



# Al-Istikhlaf Bank For Investment and Development

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The background of the slide is a collage. On the left, there is a vertical strip with a light beige background, featuring a faint image of a hand holding a pen. The central area is a large, light green field with a complex, overlapping geometric pattern of lines. On the right, there is a vertical strip with a light orange background, featuring a faint geometric pattern of squares and lines. A dark red horizontal band runs across the middle of the slide, containing the title text.

# 1- Introduction

# 1-Introduction:

**The wealth is owned by Allah**

**Man succeeds Allah in wealth**

**The succession requirements**



**Reconstruction of land**

**"O my People! worship Allah: ye have no other god but Him. It is He Who hath produced you from the earth and settled you therein: then ask forgiveness of Him, and turn to Him (in repentance): for my Lord is (always) near, ready to answer."**

## Al-Istikhlaf bank for investment and Development

**It is a Financial Investment International Pioneer Group that supports existing Islamic Financial Institutions. It plays a pioneer role in the field of economic development and reconstruction. It is a vital and necessary instrument to Islamize the banking instruments and achieve Shariah intentions.**

# Islamic investment

- **Achieving the economic development**
- **Establishing vital projects and creating added value.**
- **Increasing the supply of goods and services and consequently increasing exports and reducing the imports**
- **Reducing unemployment**
- **Does not approve capital guarantee or the resultant return, according to the principle of (disadvantage is an obligation accompanying enjoyment) “The calculated risk”.**

# Contemporary Islamic Financial Transactions

- They have features of the interest-based loan
- The disadvantages of the capitalist system
- They fail to show the advantages of the Islamic investment
- The organizational structure neglects the investment management ( In terms of size – specialization and diversity).
- Do not absorb all types of productive economic activity
- Depending on preparation of papers and documents to maintain just the Shariah format.

## The result

- **The Islamic banks failed to achieve the Shariah intentions of the Islamic banking.**
- **Emptying the Islamic banking from its strategic objectives and vital elements.**
- **They did not overcome the case and effects of the interest-based conventional banking.**
- **Focusing and allocating funding to the well off categories and solvent customers.**
- **Making the investor bearing the risk solely without sharing the risk with it.**

## **Requirement: a corrective movement aiming at:**

- **The efficient & effective participation by Islamic banks in the achievement of the economic activity**
- **Verification of adherence to Shariah as regarding financial instruments issued by Islamic banks.**
- **Creating a mechanism for the liquidity management of Islamic Banks**

## **The solution:**

**Establishment of Al-Istikhlaf Bank for Investment and development**

**Or**

**Imaar International Group**

**Or**

**Al-Istikhlaf International Bank**

**Or**

**Imaar International Bank**



**The problems tackled by the proposed project**

# The problems tackled by the proposed project

## **The first problem : Domestic wealth outflow**

The second problem : Lack of legal the environment and lack of the suitable mechanism

to develop the primary market

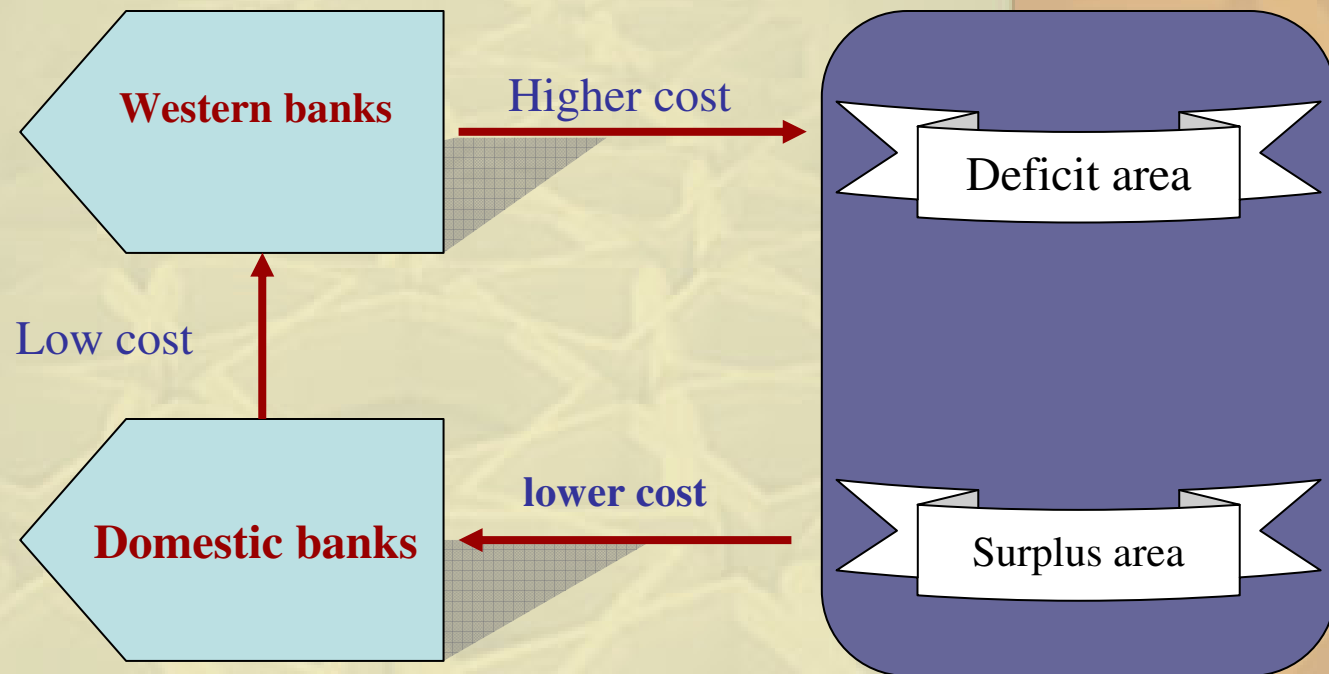
## **The thir problem : Concentration of the banking activities in the retail banking**

**The fourth problem: less attention paid to primary market compared to secondary market**

## The first problem:

## Domestic wealth outflow

### Domestic markets in Arab and Islamic countries

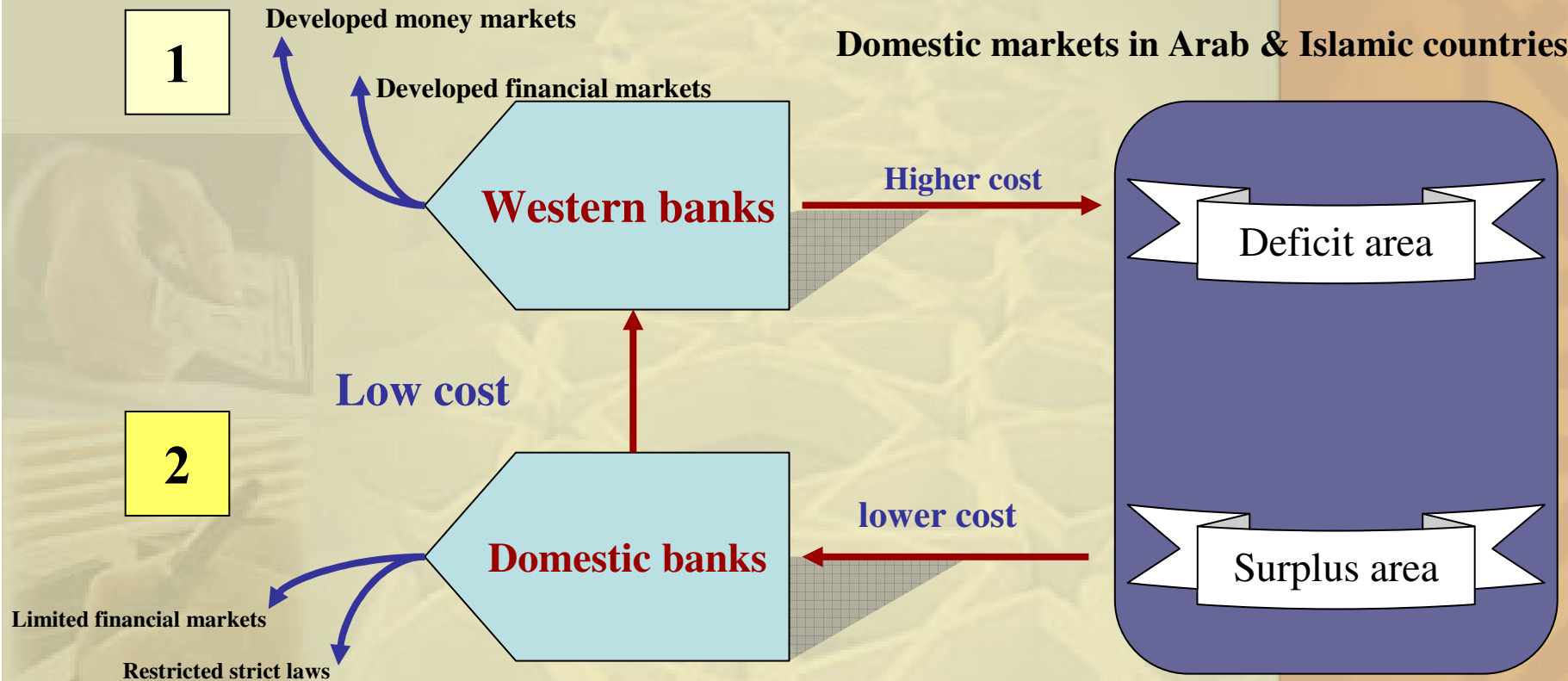


What is the reason

The domestic banks have become channels for pooling domestic savings and transferring them to western markets at a low cost, then returned to us for our deficit areas at a higher cost

# Migration of domestic money abroad :

The first problem



1

wide chances for utilization of liquidity in the Western countries  
(Developed money and financial markets)

2

Limited chances for using liquidity in the domestic markets  
(Limited money and financial markets)

## **The second problem**

## **Lack of legal and technical environment to develop the primary market**

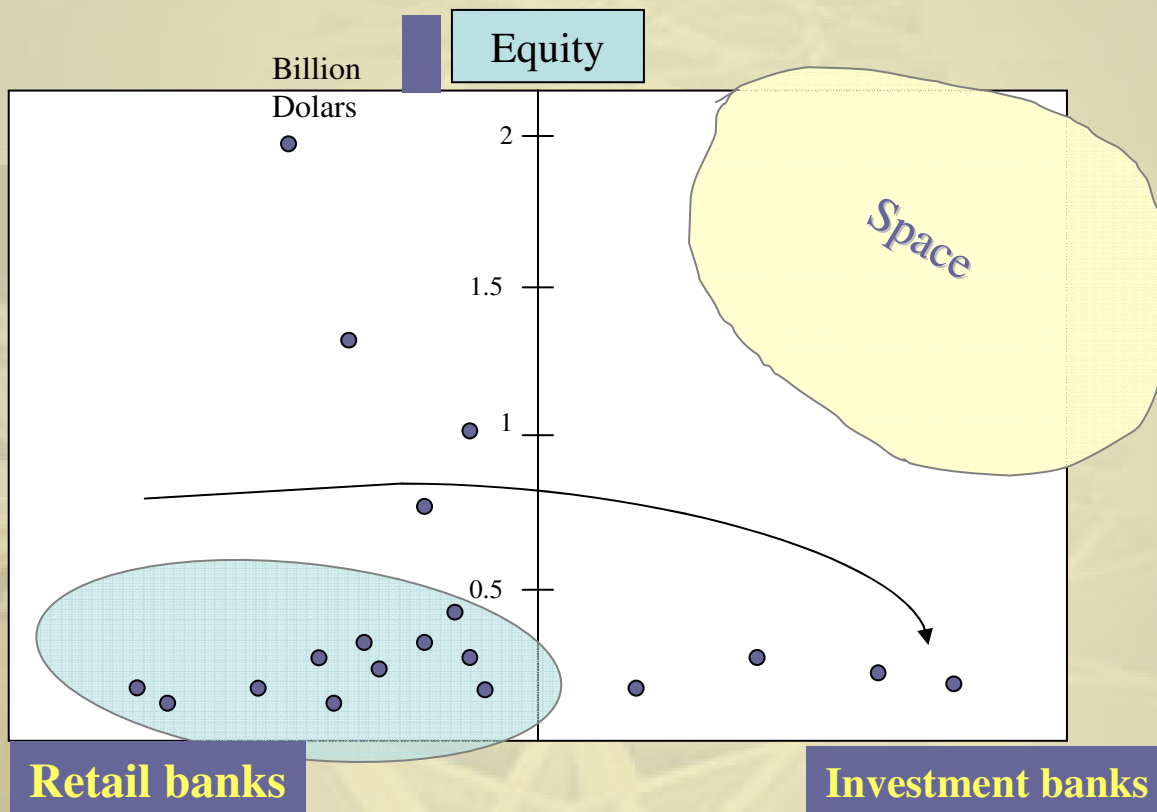
- **Many obstacles and complicated procedures to establish companies**
- **Lack of suitable legislations which regulate development of primary market**
- **Lack of specialized institutions & mechanisms to support the primary market and expand its base**
- **Prevalence of legislations which fetter the banks, funds and investors to enter into direct investment**

