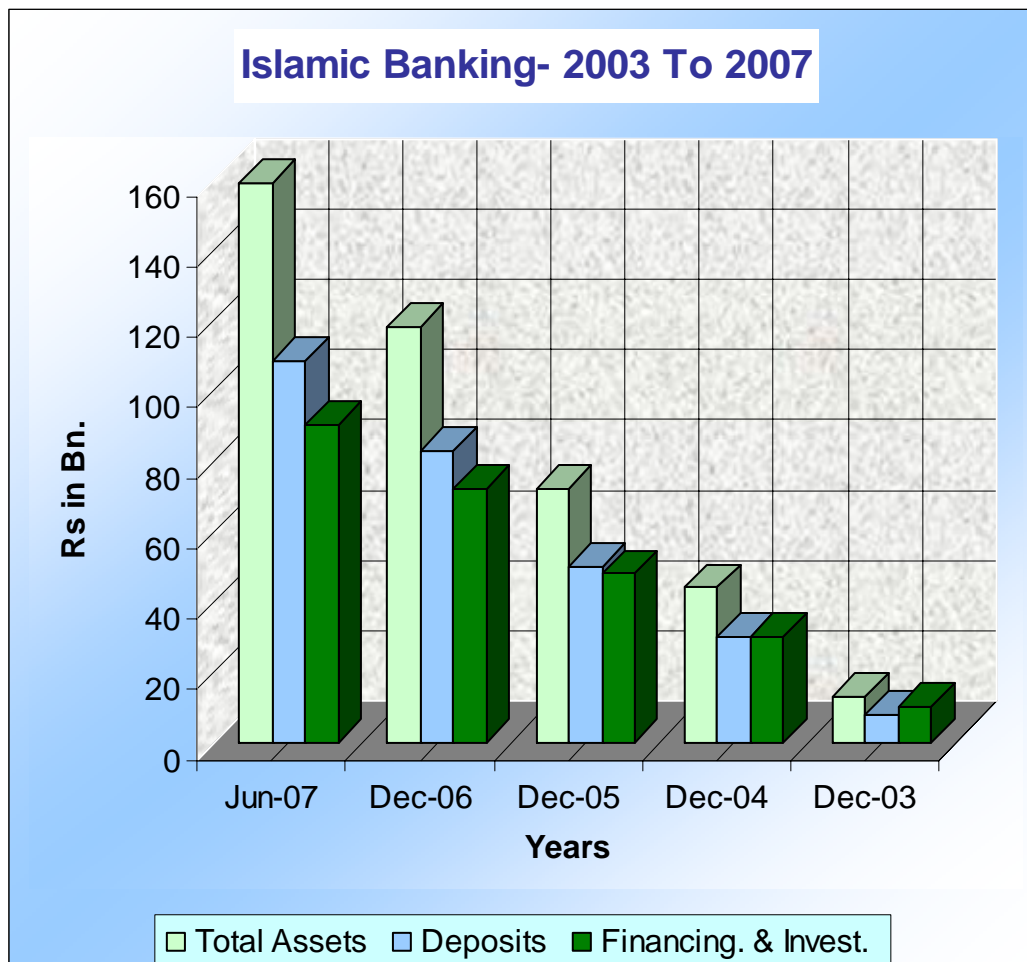
Building an Effective Islamic Financial System

Dr. Shamshad Akhtar
Governor, State Bank of Pakistan
Global Islamic Financial Forum,
Governor’s: Financial Regulators Forum
in Islamic Finance
Kuala Lumpur, Malaysia
27th March 2007

Industry Progress and Market Share

(Rs. in billion)

