

Islamic Banking Bulletin

July-September 2008

**SBP RANKED 2ND IN
PROMOTING ISLAMIC BANKING**



**Islamic Banking Department
State Bank of Pakistan**

ISLAMIC BANKING DEPARTMENT

MISSION

To Promote and Regulate Islamic Banking Industry in line with Best International Practices, ensuring Shariah Compliance And Transparency

VISION

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

Extract From Quaid-e-Azam's Speech

....."I shall watch with keenness the work of your Research Organization in evolving banking practices compatible with Islamic ideas of social and economic life. The economic system of the West has created almost insoluble problems for humanity and to many of us it appears that only a miracle can save it from disaster that is not facing the world. The adoption of Western economic theory and practice will not help us in achieving our goal of creating a happy and contented people. We must work our destiny in our own way and present to the world an economic system based on true Islamic concept of equality of manhood and social justice. We will thereby be fulfilling our mission as Muslims and giving to humanity the message of peace which alone can save it and secure the welfare, happiness and prosperity of mankind.".....

Source: Quaid-i-Azam's Speech On the occasion of the Opening Ceremony of The State Bank of Pakistan on 1st July, 1948 available at http://www.sbp.org.pk/about/history/h_moments.htm

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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.

SBP RANKED IN 2ND PLACE IN PROMOTING ISLAMIC BANKING

Islamic Finance news
Awards
Poll 2008

The fourth annual Islamic Finance news Poll results are in after a record breaking 2,491 unique votes were cast by the Islamic finance industry's leading practitioners and participants.

In the financial sphere 2008 was deemed by many as an *annus horribilis* with the global markets plummeting following in-large to the US mortgage industry. The Islamic finance industry also succumbed to market forces but by and large fared better than its conventional counterparts.

What is clear, from the results of the 2008 Islamic Finance news Poll, is that the more focused and specialized Islamic financial institutions are favored to those of the larger global historically conventional institutions with Islamic operations.

With 2,491 votes cast, this is the industry's most comprehensive and definitive survey.

In the Best Overall Islamic Bank category **Kuwait Finance House** again ran out easy favorites for the second year running. Malaysia's **CIMB Islamic Bank** climbed one place to second this year with Saudi Arabia's **Al Rajhi Banking & Investment Corporation** taking third spot. One notable absentee from this category is the two times winner and runner up in 2007, **Dubai Islamic Bank**.

As more of the world's financial centers announce their interest in attracting Islamic finance to their shores one would assume the Best Central Bank in Promoting Islamic Finance category would be more competitive. Not so. For the fourth straight year **Bank Negara Malaysia** was voted number one with more than double the votes of their nearest rival, the **State Bank of Pakistan**, which itself leapfrogged the **Central Bank of Bahrain** into second place this year.

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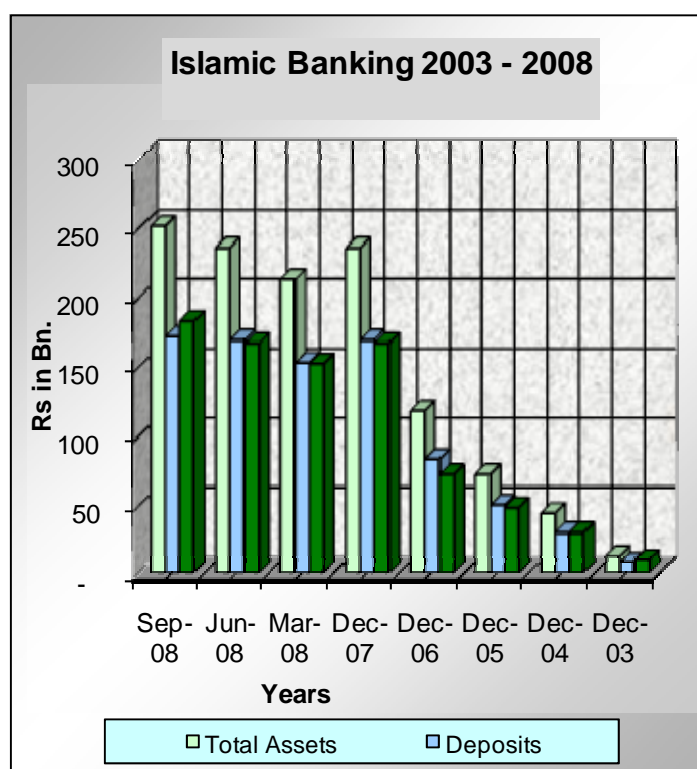
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Industry Progress and Market Share

The Jul-Sep 2008 quarterly data of Islamic banking industry reveals the continuation of the upsurge in assets, deposits and financing. The Islamic banking industry remained resilient despite recent liquidity pressures. On the global level, the financial crisis deepened and resulted in heavy losses to financial sector giants of the developed world. Nonetheless, anecdotal evidence suggests that Islamic finance industry showed tremendous resilience and the investors' interest remained largely intact.

The share of Islamic banking institutions' assets, deposits, and financing & investment increased to 4.6%, 4.2% and 4.4% respectively at the end of quarter.

The Islamic banks have also continued their efforts to extend the outreach of Islamic banking services. Specifically, the number of branches reached 367 from 326 in the last quarter.



Description	June 2008	Sept 2008	%Growth QoQ
Total Assets	235	251	7%
Deposits	169	171	1%
Financing. & Invest.	166	182	10%
No. of Branches	326	367	13%

(Rs. in billion)

Descriptions	Sept-08	Dec-07	Dec-06	Dec-05	Dec-04	Dec-03
Total Assets	251	206	119	72	44	13
% of Banking Industry	4.6%	4.0%	2.8%	2.0%	1.5%	0.5%
Deposits	171	147	84	50	30	8
% of Banking Industry	4.2%	3.8%	2.6%	1.8%	1.3%	0.4%
Financing. & Investment	182	138	73	48	30	10
% of Banking Industry	4.4%	3.5%	2.3%	1.7%	1.3%	0.5%
No. of Full Fledge Islamic Banks	6	6	4	2	2	1
No. of Conventional Banks with Islamic Banking Divisions	12	12	12	9	9	3
No. of Branches	367	289	150	70	48	17

Islamic Banking Sector

Comparative Consolidated Balance Sheets of Islamic Banking Industry

Rs. in Million

Deposits

Encouragingly, deposits of Islamic banking sector rose despite the problems in the conventional banking sector. The deposits of IBIs as on September 30, 2008 stood at Rs 171.3 billion reflecting Quarter on Quarter (QoQ) increase of 1%. The shares of Savings, Fixed and Current Accounts of customers' deposits were 31%, 39% and 22% respectively. Due to combined efforts of the State Bank as well as the industry, the demand for Islamic banking services in the country is increasing.

Investments

Investment position of IBIs as on September 30, 2008 stood at Rs 40.3 billion which showed a QoQ increase of 15%. The increase in investments reflects the new investment especially in Government of Pakistan Ijarah Sukuk worth Rs 6.5 billion that were issued by the Government in September 2008, which is a remarkable achievement for Islamic banking industry of Pakistan. This step has helped in minimizing the liquidity management issues of IBIs, as these Sukuk are Statutory Liquidity Requirement eligible.