### **: The result**

**Strict restrictive laws which prevents entry into development operations such as direct investment, long-term investment and risk-taking**

## The bank activities are focused in retail banking

## Third problem

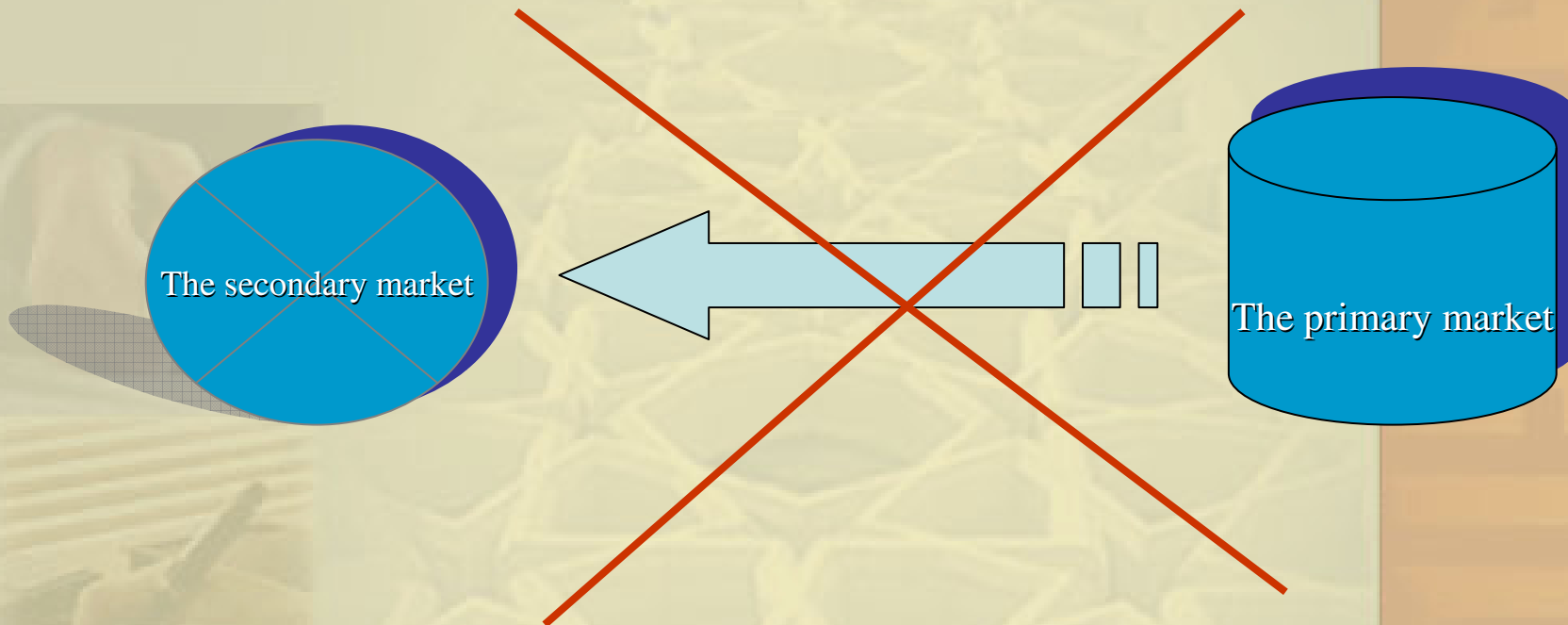


## The result:

The financial institutions failure to perform the development investment role

Less attention paid to primary market compared to secondary market

The fourth problem



**The result:**

**Non-availability of sufficient tools of primary market to feed the secondary market**



### **3. Features of the proposed project**

### 3. Features of the proposed project:

**The first feature** **Multi functions**

**The second feature** **Various sources of wealth**

## The first feature Multi functions

### The functions

**Looking for investment concepts  
and chances.**



**Development of the concepts  
Feasibility study  
And establishment procedures**



**Present the produced project  
into a profit  
format**



**Securitization of the project**

The second feature Various sources of wealth

**sources of wealth**

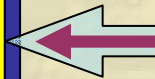
**The management shares**  
Is a permanent capital with  
difficult circulation



**The General investment shares**  
Is a permanent capital  
With uneasy circulation

**Private investment shares**  
Is a variable  
capital subject  
to circulation

**Shares of financial issues**  
Temporary for the period of issue  
And subject to circulation



**The money of the management shares is used to find out ideas and concepts for the projects, select the best, conduct feasibility studies, and place them as general investment shares after covering the establishment charges.**

**The functions**

**Looking for investment concepts and chances.**



**Development of the concepts**  
Feasibility study  
And establishment procedures



**Present the produced project into a profit format**



**Securitization of the project**

## The second Various sources of money

### Sources of wealth

**The management shares**  
Is a permanent capital with  
difficult circulation



**The General investment shares**  
Is a permanent capital  
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**Private investment shares**  
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Temporary for the period of issue  
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### The function:

**Looking for investment concepts  
and chances.**



**Development of the concepts**  
Feasibility study  
And establishment procedures



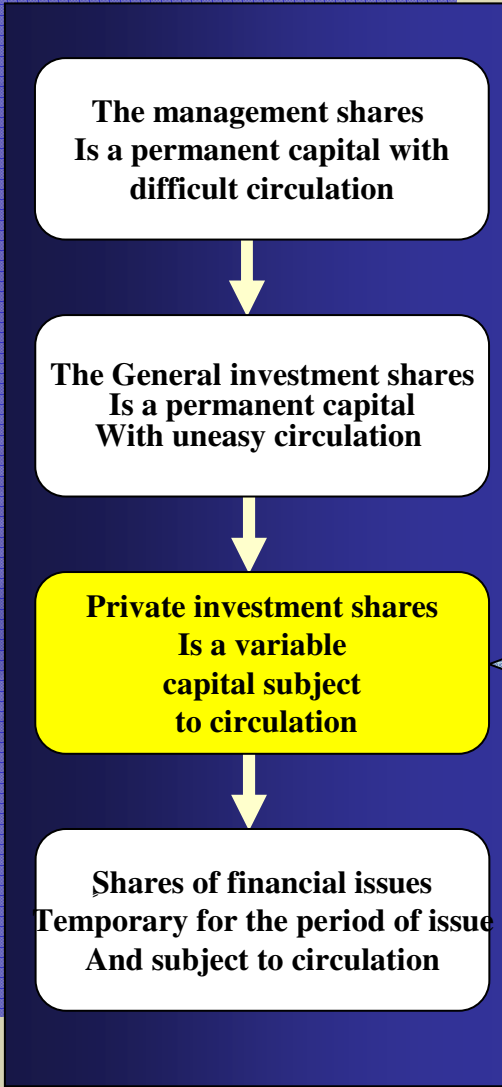
**Present the produced project  
into a profit  
format**



**Securitization of the project**

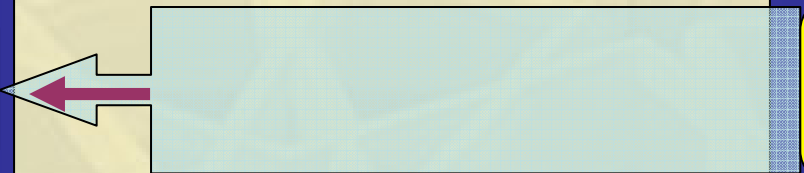
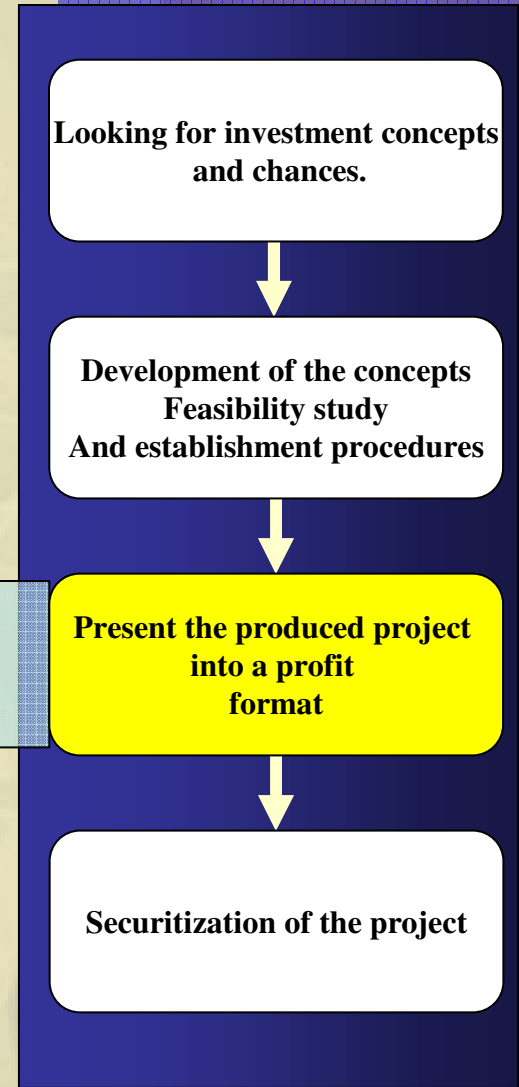
**money of the management shares  
is used to develop the concepts  
and transforms them into  
products or projects through  
feasibility studies, establishment  
and implementation procedures,  
and place them in terms of  
shares .**

Sources of wealth



money of the specialized investment shares is used in specific temporary or permanent medium term projects or products to achieve operational periodical return to shareholders.

The function



Sources of Wealth

The management shares  
Is a permanent capital with  
difficult circulation



The General investment shares  
Is a permanent capital  
With uneasy circulation



Private investment shares  
Is a variable  
capital subject  
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Shares of financial issues  
Temporary for the period of issue  
And subject to circulation

Functions

Looking for investment concepts  
and chances.



Development of the concepts  
Feasibility study  
And establishment procedures

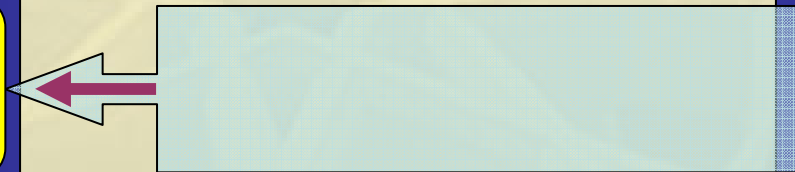


Present the produced project  
into a profit  
format



Securitization of the project

money of the financial issues shares is  
used in a blend of mixture of assets,  
debts and money, distinguished by  
being of specific term, having a  
known return, and subject to  
circulation.