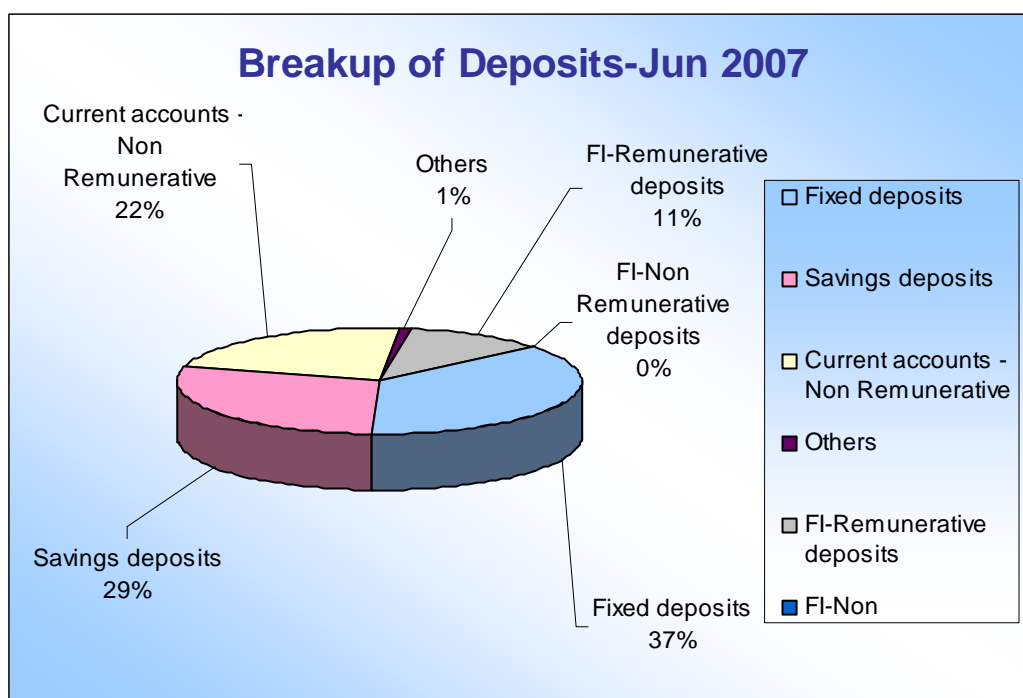
Description	Jun-07	Dec-06	Dec-05	Dec-04	Dec-03
Total Assets	159	118	72	44	13
% of Banking Industry	3.4%	2.9%	2.1%	1.4%	0.5%
Deposits	108	83	50	30	8
% of Banking Industry	3.1%	2.8%	1.9%	1.2%	0.4%
Financing. & Invest.	90	72	48	30	10
% of Banking Industry	2.6%	2.4%	1.8%	1.3%	0.5%
Full Fledge Islamic Banks	6	4	2	2	1
Conventional Banks with Islamic Banking Branches	12	12	9	7	3
No. of Branches	162	150	70	48	17



Deposits

(Rs. in million)

Description	Mar-07	Jun-07	% Change
Deposits and Other Accounts	93,068	108,293	16%
A) Customers			
Fixed deposits	35,767	39,652	11%
Savings deposits	24,754	31,640	28%
Current accounts -Non Remunerative	18,681	23,792	27%
Others	924	998	8%
Total of A	80,127	96,082	20%
B) Financial Institutions			
FI-Remunerative deposits	12,872	12,151	-6%
FI-Non Remunerative deposits	69	59	-14%
Total of B	12,942	12,211	-6%
Particulars of deposits			
In local Currency	86,797	101,693	17%
In Foreign currency	6,272	6,599	5%
Total	93,068	108,293	16%



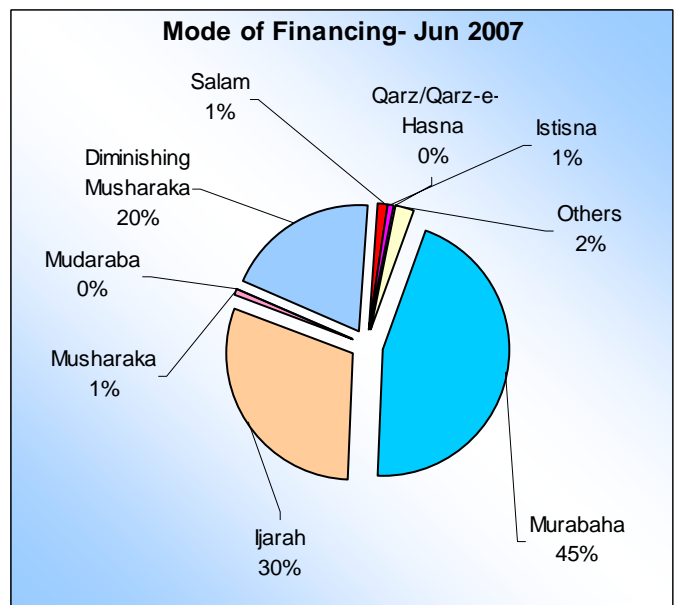
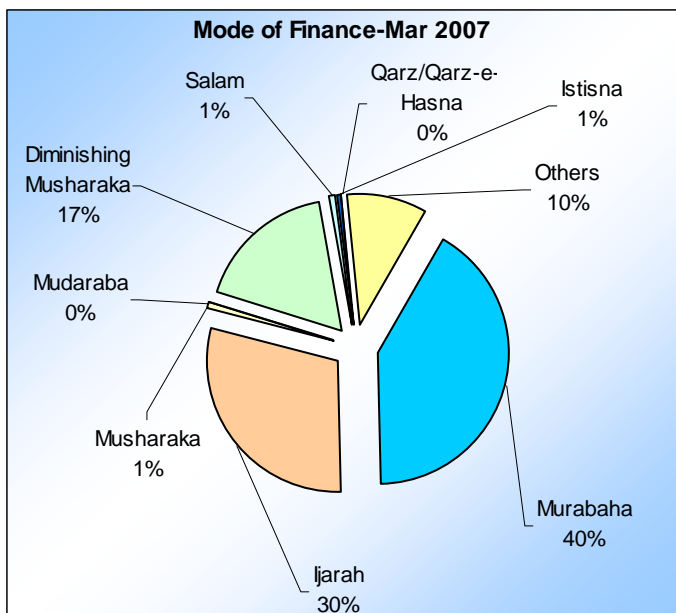
- Total Deposits have increased by 16% from 93,068 million to 108,293 million Rupees.
- Deposits by customers have increased by 20 %.
- Deposits by financial institutions have decreased by 6%.
- Fixed Deposits by customers constitute 37% of the total deposits depicting customers preference toward long term fixed deposits.

