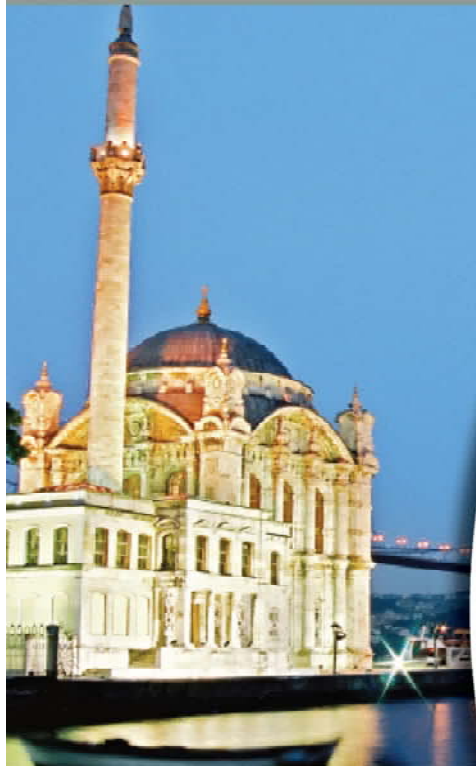


THE INTERNATIONAL

ISLAMIC FINANCE FORUM

New Markets

the Growth Imperative



Furqan Ahmad

Head of Retail Liability Products

ADCB MEETHAQ

7 October 2008

Palace Kempinski Hotel
Istanbul, Turkey

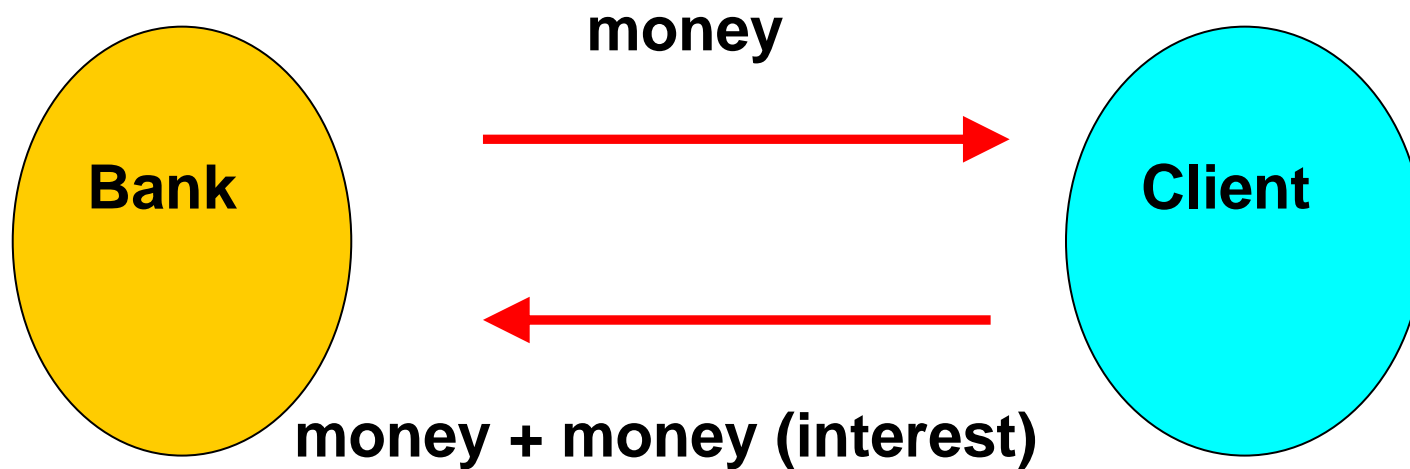
www.iiff.com

PURPOSE:

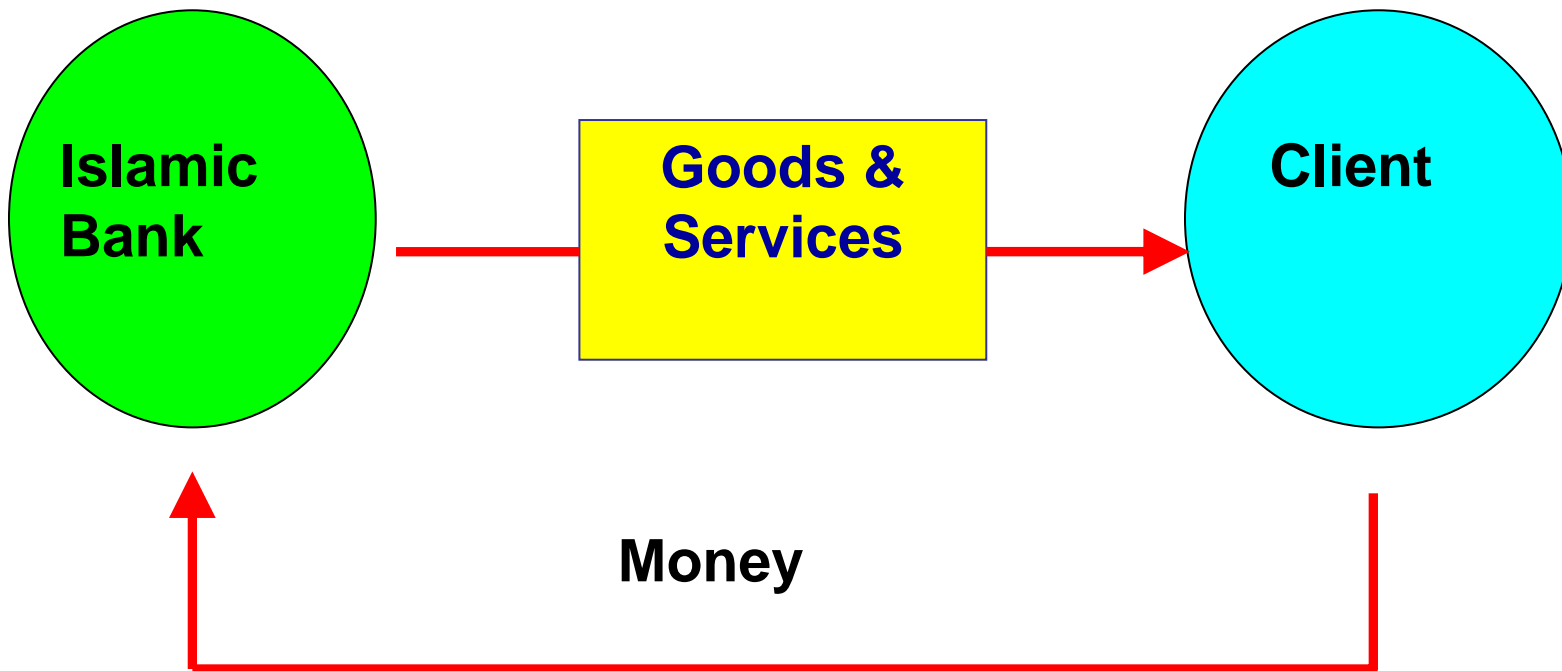
The purpose of this presentation is to discuss the distinctive process of Islamic Finance product development using a case study focused on keys to achieve fast product deployment



CONVENTIONAL BANKING



ISLAMIC BANKING



What is the basis of Islamic Finance?

Shari'ah legal principles which cover all aspects of Islamic faith, including beliefs and practices as contained in:

1. The Holy Quran:

The holy book containing the words of Allah (Almighty God) revealed to his final messenger, Prophet Muhammad (peace and blessings of God be upon him) for the guidance of mankind.

2. The Sunnah of the Last Prophet:

Everything that Prophet Muhammad (peace and blessings of God be upon him), said, did, or approved during his life time.

What is Forbidden in Islamic Banking?