# 4- The capital structure

# Al-Istikhlaf Bank for Investment and Development

**Management shares** represent the fixed Capital of shareholders (Mudharib), and gives them the right of management and administration and taking decisions binding to the company. They are permanent shares and their ownership is transferred under strict conditions.

**General investment Shares:**

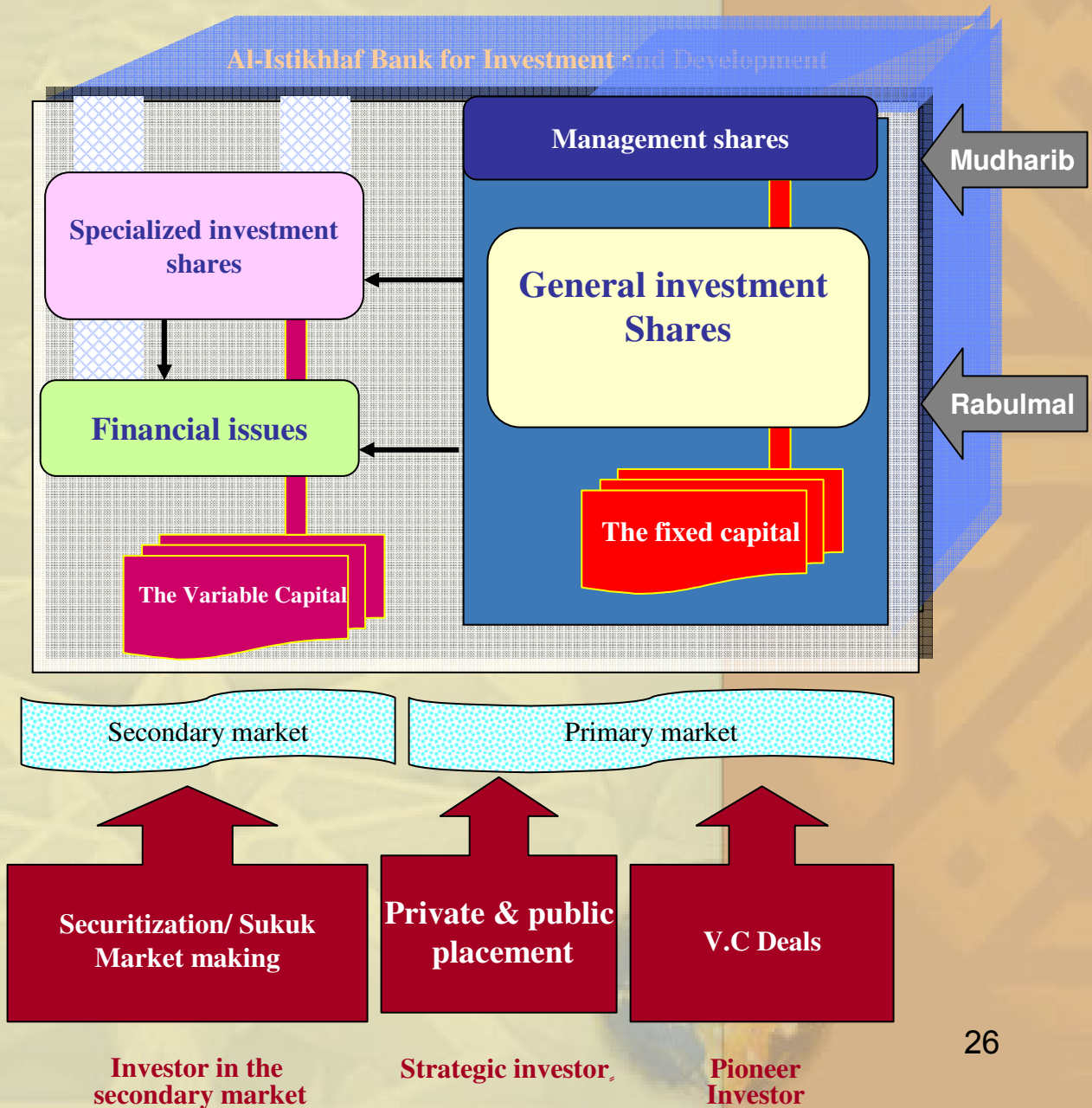
The holders of this type of shares are entitled to receive the achieved profits as wealth owners ( RabulMal). They should not exceed 10 fold of the paid up management shares capital.

**The specialized investment shares:**

The holders of this type of shares are entitled to receive the achieved profits as wealth owners (Rabulmal). They should not exceed 10 fold of the general investment shares capital. They allow participation in specific projects.

**Sukuk issues:**

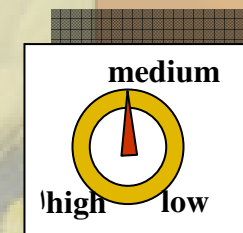
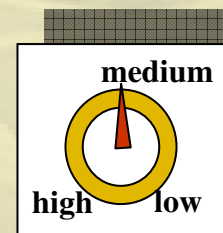
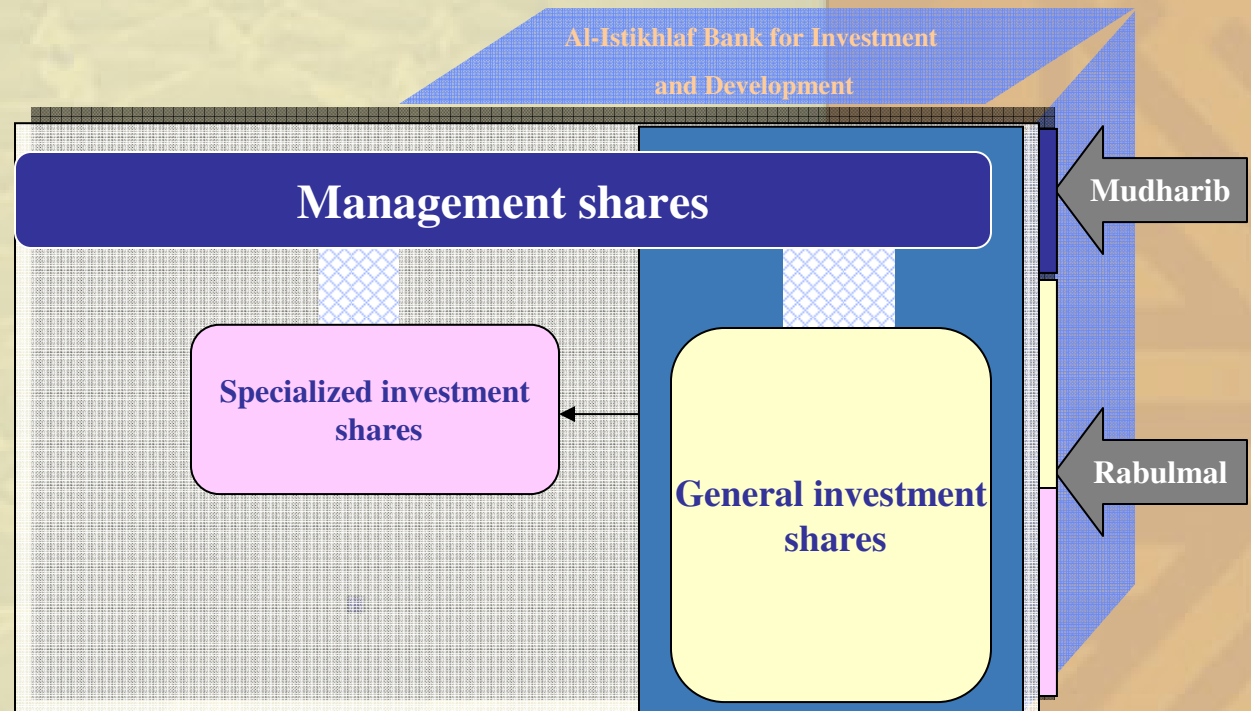
The funds resulting from the financial issues shares are invested in a combination of transactions as a mixture between assets, debts, and money for a specific term. They are suitable instruments for management of liquidity of Islamic banks and institutions for a reasonable return and a low risk, They are negotiable with high rate of liquidity.



# Al-Istikhlaf Bank for Investment and Development

## Management shares

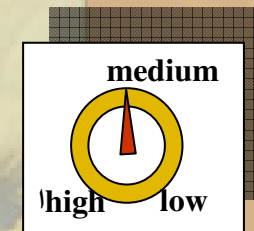
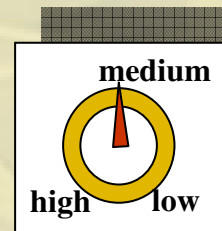
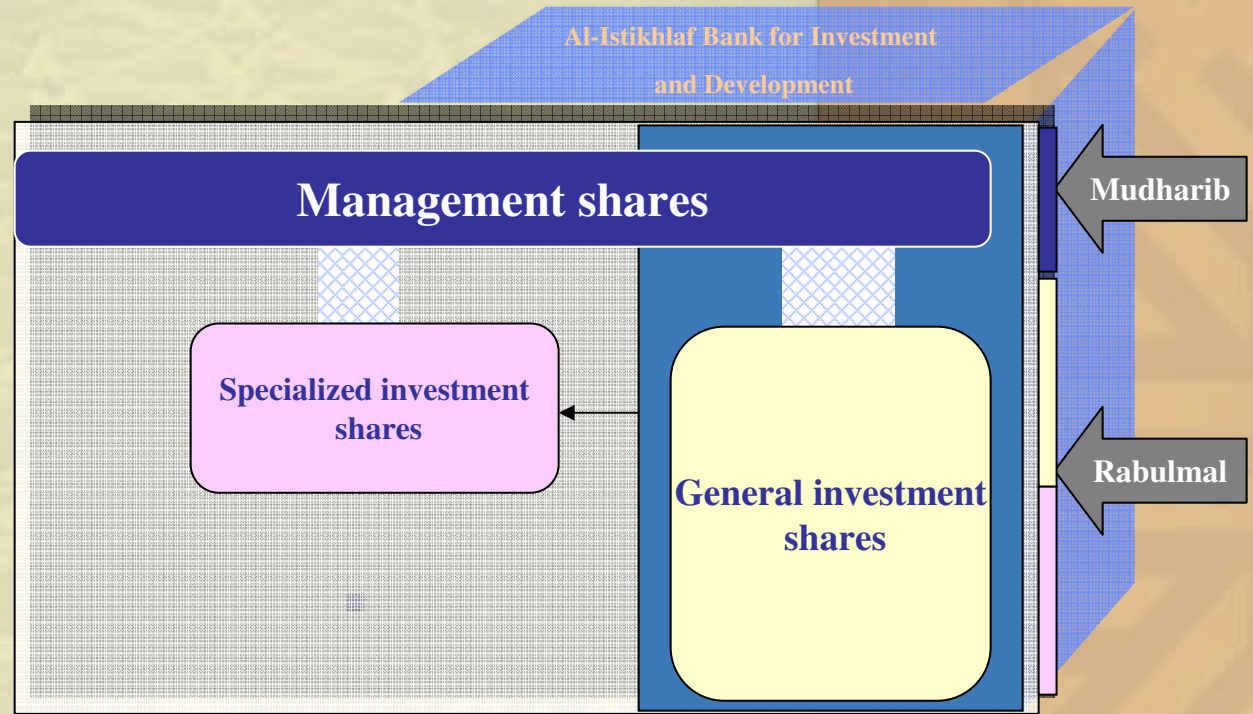
- Ownership of management shares is permanent, can not be circulated except under certain conditions approved by the general assembly
- The management shares are long term shares, they are related to
- Holders of management shares have the right to dispose, manage, vote and taking decisions binding to the bank.
- The funds of management shares are used to qualify the bank to perform its role as Mudharib, where it provides various financial services of the venture capital, private shares, private placement and project securitization in addition to playing the role of Market maker and provision of necessary liquidity instruments.