Modes of Financing

(Rs. in million)

Mode of Financing	Mar-07	Jun-07	Inc./Dec.
Murabaha	28,961	35,767	24%
Ijarah	20,956	24,038	15%
Musharaka	583	582	0%
Mudaraba	-	-	-
Diminishing Musharaka	12,313	15,877	29%
Salam	583	952	63%
Istisna	400	757	89%
Qarz/Qarz-e-Hasna	8	6	-22%
Others	6,867	1,663	-76%
Total	70,671	9,641	13%
Amount of Non performing Advances	808	790	-2%
Provision	678	807	19%
Net Non performing Fin.	130	(17)	-113%
Gross Advances	70,671	79,641	13%
Total No of Borrowers/Finances	24,322	29,204	20%

- Murabaha Financing is almost 44.4% of the total financing by the IBI's as of the quarter ending June 2007.
- Second most widely used mode of Finance is Ijarah Financing accounting for about 30.2% of the total financing.
- Diminishing Musharakah has increase by 29% and accounts for 19.9% as compared to 17% in March 2007 of the total financing.
- The total number of borrowers increased by 20% over the previous quarter.



Ratio Analysis

<u>Earnings and Profitability Section</u>	<u>Mar-07</u>	<u>Jun-07</u>
Mark-up Income to Total Assets	7.4%	6.8%
Mark-up Expense to Total Assets	4.1%	3.7%
Net Mark-up Income to Total Assets	3.3%	3.1%
Non-Mark-up Income to Total Assets	1.0%	1.2%
Non-Mark-up expense to Total Assets	3.2%	3.1%
Net Mark-up Income to Gross Income	76.5%	73.1%
Non-Mark-up to Gross Income	23.5%	26.9%
Operating Expense to Gross Income	73.5%	72.2%
ROE (Average Equity)	4.2%	2.81%
ROA (Average Assets)	0.6%	0.44%
<u>Assets Quality Ratio</u>		
NPFs to Financing	1.1%	1.0%
Net NPFs to Net Financing	0.2%	0.0%
Net NPFs to Total Assets	0.1%	0.0%
Provisions to NPFs	83.9%	102.1%
Net NPFs to Total Capital	0.62%	0.07%

- The overall financial position of the Islamic Banking Industry is strong as depicted by the ratio analysis.
- Earning and Profitability Ratios have showed a decline in profitability. The probable reason for this decline is that the Islamic Banking Industry asset base has increased. The increase in Total Assets is 17%. Another probable reason is the increase in provisioning of the NPFs.
- The asset quality ratios reflect that the quality of financing of the Islamic Banking Institutions is very strong. NPFs to financing are just 1.0% which depicts that a minimal part of financing is going bad.

Book in Focus: *Handbook of Islamic Banking*

Authors: : Kabir Hassan, Mervyn K. Lewis

Format: Hardcover

Publication Date: March 2007

Publisher: Edward Elgar Publishing (June 7, 2007)

Availability: This book is also available at the Library of State Bank of Pakistan.

Book Description

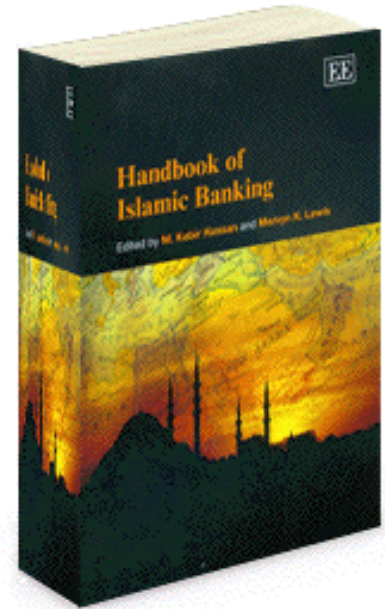
The Handbook of Islamic Banking comprises 25 studies by leading international experts on Islamic banking and finance specially commissioned to analyse the various debates and the current state of play in the field.