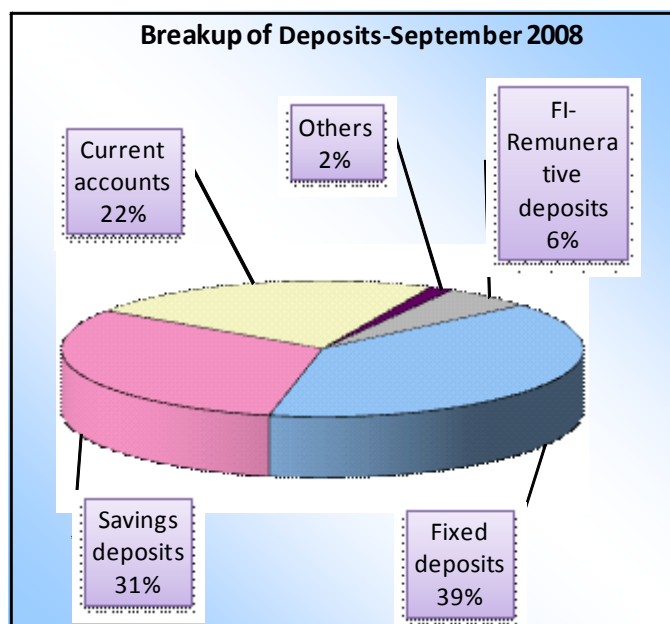
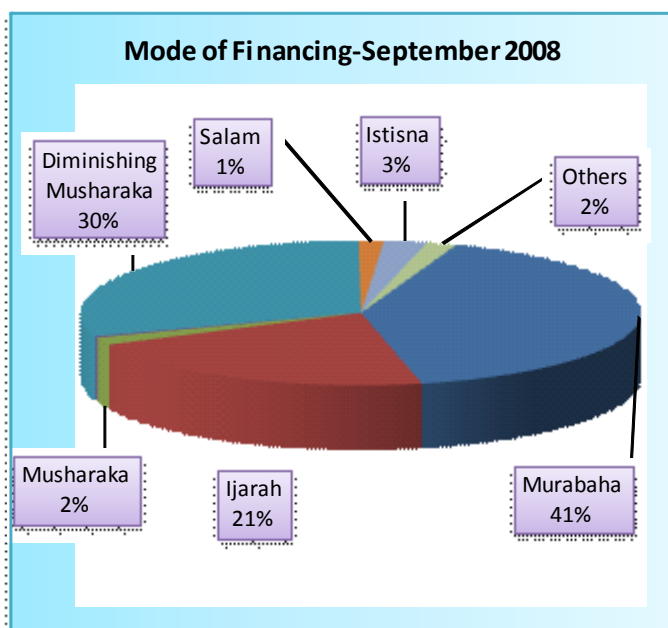
Financing

Islamic Banking Industry in Pakistan depicts

Descriptions	June 2008	Sept. 2008	% Change
ASSETS			
Cash and balances with treasury banks	23,909	22,334	-7%
Balances with other banks	12,877	9,900	-23%
Due from financial institutions	11,279	11,622	3%
Investments	34,917	40,274	15%
Financings	131,485	142,178	8%
Operating fixed assets	8,625	9,488	10%
Deferred tax assets	739	781	6%
Other assets	11,512	14,448	25%
Total Assets	235,343	251,025	7%
LIABILITIES			
Bills payable	2,400	2,814	17%
Due to financial institutions	5,885	12,525	113%
Due to Head office*	11,090	15,645	41%
Deposits and other accounts	168,886	171,302	1%
Liabilities against assets subject to finance lease	69	318	359%
Deferred tax liabilities	865	691	-20%
Other liabilities	13,973	15,240	9%
Total Liabilities	203,168	218,535	8%
NET ASSETS			
REPRESENTED BY			
Paid-up capital/Head office capital account	29,137	29,423	1%
Reserves	829	1,004	21%
Un-appropriated/Un-remitted profit	1,679	1,641	-2%
Sub Total	31,644	32,068	1%
Surplus /(Deficit) on revaluation of assets	531	422	-21%
Equity	32,175	32,489	1%

* Exchange rate as of September , 2008 was Rs.77.68/USD

Analysis of the Consolidated Balance Sheet of Islamic Banking Institutions



financing (net of provisions) of Rs. 142.2 billion at end September 2008, reflecting a QoQ increase of 8%. There is hardly any change in the mode-wise financing mix during the quarter. In specific terms, share of Murabaha, Ijarah and Diminishing Musharaka (DM) remained largely unchanged at 41%, 21% and 30%, respectively.

Total Assets

Total Assets of IBIs stood at Rs 251 billion showing an impressive QoQ increase of 7%. Within assets, investments, operating fixed assets and financing were the major contributors to total assets growth. The growth of investments, operating fixed assets and financing was 15%, 10%, and 8%. The other assets also grew at a rapid rate of 25%. The increase in fixed assets may reflect the increasing number of branches of Islamic banking institutions—showing extension in outreach.

Description	Jun-08	Sept-08	%Change
Rs. In Million			
Deposits and Other Accounts	168,886	171,302	1%
Customers:	157,719	161,739	3%
Fixed deposits	64,685	67,452	4%
Savings deposits	51,610	53,368	3%
Current Accounts Remunerative	45	104	130%
Current accounts N-Remunerative	38,607	38,293	-1%
Others	2,772	2,522	-9%
Financial Institutions' Deposits:	11,168	9,563	-14%
FI-Remunerative	11,122	9,526	-14%
FI-Non Remunerative	45	37	-19%

Deposit Mobilized by Islamic Banking Divisions through Islamic Banking Windows

No of Islamic Banking Windows	75
Deposits mobilized through IBWs	Rs. 1.873 Billion
% of Islamic Banking Divisions' total Deposits	4.2%

...Continued from previous page

Earning and Profitability

Mark-up income rose during the quarter reflected by around 2 percentage points (pp). The ratio of net Mark-up income to Total Assets remained largely stagnant at 3.9%.

Net NBFs to Net Financing has improved marginally by 1 pp. While Net NPFs to Total Assets and Net NPFs to Total Capital remained unchanged at 0.4% and 3.3% respectively.

<u>Earnings and Profitability Section*</u>	<u>June-08</u>	<u>Sept 2008</u>
Mark-up Income to Total Assets	7.7%	7.9%
Mark-up Expense to Total Assets	3.9%	4.0%
Net Mark-up Income to Total Assets	3.9%	3.9%
Non-Mark-up Income to Total Assets	1.0%	0.8%
Non-Mark-up expense to Total Assets	3.6%	3.5%
ROE (Average Equity)	6.4%	5.65%
ROA (Average Assets)	0.9%	0.75%

<u>Assets Quality Ratio</u>	<u>June - 08</u>	<u>Sept 2008</u>
NPFs to Financing	2.1%	2.2%
Net NPFs to Net Financing	0.8%	0.7%
Net NPFs to Total Assets	0.4%	0.4%
Provisions to NPFs	62.2%	65.9%
Net NPFs to Total Capital	3.3%	3.3%

*Annualized growth rates

Breakup of Financing (Rs. in Millions)

Description	Jun-08	Sept 2008	% Change
Murabaha	50,659	59,067	17%
Ijarah	28,604	30,656	7%
Musharaka	1,737	2,421	39%
Mudarbah	394	453	15%
Diminishing Musharaka	39,141	43,434	11%
Salam	1,820	2,104	16%
Istisna	3,483	3,566	2%
Qarz-e-Hasna	-	-	0%
Others	7,371	2,535	-66%
Total	133,208	144,236	8%
Amount of Non performing Financing	2,772	3,122	13%
Provision against NPFs	1,723	2,057	19%
Net NPF	1,049	1,065	2%

Sayings of Holy Prophet (P.B.U.H)

.....All debts must be repaid, all borrowed property must be returned, gifts should be reciprocated and a surety must make good the loss to the assured.

Beware! No one committing a crime is responsible for it but himself. Neither the child is responsible for the crime of his father, nor is the father responsible for the crime of his child.....

Source: The Last Sermon of The Holy Prophet (P.B.U.H) (Khutbat-ul-Hajjatul Wida, Seerat Ibne Hesham)

Book Review

The Future of Economics: An Islamic Perspective

Author: Umer Chapra

Publisher : The Islamic Foundation

Price : £ 13.95

Pages : 446

ISBN : 0-86037-275-8

Publication Year: 2000

This book is available in SBP Library

When thinking about Islam and economics, the most striking fact is how poorly Muslims have done with the ample economic resources at their command. Rather than minimizing this fact, Chapra puts it at the center of his analysis of what he calls "the causes of Muslim decline." His conclusion is blunt: that decline results from "an absence of public accountability" and intolerance of "free and fearless criticism of government policies." He contrasts leaders who are not "accountable before the people" with the "democratic governments in Western countries [which] have done a great deal to promote justice, development, and well-being." Nor does he skimp in his criticism of the treatment of women, arguing that they should be as educated and active in the workforce as men. He concludes his book with a chapter on "the need for political reform," asking, "can peaceful struggle be successful?" and concluding "it can" because "globalization is acting as a check on despotic governments." All this is impressive in itself; coming from the senior economic adviser to the Saudi Arabian Monetary Agency makes it all the more so.