# Al-Istikhlaf Bank for Investment and Development

## General investment Shares

- The major function of the general investment shares is to encourage feasible projects and contribute to creating instruments of the primary market ..
- They are employed in the venture capital (VC) deals portfolio. They aim at creation of assets, and establishment of feasible projects by developing different concepts, exploration of important opportunities, select the best of them, and conduct feasibility studies accordingly.
- The general investment shares represent the ideal tool for high net worth investors who are interested in long term investment, high yield, and high risk.
- The shares of general investment may be circulated between shareholders in the same category without restrictions or conditions. Using them for the benefit of others require approval of the majority of shareholders.
- They may be issued as maximum of 10 fold of management paid up shares.

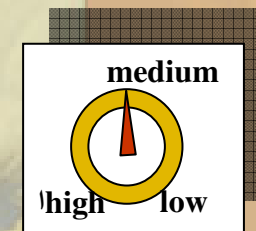
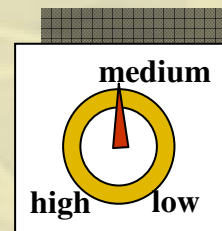
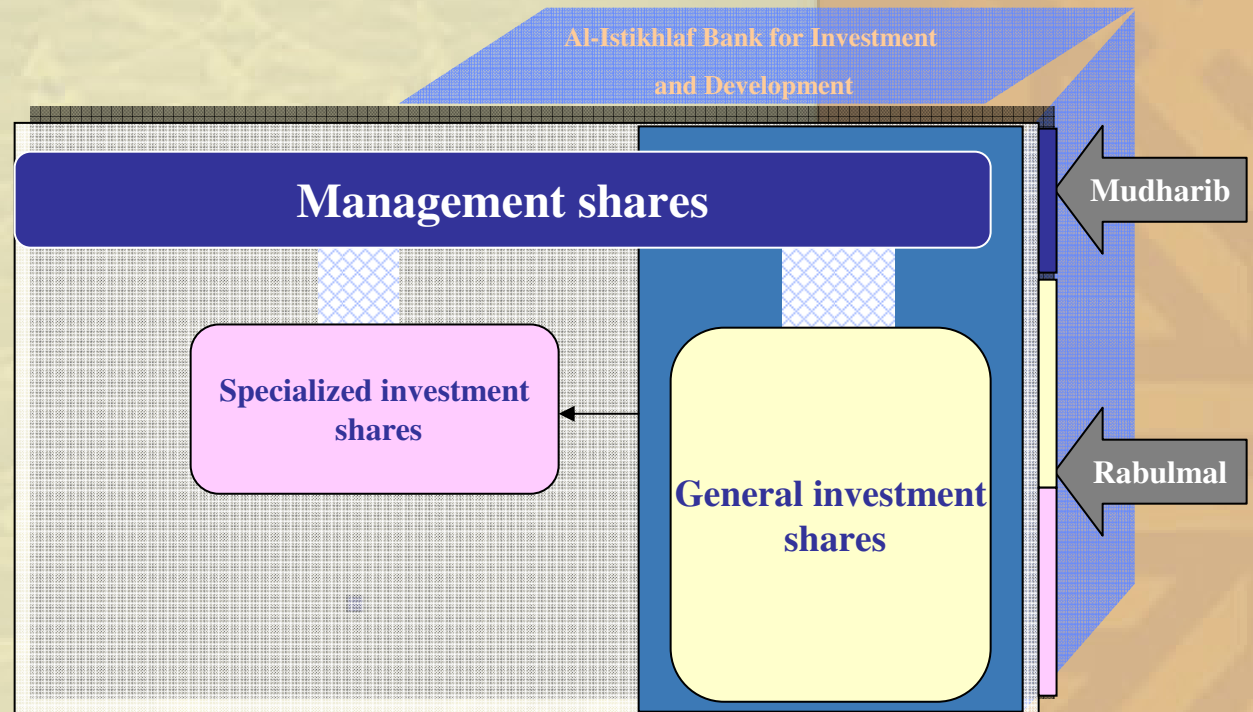


# Al-Istikhlaf Bank for Investment and Development

## Specialized investment shares

- They are special purpose tools which are established as distribution channels to attract investors to take part in the assets, feasible and successful projects which are composed and developed of the V.C funds in the assets phase, or from the available chances abroad.

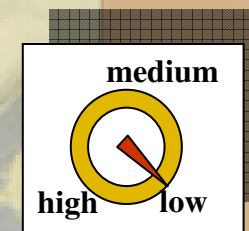
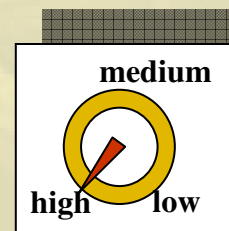
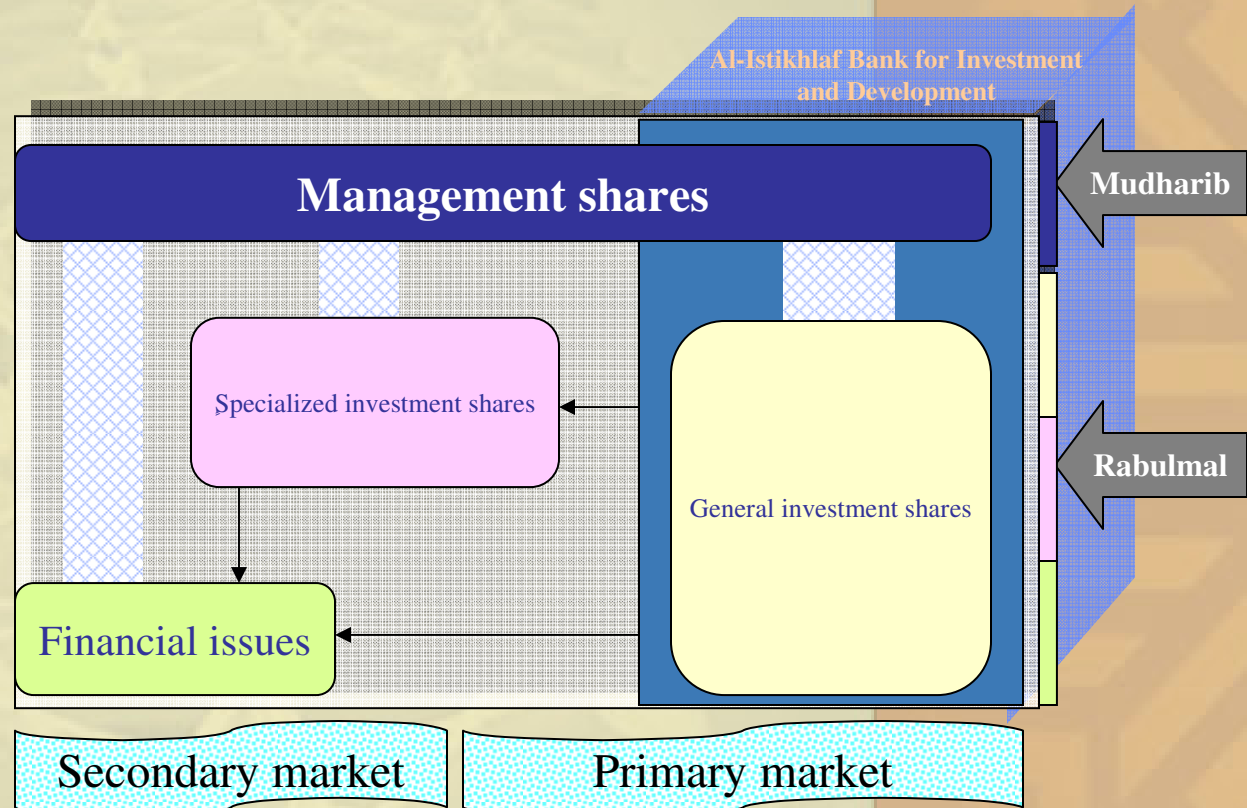
- They are either temporary or medium term permanent shares which achieve periodical operational return for the shareholders.
- They may be issued as maximum of 10 fold of general investment paid up shares.



# Al-Istikhlaf Bank for Investment and Development

## Financial issues

- The bank contributes to development of the secondary market through the component of financial issues and different types of Sukuk which represent investment portfolios based on the assets and projects resulting from primary market operations which are regulated by the bank during the stage of the general and specialized investment, in addition to the opportunities which are securitized directly from the market.
- The funds resulting from the financial issues shares are invested in a combination of transactions as a mixture between assets, debts, and money for a specific term. They are suitable instruments for management of liquidity of Islamic banks and institutions for a reasonable return and a low risk,
- They are negotiable with high rate of liquidity.



## The requirements

### Management capital

The authorized capital is 2 billion dollars.

- Issued capital is 01 billion
- Paid up capital is 250 million Dollar, provided that the shares value should be paid upon the request of board of directors.

### General investment shares

Shall not exceed 10 folds of the paid up management shares

### Specialized investment shares

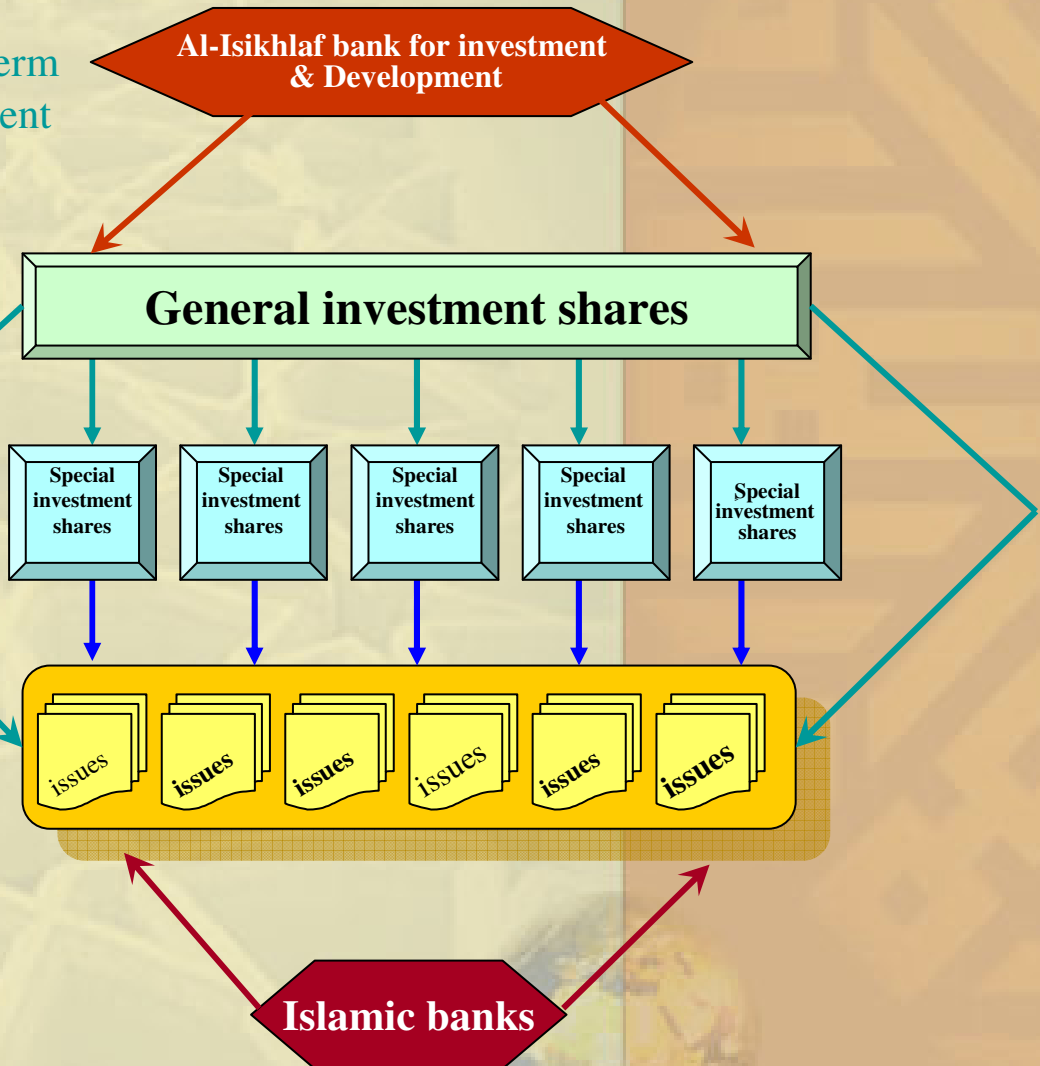
Shall not exceed 10 folds of the general investment shares

# Types and terms of Shares

General investment shares form the basic long term instrument, on which Istikhlaf bank for investment and development is based

Special investment shares are medium term instruments produced by the general investment shares

Financial issues are a combination of short term transactions which are composed of a blend of operations stemming from general investment shares, Special investment shares and the other banking operations.