From its origins thirty years ago, Islamic banking has expanded rapidly to become a distinctive and fast growing segment of the international banking and capital markets. Despite this expansion, Islamic banking still remains poorly understood in many parts of the Muslim world and continues to be a mystery in much of the West. This comprehensive Handbook provides a succinct analysis of the workings of Islamic banking and finance, accessible to a wide range of readers. At the same time, it seeks to bring the current research agenda and the main issues on Islamic banking before a wider audience.

Islamic banking offers, as an alternative to conventional interest-based financing methods, a wide variety of financial instruments and investment vehicles based on profit-and-loss sharing arrangements. These are all explored in detail along with other subjects such as governance and risk management, securities and investment, structured financing, accounting and regulation, economic development and globalization.

M. Kabir Hassan, Mervyn Lewis and the other contributors have created an authoritative and original reference work, which will contribute to a wider understanding of Islamic banking as well as provoking further discussion and research. It will be invaluable to all scholars, researchers and policymakers with an interest in this subject.

Source: www.amazon.com





Bank in Focus: *Bank al Falah Ltd.*

Company Information

Bank Alfalah – Islamic Banking Division (BAL-IBD) – presently a division of Bank Alfalah Limited – is gearing up to become a separate, full-fledged Islamic Banking entity. BAL-IBD offers to its customers a broad range of Islamic products under personal, consumer and corporate banking modes. The array of Islamic instruments at the disposal of BAL-IBD is equipped to provide efficient and satisfying solutions to our customers' needs. Their Islamic products are Shariah-compliant carrying the seal of approval of the Centre of Islamic Economics, an institution vested with powers to attest authenticity and legitimacy of Islamic banking products in Pakistan.

BAL-IBD has entered into a Shariah Consultancy agreement with the Centre of Islamic Economics, Karachi, which is a noted and well-known seat of learning for Shariah scholars and a prominent institution dealing in Shariah Advisory services. Besides assisting in advancement of the Division's product portfolio, the Centre also stamps approval of the Division's conduct of business following periodic audits. These audits are in addition to those carried out by the State Bank of Pakistan and the internal audits undertaken by the Division itself.

Performance

Bank Alfalah's Islamic Banking Division (BAL-IBD) started operations in 2003 and at year reflected a modest capital base of Rs 100 million and deposits totaling Rs 113.7m. By following year end, BAL-IBD's equity had risen more than 4 times to Rs 569m and the balance sheet footing had swelled to Rs 7,799 million. Deposit size had grown from less than Rs 114m to over Rs 7,229 million.

The pace of frenetic, triple digit growth was continued over the next twelve months as equity more than doubled to Rs 1,278 million from Rs 569m. Assets also recorded a more than 100% growth, climbing to Rs 15,634 million from Rs 7,799 million. Deposits alone failed to double – rising to Rs 12,476m from Rs 6,548 million – yet managing a healthy 90% increase.

Financial results as of June 30, 2006, reflect growth but at more modest pace. Total balance sheet size fell shy of Rs 18 billion – Rs 17,970m vs Rs 15,634m – and deposits climbed to Rs 14,111 million, rising Rs 1,635 million in six month's period. Income for the 6-month period was Rs 111.23 million.

Source: <http://www.bankalfalah.com/islamic/index.asp>

Mode of Islamic Finance in focus: Murabaha

Murabaha is one of the most commonly used modes of financing by Islamic financial institutions.

Definition

Murabahah is a particular kind of sale where the seller expressly mentions the cost of the sold commodity he has incurred, and sells it to another person by adding some profit thereon. Thus, Murabahah is not a loan given on interest; it is a sale of a commodity for cash/deferred price. The Bai' Murabahah involves purchase of a commodity by a bank on behalf of a client and its resale to the latter on cost-plus-profit basis. Under this arrangement the bank discloses its cost and profit margin to the client. In other words rather than advancing money to a borrower, which is how the system would work in a conventional banking agreement, the bank will buy the goods from a third party and sell those goods on to the customer for a pre-agreed price.

Basic rules for Murabahah

1. The subject of sale must exist at the time of the sale. Thus anything that may not exist at the time of sale cannot be sold and its non-existence makes the contract void.
2. The subject matter should be in the ownership of the seller at the time of sale. If he sells something that he has not acquired himself then the sale becomes void.
3. The subject of sale must be in physical or constructive possession of the seller when he sells it to another person. Constructive possession means a situation where the possessor has not taken physical delivery of the commodity yet it has come into his control and all rights and liabilities of the commodity are passed on to him including the risk of its destruction.
4. The sale must be instant and absolute. Thus a sale attributed to a future date or a sale contingent on a future event is void. For example, 'A' tells 'B' on 1st January that he will sell his car on 1st February to 'B', the sale is void because it is attributed to a future date.
5. The subject matter should be a property having value. Thus a good having no value cannot be sold or purchased.
6. The subject of sale should not be a thing used for an un-Islamic purpose.
7. The subject of sale must be specifically known and identified to the buyer. For Example, 'A' owner of an apartment building says to 'B' that he will sell an apartment to 'B'. Now the sale is void because the apartment to be sold is not specifically mentioned or pointed to the buyer.
8. The delivery of the sold commodity to the buyer must be certain and should not depend on a contingency or chance.
9. The certainty of price is a necessary condition for the validity of the sale. If the price is uncertain, the sale is void.
10. The sale must be unconditional. A conditional sale is invalid unless the condition is recognized as a part of the transaction according to the usage of the trade.

