

# Islamic Banking Bulletin

July 2007



**Islamic Banking Department**  
**State Bank of Pakistan**

# Islamic Banking Department

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## Mission

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

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## Vision

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

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*Islamic Banking Department  
State Bank of Pakistan*

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# Islamic Banking Bulletin

## Islamic Banking Sector

The Islamic Banking Sector continued to grow at a rapid pace which is reflected by the increasing branch network of the Islamic Banking Institutions. Emirates Global Islamic Bank Limited started its operations on 16.02.2007. The network details can be seen at Annexure-I.

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.

### Comparative Consolidated Balance Sheets

(Rs in million)			
Description	Dec-06	Mar-07	Inc./ (Dec.)
<b>ASSETS</b>			
Cash and balances with treasury banks	15,266	15,505	2%
Balances with other banks	16,383	22,192	35%
Due from financial institutions	5,602	8,382	50%
Investments	7,053	8,403	19%
Financings	65,137	69,993	7%
Operating fixed assets	2,518	4,079	62%
Deferred tax assets	192	343	78%
Other assets	6,031	6,745	12%
<b>Total Assets</b>	<b>118,183</b>	<b>135,641</b>	<b>15%</b>
		-	
<b>LIABILITIES</b>			
Bills payable	1,260	1,528	21%
Due to financial institutions	6,547	6,462	(1%)
Borrowings from Head office*	4,194	5,743	37%
Deposits and other accounts	83,742	93,068	11%
Sub-ordinated Loans	-	-	
Liabilities against assets subject to finance lease	-	40	-
Deferred tax liabilities	491	832	69%
Other liabilities	6,102	7,044	15%
<b>Total Liabilities</b>	<b>102,336</b>	<b>114,716</b>	<b>12%</b>
<b>NET ASSETS</b>	<b>15,847</b>	<b>20,925</b>	<b>32%</b>
<b>REPRESENTED BY</b>		-	
Paid-up capital/Head office capital account	14,465	18,944	31%
Reserves	529	531	0%
Unappropriated/Unremitted profit	756	860	14%
Sub Total	15,750	20,334	29%
Surplus /(Deficit) on revaluation of assets	97	590	509%
<b>Equity</b>	<b>15,847</b>	<b>20,925</b>	<b>32%</b>

\* In case of Islamic Banking Branches.

#### Inside this issue:

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## Analysis of the Consolidated Balance Sheet

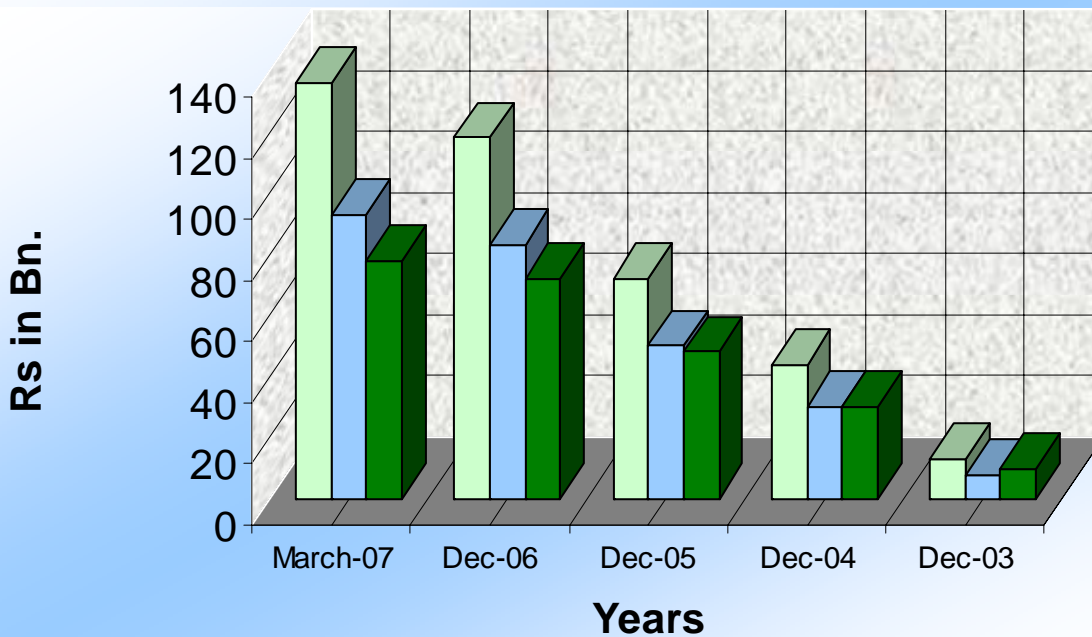
- The Balance Sheet footing of the Islamic Banking Industry increased during the past quarter. The total assets portfolio in the Islamic Banking Sector expanded by 15% to Rs. 135,641 million in March 2007 from Rs. 118,183 million in December 2006.
- Financings constituted 52% of the total assets and stood at Rs. 69,993 million in March 2007 as compared to Rs. 65,137 million at the end of December 2006, showing an increase of 7%.
- There was a substantial increase in “Balances with other banks”. Balances held by Islamic Banking Institutions at the other Banks increased by 35% to Rs.22,192 million from Rs.16,383 million, mainly due to introduction of new players in the market , increased liquidity with IBIs and non availability of Shariah Compliant government securities.
- Deposits increased by 11 % to Rs. 93,068 million as at the end of March 2007 from Rs. 83,742 million at end December 2006.
- Islamic Banking Sector’s equity increased by 32% to Rs. 20,925 million as of March 2007 from Rs. 15,847 million at the end of December 2006. Reasons for this increase are:
  - A new full fledged Islamic Bank started its operations in February 2007 by the name of Emirates Global Islamic Bank Pakistan contributing to an increase in equity by Rs. 2,895 million.
  - Minimum Capital Requirement for conventional banks also applies to Islamic Banking Institutions in Pakistan because of which the equity of Islamic Banking Institutions has increased in the first quarter of 2007.
  - Booking of quarterly profits by the banks.
- Unappropriated / unremitted profit as at the end of quarter (March 2007) increased by 14% to stand at Rs. 860 million in comparison to the previous quarter’s figures of Rs. 756 million.