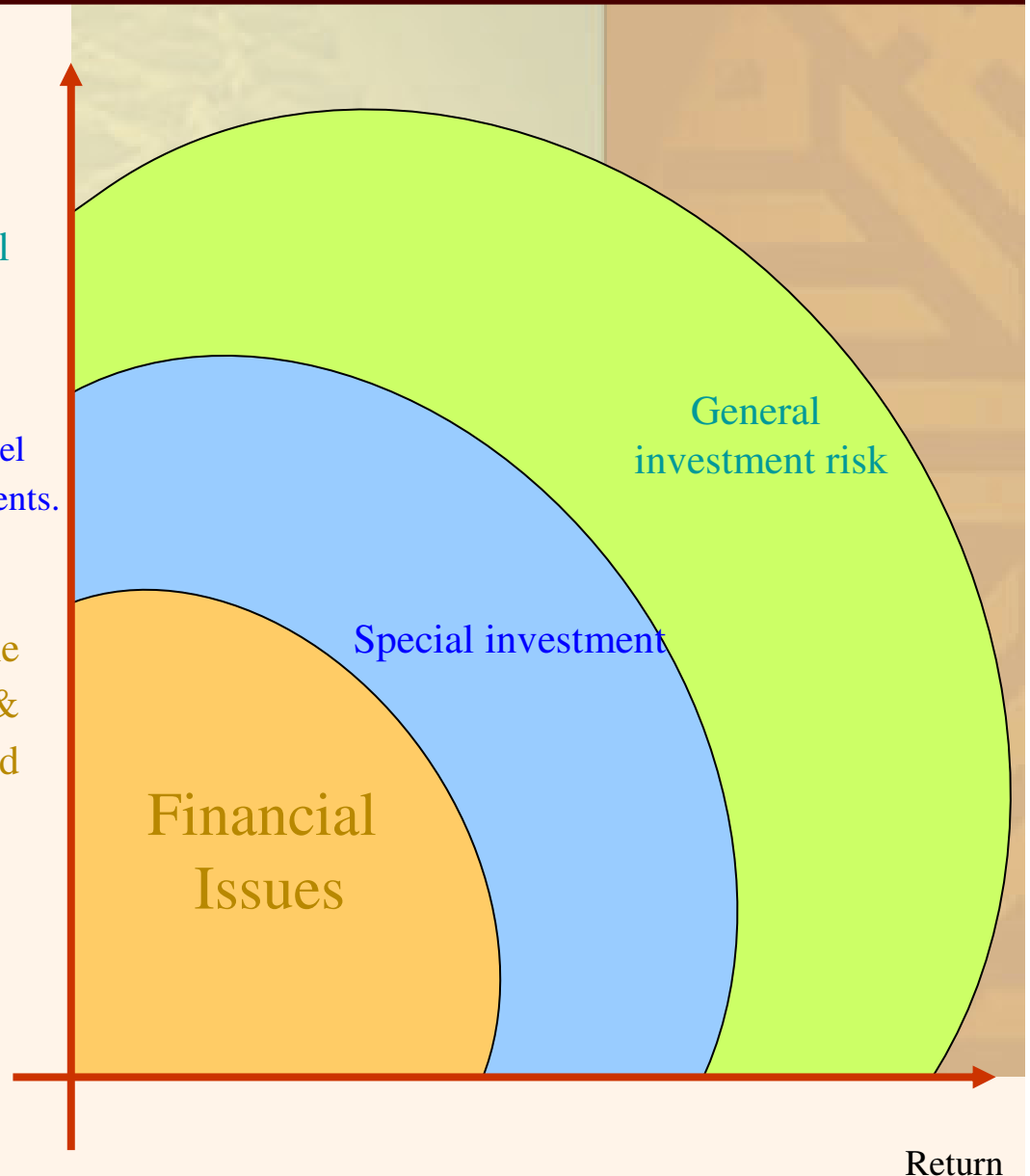
# 7- Return and risk

## Risk

The general investment shares represent the ideal channel for those interested in high return and low risk investments.

The general investment shares represent the ideal channel for those interested in high return and low risk investments.

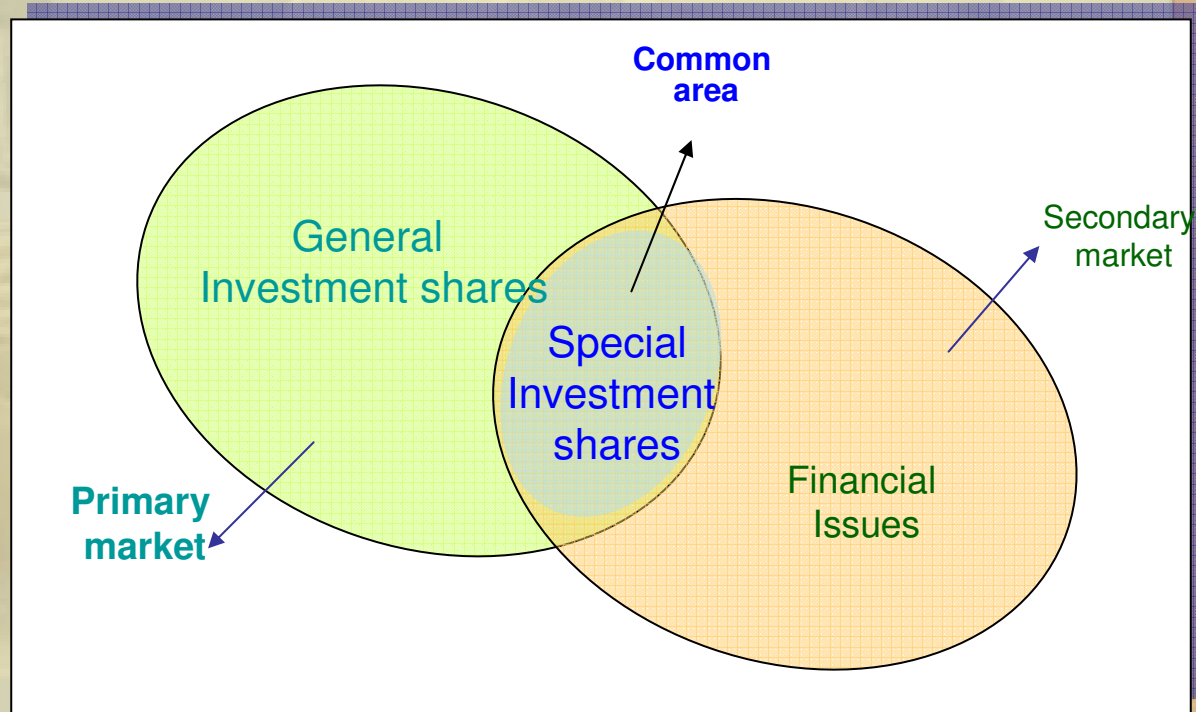
Financial issues are suitable instruments for the liquidity management of the Islamic Banks & financial institutions for a reasonable return and low risks.



# Areas of activity

The objective and task of the special investment shares is launching of specific projects with an expected rate of return. They contribute to finding out instruments in the primary market as well as being the main channel for introducing instruments in the secondary market

2



The objective and task of the general investment shares is the encouragement of feasible project opportunities, and contributing in finding out tools to activate the primary market.

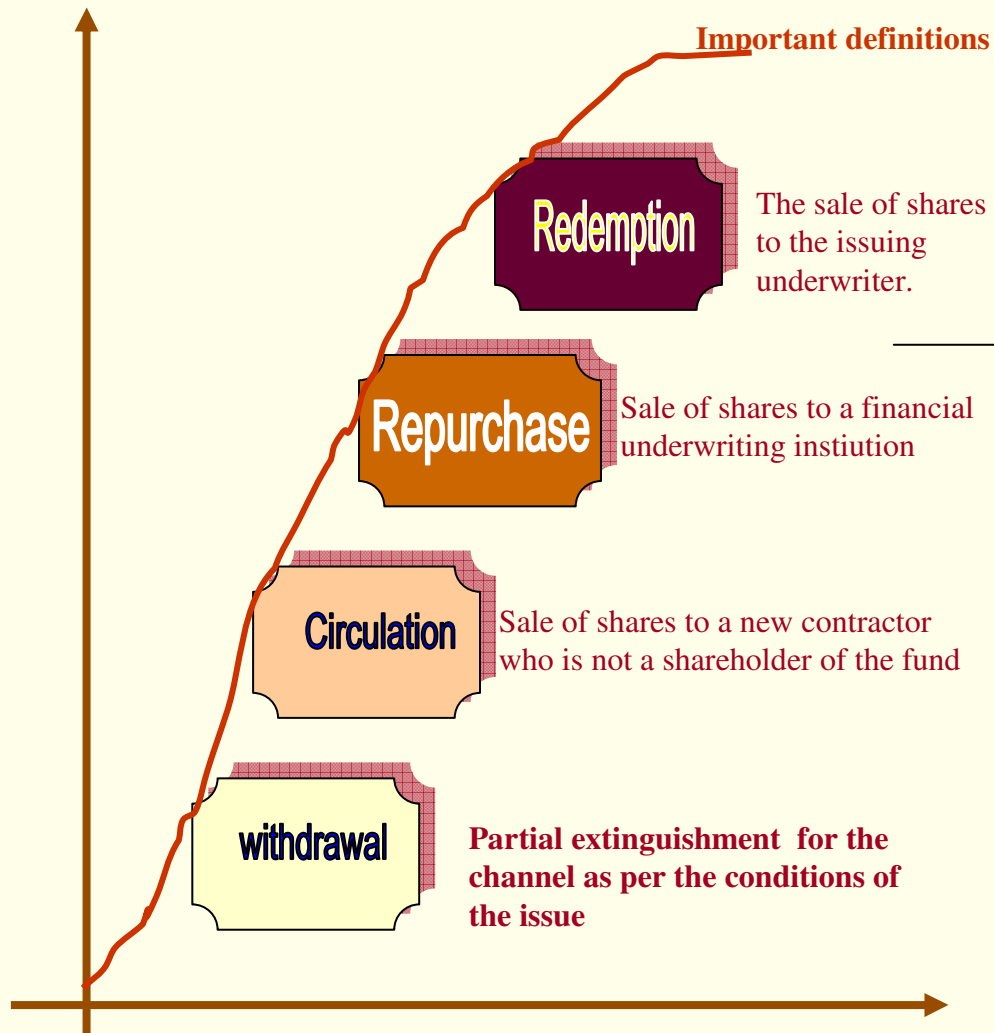
1

The objective and task of financial issues is liquidity management of Islamic banks, pumping and absorption as well as finding tools to activate the secondary market.