(Source: Meezan Bank's Guide to Islamic Banking)

Essential on Murabaha Mode of Financing issued by SBP can be accessed from the following link:

http://www.sbp.org.pk/departments/ibd/modes_finance.pdf

Developments at Islamic Banking Department, State Bank of Pakistan

SBP Awareness/Training Program

Islamic Banking Department conducted a SBP Awareness/Training Program on Islamic Banking for one week from 27th -31st August 2007. The program was specifically designed for SBP officers to create awareness and clear their misconceptions about Islamic Banking

Shariah Compliance Inspection Manual approved

The draft Shariah On-site Inspection Manual was suitably amended based on the injunctions of Islamic Shariah. Shariah Compliance Inspection Manual has been approved by both the Executive Directors and the training on the Manual would soon be conducted.

Working Group on Shariah Compliance Lender of Last Resort

Formation of a Working Group on Shariah Compliance Lender of Last Resort Facility. Nominations were made for working group for developing the Shariah Compliant lender of last resort facility. The working group comprises of representatives from the State Bank, Commercial Bank and Shariah Advisors.

Shariah Standardization

Shariah Standardization Document was prepared and placed on the SBP Website. This document entails details regarding the steps taken by Islamic Banking Department for the purpose of standardization of Shariah Practices.

This document is accessed <http://www.sbp.org.pk/ibd/2007/Shariah-Practices-07-Aug-07.pdf>

Lecture on Emerging Trends in Islamic Finance

Dr. Zamir Iqbal, Principal Financial Officer, Quantitative Strategies, Risk and Analytics (QRA), The World Bank Treasury delivered a lecture on “Emerging Trends in Islamic Finance” in the Learning Resource Centre, State Bank of Pakistan on 15.06.2007. Islamic Banking Heads and various other stakeholders attended the conference.

IBD Circular No.3

IBD Circular No. 3 was issued on August 11, 2007 regarding directive under section 41 of BCO, 1962 in connection that some banks are marketing their products by using the name of Islamic or Shariah compliant modes of financing without obtaining an Islamic banking license from State Bank of Pakistan. Such products often do not comply with the ‘Essentials of Islamic Modes of Financing’ issued by SBP. The circular can be accessed at the following link: <http://www.sbp.org.pk/ibd/2007/C3.htm>

IBD Circular No.4

IBD Circular No. 4 was issued on August 16, 2007 in connection with the Fit and Proper Criteria for Shariah Advisors. The circular can be accessed at the following link: <http://www.sbp.org.pk/ibd/2007/C4.htm>.

Local News

Dawood Bank plans to open 19 branches by 2008

April 25 2007

http://www.dailytimes.com.pk/default.asp?page=2007%5C04%5C25%5Cstory_25-4-2007_pg5_7

First Dawood Islamic Bank, Pakistan's sixth bank to offer products that comply with Islamic laws, plans to open 19 branches by 2008 to tap rising demand in the country. The bank, whose first branch is scheduled to open in Karachi next week, will offer a range of products including loans for global trade and lending for car and home purchases. "More banks and funds are coming into Islamic finance rather than conventional banking because demand is still untapped and depositors have keen interest," said Sohail Yaqoob who helps oversee Rs 10 billion, or US \$165 million, in Shariah-compliant funds at Al-Meezan Investment Management in Karachi. Dawood joins banks like ABN AMRO Holding, Citigroup, and Standard Chartered, all of which plan to expand Islamic banking to meet demand in Pakistan.

ABN Amro launches Islamic banking branch

May 11, 2007

http://www.dailytimes.com.pk/default.asp?page=2007%5C05%5C11%5Cstory_11-5-2007_pg5_5

ABN Amro formally launched its first dedicated Islamic banking branch in Pakistan and announced plans to rollout the service in other markets of Asia including United Arab Emirates, Indonesia, Malaysia and Singapore. Pakistan is the first country where ABN Amro has launched Islamic banking in both commercial and consumer segments. The branch is located in KM Centre in Defence Housing Authority. Speaking at the ceremony, ABN Amro's Chief Executive Officer for Asia, Jeroen Drost, said: "We have been serving Muslim communities since we opened our first Asian office in Indonesia in 1826. We are now seeing strong demand for financial products and services among our core mid-market client base and we are responding to the demand through dedicated branches."