## Industry Progress and Market Share

(Rs. in billion)

Description	March-07	Dec-06	Dec-05	Dec-04	Dec-03
Total Assets	136	118	72	44	13
%age of Banking Industry	3.2%	2.9%	2.1%	1.4%	0.5%
Deposits	93	83	50	30	8
%age of Banking Industry	3.0%	2.8%	1.9%	1.2%	0.4%
Financing. & Investment	78	72	48	30	10
%age of Banking Industry	2.5%	2.4%	1.8%	1.3%	0.5%
Full Fledged Islamic Banks	5	4	2	2	1
Conventional Banks with Islamic Banking Branches	13	12	9	7	3
No. of Branches	170	150	70	48	17

### Islamic Banking- 2003 To 2007

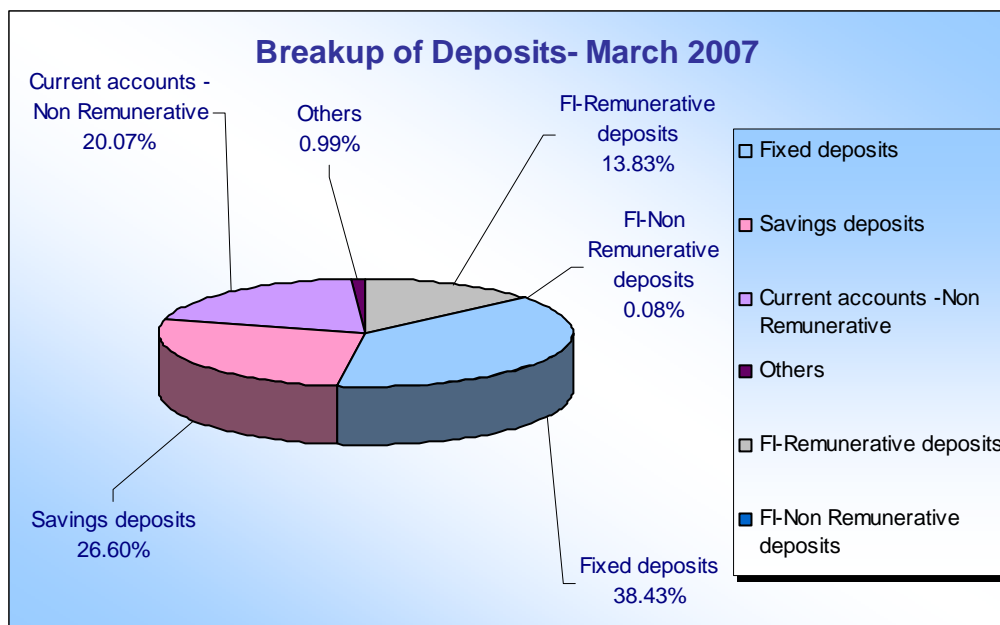


Legend: Total Assets (light green), Deposits (light blue), Financing. & Invest. (dark green)

# Deposits

(Rs. in million)