3

# 6- Degree of the shares liquidity

Degree of liquidity



## General investment shares

They are long term permanent shares, but they can be negotiated among shareholders without restriction or condition. They may be disposed by non-shareholders of the fund conditioned that majority of shareholders agree.

Circulation according to conditions

Withdrawal is possible

## Private investment shares

They are specific medium term shares pursuant to the nature of each project. They are negotiable and withdrawal is possible as per the specific regulations.

Possible circulation

Withdrawal is possible

## Financial issues shares

They are short term easy to liquidate shares whether by withdrawal or circulation or repurchase or redemption.

Repurchaseable

Redeemable

Possible to circulate

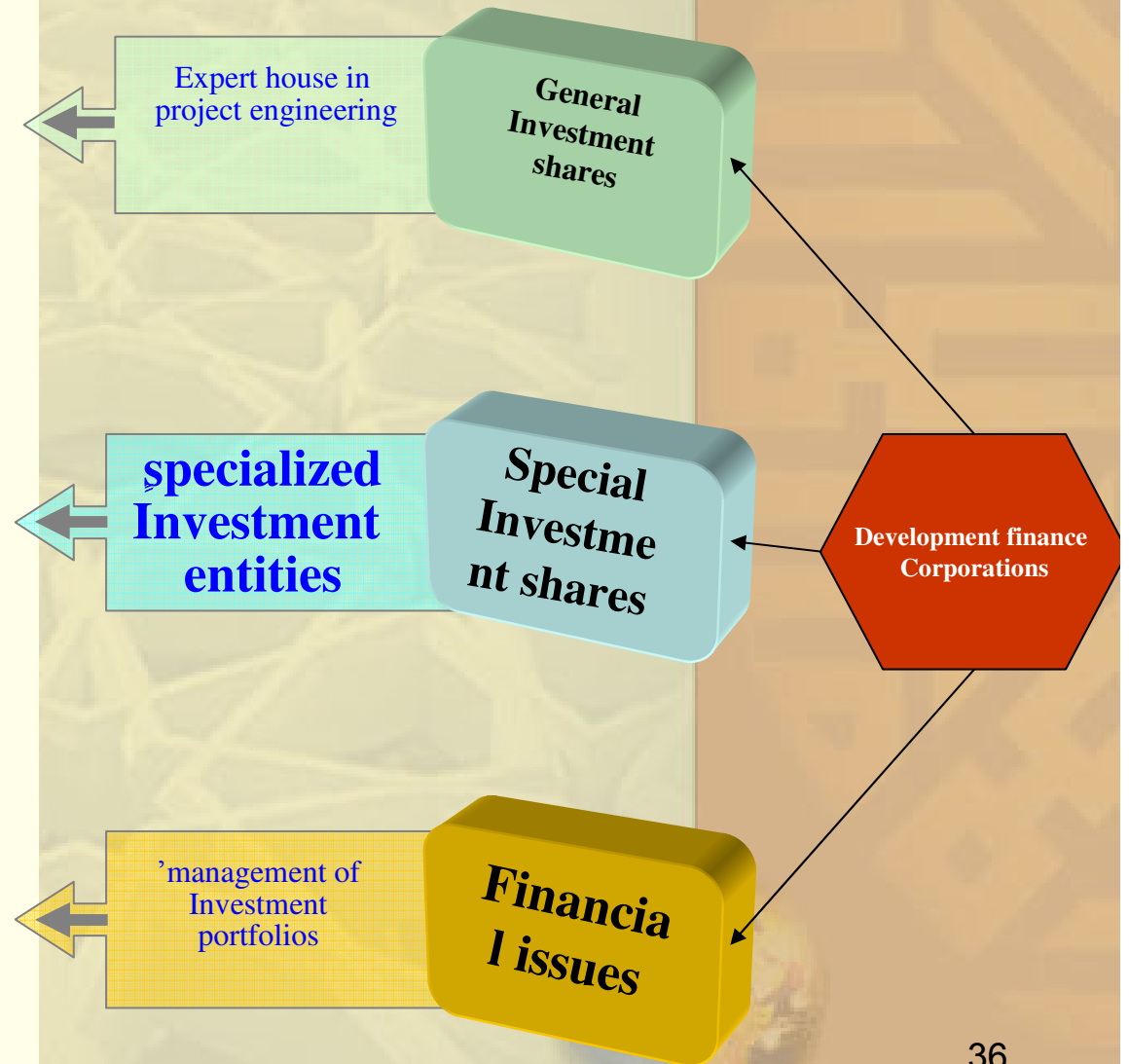
Possible to withdraw

# Method of funds management

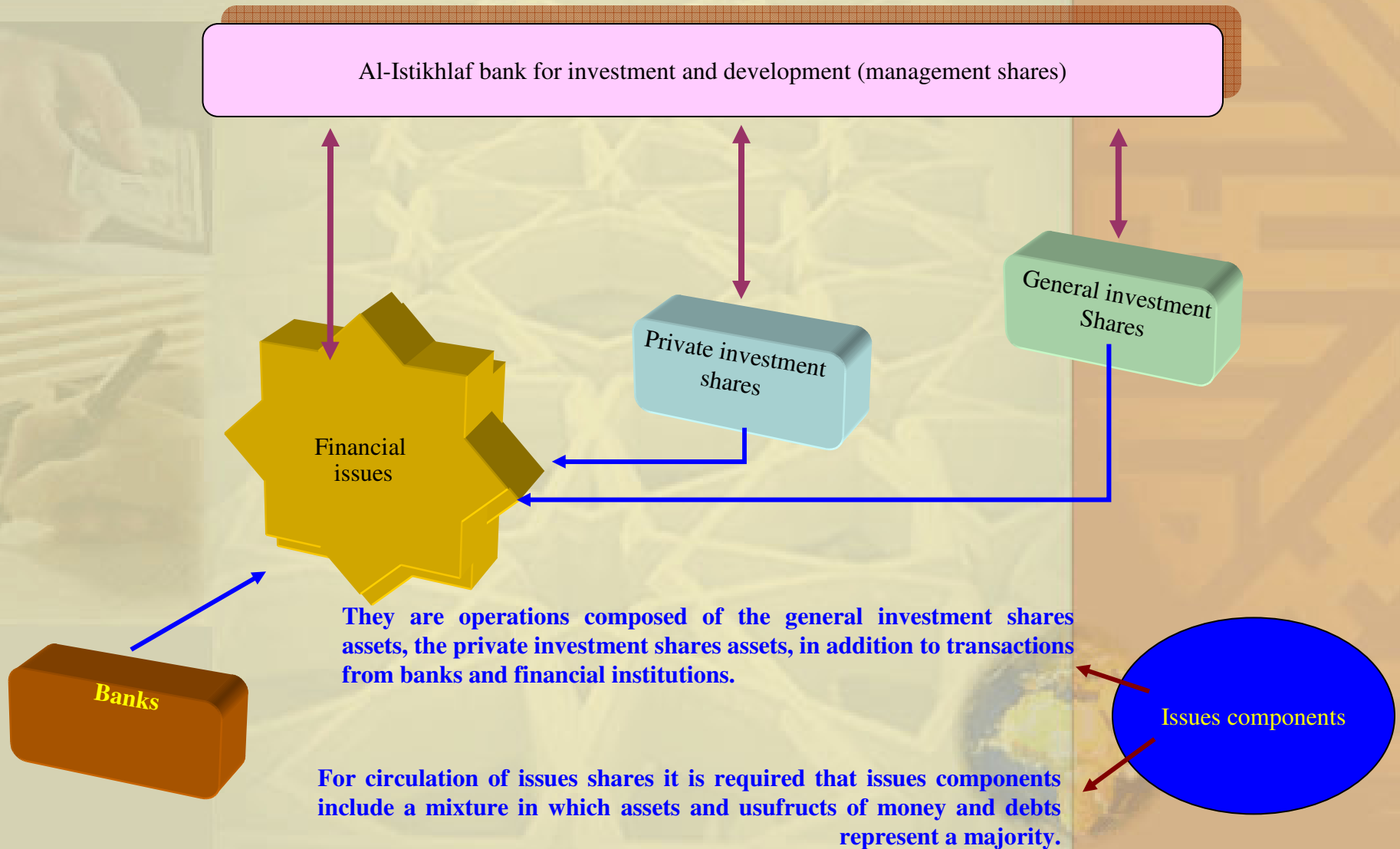
The general investment fund is managed by Al-Istikhlaf bank for investment and development (Mudharib) as a department specialized in the financial engineering and an expert house for the development of investment projects & opportunities.

The shares of the specialized investment are managed by Al-Istikhlaf bank for the investment and Development (Mudharib) as specialized investment entities, such as real estate investment management, department of industrial investment ..etc.

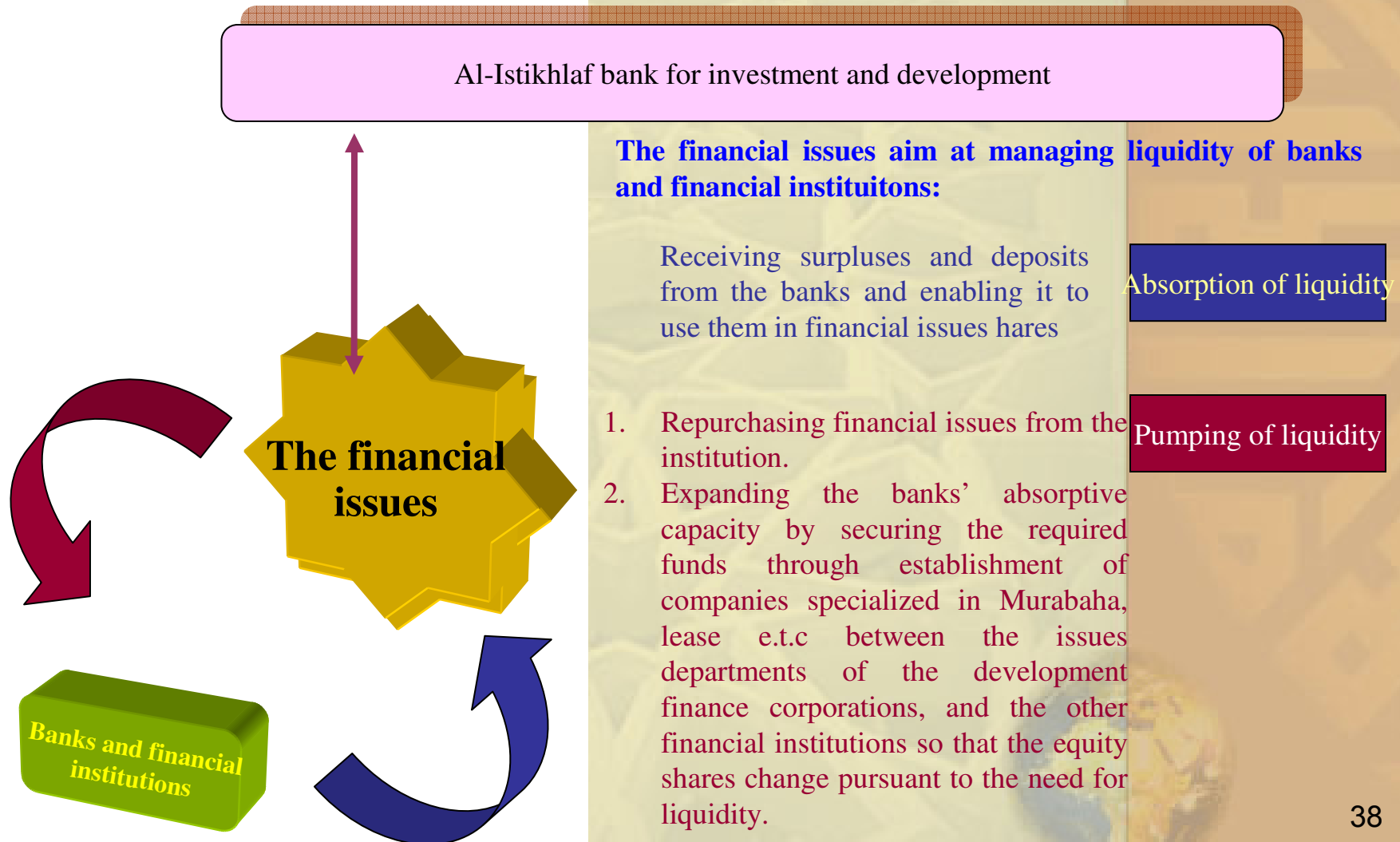
The financial issues are managed by Al-Istikhlaf bank for the investment and development (Mudharib) according to investment portfolio management.