Meezan Bank launches the Exclusive Ladies Banking Service in Pakistan

http://www.meezanbank.com/en/News.aspx?news_id=127

May 11, 2007

Meezan Bank has introduced Ladies Banking in DHA Phase II Ext. and Barkat-e-Hyderi branches at Karachi. The Bank is the first in the country to introduce a dedicated banking section only for ladies. This new service provides an exclusive banking area as per the set Shariah principles.

Meezan Bank, HBL, DHCL ink Rs 8.5 b agreement

<http://pakobserver.net/200706/13/news/business05.asp>

June 13, 2007

A signing ceremony held between Meezan Bank, Habib Bank and Dawood Hercules Chemicals Limited in Karachi. The agreement was inked by Irfan Siddiqui, President and CEO Meezan Bank Ltd, Zakir Mahmood President Habib Bank Ltd and Chairman Dawood Group Hussain Dawood. Justice Retd. Taqi Ahmad Usmani was also present on the occasion. By this agreement Dawood Hercules Chemicals Limited has awarded the mandate for arrangement of PKR 8.5 billion through Shariah compliant facilities to Meezan Bank Ltd and Habib Bank Ltd.

Marketing Islamic products: SBP warns banks/DFIs to obtain license

August 12, 2007

http://www.dailytimes.com.pk/default.asp?page=2007%5C08%5C12%5Cstory_12-8-2007_pg5_6

The State Bank of Pakistan (SBP) has warned banks and development financial institutions against marketing Islamic products without obtaining a license and asked them to refund any recoveries made or penalties imposed by banks from their Clients in excess of originally agreed pricing under the purported Shariah compliant products to customers within next 15 days. SBP asked the banks to send confirmation in writing of the same to the director, Islamic Banking Department. A circular issued by the Islamic Banking Department of SBP said: "All banks not authorised by issuance of an Islamic banking license from SBP are directed under Section 41 of the Banking Companies Ordinance, 1962, not to offer products in the name of Shariah compliant products and services without first obtaining an Islamic banking license from SBP in terms of IBD Circular number 2 of 2004 as amended from time to time." It said that it has been noted that some banks are marketing their products by using the name of Islamic or Shariah compliant modes of financing without obtaining an Islamic banking license from SBP. Such products often do not comply with the 'Essentials of Islamic Modes of Financing' issued by SBP, it said. The central bank said that failure to comply with these instructions might invoke penal action under the provisions of Banking Companies Ordinance, 1962

Deadline extended for Shariah advisors

August 17, 2007

http://www.dailytimes.com.pk/default.asp?page=2007%5C08%5C17%5Cstory_17-8-2007_pg5_13

The State Bank of Pakistan has extended the deadline to June 30, 2008 for Shariah advisors working for a Islamic Banking Institutions (IBI) and holding any executive/non-executive position in any other financial institution, except as Shariah advisor for Islamic mutual funds of the same IBI, to relinquish either of the posts. The central bank had on March 20, 2007 allowed a period of six months to Shariah advisors of IBI to relinquish either of the posts. "All Islamic banking institutions are required to submit a compliance report from Shariah Advisors of their banks to this effect till July 7, 2008," said the State Bank on Thursday.

Pakistani ventures to begin next month: Qatar

August 28, 2007

http://www.menafn.com/qn_news_story_s.asp?StoryId=1093164301

The Pak-Qatar General Takaful Company and the Pak-Qatar Family Takaful Company are due to start operations in Pakistan this September, Izzat M Al Rashid, General Manager of Qatar Islamic Insurance Company (QIIC) said here yesterday. Both companies are being promoted by the Qatar Islamic Insurance Company (QIIC), Qatar International Islamic Bank (QIIB) and a prominent Qatari businessman. The sponsors along with other Qatari participants hold 51 per cent of shares in each of the two companies, while the remaining 49 per cent are being offered to Pakistani nationals and strategic investors.

Marketing Islamic products: SBP warns banks/DFIs to obtain license

August 12, 2007

http://www.dailytimes.com.pk/default.asp?page=2007%5C08%5C12%5Cstory_12-8-2007_pg5_6

The State Bank of Pakistan (SBP) has warned banks and development financial institutions against marketing Islamic products without obtaining a license and asked them to refund any recoveries made or penalties imposed by banks from their Clients in excess of originally agreed pricing under the purported Shariah compliant products to customers within next 15 days. SBP asked the banks to send confirmation in writing of the same to the director, Islamic Banking Department. A circular issued by the Islamic Banking Department of SBP said: "All banks not authorised by issuance of an Islamic banking license from SBP are directed under Section 41 of the Banking Companies Ordinance, 1962, not to offer products in the name of Shariah compliant products and services without first obtaining an Islamic banking license from SBP in terms of IBD Circular number 2 of 2004 as amended from time to time."