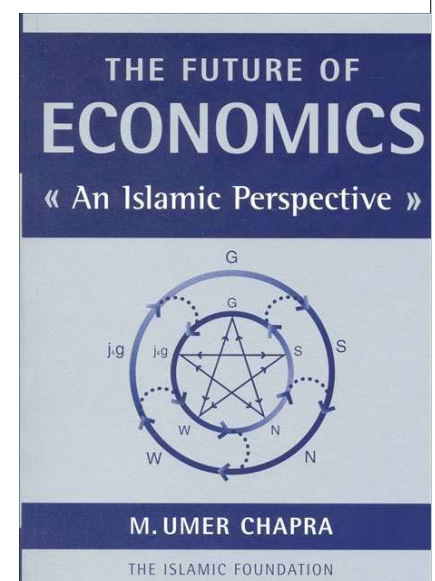
About half of Chapra's study is concerned with approaching economics from an Islamic perspective. Chapra argues economics should promote the realization of **humanitarian goals**, rather than being **value-neutral**. He is at pains to argue that Islam is compatible with reason, that science (including economics) can be built on a religious paradigm, and that there is no reason to assume a conflict between reason and God's revealed word. He also explores the Islamic principles for running an economy, providing a good defense for the Islamic injunction against interest, namely, that investors should be at risk (he argues for shareholding, instead of bank loans).

'The Future of Economics' raises and tries to answer a number of crucial questions about economics. One of these

pertains to the primary task of economics-is it just to analyze and predict or is it also to help a society actualize its vision? If the realization of vision is important, then there arises the question of what is the difference between the vision of Islam and conventional economics? Is it possible for economics to help realize the Islamic vision by taking into account only economic variables and analysing just 'what is', as conventional economics does or is it also necessary to discuss the moral, psychological, social, political and historical factors that have led the hiatus between the vision and the prevailing reality, and to suggest a strategy for bridging the gap? Has Islamic Economics been able to rise to the occasion and, if not, what needs to be done in the future?

Contents

- **Introduction**
- **Conventional Economics**
- **Islamic Paradigm through History**
- **Can Science be Build on Religious Paradigm**
- **Islamic Economic: what Should It Be?**
- **Socio-Economics Dynamics of Classical Islamic Economics**
- **The Causes of Muslim Decline: Applying Ibn Khaldun's Analysis to Muslim History**
- **The Recent Revival: A Survey**
- **The future Course of Action**



Book Review**Continued from previous page****A Brief Biography of Dr. Chapra**

Dr. M. Umer Chapra is Research Advisor at the Islamic Research and Training Institute (IRTI) of the Islamic Development Bank (IDB), Jeddah. Prior to this position, he worked at the Saudi Arabian Monetary Agency (SAMA), Riyadh, for nearly 35 years, retiring as Senior Economic Advisor. This involved him actively in different phases of Saudi Arabia's hectic pace of economic development. As a token of the appreciation of his services he was awarded the Saudi nationality by King Khalid in 1983. He has also taught as Assistant and Associate Professor of Economics at the University of Wisconsin (Platteville), as Associate Professor of Economics at the University of Kentucky, Lexington, as Senior Economist and Associate Editor of the Pakistan Development Review at the Pakistan Institute of Development Economics, and as Reader (Associate Professor) at the Central Institute of Islamic Research (Pakistan).

He is well-known for his seminal contributions to Islamic Economics and Finance over the last three decades. He has authored 12 books and monographs, 75 papers and 9 book reviews. Some of his books, monographs and papers have been translated into a number of languages, including Arabic, Bangla, French, German, Indonesian, Japanese, Malay, Persian, Polish, Spanish, Turkish and Urdu. His most outstanding contributions have been his three books: Towards a Just Monetary System (1985), Islam and the Economic Challenge (1992) and The Future of Economics: An Islamic Perspective (2000).

He has played an active role in the planning and organization of a number of seminars and conferences on Islamic

Economics and Finance and has also presented papers, participated actively in discussions, and presided over various sessions. He has lectured widely at a number of universities and professional institutes in different countries around the world, including the Harvard Law School, Loughborough University, U.K., the Oxford Centre for Islamic Studies, the London School of Economics, Universidad Autonoma, Madrid, and the University of Malaga, Spain. He has also participated in a number of meetings of international and regional organizations like the IMF, IBRD, OPEC, IDB, OIC, GCC. He is on the editorial board of a number of professional journals and has acted as referee for a number of others, including the Economic Journal of the Royal Economic Society, U.K.

He has received a number of awards for his academic excellence, including the Islamic Development Bank Award for Islamic Economics and the prestigious King Faisal International Award for Islamic Studies, both in 1989. He was awarded the IOP (Institute of Overseas Pakistanis) gold medal in August 1995 by the President of Pakistan for service to Islam and Islamic Economics at the First IOP Convention in Islamabad.

Source:

Book review taken from:

<http://sitecreator.siteberry.com> and <http://us.st12.yimg.com/us.st.yimg.com/I/islamicbookstore-com> 2026 846988379

Biography from:

<http://www.muchapra.com/about.pdf>

Allah Accepts and Answers Dua

"And when My servants ask you concerning Me, then surely I am very near; I answer the prayer of the suppliant when he calls on Me, so they should answer My call and believe in Me that they may walk in the right way."

[2.Surah Al-Baqarah : Ayah 186]

And your Lord says: Call upon Me, I will answer you."

[40.Surah Al-Momin : Ayah 60]

Dua of Hazrat Yunus (Alaihi Salaam)

"And Yunus, when he went away in wrath, so he thought that We would not straiten him, so he called out among afflictions: There is no god but Thou, glory be to Thee; surely I am of those who make themselves to suffer loss."

"So We responded to him and delivered him from the grief and thus do We deliver the believers."

[21.Al Anbiya-Ayahs 87-88]

Source: <http://www.alquranic.com/mp3quran/Dua/>

Bank in Focus

Askari Bank Limited (Islamic Banking Services)

Bank in Focus – Islamic Banking Services

Askari Bank Limited commenced its first Islamic Banking Branch on 19th June, 2006. Even though Askari Bank was the 9th bank to start its Islamic Banking Services through separate stand alone Islamic Banking branches.

It started its operations by creation of a required Shariah Compliant Islamic Banking Fund of Rs. 50 million which has now crossed Rs. 750 Million.

Product Range

Currently, the Bank offers a variety of Shariah Compliant Consumer, Retail, Corporate and Investment Banking products and services to its customers.

- Islamic Deposit Products Range
- Its branded range includes Askari Halal Savings and Notice Accounts (AHSAN), AHIA (Askari Halal Investment Accounts) range of term deposit accounts, including AKIDA (Askari Khas Islamic Deposit Accounts), AHCAMM (Monthly Mudarabah Certificates), AIIC (Islamic Investment Certificates), AITQAD, and Askari Wakalah tul Istismar etc.
- Islamic Asset Financing Products range
- Consumer Banking: Askari Ijarah Bis Sayyarah (Car Financing) and Askari Home Musharakah (Home Financing) solutions for buying, building and renovating homes.
- Corporate Banking: products and services include Murabaha financing, Working capital finance, Trade financing, Salam financing, Istisna financing, Medium and Long Term Financing, Diminishing Musharakah and Leasing or Ijarah facility etc.
- Investment Banking: products and services include Sukuk arrangement, financial advisory, private placement, syndications and structured finance etc.

	(PKR Billion)	% of Islamic Banking Industry
Deposits	3.228	1.9%
Financing	5.864	4.1%
Total Assets	9.424	3.8%
Branch Network	14	3.8%
Position as of September 30, 2008		

Branch Network

Askari Islamic Banking has over 20 Islamic Banking branches in Pakistan, covering the federal and provincial capitals, as well as other main cities like Rawalpindi, Multan, Sialkot, Gujranwala, Faisalabad, and Hyderabad. It is expected to grow to a network of 30 Islamic branches by the end of 2009.

Islamic Banking Training

Great care is taken to implement all Islamic banking products in their true spirit. To achieve this end, training in Islamic banking is given a lot of importance. Over 80% of staff has undergone Islamic banking training. More than two third of all executives, AVP and above, have undergone intensive NIBAF certification, which is considered a premium certification, with widespread acceptability. In the last course, held in November / December 2008, the top two positions were achieved by Askari Islamic team members.

Shariah Advisor

An eminent scholar, and recipient of the President's Medal for Pride of Performance (in Academics), Dr. Muhammad Tahir Mansoori is the Shariah Advisor of the Bank. Dr. Mansoori's numerous qualifications include Molvi, Molvi Aalam & Molvi Fazil, M.A., LL.M in Shariah Law, as well as a Doctorate in Islamic studies. He is currently the Professor and Dean of the faculty of Shariah and Law at the International Islamic University, Islamabad.