Riba: The "additional" amount that lender receives, or borrower pays, which is in excess of principal amount of loan given either in money or kind, specified as a condition of a loan contract. Riba also includes unjustifiable penalty for delay of payment of a debt.

Gharar: Ambiguity or deception, either through ignorance of goods or price, or through faulty description of goods. For example selling goods you are not in a position to deliver, such as a runaway horse, would be Gharar.

Maysir: Speculating or playing games of chance (Gambling) with the intention of making an easy profit. Shari'ah considers Maysir a form of Gharar, and it is forbidden in Shari'ah law.

Transactions involving pork, liquor, and pornography.



ISLAMIC VERSUS CONVENTIONAL BANKING

CONVENTIONAL BANKING

- More money paid in return for use of money.
- Paper money based financing instruments .
- Fixed returns on both sides of the Balance Sheet.
- Bank does not involve itself in trade and business.

ISLAMIC BANKING

- Profit and loss sharing on traded or leased assets.
- Real asset backed and asset based instruments.
- Risk based profit and loss sharing on deposit and asset sides of the Balance Sheet.
- Bank actively participates in trade, investments and services through valid business contracts



Types of Product Development:

Phases	Types of Development	Description
1	Vanilla Products	Structuring existing banking products Islamically
2	New Product	New product structuring or major change to an existing product.
3	Product Derivatives (Evolution)	Changes to product features with relatively no change to the structure.
4	Technology Change	Representing New or Enhanced applications and modifications.
5	Process Enhancement	Changes to current policies and procedures.



Roles & Responsibility

Role	Responsibility
Shariah Board	Responsible for approving Product Structure & Legal Documentation.
CEO	Holds ultimate responsibility for approving all new products & variations.
Product Development Head	Responsible for reviewing Product Structure, Legal Documentation, Product Roll out & Shariah Coordination.
Product Manager	Product Manager is responsible for the product development and marketing. Product Manager is responsible for writing product concept document & Product Program and coordinating with external Legal Advisors for Product documentation, Process Engineering, IT Dept for system development and Marketing for Collaterals.