	Dec-06	March-07	Inc./(Dec.)
<b>Deposits and Other Accounts</b>	<b>83,742</b>	<b>93,068</b>	<b>11%</b>
<b>A) Customers</b>		-	
Fixed deposits	30,444	35,767	17%
Savings deposits	21,371	24,754	16%
Current accounts -Non Remunerative	18,282	18,681	2%
Others	881	924	5%
<b>Total of A</b>	<b>70,978</b>	<b>80,127</b>	<b>13%</b>
<b>B) Financial Institutions</b>		-	
FI-Remunerative deposits	12,752	12,872	1%
FI-Non Remunerative deposits	12	69	499%
<b>Total of B</b>	<b>12,764</b>	<b>12,942</b>	<b>1%</b>
<b>Particulars of deposits</b>		-	
In local Currency	77,896	86,797	11%
In Foreign currency	5,846	6,272	7%
<b>Total</b>	<b>83,742</b>	<b>93,068</b>	<b>11%</b>



- Total Deposits have increased by 11% from 83,742 million to 93,068 million Rupees.
- Deposits by customers have increased by 13 % and by financial institutions by 1%.
- Fixed Deposits by customers constitute 38% of the total deposits depicting customers preference toward long term fixed deposits.

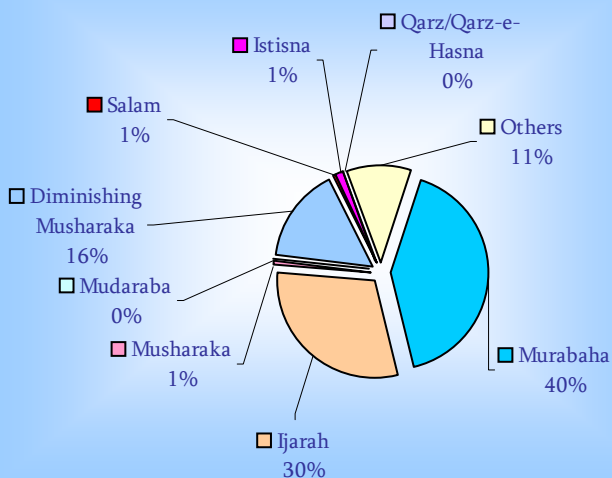
# Modes of Financing

(Rs. in million)

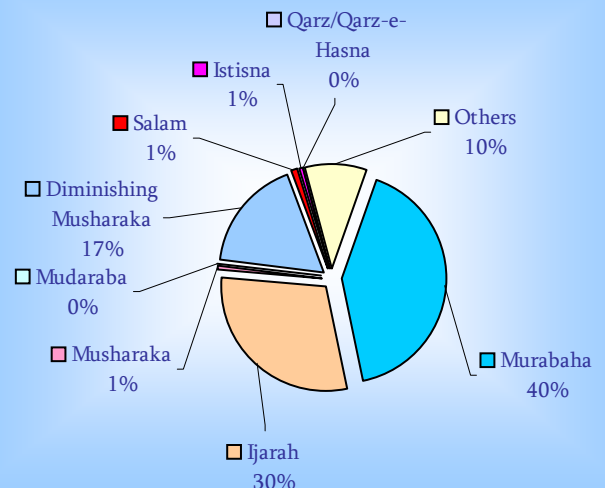
Mode of Financing	Dec-06	March-07	Inc./ (Dec.)
Murabaha	26,506	28,961	9%
Ijarah	19,634	20,956	7%
Musharaka	533	583	9%
Mudaraba	-	-	-
Diminishing Musharaka	10,598	12,313	16%
Salam	465	583	25%
Istisna	900	400	(56%)
Qarz/Qarz-e-Hasna	7	8	6%
Others	7,100	6,867	(3%)
<b>Total</b>	<b>65,742</b>	<b>70,671</b>	<b>7%</b>
Amount of Non performing Financing	820	808	(1%)
Provision against Non Performing Fin.	605	678	12%
<b>Net Non performing Fin.</b>	<b>215</b>	<b>130</b>	<b>(40%)</b>
<b>Gross Financing</b>	<b>65,742</b>	<b>70,671</b>	<b>7%</b>
Total No of Borrowers/Finances	22,243	24,322	9%

- Murabaha Financing is almost 40% of the total financing by the IBI's as of the quarter ending March 2007.
- Second most widely used mode of Finance is Ijarah Financing accounting for about 30% of the total financing.
- Growing interest in Diminishing Musharakah is depicted representing 17% of the total financing.
- The total number of borrowers increased by 9% over the previous quarter.

Mode of Financing- December 2006



Mode of Financing- March 2007



## Ratio Analysis

<u>Earnings and Profitability</u>	<u>Dec-06</u>	<u>Mar-07</u>
Mark-up Income to Total Assets	5.4%	7.4%
Mark-up Expense to Total Assets	3.0%	4.1%
Net Mark-up Income to Total Assets	2.4%	3.3%
Non-Mark-up Income to Total Assets	0.9%	1.0%
Non-Mark-up expense to Total Assets	2.4%	3.2%
Net Mark-up Income to Gross Income	72.8%	76.5%
Non-Mark-up Income to Gross Income	27.2%	23.5%
Operating Expense to Gross Income	73.1%	73.5%
<u>Assets Quality Ratio</u>	-	
NPPs to Financing	1.2%	1.1%
Net NPPs to Net Financing	0.3%	0.2%
Net NPPs to Total Assets	0.2%	0.1%
Provisions to NPPs	73.7%	83.9%
Net NPPs to Total Capital	1.4%	0.6%

- The financial position of the Islamic Banking Industry is strong as depicted by the ratio analysis.
- Earning and Profitability Ratios have improved as compared to the last quarter.
- The asset quality ratios reflect that the quality of financing has improved due to 1% decrease in Non Performing Portfolios (NPPs) coupled with 12% increase in provisions there against. Resultantly NPPs to financing ratio has decreased being otherwise also low.



