

AE's Al Ghurair Group signs RM1b Islamic facility

ll-diversified Al Group has signed a billion (RM1.23 billion) facility with a financial institution Mashreq, re-ates Business. The facility has been structured as a sale and leaseback asset owned by a Mashreq executive newspaper.

port added that Chartered Bank, which is majority owned by the Al Ghurair Group, are the lead book-keeper and participating banks include First Gulf

The facility, which is one of the largest to a private entity this year, will be used to fund the expansion of Al Ghurair Centre, one of the oldest malls in the region

Bank, Abu Dhabi Islamic Bank, Dubai Islamic Bank, Arab African Bank and Ajman Bank.

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Centre, one of the oldest mall complexes in the UAE, for a total outlay of approximately 2.1 billion dirhams (RM2.04 billion).

The facility is provided at 300 basis points above the London interbank offered rate and there is a fee of 90 basis points over and above the margin.

Work on the expansion is expected to be completed in two years. As per the terms of the deal, the banks can exercise a put option after five years from the completion of the project.

Bankers explained that the participating banks get back

the principal in an Islamic facility by exercising the put option and sell the asset back to the client, the report said.

The primary syndication of the facility was launched in July with a target of finalisation in September, and a general syndication scheduled to be completed by December.

"But things took a different turn for the financial institutions, thanks to the deepening of the financial crisis.

"So the banks consensually decided not to go for a general syndication," the report quoted an unnamed corporate banking head of a participating bank.

Islamic finance in the Blue Ocean



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INSPIRED by the "Blue Ocean Strategy — How to Create Uncontested Market Space and Make the Competition Irrelevant", it is high time to strategise the art of Islamic finance in a nascent "box", in light of Einstein's words, "we cannot solve our problems with the same thinking we used when we created them".

Leveraging on the holistic fundamentals of Islamic finance, a paradigm shift in the thought process of innovation is warranted amidst the current financial turbulence.

Thinking within the conventional box, which benchmarks against conventional risk and return profile is applicable to infant Islamic financial markets in an accommodative "maslahah" mode compared to an innovative mode.

As Islamic finance matures, a more robust Shariah-compliant approach would trigger a shift towards thinking outside the conventional box.

Once Islamic finance has gained dominant market shares, thinking in an ever-expansive "distinctive Shariah box" with a principle-based approach, shall achieve the higher ideals of Islamic economics.

Having witnessed unprecedented growth of Islamic finance along the global financial trajectory, there is a sanguine need for strategic metamorphosis from a niche "green field" to an uncharted "blue ocean", in lieu of "red oceans" with conventional finance.

Moving beyond Sun Tzu's Art of War adage, "If you know both yourself and your enemy, you can come out of hundreds of battles without danger", the Blue Ocean Strategy (BOS) advocates a better strategy by exploring "blue oceans", or untapped and untargeted markets that hold tremendous growth potential — rather than going against rivals for a share of existing markets.

The development of BOS revolves around preference for risk minimisation by reconstructing market boundaries; focusing on big picture, not numbers; reaching beyond existing demand; getting the right strategic sequences, overcoming organisational hurdles and embedding execution into strategy.

The present economic crisis sparks "creative destruction" whereby "out of destruction a new spirit of creativity arises" for Islamic finance to be the agent of change.

However, given insufficient "Islamic institutional scaffolding", there is "need for the development of a comprehensive and dynamic regulatory-supervisory framework, uniquely designed for an Islamic financial system," as per Mirakhor.

For Islamic finance to be the global role model, emphasis should be given to the formulation of Islamic monetary system, banking for the poor and enhancing market share in emerging and underdeveloped markets such as Central Asia and China, among others.

Viewing Islamic finance with an original spectacle in a new vision rather than the purely conventional glass propels the prescriptive Shariah-compliant approach towards a principle-based Shariah system.

To conclude in Bank Negara Malaysia governor Tan Sri Dr Zeti Akhtar Aziz's words: "Islamic banking and finance is a 'mirror of the sea' for until and unless we have the courage to explore its depth, we would never be able to uncover the treasures that reside within."

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HSBC to sell Islamic bond investments

ONG • HSBC Hold-aid it's selling two bonds on behalf of investors to individuals in Hong Kong, become the first local bank to offer Islamic securities in the

the development of Islamic finance in Hong Kong till in its infancy, growing interest in financial solutions for Muslim and non-Muslims," head of liability and wealth management at HSBC Bruno in a statement on

ring Shariah-com-ducts, we hope to ore alternatives for g investors."

ng plans to change s to spur the devel- f an Islamic bond e government said y.

lit crunch crimped ond issuance last nbling crude prices mand from the oil- e East.

and government ukuk slumped to



HSBC is the first local bank to offer Islamic securities in Hong Kong

US\$13.9 billion (RM49.62 billion) in 2008 from a record US\$31 billion in 2007, according to data compiled by Bloomberg.

Borrowers have a "pipeline" of about US\$39.3 billion in sukuk they're waiting to sell, Jarmo Kotilaine, chief econo-

mist at Saudi Arabia's NCB Capital, said in a report last month.

About US\$24.6 billion in sales may come from the Gulf states of Saudi Arabia, Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates, he said.

HSBC has previously helped borrowers sell in sukuk in other markets, its statement said.

Sukuk are based on assets and pay a profit rate to investors instead of interest, which is banned by Shariah law. — Bloomberg

Arab bank to start Europe-based sukuk fund

Qatar Islamic Bank Gulf state's biggest applying with Muslim rules, is seeking US\$200 million (million) for a Eu- fund that will in- mic bonds, known

"There has been a growing amount of interest in Islamic finance and sukuk as a direct result of the problems of the conventional banking system," said Mark Watts, head of asset management at European Finance House.

"When capital markets start to free up, we expect sukuk issuance to take off with a vengeance."

Islamic financial institu- tions have been more resilient

terparts because direct investment in subprime assets and their derivatives is banned under Shariah law, according to a report by Moody's Investors Service last month.

The Islamic banking industry will grow as much 15% this year after expanding an average 25% a year since 2006, Moody's said.

Sukuk funds are typically backed by assets or cash flow

EFH's fund will be offered to investors that aren't restricted by Muslim banking rules.

EFH's Luxembourg-based fund is targeting this year a yield of six percentage points more than the three-month London interbank offered rate for dollars, Watts said.

The fund will buy sukuk with an average credit rating of A, the sixth-highest investment grade ranking in Stand-

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