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Mode of Islamic Financing

SALAM (سلم)

Introduction

"It is one of the basic conditions for the validity of a sale in Shariah that the commodity (intended to be sold) must be in the physical or constructive possession of the seller. This condition has three ingredients:

Firstly, the commodity must be existing. Secondly, the seller should have acquired the ownership of that commodity. Thirdly, mere ownership is not enough. It should have come in to the possession of the seller, either physically or constructively. If the seller owns a commodity, but he has not taken its delivery himself or through an agent, he cannot sell it.

There are only two exceptions to this general principle in Shariah. One is Salam and the other is Istisna. Both are sales of a special nature.

Meaning of Salam

"Salam is a sale whereby the seller **undertakes to supply** some specific goods to the buyer at a **future date** in exchange of an **advanced price fully paid at spot**".

Salam was allowed by the Holy Prophet subject to certain conditions. The basic purpose of this sale was to meet the requirements of the small farmers who needed money to grow their crops and to feed their family upto the time of harvest. After the prohibition of riba they could not take usurious loans. Therefore, it was allowed for them to sell the agricultural products in advance.

Salam was beneficial to the seller, because he received the price in advance, and it was beneficial to the buyer also, because normally, the price in Salam used to be lower than the price in spot sales. The permissibility of Salam was an exception to the general rule that prohibits the forward sales and therefore, it was subjected to some strict conditions.

Conditions of Salam

1. First of all, it is necessary for the validity of Salam that the buyer pays the price in full to the seller at the time of effecting the sale. It is necessary because in the absence of full payment by the buyer, it will

Sayings of Holy Prophet Muhammad (P.B.U.H)

"Whoever wishes to enter into a contract of Salam, he must effect the Salam according to the specified measure and the specified weight and the specified date of delivery."

tantamount to sale of a debt against a debt, which is expressly prohibited by the Holy Prophet (PBUH). Moreover, the basic wisdom behind the permissibility of Salam is to fulfill the instant needs of the seller. If the price is not paid to him in full, the basic purpose of the transaction will be defeated.

2. Salam can be effected in those commodities only, the quality and quantity of which can be specified exactly. The things whose quality or quantity is not determined by specification cannot be sold through the contract of Salam. For example, precious stones, rare articles and some specific item etc

3. Salam cannot be effected on a particular commodity or on a product of a particular field or farm. For example, if the seller undertakes to supply the wheat of a particular field, or the fruit of a particular tree, the Salam will not be valid. The same rule is applicable to every commodity the supply of which is not certain.

4. It is necessary that the quality of the commodity (intended to be purchased through Salam) is fully specified leaving no ambiguity which may lead to a dispute. All the possible details in this respect must be expressly mentioned.

5. It is also necessary that the quantity of the commodity is agreed upon in unequivocal terms. If the commodity is quantified in weights according to the usage of its traders, its weight must be determined.

6. The exact date and place of delivery must be specified in the contract.

7. Salam cannot be effected in respect of things which

Salam (سلم)–Continued from previous page

must be delivered at spot. For example, if gold is purchased in exchange of silver, it is necessary, according to Shariah, that the delivery of both be simultaneous. Therefore the contract of Salam in this case is not allowed. All the Muslim jurists are unanimous on the principle that Salam will not be valid unless all these conditions are fully observed, because they are based on the express ahadith of the Holy Prophet (PBUH).

Salam as a mode of Financing

It is evident from the foregoing discussion that Salam was allowed by Shariah to fulfill the needs of farmers and traders. This mode of financing can be used by the modern banks and financial institutions, especially for the agricultural sector. As pointed out earlier, the price in Salam may be fixed at a lower rate than the price of those commodities delivered at spot. In this way, the difference between the two prices may be a valid profit for the banks or financial institutions. In order to ensure that the seller shall deliver the commodity on the agreed date, they can also ask him to furnish a security, which may be in the form of a guarantee or in the form of mortgage or hypothecation.

The only problem in Salam which may agitate the modern banks and financial institutions is that they will receive certain commodities from their clients, and will not receive money. They cannot sell those

commodities before they are actually delivered to them, because it is prohibited in Shariah. However, there are two other ways of benefiting from the contract of Salam.

1. After purchasing a commodity by way of Salam, the financial institutions may sell it through a parallel contract of Salam for the same date of delivery. The period of Salam in the second (parallel) transaction being shorter, the price may be a little higher than the price of the first transaction and the difference between the two prices shall be the profit earned by the institution. In this way the institutions may manage their short term financing portfolios.
2. If a parallel contract of Salam is not feasible for one reason or another, they can obtain a promise to purchase from a third party. This promise should be unilateral from the expected buyer. Being merely a promise and not the actual sale, their buyers will not have to pay the price in advance. Therefore, a higher price may be fixed and as soon as the commodity is received by the institution, it will be sold to the third party at a pre-agreed price, according to the terms of the promise”.

An extract from book available at <http://www.darululoomkhi.edu.pk/fiqh/islamicfinance/salamnistina.html>

LOCAL NEWS

CONTINUED FROM PAGE 18

country and restore the confidence of the customers in the banks. He said that Islamic banking is the need of hour and would strengthen the economy of the country adding crisis of the country would be solved through such Islamic banks. He added that entry of National Bank in Islamic banking sector would open new avenue of trade and economic development.

He further said that Islamic banking would stable country economy and emphasized that the need for the introduction of Islamic banking will pull out the

country from financial crisis. It is mentioned that this is 5th branch of the Islamic Bank and as 4 branches were already functioning in Karachi, Lahore, Peshawar and Faisalabad. Besides, Chief Manager Muhammad Siddique Warsi, Group Manager Chief NB Soomro, Senior resident Engineer Ghulam Akbar Butt, Additional Secretary finance Iqbal and regional Management team of Rawalpindi-Islamabad participated in the ceremony.

Introduction of SBP Shariah Board Member

Dr. Imran Ashraf Usmani

Muhammad Imran Usmani, Son of the world-renowned Islamic Scholar Justice (Retd) Mufti Muhammad Taqi Usmani, holds LLB, M. Phil, and Ph. D. in Islamic Finance and graduated as a scholar (Alimiyyah degree) and Takhassus (Specialization) in Islamic Jurisprudence from Jamia Darul-Uloom, Karachi. His area of expertise is Islamic Finance in which he has carried out extensive research.

From the inception of Meezan Bank, he is the In-house Shariah Advisor and Head of Product Development and Shariah Compliance Department of Meezan Bank, where he supervises in-house training for different Courses, Audit & Compliance, R&D and advisory for Shariah based banking. Dr. Usmani has been serving as lecturer/teacher of different subjects of Shariah and as administrator of some divisions of Jamia Darul-Uloom, Karachi since 1990. He has also been leading Friday Khuthbah and prayer at a Jamia Mosque for 18 years.

Dr. Usmani also serves as advisor/ member of Shariah Boards of HSBC Amanah Finance, Guidance Financial Group USA, Lloyds TSB Bank UK, Japan Bank for International Cooperation (JABIC), Credit Suisse Switzerland, RBS Global, Future Growth Albarakah Equity Fund South Africa, AIG Takaful, ACR Retakaful Malaysia, Capitas Group USA, Bank of London And Middle East Kuwait, BMI Bank Bahrain, Al Khaliji Bank Qatar, Sarasin Bank Switzerland, DCD group Dubai and other Mutual and Property funds and international Sukuk. He is also an advisor of International Islamic Financial Market (IIFM) Bahrain and International Center for Education in Islamic Finance (INCEIF) Malaysia. Dr. Usmani is author of many books related with Islamic Finance and other subjects of Shariah. He has been presenting papers in many national and international seminars and has delivered lectures in various academic institutions such as Harvard, LSE, IBA, LUMS and others.

Dr. Usmani is a faculty member/teacher of Jamia Darul Uloom Karachi. He is author of various books of Islamic Shariah and especially his book 'Meezanbank's Guide to Islamic banking' is a well-known book in the area of Islamic banking.

Date & Place of Birth: 23rd March 1970, Karachi

Education:

PhD. In Islamic Economics (University of Karachi)

M. Phil. in Islamic Economics. (University of Karachi)

Takhassus i.e. the specialization course of Islamic Fiqh and Fatwa (Islamic Jurisprudence) from Jamia Darul-Uloom Karachi for 3 years.