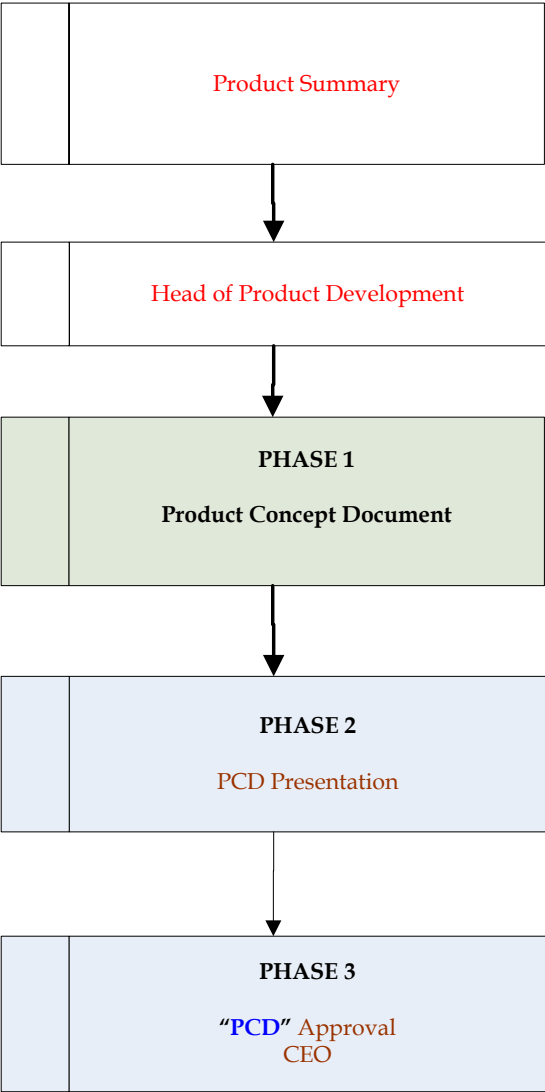


Roles & Responsibility

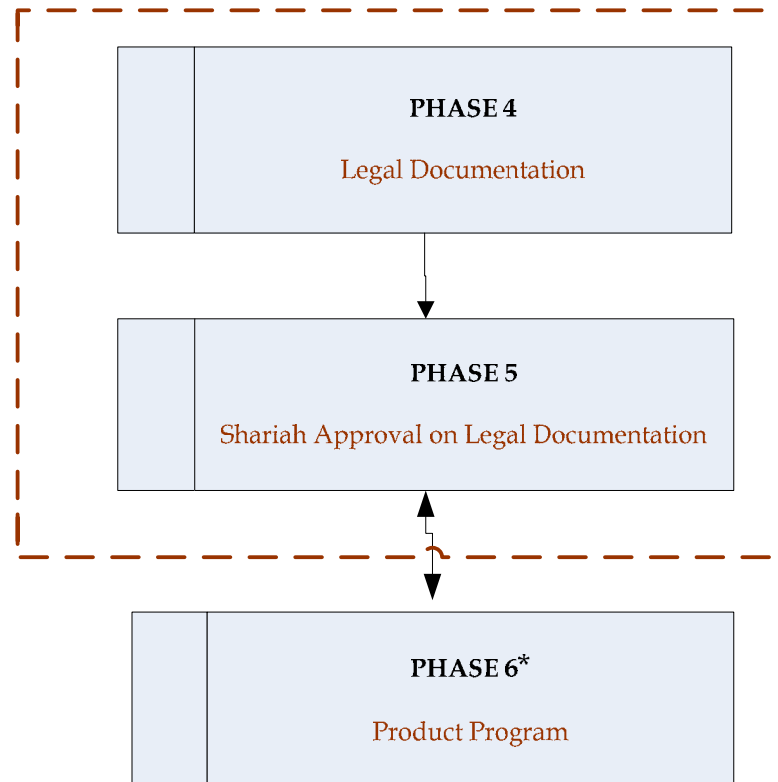
Role	Responsibility
Business Process Engineering	Sales Operations and Procedures development
Accounting Div	Accounting Treatment
Operations Div	User Requirement Analysis & Coordinating with IT for system development.
Technology	Coordinating System Development
Marketing	Marketing Collateral
Sales Team	Training, sales and feed back to Product Development Team for any changes required in the product features, process, documentation, etc.



