

News

Islamic finance can alleviate suffering in Med, conference told

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By its very nature, Islamic finance can help alleviate suffering in the Mediterranean and particularly in North Africa, Malta Institute of Management president Reuben Buttigieg told last week's Mediterranean Islamic Finance Conference.

"Microfinance will be desperately needed in the region and we must find ways to encourage various Islamic finance institutions to ensure that the necessary financing is available," Mr Buttigieg said.

The two-day conference organised by the MIM at the Westin Dragonara Resort in St Julian's was themed "New openings". It featured a varied programme of presentations and panel discussions on issues such as ICT in Islamic finance, alternative investment products, governance frameworks, microfinance, dispute resolution, and trusts and wealth planning.

Participants included local business people, representatives of professional service providers, local and international banks, among them Al Baraka Banking Group, the event's main sponsor, Deutsche Bank and HSBC, and some of the world's most respected Islamic finance leaders and scholars.

In his opening address, Mr Buttigieg stressed that Malta had a potential added role in the region. The island's humanitarian efforts throughout the Libyan crisis could now be extended to support the provision of the necessary financing to North Africa in a Shariah-compliant manner.

New governments, Mr Buttigieg pointed out, may not necessarily have the legislative mechanisms to ensure peace of mind of investors to channel such financing to people in need in these countries. As one of the most solid financial centres in the region, Malta could lend a helping hand by providing the necessary tax and legal instruments. The Malta Institute of Management pledged to support any eventual effort in this direction by continuing to open up education opportunities for professionals in the region.

Mr Buttigieg highlighted Al Baraka Banking Group's contribution to the organisation of the conference and to Islamic finance in the Mediterranean. The group had supported the formation of the Malta-based World Islamic Finance Institute and the MIM chairman encouraged it to consider the Malta option as a base from which to launch further assistance to countries in the



Oliver Agha, managing partner of Agha and Co, the Shariah-compliant law firm based in Dubai, gave a presentation themed 'The 10 commandments of Islamic Finance' at last week's Mediterranean Islamic Finance Conference.

region, not only in North Africa but even in the southern Mediterranean including Italy.

Malta needed the presence of organisations such as Al Baraka and home finance institution Tamweel to support the Mediterranean's development through Islamic finance. Islamic finance practitioners faced a major challenge: 230 million people in the region required access to this genre of finance.

"This is the time to show that the values and principles we preach come to reality in a region that is begging for such opportunity," Mr Buttigieg said.

The conference was co-chaired by Oliver Agha, managing partner of Agha and Co, the Shariah-compliant law firm based in Dubai. Mr Agha and his firm have supported the MIM in its Mediterranean Islamic Finance mission over the past three years.

Mr Agha, who gave a presentation themed 'The 10 commandments of Islamic Finance', was one of the signatories of the statute to establish the World Islamic Finance Institute.

The institute will be based in Malta and have a satellite office in Dubai. Its mission is to demystify and promote Islamic finance and offer its support to international authorities as they design frameworks to accommodate a Shariah-compliant platform.

It also seeks to support the development of best practices and standards in the Islamic finance industry.

Other signatories of the WIFI's statute included the Al Baraka Banking Group, MIM, Deutsche Gulf Finance, a joint-venture between Deutsche Bank AG's Riyadh Branch and a group of Saudi investors led by Fahad Abdullah Abdulaziz Al Rajhi, Eremme Business Advisors, Ernst & Young, and the Malta Union of Bank Employees.

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"The institute's statute must be put to work," Mr Agha told the conference. "WIFI's development will be tested over the next year or two."

Hamid Chinoy, chief operating officer of Tamweel, told The Times Business outside the conference that for the prospects of Islamic finance to be realised in the Mediterranean, it was necessary for all the institutions like AOFI - the Accounting and Auditing Organisation for Islamic Financial Institutions - the financing institutions and the scholars to come together to map developments.

"The underlying accountancy and regulatory issues must be

sorted out," Mr Chinoy stressed. "There is huge customer demand. I am convinced of that. London is one of the leading centres for Islamic finance. That gives an indication that there is enough market demand. It is a question of the institutions themselves coming together and creating a playing field to make it happen."

Tamweel, a subsidiary of Dubai Islamic Bank, was incorporated in 2004 and went public in 2006 with a home finance mission. It is one of the largest finance companies in the Middle East with assets in excess of \$3 billion.

"Islamic finance is based on core values which almost everyone in the world subscribes to," Mr Chinoy added. "It can work anywhere. There are some underlying principles like risk-sharing which would be of benefit to customers. There is a large school of thought that believes that the problems that beset the financial industry could not have happened if Islamic finance principles were observed, particularly as transactions would have been asset-based."

Operating in a very competitive market place like Dubai, Tamweel boasts considerable expertise in designing a diverse range of products that benefits customers. Mr Chinoy said Tamweel could help by expanding into the region, a move it was ready to examine in the next few years.

Tariq Kazim, deputy general manager of support services and overseas branches of Al Baraka Islamic Bank, said Malta had par-

ticular potential in the development of Islamic finance in the Mediterranean. With its human capital as its main resource, the island was capable of acting as a gateway to neighbouring economies.

"There is potential for Malta to act as a bridge," Mr Kazim told The Times Business. "It can benefit from building relationships and developing leads and communication in European countries."

Al Baraka Group operates in 14 countries across Africa, the Middle East, and Asia. It has representative offices in Indonesia and Libya, where Mr Kazim said economic potential was great.

"Libya has great potential in terms of wealth and there are significant opportunities for business and infrastructure development. It is set to be the next booming market in a solid, large country with a small population."

Mr Kazim said his group was mindful of the fact that every country had growth expectations. It was taking initiatives in several markets by defining products and then building systems and IT infrastructures to support them. It was also partnering NGOs to understand the demands of potential microfinance customers better.

The conference programme also incorporated the Mediterranean Awards for Global Excellence in Islamic Finance. The presentation of a collection of awards was held during a black tie event at Verdala Palace, under the patronage of President George Abela.

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