Alimiyyah i.e. Darse Nizami in 1988 from Wifaqul Madaris Pakistan (Federal Board of Islamic Institutions) and Jamia Darul Uloom Karachi with distinction marks.

M.A (Arabic and Islamic studies) from Karachi University.

Publications

- "Guide to Islamic banking", published by Darul Ishaat.
- Collection with research of Fatawa about sale and purchase. (A thesis for Specialization Course of Islamic Jurisprudence in Jamia Darul Uloom Karachi)
- "The Role of Musharkah and Mudarabah in the contemporary financing", Published by Idaratul Maarif, Karachi.
- Prepared the Shariah database of Islamic banking and finance with the Islamic Financial Data Services, Malaysia.
- Translation of the Judgment regarding Riba announced by Supreme Court of Pakistan.



Developments at Islamic Banking Department, State Bank of Pakistan

Programmes for Facilitating the Implementation of the IFSB Standards

Islamic Banking Department has arranged a 3 day work shop on IFSB Standards in collaboration with Islamic Financial Services Board (IFSB). The workshop was held at Learning Resource Centre (LRC) from February 23 to 25, which was attended by large no of industry practitioners and representatives from SBP.

The IFSB is mandated by its Articles of Agreement to promote the development of a prudent and transparent Islamic financial industry. Towards this end, they have issued “Prudential Standards” on various topics of Islamic banking and finance. These Standards are currently being implemented by various jurisdictions at their respective markets. In the meanwhile, IFSB has also initiated a plan to facilitate the implementation of these Standards at various countries by way of organizing workshops/conferences.

Following three IFSB Standards were selected for “Facilitating the Implementation of the IFSB Standards Workshops (FIS Workshops)” at Pakistan during the period of 23-25 February 2009:

1. Guiding Principles of Risk Management for Institutions (other than Insurance Institutions) offering only Islamic Financial Services;
2. Guiding Principles on Corporate Governance for Institutions Offering Only Islamic Financial Services (Excluding Islamic Insurance(Takaful) Institutions and Islamic Mutual Funds) and
3. Guiding Principles on Governance for Islamic Collective Investment Scheme

It may be mentioned that Islamic Banking Department has earmarked the implementation/adoption of various Prudential Standards issued by IFSB. During the current year, IBD has plans to implement the IFSB Standards on “Corporate Governance”, “Transparency and Market Discipline” and “Supervisory Review Process”. It is expected that these workshops would prove quite helpful and would facilitate the process of adoption at our local

industry. Further, the participation by the industry players in these conferences would lend us a good platform to explore a healthy discussion on the topics and also to address/clarify the issues pertaining to the topics. This workshop would also support the awareness creating process at our local market.

Guidelines on Islamic financing for agriculture

The guidelines on ‘Islamic financing for agriculture’ has been issued to help banks develop specific Shariah-compliant products in order to meet financing needs of the farming community. These guidelines have been developed in consultation with the stakeholders keeping in view the potential and demand for Islamic banking products in the field of agriculture,

The guidelines broadly cover Islamic modes of financing like Murabaha, Ijarah, Musawamah, Salam, Istisna, Musharaka, Diminishing Musharaka, Mudarbah, Muzara’a, Musaqat and Mugharasa that can be used for meeting financing requirements of farm and non-farm sector activities including livestock, fisheries, poultry, and orchards.

In addition to these financing needs, Islamic Banking Institutions (IBIs) may also refer to SBP guidelines and instructions for crop and non-crop sector activities like livestock, fisheries, poultry, horticulture, etc to make further progress on this front.

Moreover, the guidelines have also explained the application and procedure of the Islamic modes of financing. All banks have been advised to use these guidelines for developing their own Shariah compliant products for extending finance to the agriculture sector according to their policy and operational and market requirements, subject to compliance with SBP regulations and approval from their Shariah adviser.

The guidelines will facilitate IBIs, particularly those who are extending their branch network and outreach in rural areas, to develop their own products to meet financing needs of agri/rural community in a Shariah compliant manner. Conventional banks with Islamic banking branches may offer these

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products through Islamic banking windows by deploying their conventional branch network. Under the guidelines, individuals and/or partnership concerns and all types of legal entities engaged in agriculture related activities, having sufficient knowledge and relevant experience are eligible to get financing under the Islamic financing scheme.

As per prudential regulations for agriculture financing, these guidelines shall not include financing for traders and intermediaries engaged in trading, processing, grading, packaging and marketing of agricultural commodities. Such financing will fall under corporate, commercial or SME financing and will be subjected to compliance with corporate, commercial or SME regulations. However, financing under the guidelines can be extended to entities (including corporate firms, partnerships and individuals) engaged in farming activities as well as processing, grading, packaging and marketing of mainly 75 per cent of their own horticulture produce.

Financing facilities may be extended, provided IBI is satisfied with the capacity of the customer or sponsor to manage and run the horticulture activities subject to the following conditions.

🔒 Customer should be a holder of computerized NIC while usual requirements for corporate clients would apply.

🔒 Customer should not be a defaulter of any IBI / financial institution. This condition may be relaxed in case the IBI is satisfied with creditworthiness of the customer and that earlier default was circumstantial and not willful.

🔒 IBI is satisfied and feels comfortable with the farmer and guarantors (where applicable) identity character, reputation and creditworthiness.

🔒 It is advisable that IBI should have detailed understanding and information about the customer, his or her capacity to effectively use and repay the debt from the projected cash flow, and/or any other possible income streams, according to the guidelines.

Meetings of Shariah Board

Three meetings of Shariah Board were held on 29th November, 2008, 6th and 20th January 2009 respectively to discuss the AAOIFI Shariah Standard on Ijarah, Shariah Compliance Inspection of IBIs, Profit Distribution Mechanism and practices of IBIs, Takaful System and role of Shariah Advisor.

Shariah Advisors Forum (SAF)

Shariah Advisors Forum (SAF) is a body comprising of Shariah Advisors of IBIs in Pakistan. SAF meetings are held from time to time to discuss issues faced by the Islamic banking industry and Shariah advisors share their experiences in the meetings. Before submission to the Shariah Board, matters relating to Islamic banking institutions are also discussed in this Forum in detail to find out their Shariah solutions. Findings and views of this Forum on these issues are submitted to Shariah Board for final decision and approval. A meeting of the Shariah Advisor Forum was held on February 17, 2009 at Learning Resource Center of State Bank of Pakistan, Karachi to discuss on findings of Subcommittee's comments on AAOIFI Shariah Standard #03, 12 and 17. It was informed to Shariah Advisors that comments of Shariah Advisors are also invited for the Shariah Standard # 5, 6, 10 and 11.

BANK IN FOCUS

CONTINUED FROM PAGE 10

He has taught and written on Fiqh and Usool-e-Fiqh matters for over two decades. He has also responded to a large number of queries and issued religious rulings i.e. Fatwas on various matters pertaining to Islamic Law, especially in the field of commercial law. His numerous publications and books include, Al-Madkhal-Al-Masrafi (Introduction to Islamic Banking) in Arabic, Islamic Law of Contracts and Business Transactions, and Shari'ah Maxims on Financial Matters etc.

(information provided by: Askari Bank Ltd)

For further information please visit www.askaribank.com.pk

Local News

First-ever auction of Islamic paper: SBP raises Rs 6.522bn in Ijarah Sukuk auction

http://www.dailytimes.com.pk/default.asp?page=2008\09\16\story_16-9-2008_pg5_6

September 16, 2008

State Bank of Pakistan raised Rs 6.522 billion through sale of three-year Ijarah Sukuk, setting cut off margin over benchmark at 45 basis points. This was the first ever auction of an Islamic paper in the domestic market.

The central bank received bids of Rs 9.522 billion. The margins over benchmark that the primary dealers demanded ranged from minus 10bps to 100bps. The cut-off margin set by SBP will be applicable to all accepted bids.

Head of treasury of a leading Islamic bank told Daily Times that roughly Rs 750 million-Rs 1 billion was invested by Islamic banking windows of conventional banks while the rest was invested by full-fledged Islamic banks.

He said that he was quite satisfied with the margin offered by the central bank over the benchmark.

This was the first ever auction of an Islamic paper in the market. Earlier, Islamic banks had bought Sukuk issued by Wapda and KSEW, but they were not sold through an auction.