## Book in Focus

# Islamic Finance: The Regulatory Challenge

**Authors:** : Rifaat Ahmed Abdel Karim , Simon Archer

**Format:** Hardcover

**Publication Date:** March 2007

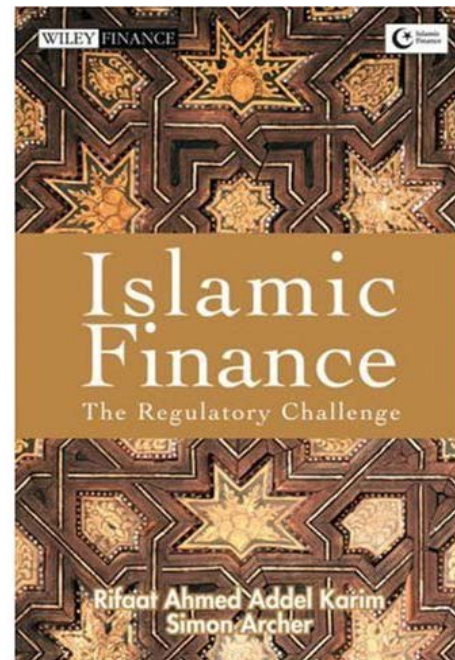
**Publisher:** Palgrave Macmillan

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

"Islamic Finance: The Regulatory Challenge" provides a comprehensive analysis of the issues that arise in the development of new frameworks for Islamic Financial Sector. Edited by two well known experts in the field of Islamic finance, it draws on the relevant expertise of eminent specialists in international finance, regulation and economic law.

This book addresses issues such as: Why the frameworks devised for the conventional financial sector are unsuitable for Islamic financial services? What is the nature of risks in Islamic banking? What regulatory challenges are faced in Islamic financial services? What is the potential for growth in the Islamic financial services sector? What problems are raised by existing legal frameworks for innovatory Islamic financial products? What are the specific corporate governance and supervision issues? How can frameworks be developed that cater to both the Islamic and conventional financial sectors in those emerging markets where Islamic financial services are expected to play an increasingly important role?

"Islamic Finance: The Regulatory Challenge" sheds much needed light on these issues, and more. As such, it should be considered as required reading for anyone interested in the potential role of Islamic finance regulators in national and international financial and capital markets.



## **Developments at Islamic Banking Department, State Bank of Pakistan**

### **Committee to develop the Vision of Islamic Banking Industry**

A committee comprising Heads of Islamic Banking Institutions was formed by State Bank in November 2006. The committee was mandated to identify the challenges faced by the Islamic Banking Institutions and develop a strategic plan for the Islamic Banking Industry in Pakistan. The Committee has till date held 5 meetings and while its Working Group and Sub-committee have held two meetings each. As a result of these meetings and subsequent input from Islamic Banking Department of SBP, a brief regarding the draft Strategic Plan for Islamic Banking Industry in Pakistan is being prepared.

### **Draft Instructions and Guidelines for Shariah Compliance in IBI's**

To further strengthen the Shariah compliance framework in Islamic banking industry, State Bank of Pakistan has prepared a draft of Instructions and Guidelines for Shariah Compliance in IBIs. Comments on the Guidelines have been sought from the Presidents/Head of Islamic Banking Divisions as well as other Stakeholders.

### **Risk Management Guidelines for Islamic banking**

To put in place an effective risk management framework for Islamic banks, a Draft of Risk Management Guidelines was formulated by IBD, based on "Guiding Principles of Risk Management for Islamic Financial Institutions" issued by IFSB. These draft guidelines were placed on SBP Website for comments from stakeholders in April 2007.

### **Adoption of Shariah Standards of AAOIFI**

To bring harmonization and standardization in the practices and procedures followed by Islamic Banking industry, Islamic Banking Department is taking necessary steps for adoption/ adaptation of Shariah Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions. In order to study these standards for possible adoption/adaptation meetings with the Shariah Advisors of the Islamic Banking Institutions are arranged.