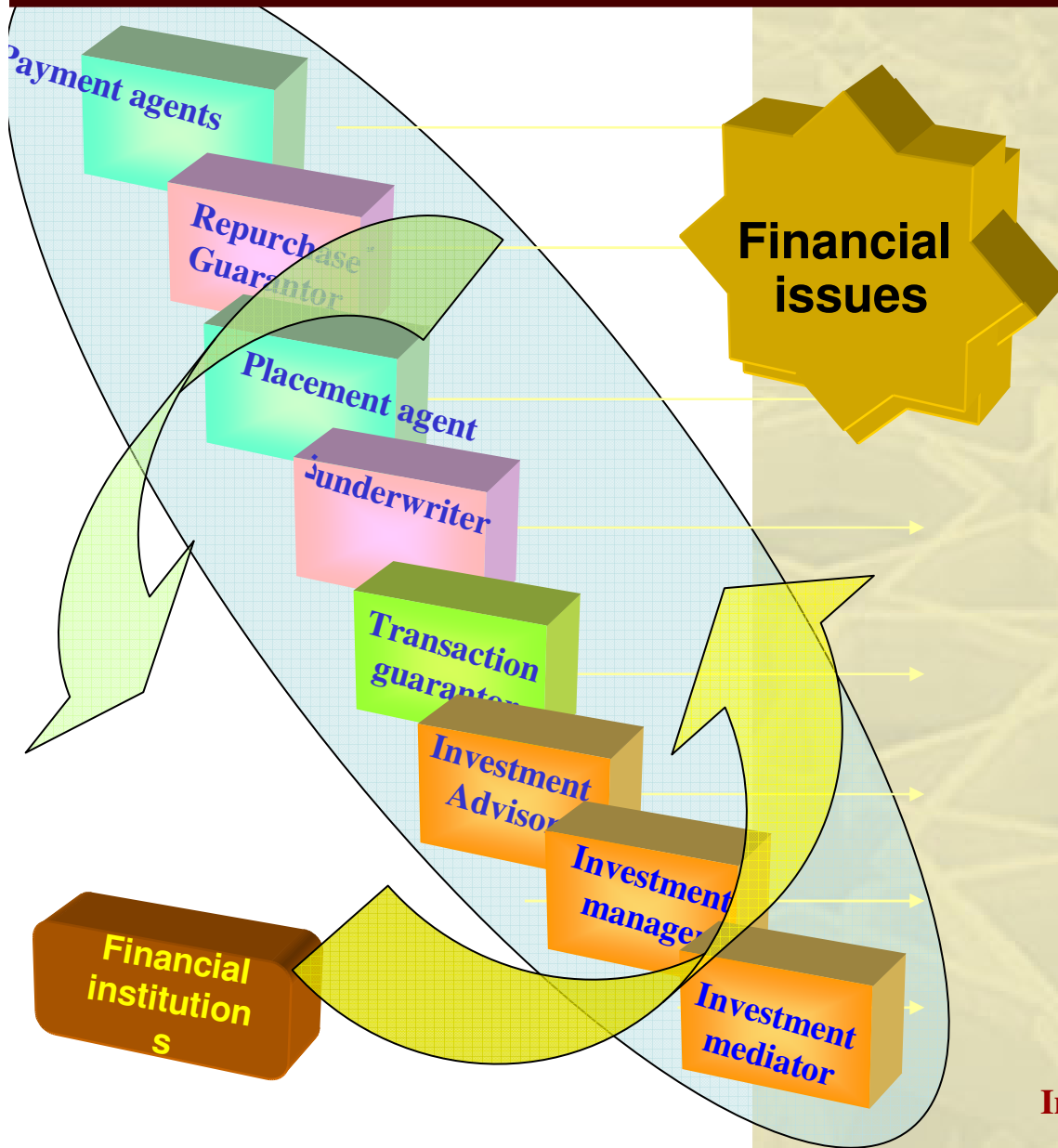
# The financial issues mechanism



# The financial issues mechanism



# Functions and agreements



## Functions and agreements

Payment agents agreement ●

Repurchase commitment ●

Placement agent agreement ●

Issues underwriting agreement ●

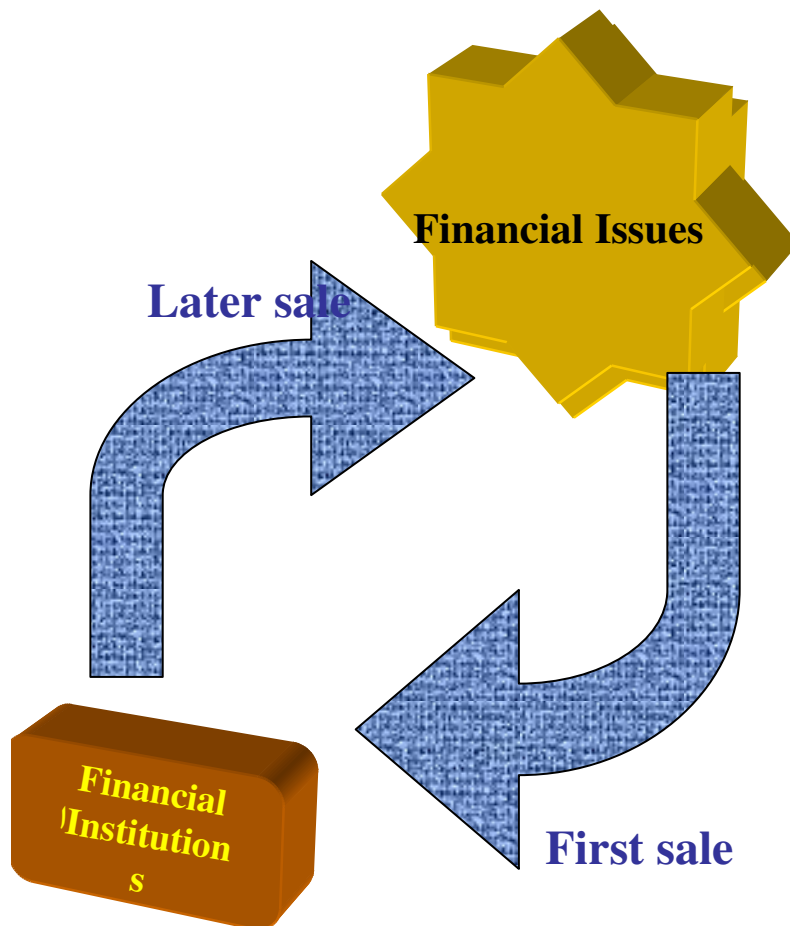
Transaction guarantor agreement ●

Investment adviser agreement ●

Investment manager agreement ●

Investment broker agreement ●

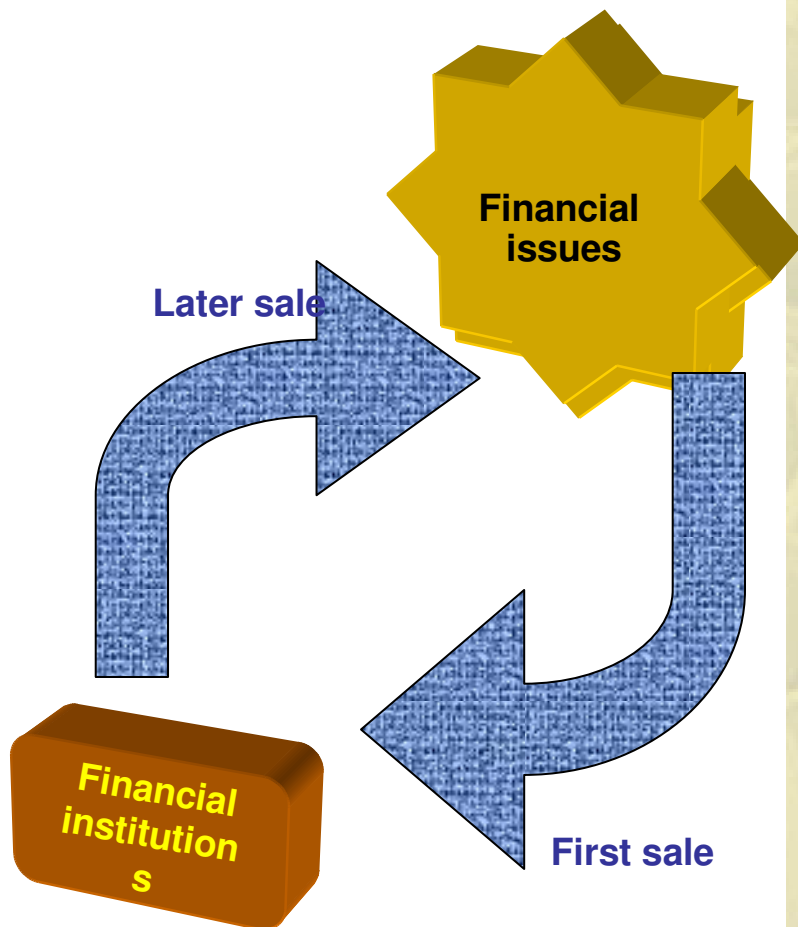
## The underwriting guarantor agreement



## Issues underwriter

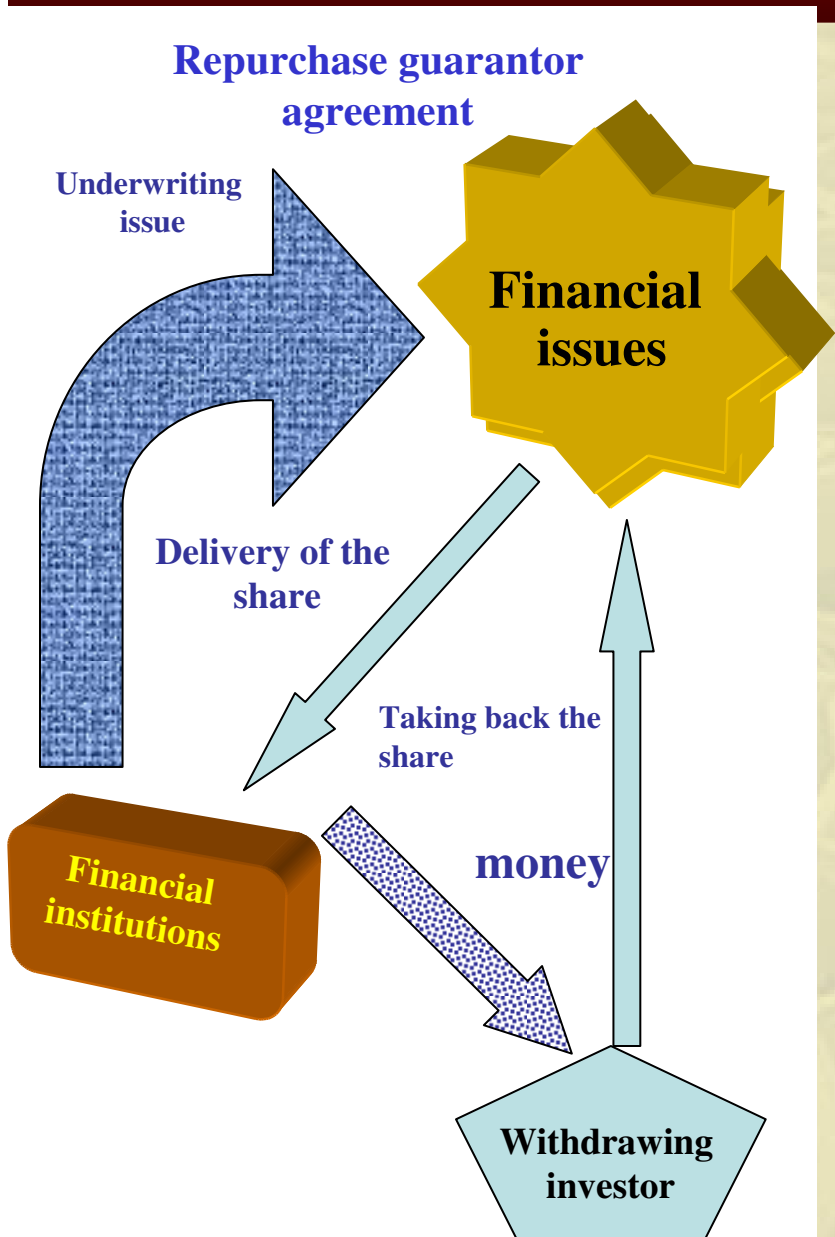
- ❑ The financial issues department of Al-Istikhlaf bank for investment and development concludes special agreements with a number of financial corporations to play the role of underwriting whether for each independent issue or for a group of issues.
- ❑ The underwriting takes place for the issues fully from one financial institution or partially from various different financial institutions, according to shares determined by each.
- ❑ The underwriting takes place through a first sale method for the issue assets against a lesser payment, and a later sale for the issues shares for the benefit of the guarantor at par value.

## Underwriter agreement



## Underwriter

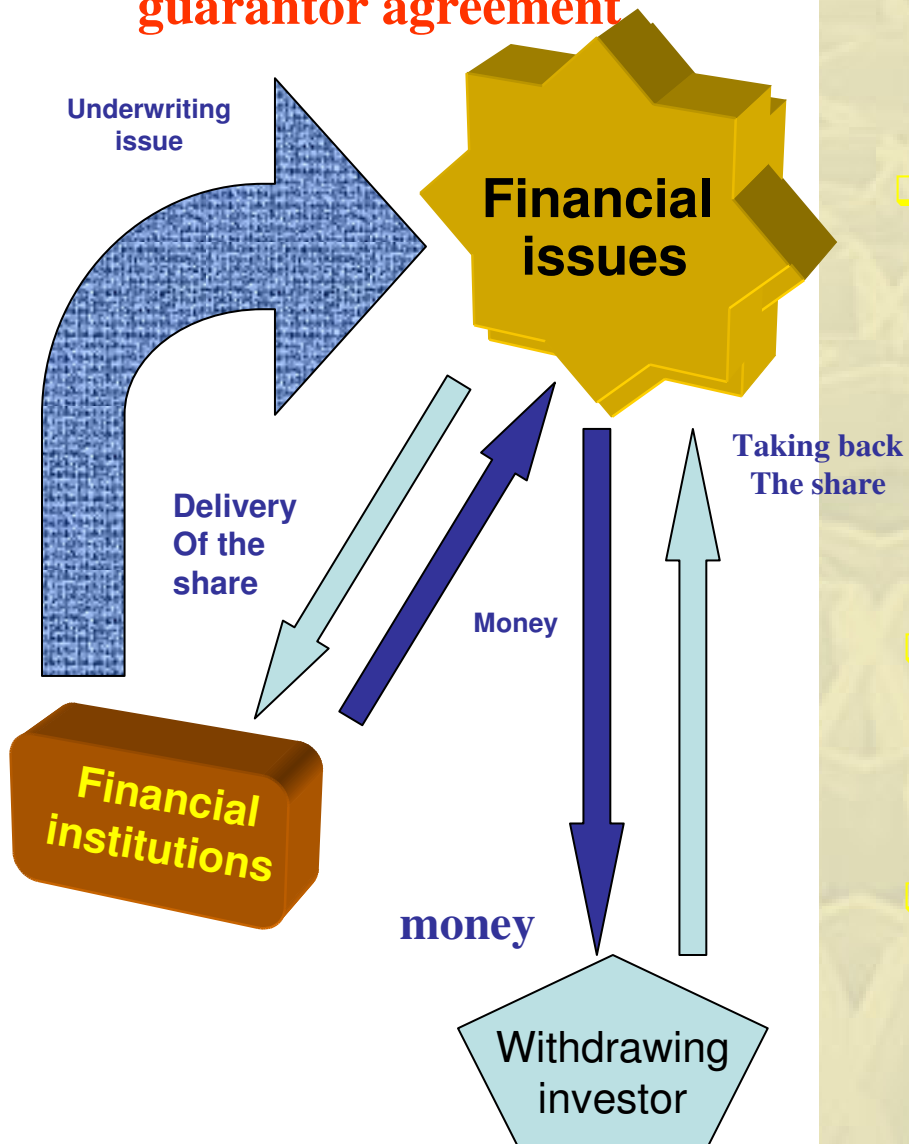
- ❑ Purchase part of the fund's capital and bear the risk of un-marketing the issues to the public by changing the emergency commitment into actual commitment.
- ❑ Achieve revenues from price differences of the marketed units, and achieve investment returns from the shares which remained under his responsibility as an investor.



## Repurchase guarantor

- ❑ The financial issues department of Al-Istikhlaf bank for investment and development concludes special agreements with different financial institutions to assume the role of the circulating shares purchase guarantor, through one institution or via a collection of corporations within an agreed specific ceiling.
- ❑ The underwriting shall be carried out by purchasing the offered shares so that the financial institution becomes a new investor holding a share of the issue components.
