
Islamic Finance

Challenges & Opportunities for Japan

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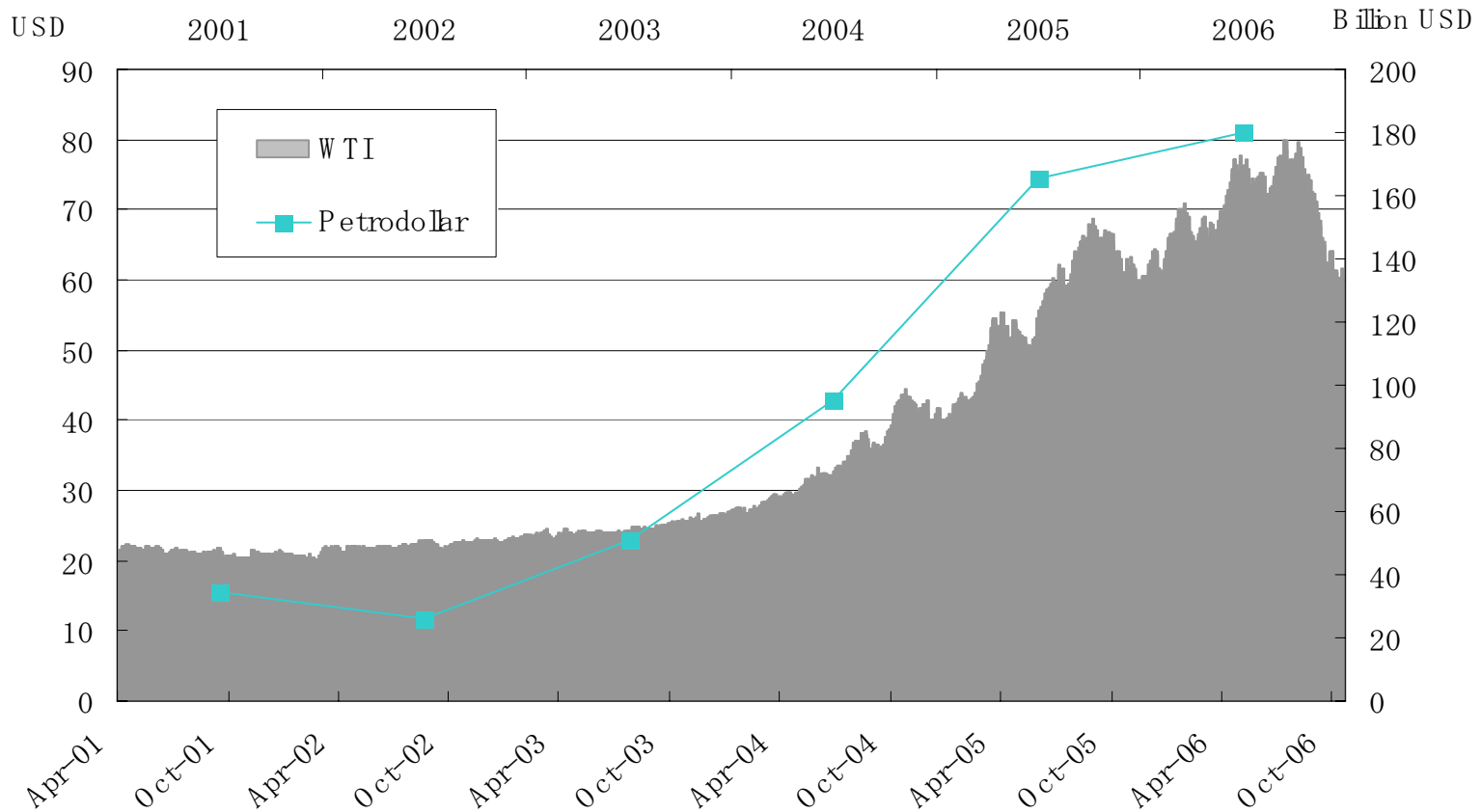
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JBIC

Key factors of the expansion of Islamic Finance

- The increase of petrodollar caused by upsurge of crude oil prices are the key factors of the expansion of Islamic Finance.



【Data source: Datastream, Bloomberg】

Statistics (1)

- Comparison of international financial centers -

- Size of foreign exchange transactions (Daily averages)

	Amount (Billion USD)	Share (%)
Japan	120	11.2
Hong Kong	60	5.6
Singapore	74	6.9
UK	291	27.0
USA	167	15.5

【Data source: BIS Triennial Central Bank Survey 2004】

- Domestic Market Capitalization

	Amount (Billion USD)
Tokyo	4,573
Osaka	2,970
Hong Kong	1,055
Shanghai	286
Singapore	257
NYSE	13,311
London	3,058

【Data source: World Federation of Exchanges, Statistics Annual 2005】

Statistics (2)

- Muslims in ASEAN -

- ASEAN countries with high percentage of Muslims

	Percentage of Muslims (%)	Total Population in 2004 (Million)
Indonesia	90	216.4
Brunei	75	0.4
Malaysia	60	25.6
Singapore	15	4.2

【Data source: ASEAN Promotion Centre on Trade, Investment and Tourism】

JBIC's approach towards Islamic Finance

- Overall strategies and recent activities -

Overall strategies

- Capacity and knowledge building
- Proactive public relations
- Active use of it's international network
- Crystallize the goal to achieve

Recent activities

- Establishment of Shariah Advisory Group and Islamic Finance Study Group (May 2006) to deepen the know-how of Islamic Finance
- Joined IFSB as an Observer Member (January 2007)
- Co-financing (conventional finance) with Islamic Finance

Further steps towards promoting Islamic Finance

- JBIC's 3 steps approach -

Step 1

- Proactive Sukuk issuance by JBIC and/or credit enhancement by JBIC through its guarantee, where Japanese private companies and their affiliates overseas issue Sukuk

Step 2

- Promote strategic partnerships with key players aiming at encouraging the Islamic Financial Services in Asia

Step 3

- Structuring Shariah compliant financial products in Asian markets with a view to intriguing the petrodollars to strategic projects and infrastructure building in Asia

AMBI(Asian Bond Markets Initiative)

- Inventing new financial products⇒ JBIC provides credit enhancement to bonds issued by Japanese companies in local currencies, ABS, CDO etc.
- JBIC issues bonds in local currencies
- Encouraging Islamic finance markets to be included

Towards the Integrated Islamic Finance Markets in Asia

- Asia Gateway Initiative to be launched
- Japan would play the key role to promote integration of Islamic finance markets in Asia.
- Fostering secondary market of Sukuk in Asia