### **Formation of Task Force for Islamic Agricultural Finance**

Task Force for Islamic Agricultural Finance has been constituted which is chaired by the Director, Islamic Banking Department and Co-chaired by Director, Agriculture Credit Department. Senior Level Officials from Commercial and specialized banks have been nominated to be the member of this task force. TORs of Islamic Agricultural Taskforce, are:

- Purpose of this task force is to evaluate possible modes and product for introduction of Shariah compliant Agricultural Finance products as well as selection of appropriate channels of distribution of the proposed products.
- On the basis of recommendations of the Task Force, Islamic Banking Department will formulate "Guidelines for Islamic Agricultural Finance" to facilitate Shariah compliant agricultural financing in the market.

### **Establishment of Team to Conduct Impact Study on IFSB Capital Adequacy Standard**

In order to conduct an impact study on IFSB Capital Adequacy Standard for its adaptability in Pakistan, a team has been formed in State bank of Pakistan.

## Local News

### **EGIBL signs MoU for arranging Rs2b Islamic sukuk in Pakistan**

<http://www.zawya.com/marketing.cfm?zp&p=/Story.cfm?id=ZAWYA20070524040545&pagename=SukukMonitor&cc>

Emirates Global Islamic Bank Limited (EGIBL) will act as financial advisors to arrange the first ever Rs2 billion sukuk issue for the infrastructure development of industrial parks in Pakistan. EGIBL has been mandated by Pakistan's National Industrial Parks Development and Management Company (NIP) to arrange the financing under the Shariah compliant mode of Islamic sukuk. An MoU was executed between EGIBL and NIP in this regard.

### **BoP to launch Islamic banking**

[http://www.dailytimes.com.pk/default.asp?page=2007%5C05%5C19%5Cstory\\_19-5-2007\\_pg5\\_6](http://www.dailytimes.com.pk/default.asp?page=2007%5C05%5C19%5Cstory_19-5-2007_pg5_6)

The Bank of Punjab (BoP) has formed a committee to launch Islamic Banking in Pakistan. A bank statement pointed out that it is in the process of obtaining relevant approval and will start operations from main cities of the country.

### **ABN AMRO opens first Islamic Banking branch in Pakistan**

<http://www.dawn.com/2007/05/11/abr6.htm>

ABN AMRO has formally launched its first dedicated Islamic Banking branch in Pakistan in the KM Centre, DHA of Karachi. ABN AMRO's CEO for Asia Jeroen Drost and other senior members of the bank attended the event. Pakistan was chosen by ABN AMRO as the first country in which to launch Islamic Banking in Commercial and Consumer segments, and there are plans to roll out services in other markets in Asia such as the United Arab Emirates, Indonesia, Malaysia and Singapore.

### **Pakistan's BankIslami considers expansion**

[www.iht.com/articles/2007/05/03/business/sxpakbank.php](http://www.iht.com/articles/2007/05/03/business/sxpakbank.php)

BankIslami Pakistan, the country's first Islamic bank with a focus on wealth management, is in talks with potential partners to fund a 10-fold expansion of its local branch network and tap markets overseas. BankIslami joins companies like ABN AMRO Holding, Citigroup and Standard Chartered with its plan to expand Islamic banking to meet demand in the world's second-most populous Muslim nation. The bank will double its capital to 6 billion rupees, or \$99 million, by the third quarter this year to finance as many as 100 new branches in 50 cities within the next three years, said Bilgrami. BankIslami plans to open 18 new branches in five Pakistani cities this year, expanding from its current 10 branches, nine in Karachi and one in the western city of Quetta.

### **Bank confirms plan to set up unit in Pakistan**

[http://www.gulf-times.com/site/topics/article.asp?cu\\_no=2&item\\_no=148623&version=1&template\\_id=57&parent\\_id=56](http://www.gulf-times.com/site/topics/article.asp?cu_no=2&item_no=148623&version=1&template_id=57&parent_id=56)

QATAR Islamic Bank (QIB) confirmed plans to set up a Shariah-compliant banking unit in Pakistan. Gulf Times had reported in its February 7, 2007 issue that the QIB was keen to enter Pakistan's rapidly expanding Islamic banking as part of its strategy to enter the Asian market. "QIB might sign a memorandum of understanding with the Central Bank of Pakistan to consider the potential establishment of an Islamic bank there," Salah al-Jaidah, Qatar Islamic's chief executive officer said in a statement posted on the Doha Securities Market website. The feasibility study for this project is still underway, according to the statement.

### **Pakistan state power utility to issue 10-yr sukuk bond**

[http://www.khaleejtimes.com/DisplayArticleNew.asp?xfile=data/business/2007/May/business\\_May336.xml&section=business&col=](http://www.khaleejtimes.com/DisplayArticleNew.asp?xfile=data/business/2007/May/business_May336.xml&section=business&col=)

Pakistan's state power utility is to issue a 10-year domestic Islamic bond, or sukuk, worth at least 8 billion rupees (\$132 million) next month to partly fund projects and for other needs, a senior official said on Thursday. The Water and Power Development Authority, or Wapda, has mandated Dubai Islamic Bank, National Bank of Pakistan and Standard Chartered Bank (Pakistan) Ltd. to arrange the issue jointly, said Imtiaz Anjum, Member Finance at Wapda. "We plan to sell our sukuk in June, and it will be worth at least 8 billion rupees," Anjum told Reuters. The issue will be backed by government guarantee and will be eligible for inclusion in the statutory liquidity reserves, or SLR, of Islamic banks as well as conventional banks having Islamic banking windows.