Deadline extended for Shariah advisors

August 17, 2007

http://www.dailytimes.com.pk/default.asp?page=2007%5C08%5C17%5Cstory_17-8-2007_pg5_13

The State Bank of Pakistan has extended the deadline to June 30, 2008 for Shariah advisors working for a Islamic Banking Institutions (IBI) and holding any executive/non-executive position in any other financial institution, except as Shariah advisor for Islamic mutual funds of the same IBI, to relinquish either of the posts. The central bank had on March 20, 2007 allowed a period of six months to Shariah advisors of IBI to relinquish either of the posts. "All Islamic banking institutions are required to submit a compliance report from Shariah Advisors of their banks to this effect till July 7, 2008," said the State Bank on Thursday.

Pakistani ventures to begin next month: Qatar

August 28, 2007

http://www.menafn.com/qn_news_story_s.asp?StoryId=1093164301

The Pak-Qatar General Takaful Company and the Pak-Qatar Family Takaful Company are due to start operations in Pakistan this September, Izzat M Al Rashid, General Manager of Qatar Islamic Insurance Company (QIIC) said here yesterday. Both companies are being promoted by the Qatar Islamic Insurance Company (QIIC), Qatar International Islamic Bank (QIIB) and a prominent Qatari businessman. The sponsors along with other Qatari participants hold 51 per cent of shares in each of the two companies, while the remaining 49 per cent are being offered to Pakistani nationals and strategic investors.

International News

Offshore Hubs Lure Islamic Finance Business

16/07/2007

http://www.menafn.com/qn_news_story_s.asp?StoryId=1093159629

There are growing signs that offshore banking hubs are increasingly competing with each other to attract Islamic finance business especially as registration domiciles for Islamic capital markets products such as sukuk (Islamic bonds), trusts, and special purpose vehicles (SPVs); for asset management products such as equities, real estate and private equity funds; and allied services such as custodian and administration. However, the offshore hub of Cayman Islands has recently gone one step further in gaining the edge over its rivals by introducing dual language Arabic and English registration and issuance of certification. The Arabic language facility for Cayman Islands offerings is specifically aimed at the Islamic finance market. This means that Arab banks or that matter any other aiming a product at the Arab world, can now structure offshore international investment and other products in their mother tongue of Arabic.

Largest Saudi Sukuk Settlement Completed

01/08/2007

http://www.menafn.com/qn_news_story_s.asp?StoryId=1093161610

"Smooth as silk." That is how Rajiv Shukla, director, debt capital markets at HSBC Saudi Arabia, described the completion of the settlement process of the Saudi Electricity Company's (SEC) SR5 billion debut sukuk, "Saudi Arabia's largest-ever sukuk or bond issue." HSBC Saudi Arabia Ltd. acted as sole lead manager and sole bookrunner for the highly successful issue. HSBC also acted as sukukholders' agent, while the SABB acted as co-manager and payments administrator and SABB Amanah as the Shariah coordinator for the sukuk. "Despite its record-breaking size, the subscription and settlement of the proceeds progressed without a hitch," Shukla said. SEC was able to raise riyals from domestic investors at a very competitive rate, just 45 basis points over the benchmark, a figure that represents a substantial saving from the cost of SEC's existing loans. The sukuk is due 2027, although investors can exercise their right to oblige SEC to purchase the sukuk after five years in July 2012.

Albaraka Banking to Invest \$300m in Asia

14/08/2007

http://www.menafn.com/qn_news_story_s.asp?StoryId=1093162892

Bahrain-based Albaraka Banking Group (ABG), the Bahrain-based leading Islamic banking group, has unveiled a major expansion strategy focusing on the most important markets in Asia with an initial investment of \$300 million in two to three years time, a top official at the bank said. Adnan Ahmed Yousif, president and chief executive of ABG, in announcing the bank's half yearly total operating income that rose to \$197.11 million and net income increasing by 117 percent, said the expansion strategy would help the bank to consolidate its position outside the Middle Eastern region. The ABG will invest in Indonesia, Malaysia and India, which the CEO said would add value to the bank's existing presence in the most rapidly growing countries.

Malaysia eases rules on Islamic finance

August 15, 2007

http://www.dailytimes.com.pk/default.asp?page=2007%5C08%5C15%5Cstory_15-8-2007_pg5_19

Malaysia will ease its rules to allow all banks to do Islamic banking business in foreign currencies, the central bank said Tuesday, further cementing the country's role in Sharia financing. Non-Islamic commercial bank and investment banks licensed by the government will now be allowed to do Islamic banking business as the country aims to position itself as a global hub for the sector, central bank chief Zeti Akhtar Aziz said in a statement. "We want and aim to develop Malaysia into a centre for the origination, distribution and trading of sukus (Islamic bonds) to provide further impetus to the development of an increasingly vibrant and progressive bond market in Malaysia as well as in the Asian region," Zeti said.

