

Fostering Linkages in Islamic Finance Channeling Global Surplus Liquidity in Islamic Financial Markets

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Presentation Overview

- ◆ **Impact of Surplus Petro-Liquidity on IF**
- ◆ **Islamic asset class expansion**
- ◆ **Western/Conventional institutions in IF**
- ◆ **Islamic Stock Exchange**
- ◆ **Expanding Islamic Finance Hubs**
- ◆ **Petro-Liquidity returns to historical mean**
- ◆ **Conclusion**

Internet & Islamic Finance

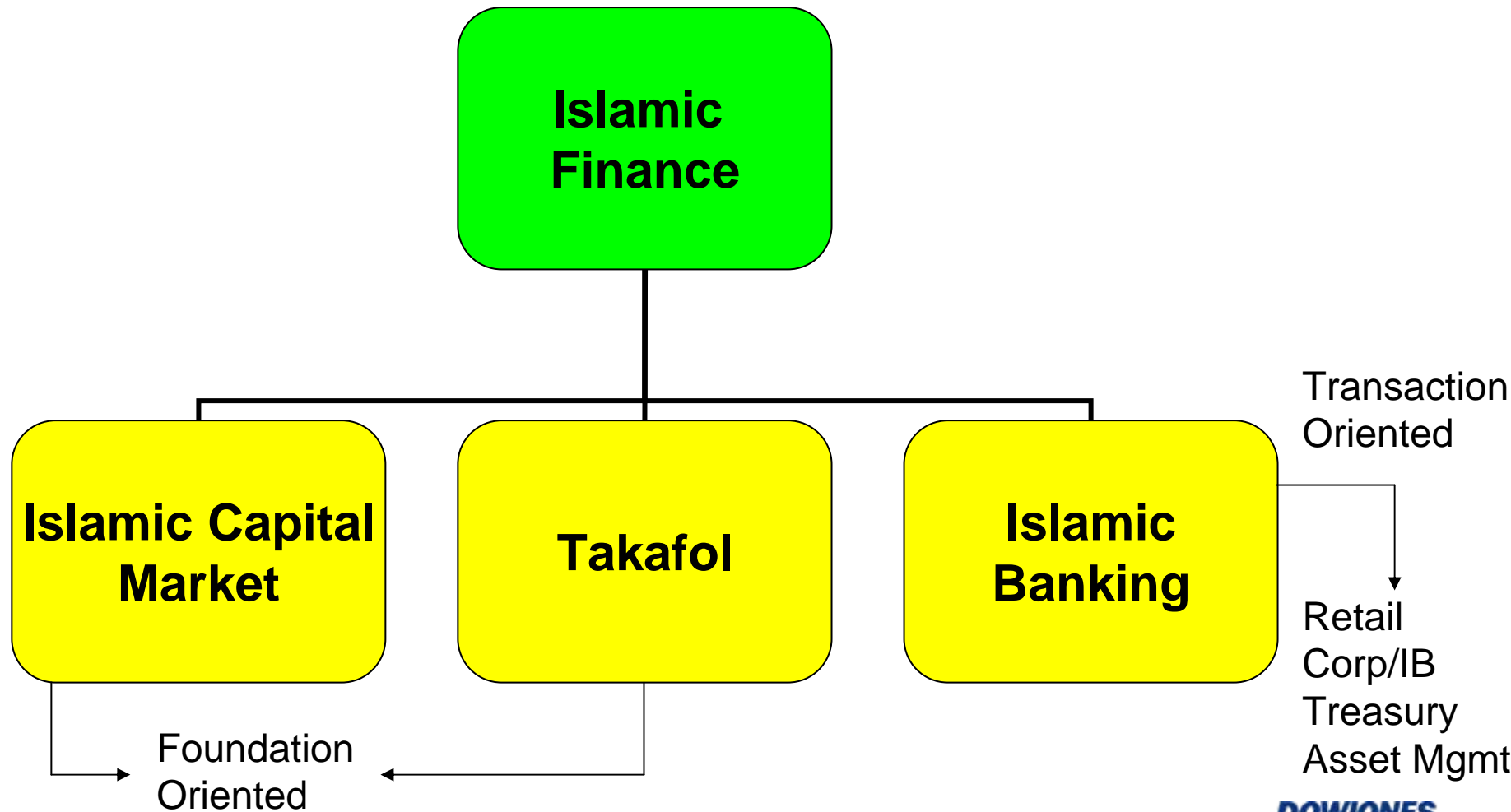
◆ Internet (40 years old)

- Stage 1
Experiment (wanted something different)
- Stage 2
Gradual
Commercialization
- Stage 3
Was a hot new thing
- Stage 4
Shakeout & Accepted
Tool

◆ Islamic Finance (40)

- Stage 1
Ideals (wanted something different)
- Stage 2
Gradual
Commercialization
- Stage 3
Becoming a hot new
thing
- Stage 4
Consolidation &
Repositioning

Impact of Surplus Petro-Liquidity



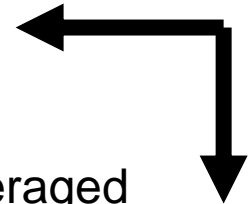
Indexes and Their Importance

Why Are Indexes Important?

- ◆ **Major Islamic Index Providers**
 - DJI, S&P, FTSE
- ◆ **To measure the pulse of capital markets and/or economies**
- ◆ **To support accountability and transparency**
 - Reward & punishment (fund flows)
- ◆ **To help develop capital markets in emerging nations by providing a focus for investors**
- ◆ **For use as the basis for investable products**
 - Funds, ETFs, structured products, etc.