### **Modaraba sector plays integral role in economic development: PM**

[http://www.app.com.pk/en/index.php?option=com\\_content&task=view&id=8728&Itemid=2](http://www.app.com.pk/en/index.php?option=com_content&task=view&id=8728&Itemid=2)

The modaraba sector plays an integral role in economic development of Pakistan by facilitating the productive investment in accordance with the Islamic principles, said Prime Minister Shaukat Aziz. He stated this in his message on the occasion of the publication of the Year Book 2006 of the Modaraba Association of Pakistan. He pointed out that with the increasing interest in Islamic Banking around the world, the Modaraba sector has become an important part of Pakistan's financial sector. In her message, the Governor of the State Bank of Pakistan, Dr. Shamshad Akhter said that the State Bank is keenly focused on the development of Islamic Financial Services, making it one of the fastest growing segments of the financial sector in Pakistan. She said that the Modaraba sector is an important component of this segment and over the years has been dedicatedly committed to providing Shariah compliant financing options. The Chairman SECP, Raziur Rehman Khan, in his message pointed out that during the last two decades the Modaraba sector has contributed significantly to the financial sector by providing an Islamic mode of financing in Pakistan.

### **DIB receives applications worth Rs 5.5b**

[http://www.dailytimes.com.pk/default.asp?page=2007%5C02%5C23%5Cstory\\_23-2-2007\\_pg5\\_6](http://www.dailytimes.com.pk/default.asp?page=2007%5C02%5C23%5Cstory_23-2-2007_pg5_6)

The Islamic home finance facility of Dubai Islamic Bank Pakistan Limited (DIBPL) has so far attracted applications worth Rs 5.5 billion. This was stated by the deputy chief executive DIB, M A Mannan, while addressing a press conference to share the success of home financing and Islamic visa debit card at a hotel. He said debit card has already acquired a customer base of 5000 card holders within a very short span of time, while Rs 300 million have been provided under home financing. "Our remarkable performance speaks for two things - a dedicated sales team and an outstanding product," Mannan said.

### **Emirates Global Islamic Bank Ltd. commences operations in Pakistan**

<http://www.zawya.com/Story.cfm/sidZAWYA20070304055014/SecIndustries/pagIslamic%20Finance>

Emirates Global Islamic Bank Limited (EGIBL), a new and dedicated Islamic commercial bank with an initial operation of six branches spread across Pakistan, was officially launched in Karachi. Present at the lavish launch ceremony were a number of important dignitaries, including guest of honour Dr. Shamshad Akhtar, Governor, State Bank of Pakistan, who spoke at length about the growing banking industry and foreign investment in Pakistan - both of which EGIBL is set to play a major part. The Chairman of the Emirates Global Islamic Bank, Sheikh Tariq bin Faisal Al Qassimi of the ruling family in Sharjah, UAE was also in attendance along with the Bank's President and CEO Syed Tariq Husain.

## International News

### **Dubai Islamic Bank (DIB) launched Shariah-compliant REIT note**

[http://www.menafn.com/qn\\_news\\_story\\_s.asp?StoryId=1093144798](http://www.menafn.com/qn_news_story_s.asp?StoryId=1093144798)

**Dubai Islamic Bank** (DIB) launched Shariah-compliant four-year capital protected global real estate income trust (REIT) notes. The four-year capital protected REIT notes will have a minimum investment of \$10,000 and no management fee. The notes are strictly supervised by Shariah adviser Dar Al Istithmar whose Shariah board comprises five of the world's leading Shariah scholars who continually monitor the entire investment and reporting process.

### **Maybank biggest Islamic banking player in Asia Pacific**

[http://www.globalpro.com.my/09Jan07\\_Maybank\\_biggest\\_Islamic\\_banking\\_player\\_in\\_Asia\\_Pacific.htm](http://www.globalpro.com.my/09Jan07_Maybank_biggest_Islamic_banking_player_in_Asia_Pacific.htm)

MALAYAN Banking Bhd (Maybank) is the largest Islamic banking player in the Asia Pacific, Asian Banker Research found in its inaugural survey of the region's Islamic banking institutions. Maybank, which is not a standalone Islamic bank, currently holds over US\$6.4 billion (US\$1 = RM3.52) Shariah-compliant assets through its Islamic banking window. This is about 50 per cent more than Bank Islam Malaysia, the biggest full-fledged Islamic bank and second largest player in the region. The survey, The Asian Banker Islamic Bank 40 (IB40), identifies and ranks 40 key players in the region by the size of their Shariah-compliant assets. Banks in only six countries within the Asia Pacific made it to the IB40 ranking - Malaysia, Bangladesh, Brunei, Indonesia, Pakistan and the Philippines. Malaysia led the pack with 17 institutions holding 73 per cent of the top 40's total assets.