Product Development Process



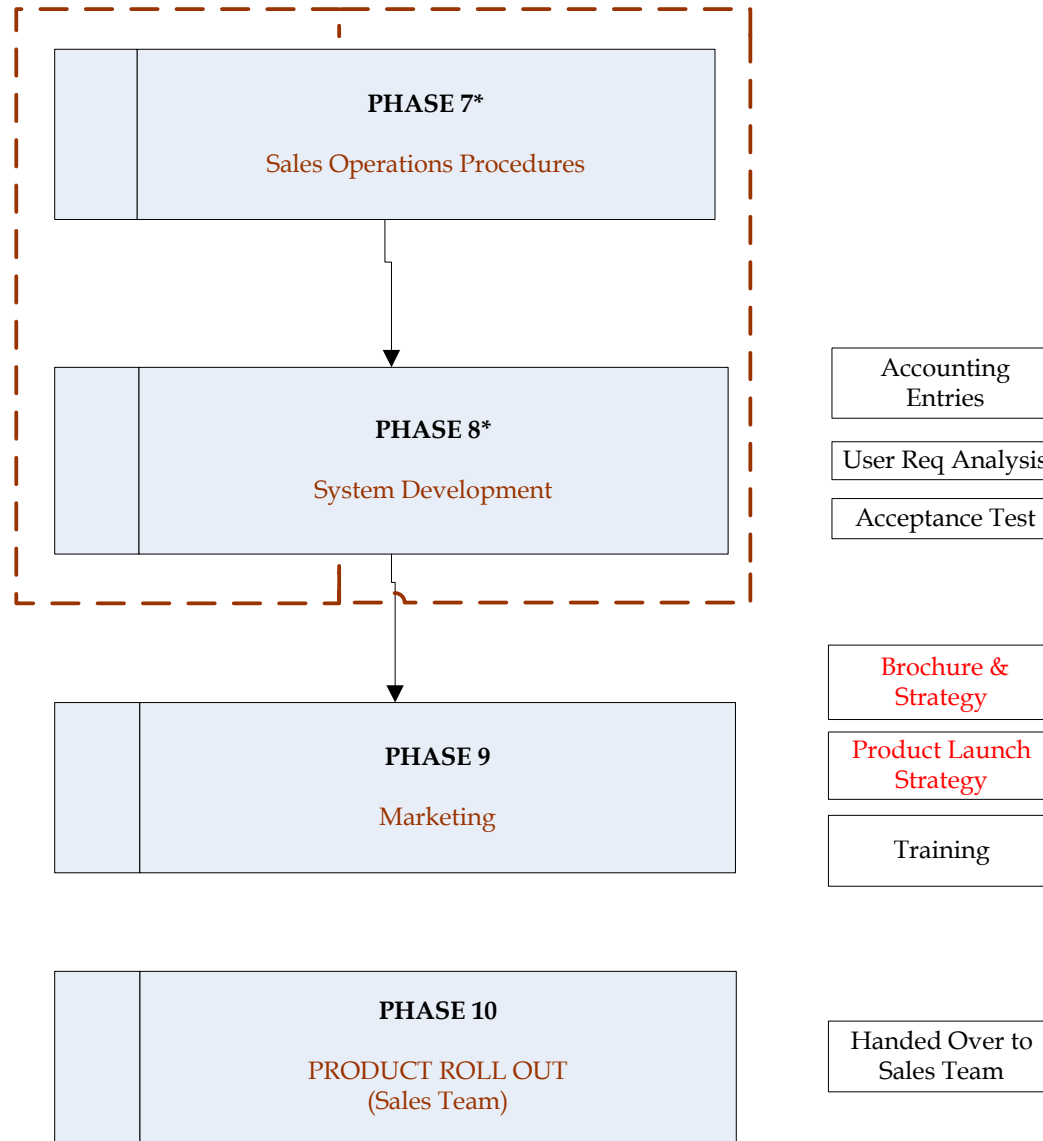
Product Process Flow:



* Phase 6 can start simultaneously with Phase 4 & 5.



Product Process Flow:



*** (Phase 7 & 8 can be done simultaneously)**



Product Concept Document:

1. Product Title

2. Product Rationale

- Objective
- Product Viability

3. Target Market

4. Market Background

- Overview
- Competitors Benchmarking
- Recent Development



Product Concept Document:

5. **Product Description** (Descriptive).
6. **Product Structure** (Diagrammatically)
7. **Benefits**
 - For the Islamic Bank
 - For Customer
8. **Product Profitability**
9. **Other Issues**



Product Development Checklist

1. Issues Requiring Action
2. Product Descriptor
3. Product Concept & Structure Document
4. Product Flow Chart
5. Product Program/ Credit Policy
6. Sales Procedures
7. System Requirements
8. Application Forms
9. Legal Documentation/ Contract (Shariah Approved)
 - English
 - Arabic
10. Marketing Collateral (including Application forms)
11. Training Material
12. Meeting Minutes & Correspondence
13. Service Agreements



ADCB Meethaq

Case study



VALUE PROPOSITION FOR ADCB TO LAUNCH ISLAMIC BANKING



To move beyond Islamic sentiments to retain and reclaim those ADCB customers who want high quality competitively priced Islamic banking solutions

To offer the right choice of innovative Islamic Finance products with a unique professional approach which is timely and precise



To capture a significant share of Islamic banking market with the right distribution strategy

To provide excellent customer service that is expected of ADCB via ADCB MEETHAQ banking brand



Thank You