An official of a leading Islamic bank said foreign investors had also showed interest in investing in the government's Sukuk. He said they could not be entertained in the absence of government's instructions on if and how the foreign investors could participate in the auction. "The government has not issued any notification about foreign investors' participation in these papers," he said.

With this issue, the Islamic banks would be in a better position to manage their liquidity. Earlier, they had to place cash with the central bank to meet their SLR because of shortage of securities. Moreover, they did not get any profit on that cash. Now they will be

able to invest their excess liquidity in these papers and earn profits.

Islamic banks have to place 9 percent of their deposits with the central bank as SLR. This requirement is 19 percent for the conventional banks. A banker said that the central bank might raise the SLR for Islamic banks after sometime when auctions of government Sukuk become a regular thing.

The shortage of securities was so acute that a few days ago a leading Islamic bank failed to buy KSEW Sukuk from the market because those holding the paper did not want to sell.

"We are quite satisfied, but we still need to have short-term Shariah-compliant instruments," said an official of an Islamic bank. "The three-year Sukuk is not an alternative to treasury bills."

Islamic finance more dynamic than conventional banking'

http://www.dailytimes.com.pk/print.asp?page=2008\08\26\story_26-8-2008_pg5_4

August 26, 2008

The Islamic Banking System is the true form of banking and it is the only alternate to the conventional system of banking which has failed to support and bolster up world's economy.

This was stated by the Director of Islamic Banking department, State Bank of Pakistan (SBP) Pervez Said, while addressing a two-day workshop on "Islamic Banking and Finance" at Council of Islamic Ideology (CII). The workshop inaugurated by CII Chairman Dr. Khalid Masud has been organized as a follow of international conference on "Islam and current economic issues" held in Islamabad in 2007. The objective of workshop is to review the existing Islamic Banking system in Pakistan which dates back to 1990 and take recommendations from Ulema who are attending the event.

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Local News

Mr. Pervez said the Islamic Banking system that is future of Pakistan's banking sector is much dynamic system as compared to the conventional banking which is based on money-lending. "Islamic economic model is brilliant which envisages equal distribution of wealth which is obvious from the fact that economy flourishes where ever Muslims reached," Saeed said.

He pointed that even the non-Muslim countries like Hong Kong, Thailand and Singapore besides Muslim countries were successfully operating Islamic Banking system for the last many years where various problems were being faced in its implementation in letter and spirit in Pakistan.

Mr. Pervez apprised the audience that Islamic Banking currently had a share of around 5 per cent in country's banking and it would be expanded extensively when its share increased to 10 or 15 per cent. He said all Islamic banks in Pakistan are bound to Shariah audit and if any issue arises, it is taken up by the Shariah Board and the financial institutions are bound to obey board's directives.

He mentioned that Mudarbah and Musharaka were the real instruments of sophisticated Islamic Banking system. "If continues with conventional system of banking, we will go back 250-year old economic system while Islamic banking is sophisticated one,"

Islamic banking lecture series starts

<http://www.thefrontierpost.com/News.aspx?ncat=hn&nid=2804&ad=12-11-2008>

November 12, 2008

A 10-day lecture series on "Islamic Banking & Finance: Practice, Prospects & Challenges" started here at the international Islamic University, Islamabad (IIUI) under its faculty of Shariah & Law and International Institute of Islamic Economics (IIIE). Hashim Hoti, country manager Askari Islamic Bank was chief guest while Dr. Anwar Hussain Siddiqui, President IIUI chaired the opening ceremony. Hoti and Dr. Siddiqui in their speeches said that Islam has presented a unique economic system based on justice and equality which makes it obligatory upon its fol-

lowers to create an exploitation free society. They added that the very provisions of the Pakistan's constitution are very clear in this context. They said that only Islamic economic system has capability to solve problems faced by the modern day world due to capitalist system which has proved its failure in this regard. Opening ceremony was also addressed by Dr. Muhamamad Tahir Mansoori, Dean Faculty of Shariah & Law, Dr. Syed Naseem Shah Sherazi, Director IIIE, and Muhammad Khaliq Zaman Head Islamic Banking and Finance IIUI.

SBP ranked in 2nd place in promoting Islamic Banking

http://www.dailytimes.com.pk/default.asp?page=2009%5C01%5C11%5Cstory_11-1-2009_pg5_11

January 11, 2009

In the financial sphere 2008 was deemed by many as an annus horribilis with the global markets plummeting following in-large to the US mortgage industry. The Islamic finance industry also succumbed to market forces but by and large fared better than its conventional counterparts.

What is clear, from the results of the 2008 Islamic Finance news Poll, is that the more focused and specialized Islamic financial institutions are favored to those of the larger global historically conventional institutions with Islamic operations. With 2,491 votes cast, this is the industry's most comprehensive and definitive survey.

In the Best Overall Islamic Bank category Kuwait Finance House again ran out easy favorites for the second year running. Malaysia's CIMB Islamic Bank climbed one place to second this year with Saudi Arabia's Al Rajhi Banking & Investment Corporation taking third spot. One notable absentee from this category is the two times winner and runner up in 2007, Dubai Islamic Bank.

As more of the world's financial centers announce their interest in attracting Islamic finance to their shores one would assume the Best Central Bank in

.....Continued from previous page

Local News

Promoting Islamic Finance category would be more competitive. Not so. For the fourth straight year Bank Negara Malaysia was voted number one with more than double the votes of their nearest rival, the State Bank of Pakistan, which itself leapfrogged the Central Bank of Bahrain into second place this year. In new categories for the 2008 Poll, BMB Islamic won Best Islamic Shariah Advisory Firm and KFH Research was voted Best Islamic Research Firm.

In a year when a number of banks collapsed or merged, the Islamic finance industry witnessed a number of new arrivals ensuring a hotly contested Best New Islamic Bank category, with the UK's Gatehouse Bank scraping victory over Maybank Islamic in a close second. In other categories, Norton Rose climbed from second in 2007 to first in the Best Law Firm in Islamic Finance, Moody's Investors Service was voted Best Islamic Rating Agency, Path Solutions won Best Islamic Technology Provider, Oasis Asset Management is named Best Islamic Fund Manager and Takaful Ikhlas the Best Takaful / reTakaful Provider for 2008.

Tarin for enhancing outreach of businesses circulating in economy outside banking channels

http://www.app.com.pk/en /index.php?option=com_content&task=view&id=67505&Itemid=1

February 09, 2009

Advisor to the Prime Minister on Finance, Revenue and Economic Affairs, Shaukat Tarin called upon the Islamic bank to develop a rigorous plan to enhance outreach of the businesses circulating in the economy outside the banking channels only on religious grounds.

"There are billions of rupees in the businesses circulating in the economy outside the banking channel only on religious grounds. They are not approaching the Islamic banking because of the doubts the Shariah's compatibility of the Islamic banks and financial institution", he said while inaugurating the first Academic program of Riphah Center of Islamic

Business.

Senator, Prof Khurshid Ahmed, Dr. Anis Ahmed, Vice Chancellor of Riphah International University (RIU) and Hassan Khan pro Chancellor of the university also spoke on the occasion.

He said, "I believe the spirit and modalities of Islamic banking opens up opportunities to develop new financial instruments suitable to mobilize resources for innovative business". He assured that participants that the government would extend all possible support in the development of Islamic mode of finances for the development of the country.

Senator Prof Khurshid Ahmed speaking on the occasion called for promotion of Islamic banking system adding said that the system has all the potentials to solve the problems of the financial systems. He added that Islam teaches that wealth should be utilized for the welfare of the people in the country and it should be equity based. He said that mode of Islamic banking is blooming parallel to conventional banking in the country. He also called for creating awareness among the masses about the importance of Islamic banking system in the country. The other speakers also stressed the need for development of Shariah complaint banking system in the country.

Islamic banking to bring about revolution: Hamid

<http://dailymailnews.com/200812/24/dmhoroscopepage.html>

December 24, 2008

Federal Minister for Religious Affairs Syed Hamid Saeed Kazmi said on Tuesday that Islamic banking would bring about revolution and also lay down basis for sound economic reforms in the country.

