



REMARKS

By

H.E. Governor of Central Bank of the UAE

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At the

Governors Forum

Building an Effective Islamic Financial System

Kuala Lumpur (26 – 29 March 2007)

■ Islamic Banking & Finance – UAE Perspective

- Islamic Banking started in the UAE with the incorporation of Dubai Islamic Bank in 1975.
- Dubai Islamic Bank was the only Islamic bank for many years until the incorporation of Abu Dhabi Islamic Bank in 1998.
- Since the year 2000 new Islamic banks were created through conversion from conventional to Islamic banks, there are now 7 Islamic banks, 8 Islamic finance companies and 2 Islamic investment companies.

Islamic Banking & Finance – UAE Perspective

Banking Figures

AED Millions – 31/12/2006

	All Banks	Islamic Banks	% of Islamic Banks
Total Assets / Liabilities	852,233	118,840	13,9%
Total Deposits	554,840	85,020	15.3%
Total Loans & Advances	520,338	66,830	12.8%
Capitals & Reserves	95,380	14,317	15%
Tier 2 Capitals	1553	0	Nil
Total Profits	19.7	2.5	12.4%

Note: 1 US\$ = 3.6730 AED

The Challenges

- The rulings by the various Shari'ah boards of Islamic banks and other financial institutions should be harmonized.

This is an important requirement to setting credible standards.

- Short-term liquidity management for Islamic banks and other financial institutions is not a straight forward issue.

An Islamic bank in the UAE proposed the use of “Islamic Bank CDs based on Wakala Structure”.

The Challenges

- The distinction between Profit of shareholders and Profit of investors / depositors is not a clear – cut issue. We need a standard formula to calculate profit at all Islamic banks.

Banking Supervision

- In the UAE we supervise Islamic banks in the same way we supervise conventional banks, but we make allowance for different terminology.
- Risk – based examination / supervision for both types of banking systems should come to the same conclusion.



Banking Supervision

- Corporate Governance standards should be applied in a similar way in both types of banking systems.



Thank You