### **London Becoming Islamic Banking Hub**

<http://www.arabnews.com/?page=6&section=0&article=91253&d=22&m=1&y=2007>

Two landmark financing facilities closed here last week based on the Murabaha (cost-plus financing) and Musharaka (equity participation) contracts, another sign of the continuing importance of London as one of the premier international centers for structuring and arranging Islamic finance. UK High Street banking giant Lloyds TSB's corporate markets division has provided a Murabaha facility "in excess of 100 million pounds" to refinance the purchase of the Grosvenor House Apartments Ltd. by Park Lane Properties Ltd., which is co-owned by Kuwait-based ADEEM Investment Company (ADEEM) and The Investment Dar (TID). Lloyds TSB said this is the "second largest Islamic finance deal in the UK" to date and is structured in accordance with Shariah principles using a series of sequential Murabaha transactions. In the second facility, the London branch of German bank, WestLB AG has been mandated to arrange a \$100 million syndicated Musharaka facility for Emirates Trading Agency LLC, the flagship business of Dubai's ETA-Ascon Group. The main shareholders of the Group is Al-Ghurair Investment Company of Dubai.

### **Islamic bank set to launch in Kenya**

[http://archive.gulfnews.com/business/Banking\\_and\\_Finance/10106127.html](http://archive.gulfnews.com/business/Banking_and_Finance/10106127.html) 22 February 2007

A consortium of investors including a Bank Muscat unit and Dubai government investment agency Istithmar will open an Islamic bank in Kenya, the bank's chairman said. Bank Muscat International (BMI), which plans to sell a 40% stake in an initial public offering this year, will own 20% of Gulf African Bank, Abdul-Malik al-Khalili told Reuters in Dubai on Tuesday. Other shareholders in the bank,



which Khalili termed as Kenya's first sharia-compliant lender, include Istithmar, which will hold 30%, and International Finance Corp., which has taken a 10% stake, said Khalili, chairman of both Bank Muscat and BMI.

### **Green light for \$100b Islamic mega bank**

[http://www.halaljournal.com/artman/publish\\_php/article\\_1250.php](http://www.halaljournal.com/artman/publish_php/article_1250.php)

Islamic finance institutions plan to set up an Islamic bank in Bahrain within months with a capital set to rise to \$100 billion within seven years, an institution official said. Shaikh Saleh Kamel, head of the General Council for Islamic Banks and Financial Institutions, told reporters that a large Islamic bank was needed to increase liquidity in the sector and improve compliance with Islamic rules. "It is a time for mega-Islamic banks, we will establish a bank in Bahrain with different kinds of shares," Kamel told a news conference. The Islamic finance industry has an estimated \$300-\$400 billion in assets, but lacks well-capitalised banks. About a quarter of the roughly 300 Islamic lenders worldwide are reported to have less than \$25 million in paid-up capital

### **KFH Launches World's First Islamic Economics Research Team**

[http://www.bernama.com/bernama/v3/news\\_business.php?id=261885](http://www.bernama.com/bernama/v3/news_business.php?id=261885)

Kuwait Finance House Group launched its Research arm internationally, an initiative which is a manifestation of the strong ties and economic integration between the Middle East and Malaysia apart from the thriving Islamic Finance market in Malaysia. The initiative has been launched at a time when global economics play a decisive role in the way a market performs and when accessibility to accurate market information is crucial, Kuwait Finance House (KFH) said in a statement issued in conjunction with the launch. KFH is the first Islamic Bank in the world to establish an in-house research team while KFH Research is the first global Islamic research team to be housed in Malaysia. The team comprises industry experts devoted to generating and sharing knowledge on Islamic finance and capital markets within the Middle East.

### **Bank Negara Signs Commodity Murabahah Agreement With Saudi Hollandi**

[http://www.bernama.com/bernama/v3/news\\_business.php?id=262371](http://www.bernama.com/bernama/v3/news_business.php?id=262371)

Bank Negara Malaysia has executed a Commodity Murabaha agreement with Dubai-based Saudi Hollandi Bank, the first Islamic banking institution outside of Malaysia to do so with the central bank. In a statement here today, BNM said it introduced the Commodity Murabaha Programme (CMP) in March this year as part of its diverse range of policy instruments in managing short-term liquidity in the Malaysian Islamic interbank money market. "Commodity Murabaha is a cash deposit product based on the globally acceptable Islamic concept of underlying commodity transactions to facilitate liquidity management and investment," it said. The CMP is a commodity-based transaction that utilises crude palm oil based contracts as its underlying asset. Earlier this year, the central bank had executed master agreements with eight Islamic banking institutions in Malaysia.