He expressed these views while addressing at the inaugural ceremony of Islamic Banking Branch, National Bank of Pakistan, Pirzada Market Jinnah Road here. The Minister for Religious Affairs said that Islamic banking would bring about revolution besides laying down basis for sound economic reforms in the

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International News

[H.E. Hamad Al Sayari assumes Chairmanship of the Council of the IFSB for 2009](#)

http://www.ifsb.org/preess_full.php?id=115&submit=more

January 28, 2009

H.E. Hamad Al Sayari, Governor of the Saudi Arabian Monetary Agency (SAMA), assumed Chairmanship of the Council and General Assembly of the Islamic Financial Services Board (IFSB) for the term 1st January – 31st December 2009. H.E. Dr. Sabir Mohamed Hassan, Governor of the Central Bank of Sudan assumed the Deputy Chairmanship for the same period.

Chairmanship of the IFSB is on an annual rotational basis from among the Full members as specified in the IFSB Articles of Agreement.

Mr. Al Sayari is the 7th Chairman of the Council and General Assembly of the IFSB and the Saudi Arabian Monetary Agency will host the IFSB Annual Meetings on 31st March 2009.

Mr. Al Sayari has been the Chairman, Board of Directors and the Governor of SAMA since 1983. He has recently been ranked 17 among 50 of the most influential people in the financial community worldwide by Institutional Investor magazine, which describes Al Sayari, citing his 27 year career in charge of monetary policy, as "a rock upon which Saudi Arabia's oil-based economy has been built." Prior to his joining SAMA in 1980, he was the Director General of the Saudi Industrial Development Fund and has also served as the Secretary General of the Public Investment Fund. He is currently a member of the Supreme Economic Council, as well as a Board Member of the Public Investment Fund. Mr. Al Sayari holds a M.A. (Economics) from the University of Maryland, USA

Dr. Sabir Mohammed Hassan, Governor of the Central Bank of Sudan is the Deputy Chairperson. Dr. Sabir has been Governor of the Central Bank of Sudan since 1998. He was previously in the same position in 1993 to 1996,

before leaving to serve the Government of Sudan as a State Minister for the Ministry of Finance and National Economy for one term. He served as Adviser to the Executive Director of the International Monetary Fund during the period 1983 to 1990. Dr. Sabir received his Ph.D. in Economics, Trade and Development Financing from Syracuse University, USA in 1982. He has published research on different economic and banking subjects.

[Australia considers adopting Islamic banking](#)

<http://www.radioaustralia.net.au/news/stories/200810/s2399691.htm?tab=australia>

October 23, 2008

Financial institutions and the government are considering introducing Islamic banking and its principles to the Australian financial system.

Industry experts say Islamic banking is one of the fastest growing sectors in the global banking industry, and is worth an estimated \$US200 billion worldwide.

The Asialink Islamic Banking Colloquium, held in the Australian city of Melbourne, has heard Islamic banks have largely escaped the fallout from the economic crisis by adhering to Islamic principles of prohibiting interest and sharing of profit and loss between banks and borrowers.

A leading academic on Islamic banking, Professor Abdullah Saeed from Melbourne University, says there is potential for further growth in Australia.

"A lot of conventional banks are interested in and a number of Islamic banks are actually moving into Australia so we're not just talking about a Muslim issue.

"It is one of the ways of dealing with banking and finance [which just] happened to be called Islamic."

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International News

Islamic Banking Escapes Fallout

<http://freethoughtmanifesto.blogspot.com/2008/11/islamic-banking-escapes-fallout.html>

October 20, 2008

Islamic banking has largely escaped the fallout from the global financial crisis, thanks to rules that forbid the sort of risky business that is felling mainstream institutions.

But experts say that because of its heavy reliance on property investments and private equity, the booming 1.0 trillion dollar global industry could be hit if the turmoil worsens and real assets start to crumble.

In the current financial turmoil, it is interesting to note that Islamic financing may have prevented a majority of the mess created by the conventional banking and financial institutions,' Kuwait Finance House said in a report.

'The outlook for Islamic financing is bright and will likely take the lead in terms of providing funding for major projects as the conventional banking system reevaluates its business model.'

The rules of Islamic banking and finance - which incorporate principles of Shariah or Islamic law - read like a how-to guide on avoiding the kind of disaster that is currently gripping world markets.

Islamic law prohibits the payment and collection of interest, which is seen as a form of gambling, so highly complex instruments such as derivatives and other creative accounting practices are banned.

Transactions must be backed by real assets - not shady re-packaged subprime mortgages - and because risk is shared between the bank and the depositor there is an incentive for the institutions to ensure the deal is sound.

Investors have a right to know how their funds are being used, and the sector is overseen by dedicated supervisory boards as well as the usual national regulatory authorities.

'Islamic banking has, thus far, remained positive, despite

the current challenging global financial environment,' said Mr Zeti Akhtar Aziz, the central bank governor of Malaysia, which is Southeast Asia's leader in Islamic banking.

Mr Zeti said this month that because of the slowing global economy, plans for Islamic 'sukuk' bonds had been postponed or scrapped by companies including Kuwait's Abyaar Real Estate Development and Malaysia's Perisai Petroleum.

And Ms Jennifer Chang, a partner at Pricewaterhouse Coopers in the Malaysian capital Kuala Lumpur, said that given the extent of the global crisis, Islamic banks may suffer damage despite their strong position.

'Islamic banks, especially in the Middle East, got heavily into private equity and real estate investments, and a lot of loans may be backed by properties. So if the property market goes down, there will be an impact,' she said.

'If a borrower is not able to pay then the bank will foreclose and the question is - can you sell the property in the market and at what value? These are issues which all banks can face.'

There have been calls for the conventional banking industry to take a leaf out of the book of Islamic finance, which also shuns investments in gaming, alcohol and pornography in favour of ethical investments.

Influential Sunni cleric Sheikh Yusuf al-Qaradawi earlier this month called on Muslims to take advantage of the turmoil to build an economic system compatible with Islamic principles.

'The collapse of the capitalist system based on usury and paper and not on goods traded on the market is proof that it is in crisis and shows that Islamic economic philosophy is holding up,' said the Egyptian-born, Qatar-based cleric.

In recent years the sector has broken out of its niche and been embraced by mainstream banks. As well as basic bank deposits and investment accounts, it has expanded into areas including equity funds, bonds and Islamic hedge funds.

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International News

Mr Abhishek Kumar, a senior research analyst at Financial Insights, a company under market research and analysis firm International Data Corp (IDC), said recent events may further boost the sector.

'More and more institutions will be interested in providing Islamic services to diversify their risk portfolio,' he said, while warning that in the current financial storm there were no absolutely safe harbours.

'We're not really sure what the real extent of the impact is, and whether we've passed the worst of it or not, But the extent is not going to be as bad as in the mainstream sector,' he said.

Islamic banking set to rise in UK

<http://financerenaissance.blogspot.com/2008/11/islamic-banking-set-to-rise-in-uk.html>

November 19, 2008

Islamic banking is set to rise from its modest two per cent share of UK bank assets as the government encourages growth and British Muslims overcome their suspicion, Shariah lender Gatehouse Bank said yesterday.

"The government is very keen on social inclusion and economic inclusion and it feels that still there are areas of the UK where there's not enough economic inclusion," Gatehouse chairman Richard Thomas said on the sidelines of an Islamic finance forum in Malaysia. "So they feel that if they open up alternative finance such as Islamic finance then that will allow people to be included in the British economy in a way they weren't before."

Britain intends to issue its own sovereign Shariah-compliant Sukuk debt in a rolling program worth around £2 billion (\$3bn), although it has said legal barriers still remain and it will make a final decision later.

Thomas said Britain's Muslim population of three million could help drive the industry's growth, although they needed to overcome their suspicion about Islamic banking.

"They had an experience with BCCI which said it was Islamic when it wasn't. They need to be persuaded that the tools that are being used actually are Islamic."

BCCI or the Bank of Credit and Commerce International, which had the Abu Dhabi government as its majority shareholder, collapsed in 1991 after evidence of massive fraud and links to organised crime.

London-based Gatehouse was set up in May last year and specializes in Islamic capital markets business, institutional wealth management and Shariah advisory services.

Islamic banking sets new record of growth

<http://arabnews.com/?page=6§ion=0&article=116614&d=24&m=11&y=2008&pix=business.jpg&category=Business>

24 November 2008

Resisting the ongoing global financial turmoil, the Islamic banking industry has set a new growth record in the first half of 2008 and outperformed conventional banks in most of its core markets, according to the McKinsey Competitiveness Report 2008-09.