Malaysia Will Assist Thailand In Islamic Banking

August 22, 2007

http://www.bernama.com/bernama/v3/news_lite.php?id=280633

Malaysia is ready to provide technical assistance in setting up an Islamic bank in Thailand, Datuk Seri Abdullah Ahmad Badawi said today. "Malaysia will introduce Islamic banking in southern Thailand and Bangkok," the prime minister told reporters after the annual consultation between Malaysia and Thailand here. He said the effort would begin with the development of the Islamic windows in the existing banks. "And this of course depends on how the government responds to the situation in southern Thailand. I understand that they have some kind of license to set up an Islamic bank but that is not a problem," he said. Abdullah and his Thai counterpart, Surayud Chulanont, had an hour-long meeting.

IIF highlights boom in European interest in Sukuk market

http://www.menafn.com/qn_news_story_s.asp?StoryId=1093164224

August 26, 2007

Islamic finance has moved from niche to mainstream in Europe with western banks and institutions increasingly recognising Islamic instruments as viable financing options. Within Europe, both the UK and Switzerland have become world centres for the development of Islamic finance in a global market conservatively estimated to be worth upward of half a trillion dollars. Islam is Europe's fastest growing religion with many countries recording a rapid rise in their Muslim populations. In some, notably the UK, this has led to an increasing demand for Islamically structured financial products. But increasing European interest in Islamic asset classes is not confined to Muslims. There was, for example, a massive jump in Sukuk (Islamic bond) issuance in the first-half of 2007 as more and more conventional European banks and institutions invested. The structural innovations of Sukuks, their growth in non-Islamic jurisdictions, and Sukuk risk and liquidity management are just some of the issues that will come under the spotlight at the International Islamic Finance Forum Europe, which takes place at the World Trade Centre, Zurich, Switzerland, 29 October-1 November 2007.

First Bank To Operate On Basis Of Islamic Law Opens In Syria

August 27, 2007

<http://www.zawya.com/story.cfm/sidDN20070827008296>

Syria on Monday opened its first Islamic bank - one that operates exclusively on the basis of Shariah, or Islamic law - with a starting capital of 5 billion Syrian pounds (\$100 million). The opening of the Kuwaiti-owned Cham Islamic Bank in Damascus was attended by Syrian Finance Minister Mohammed al-Husseini and Adib Mayaleh, governor of the Central Bank.

Annexure-1 (Branch Network)

Number of Licensed Islamic Banking Branches		
Sr. No.	Name of Bank	Branches
Full Fledge Banks		
1	Meezan Bank Ltd	72
2	Albaraka Islamic Bank	12
3	Dubai Islamic	17
4	BankIslami	14
5	Emirates Global	6
6	First Dawood Islamic Bank	1
Sub Total		122
IBBs		
7	Bank Alfalah Ltd	25
8	MCB Bank Ltd	6
9	Bank of Khyber	5
10	Habib Metropolitan Bank	4
11	Habib Bank Ltd	1
12	Standard Chartered Bank	3
13	Bank Al Habib	3
14	Soneri Bank Ltd	2
15	Prime Commercial Bank	2
16	Askari Commercial Bank	6
17	National Bank of Pakistan	1
18	United Bank Ltd	2
19	ABN Amro Bank N.V.	1
Sub Total		61
Grand Total		183

Sr. No.	Name of City	No. of Banks	No. of Branches	
			Licensed	Operating
Sindh		18	74	68
1	Karachi	18	71	65
2	Hyderabad	2	2	2
3	Sukkur	1	1	1
Punjab & Fed. Capital		13	91	79
4	Lahore	13	39	33
5	Multan	5	6	5
6	Faisalabad	5	9	9
7	Gujranwala	3	3	2
8	Sialkot	2	2	2
9	Rawalpindi	5	10	9
10	Rahim Yar Khan	2	2	2
11	Kasur	1	1	1
12	Sargodha	1	1	1
13	Dera Ghazi Khan	1	1	1
14	Sadiqabad	1	1	1
15	Gujur Khan	1	1	1
16	Sahiwal	1	1	1
17	Gujrat	1	1	1
18	Wah Cantt	1	1	NIL
19	Bahawalpur	1	1	NIL
20	Islamabad	7	10	9
21	Mirpur AJK	1	1	1
NWFP		5	13	11
22	Peshawar	5	7	6
23	Bannu	1	1	1
24	Nowshera	1	1	1
25	Timergara	1	1	1
26	Mingora	1	1	1
27	Abbotabad	2	2	1
Baluchistan		4	5	4
28	Quetta	4	5	4
	Total	15	183	162