- ❑ The purchase guarantor achieves a financial return from the difference between the purchase price from the withdrawing investor and the sale price to others if circulation takes place or from the unit's value upon liquidation by the end of the fund's term.

## Repurchase guarantor agreement



## Re-purchase guarantor

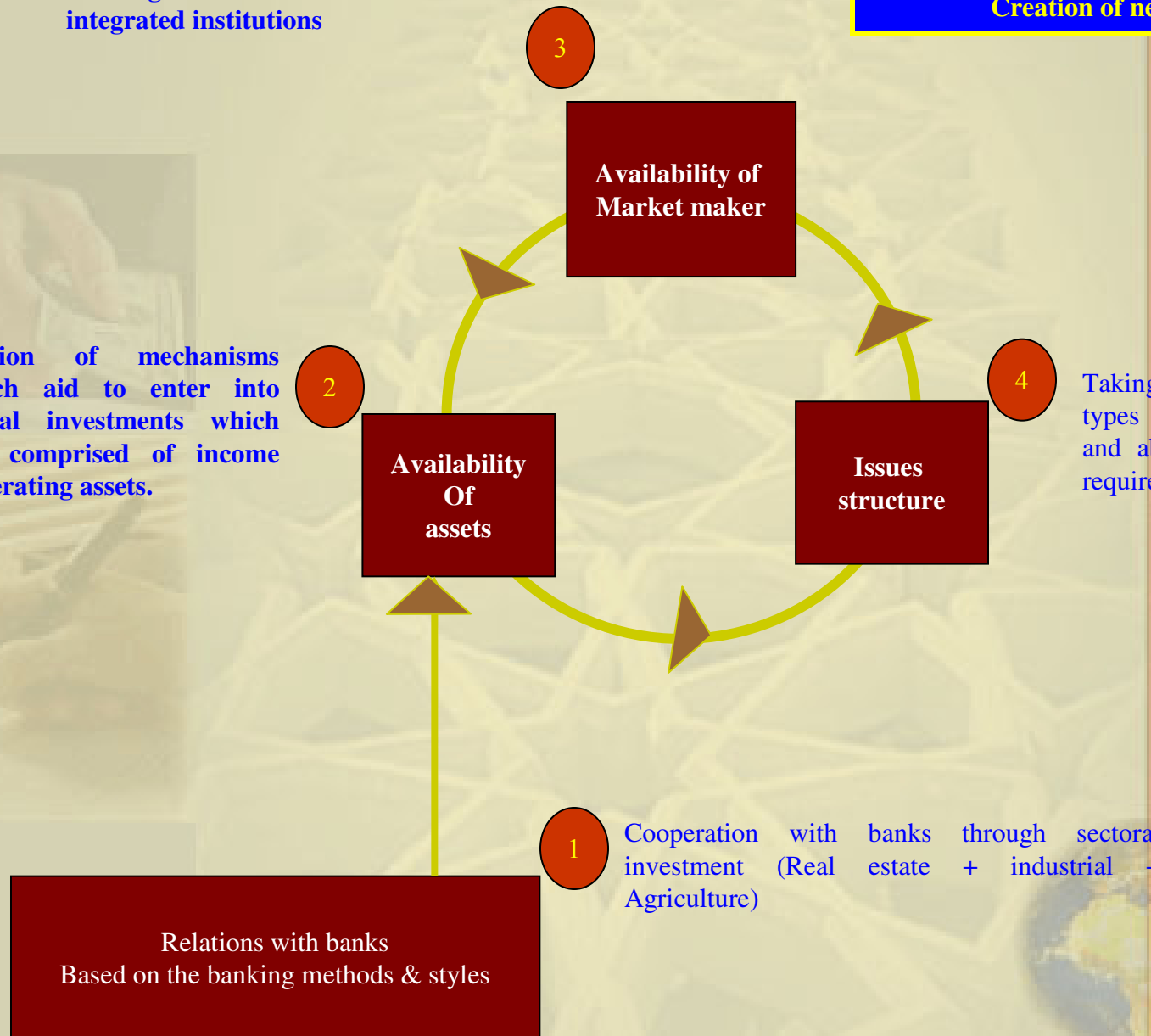
- ❑ The financial issues department of Al-Istikhlaf bank for investment and development concludes special agreements with different financial institutions to assume the role of circulating shares re-purchase guarantor, through one institution or through a combination of institutions within an agreed specified ceiling.
- ❑ The underwriting shall be carried out via the purchase of offered shares so that the financial institution becomes a new investor holding a share of the issue components.
- ❑ The purchase guarantor achieves a financial return from the price difference of the withdrawing investor and the sale price to others, if circulation took place, or from the unit value upon liquidation at the fund termination.

Serving the secondary market by creating market makers and self-integrated institutions

Creation of new mechanisms

Creation of mechanisms which aid to enter into actual investments which are comprised of income generating assets.

Taking new negotiable forms and types that secure more efficiency and ability to cater to customers requirements and preferences



# The requirements

## Legislative and regulatory procedures

Financing direct investment and bearing risk

Possessing financial and real assets and dealing in them

Non-obligation of guaranteeing customers deposits

Lifting barriers and restrictions as regarding dealing with related parties

# Results

- Achieving Shariah intentions
- Islamizing the financial instruments of the financial institutions
- Establishment of big and major projects, and expanding the successful existing projects.
- Qualifying the troubled projects
- Employment of manpower
- Expanding the primary market base
- Allocating the savings into productive activities
- Provision of negotiable instruments in the secondary market
- Developing relations and joint cooperation between the financial institutions.