The 2008-09 WIBC Competitiveness Report was released on November 23, 2008 at the 15th Annual World Islamic Banking Conference (WIBC) executive briefing which was led by McKinsey partners from key international centers.

The report findings indicated that growth in the Islamic banking seemed set on the path to strong growth and profitability during 2008.

"Contrary to the commonly held perception, Islamic banks have to some extent been affected by the global financial crisis, especially due to the inherent risks of Islamic finance such as a higher maturity mismatch than conventional banks and many players having significant exposure to real estate sector," the report said.

According to UK-based Islamic Finance Information Service (IFIS), the total issuance of Sukuk reached \$15.37 bil-

..Continued from previous page **International News**

lion in 2008, showing a decline of 67 percent as compared with 2007. Total 767 Sukuk issued worldwide with an aggregate value of \$115 billion since 1990. In 2007 average Sukuk value of \$227.6 million dropped by 56 percent to \$99.2 million in 2008.

“The impact of the financial crisis has, however, been lower in comparison to conventional banks. Islamic banks are less debt reliant and more dependent on customer deposits for liquidity, thus limiting their exposure to credit markets.

The report highlighted three fronts that Islamic banks need to act upon: Sound risk management, a rethinking of their positioning and value propositions and more stringent management of growth of their top and bottom lines.

Results from the Competitiveness Report also showed that GCC retail banks are between the emerging and consolidated phases of development and are expected to grow and contribute 50 percent of GCC banking revenue by 2011.

The report also indicated that Sukuk issuance has grown phenomenally across all markets, though this has recently ground to a halt across various countries, primarily as a result of the current financial crisis. On Islamic wealth management, the report indicated that revenue margins in private wealth and asset management are higher in the GCC than in other regions.

The report also stated that the world Takaful premium is still relatively small at \$7.2 billion in 2007 driven partly by under penetration in main Islamic finance markets in the P & C segment, as well as in the life segment. Takaful operators are also generally less profitable and have demonstrated slower growth compared to their peers offering conventional insurance.

Disclaimer: The news section of Islamic Banking Bulletin is based on information obtained from local and international print and electronic media.

Islamic Banking Branch Network

As of December 31, 2008

Type	Name of Bank	Branches
Full Fledge Islamic Banks	AlBaraka Islamic Bank	30
	BankIslami Pakistan Limited	70
	Dawood Islamic Bank Limited	15
	Dubai Islamic Bank Pakistan Ltd	23
	Emirates Global Islamic Bank Ltd	40
	Meezan Bank Ltd	131
	Sub Total	309
Islamic Branches of Conventional Banks	Askari Bank Limited	18
	Bank Alfalah Ltd	48
	Bank Al Habib	4
	Habib Bank Ltd	1
	Habib Metropolitan Bank	4
	MCB Bank Ltd	11
	National Bank of Pakistan	4
	Soneri Bank Ltd	6
	Standard Chartered Bank	8
	The Bank of Khyber	16
	The Royal Bank of Scotland	3
United Bank Ltd	5	
	Sub Total	128
Sub Branches	Askari Bank Limited	2
	BankIslami Pakistan Limited	32
	Dawood Islamic Bank Limited	6
	Dubai Islamic Bank Pakistan Ltd	2
	Meezan Bank Ltd	35
	Sub Total	77
	Grand Total	514

Province wise Break-up of Islamic Banking Branch Network**

(As of December 01, 2008)

Bank Name	Azad						Grand Total
	Kashmir	Balochistan	Federal Capital	NWFP	Punjab	Sindh	
Al Baraka Islamic Bank B.S.C. (E.C.)	1	-	3	3	15	7	29
BankIslami Pakistan Limited	1	7	2	5	29	23	67
Dawood Islamic Bank Limited	-	-	1	-	6	8	15
Dubai Islamic Bank Pakistan Limited	-	-	2	1	11	7	21
Emirates Global Islamic Bank Limited	-	1	2	2	11	9	25
Meezan Bank Limited	1	3	7	12	55	45	123
Sub-Total	3	11	17	23	127	99	280
Islamic Banking Divisions of Conventional Banks							
Askari Bank Limited	-	1	1	1	9	5	17
Bank AL Habib Limited	-	1	-	-	2	1	4
Bank Alfalah Limited	-	-	3	2	20	10	35
Habib Bank Limited	-	-	-	-	-	1	1
Habib Metropolitan Bank Limited	-	-	-	-	1	3	4
MCB Bank Limited	-	-	1	-	4	3	8
National Bank of Pakistan	-	-	-	1	2	1	4
Soneri Bank Limited	-	-	1	-	1	2	4
Standard Chartered Bank (Pakistan)	-	-	1	1	3	3	8
The Bank of Khyber	-	1	-	11	3	2	17
The Royal Bank of Scotland	-	-	-	-	1	2	3
United Bank Limited	-	-	-	1	3	1	5
Sub-Total		3	7	17	49	34	110
Sub-Branches							
Askari Bank Limited	-	-	1	-	-	1	2
BankIslami Pakistan Limited	1	-	3	2	7	13	26
Dawood Islamic Bank Limited	-	-	-	-	2	2	4
Dubai Islamic Bank Pakistan Limited	-	-	-	1	-	1	2
Meezan Bank Limited	-	-	-	3	12	13	28
Sub-Total	1		4	6	21	30	62
Grand Total	4	14	28	46	197	163	452

SBP RANKED 2ND.....**CONTINUED FROM PAGE 3**

**Provisional data

In new categories for the 2008 Poll, **BMB Islamic** won Best Islamic Shariah Advisory Firm and **KFH Research** was voted Best Islamic Research Firm.

In a year when a number of banks collapsed or merged, the Islamic finance industry witnessed a number of new arrivals ensuring a hotly contested Best New Islamic Bank category, with the UK's **Gatehouse Bank** scraping victory over **Maybank Islamic** in a close second.

In other categories, **Norton Rose** climbed from second in 2007 to first in the Best Law Firm in Islamic Finance, **Moody's Investors Service** was voted Best Islamic Rating

Agency, **Path Solutions** won Best Islamic Technology Provider, **Oasis Asset Management** is named Best Islamic Fund Manager and **Takaful Ikhlas** the Best Takaful / reTakaful Provider for 2008.

In the Best Islamic Banks by Country category there were notable wins for **MCCA** (Australia), **Faisal Islamic Bank** (Egypt), **Bank of London and The Middle East** (UK), and **Bank Muamalat Indonesia**.

To all the winners we offer our sincerest congratulations.

Source: Islamic Finance News
www.islamicfinancenews.com

Cities-wise breakup of Islamic Banking Branches**

(As of December 01, 2008)

S. No	Name of City	No of Branches	S. No	Name of City	No of Branches
1	Abottabad	5	34	Mian Channu	1
2	Bahawalpur	2	35	Mianwali	1
3	Banu	1	36	Mingora	1
4	Batkhela	1	37	Mirpur AJK	3
5	Chakwal	2	38	Mirpur Khas	1
6	Chaman	1	39	Multan	15
7	Charsadda	1	40	Muslim Bagh	1
8	Chitral	1	41	Muzaffarabad	1
9	Dera Ghazi Khan	2	42	Nawabshah	2
10	Dera Ismail Khan	3	43	Nowshera	1
11	Faisalabad	20	44	Okara	2
12	Gojra	1	45	Peshawar	20
13	Gujar Khan	1	46	Pishin	1
14	Gujranwala	8	47	Qilla Saifullah	1
15	Gujrat	3	48	Quetta	8
16	Hangu	1	49	Rahim Yar Khan	4
17	Haripur	2	50	Rawalpindi	19
18	Hyderabad	12	51	Sadiqabad	1
19	Islamabad	28	52	Sahiwal	3
20	Jauharabad	1	53	Sakrand	1
21	Jhang	1	54	Sargodha	4
22	Jhelum	1	55	Sheikhupuar	1
23	Kamoki	1	56	Sialkot	10
24	Karachi City	141	57	Sukkur	3
25	Kasur	1	58	Tando Adam	1
26	Khushab	1	59	Tando Allahyar	2
27	Kohat	1	60	Tank	1
28	Lahore City	86	61	Texila	1
29	Larkana	1	62	Timergara	1
30	Loralai	1	63	Wah Cantt	2
31	Mandi Bahauddin	1	64	Zhob	1
32	Mansehra	5		Grand Total	452
33	Mardan	1		**Provisional data	