Islamic Asset Class Expansion

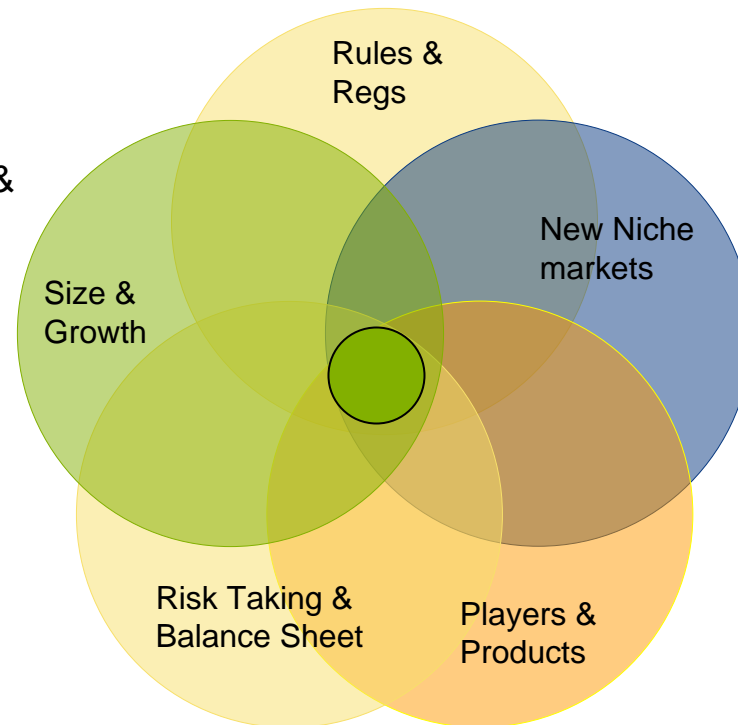
- ◆ **Mutual Funds to Listed Certificates to Islamic ETFs**
- ◆ **Islamic REITs**
- ◆ **Islamic Commodity**
- ◆ **Islamic Profit Rate Swaps**
- ◆ **Islamic Hedge Funds**
- ◆ **Islamic Private Equity**
- ◆ **High Minimums & Long lock up periods**
 - Has the 'man on the street' benefited
 - Has the 'man on the street' become Islamically overleveraged



Western Institution Bridge to Islamic Finance

90% of 6000 Fatawas &
Islamic Finance Hubs

10%-15% Growth/year &
\$500B



40 Plus Years Old

How the West Came To
Run Islamic Banks
Newsweek, Oct 31, '05

Understand Market, Operational &
Credit Risks

Competitors & Financial
Engineering

Western/Conventional Institutions in IF

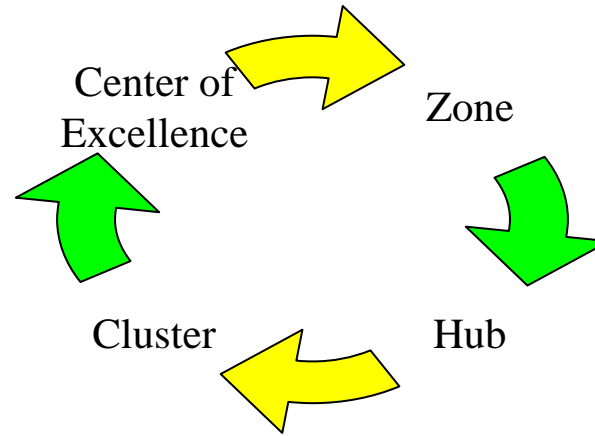
- ◆ **Islamic Windows, Subsidiaries, Conversions & Buy-ins**
 - Bottleneck: Personal & Scholars
 - REINVESTMENT PROCEEDS
- ◆ **Non-Financial Islamic Conversions??**
- ◆ **IIFM**
 - ISDA
 - ICMA
- ◆ **IFSB**
 - MAS (Full Member)
 - ADB, BIS, IMF, WB, Peoples Bank of China (Associate)
 - Japan bank for Intl Coop (Observer)
- ◆ **Are They Growing Islamic Banking/Finance?**
 - Affinity Market with Emphasis on Screens & Structures



Islamic Stock Exchange

- ◆ **Islamic Stock Exchange:**
 - Dubai Financial Market (DFM)
 - +Has its own SSB
 - Www2.dfm.ae
 - +Islamic entity with 'conventional window'
 - +DJIM Screens (AAOIFI Standard 21)
 - Listing compliant companies
 - Listing compliant products
 - DFM is working with Dow Jones Indexes
 - +Listed Companies are from OIC countries ←
 - Trading?
 - +Begin to address Shari'ah compliant capital flight
 - Extended/Phase to other Shari'ah compliant asset classes

Expanding Islamic Finance Hubs



- ♦ **Regulations + Tenants = Transactions**
- ♦ **Where is the Islamic Capital Market?**
 - Malaysia & Bahrain
 - DIFC & QFC
 - Singapore & London

Drying of the Surplus Petro-Liquidity

- ◆ **Sustain:**
 - Balanced Growth
 - Diversification & Development
 - International Reach
 - Build Bridges
- ◆ **Concern for GCC and/or SE Asia**
 - Liquidity & Opportunity
- ◆ **Over-banked**
- ◆ **Exits**

Conclusion

- ◆ **Infrastructural approach to IF**
- ◆ **Best time to do it is when the petro-liquidity is attracting global attention**
- ◆ **Ride out market cycles**
- ◆ **Sustainable Platform**



Thank You
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