## Islamic Finance to Serve as Link Between Asia, Mideast

[http://www.menafn.com/qn\\_news\\_story\\_s.asp?StoryId=1093148146](http://www.menafn.com/qn_news_story_s.asp?StoryId=1093148146)

A new Silk Road is emerging between the Middle East and Asia, and Islamic finance is one conduit for strengthening financial linkages between the two regions, stressed Dr Zeti Akhtar Aziz, Governor of Bank Negara Malaysia (the central Bank) yesterday, in a special address at the Global Islamic Finance Forum held in Kuala Lumpur. Zeti said that Bank Negara, together with the Securities Commission and Bursa Malaysia and industry players, have established the Commodity Murabaha House, which will act as a liquidity management scheme for Islamic bank overnight and short-term deposits, using crude palm oil as the underlying commodity traded for investment. Bank Negara has executed CMP (Commodity Murabaha Program) master agreements with eight Islamic banking institutions to promote the use of the instrument for liquidity management. This new route, she said, not only carries flows of oil, manufactured goods, and technological innovation, but also flows of direct investment, portfolio capital, private equity and human capital. "The emergence of the New Silk Road," she explained, "reflects the increasing and evolving economic and financial relationships and interlinkages, with Islamic finance well-positioned to further facilitate these linkages. Indeed, the New Silk Road opens up the prospect of exciting opportunities for economic progress and prosperity." However, this new Silk Road could also be extended to the rest of the world to advance global economic stability and prosperity.

## 4th IFSB Summit discusses challenges and efforts towards standardization and convergence of global Islamic financial industry

<http://www.ifsb.org/index.php?ch=5&pg=21&ac=68>

Dubai played host to ten governors of central banks and top executives of securities and insurance regulators in the 4<sup>th</sup> Islamic Financial Services Board Summit held on 15<sup>th</sup> and 16<sup>th</sup> May at Grand Hyatt. The Summit discussed challenges and efforts towards the standardization and convergence of the global Islamic financial services industry. The Summit is hosted by the Central Bank of UAE. The ten governors, from Bahrain, Brunei, Indonesia, Jordan, Luxembourg, Malaysia, Qatar, Sweden, Pakistan and UAE were joined by 15 other distinguished speakers including Rodrigo de Rato, Managing Director of the International Monetary Fund, Jenny Shipley, the Former Prime Minister of New Zealand and chairmen of securities and insurance regulators.

## Annexure-1

Number of Licensed Islamic Banks and Islamic Banking Branches of Conventional Banks as at 31st May 2007		
	Bank's Name	No. of Branches
<b>A) Islamic Banks</b>		
1	Meezan Bank Limited	69
2	Albaraka Islamic Bank	11
3	BankIslami Pakistan Limited	13
4	Dubai Islamic Bank Pakistan Limited	15
5	Emirates Global Islamic Bank Limited*(EGIBL)	6
6	First Dawood Islamic Bank Limited* (FDIBL)	1
<b>Total of A</b>		<b>115</b>
<b>B) Islamic Banking Branches of Conventional Banks</b>		
1	MCB Bank Ltd.	6
2	The Bank of Khyber	5
3	Bank Alfalah Limited	23
4	Habib Metropolitan Bank Ltd.	4
5	Standard Chartered Bank (Pakistan) Ltd.	3
6	Bank Al Habib Ltd	3
7	Habib Bank Ltd	1
8	Soneri Bank Limited	2
9	Prime Commercial Bank Ltd.	2
10	Askari Bank Ltd	6
11	National Bank of Pakistan	1
12	United Bank Limited	1
13	ABN AMRO Bank N.V.	1
<b>Total of B</b>		<b>58</b>
<b>A+B</b>		<b>173</b>

\* EGIBL started its operations on 16.02.2007 and FDIBL started its operations on 24.04.2007



## Annexure-2

Sr No.	City wise Breakup of Branches as on 31st May 2007	
1	Abottabad	1
2	Banu	1
3	Dera Ghazi Khan	1
4	Faisalabad	9
5	Gujranwala	3
6	Hyderabad	2
7	Islamabad	10
8	Karachi	67
9	Kasur	1
10	Lahore	36
11	Multan	6
12	Nowshera	1
13	Peshawar	6
14	Quetta	5
15	Rahim Yar Khan	3
16	Rawalpindi	11
17	Sahiwal	1
18	Sargodha	1
19	Sialkot	2
20	Sukkur	1
21	Swat	1
22	Upper Dir	1
23	Gujrat	1
24	Wah Cantt	1
25	Bahawalpur	1
	Grand Total	173