

Seminar: Women in Islamic Finance

Monday 19th May 2008, 9.00am-12.30pm

Speakers:

Kitty Ussher MP: Economic Secretary to the Treasury

Shaykha Halima Krausen: Shariah Scholar and Academic

Eva Bigalke: Director, WestLB

Aziza Atta, Shatha Ali: Associates, Islamic Finance, Norton Rose LLP

Stella Cox: Managing Director, DD&Co Limited



Women in Islamic Finance

19 May 2008

Speaker

Neil D Miller
Partner, Global Head of Islamic Finance, Norton Rose LLP

Kitty Ussher MP
Economic Secretary to the Treasury

Shaykha Halima Krausen
Shariah Scholar and Academic

Dr Eva Bigalke
Director, WestLB

Aziza Atta/Shatha Ali
Associates, Norton Rose LLP

Stella Cox
Managing Director, Dawnay Day & Co. Ltd.

Presentation

Chairman's introduction

The UK Government perspective on Islamic finance

The history of women in Islamic trade and finance

Finding a Shariah compliant solution for a UK LBO transaction

Women in Islamic Finance – a practitioner's perspective

Women in Islamic Finance – an overview of the industry

Women in Islamic Finance

Norton Rose Seminar – 19 May 2008

Chairman - Neil D Miller, Partner, Global Head of Islamic Finance, Norton Rose LLP

Chairman's introduction

Ladies and Gentlemen – it is a great pleasure for me to be chairing this seminar today. I would like to thank all of you for coming. I hope that by the time you leave you will have gained some new knowledge and perhaps dispelled a few myths and stereotypes.

As some of you will be aware, the Norton Rose Islamic finance team has at least 6 women involved full time in the sector. We have another half dozen lady lawyers in other parts of the firm, who are regularly involved in Islamic transactions. It is also public knowledge that Farmida Bi will soon be joining us as a new partner in the capital markets team and her work will include *Sukuk* and Islamic securitisation activity.

With all of this talent in the firm, about 12 months ago I developed the notion that “the women” should undertake an initiative to see if they could create a female orientated group:

- to explore what women are doing in the Islamic finance industry; and
- to establish whether their needs are being met both as consumers of Islamic financial products and as professionals active in the delivery of those products to the global market place.

With that in mind, I asked several of the team members to get something up and running: today's seminar is the result of their efforts and the first step along what I hope will be an interesting path.

I think it is fair to say that the role, status and position of women in Islam is not fully understood in the Western world and frankly even in the Muslim world there are

widely different interpretations. I think it also fair comment – and I may be criticised by some for saying this – that the Islamic financial world is one dominated by the male gender.

As I hope our panel here today demonstrates, there is a growing band of women professionals active in the industry and performing increasingly important roles. During the 13 years I have been involved in the Islamic financial industry, the single most consistent recurring theme has been the lack of good people. It is my firm belief that the industry must look to the female population, as a resource where it will find talented individuals who can bring value to the sector.

Our primary objective today is to act as catalyst, to create a forum that will place the role of women in Islamic finance in context and will discuss their role in the future of the industry.

It may also create new synergies and business development opportunities. In these difficult economic times, a new avenue of opportunity such as this has to be worth exploring.

I am pleased to say that we have gathered an impressive panel of speakers for you. You have CV's in your delegate packs, so I shall not spend overlong introducing everybody in turn but will say a few words before each presentation.

As many of you will be aware, in April last year the Treasury established a Group of Experts, comprising industry practitioners, FSA and Treasury officials and several interested groups. Initially focused on *Sukuk*, the Group's remit was widened to keeping the Government apprised of new developments. With advance warning of changes and trends, the Expert's Group can help the Government help the City maintain the leading position London has developed for advising, structuring and executing Islamic financial transactions. The attractiveness of London has been demonstrably supported by the fact that we now have 6 Islamic financial institutions operating wholly in accordance with Islamic principles, authorised by the FSA over the past few years, confirming the attraction of London as a base for Islamic financial operations.

My intention is that you should not really be hearing too much from me today, as I am merely a facilitator.

With that in mind I would like to introduce our first speaker. I am delighted that Kitty Usher MP, Economic Secretary to the Treasury has kindly found the time to speak here today. It is perhaps fortuitous synchronicity that the person at the Treasury whose remit covers the Islamic finance sector is a woman. It is also a casebook example of why the industry has to be cognisant of the power and role of women. Even if not directly operating within the industry, they will have influence over it. Some of you may have read in last week's FT that France is now starting to examine Islamic finance - and guess what, it's a lady, Christine Lagarde, France's finance minister who announced the initiative which appears to be strongly supported by the Senate.

Without any more ado, I would like to ask Kitty Ussher MP to open the seminar officially with her keynote address.

19 May 2008

Speech by the Economic Secretary to the Treasury, Kitty Ussher MP to the Norton Rose, 'Women in Islamic Finance' seminar, London SE1

Introduction

1. Thank you, Neil, for that introduction, and for the invitation to be here for today's seminar on the role of women in Islamic Finance.
2. I want to start by saying how pleased I am to be here at an event that's designed specifically to highlight the role that women are playing in one of the most exciting, innovative financial services sectors around at the moment.
3. You've got an impressive line-up of speakers here today, who know far more about the role that women are playing than me, and so I'll leave them to give their own perspectives on that.
4. But Neil's asked me to start the seminar by giving you the Government's perspective on the sector as a whole - and that is something that I'm always very pleased to do.

1 Importance of Islamic Finance

5. This is, as you'll all know, a sector that's growing rapidly.
6. In the retail sector, the Islamic mortgage market is now worth over £½ billion a year, and the UK's Sharia'a compliant banks now have more than 40,000 customers.
7. And in the wholesale sector, according to Moody's, Islamic banking assets have been growing at a rate of just under 20% a year since 2000, and are currently worth around \$500 billion worldwide.
8. Islamic Finance products, particularly in the retail market, are also very important for the people who buy them.
9. We do believe that it's right that everyone, regardless of their religion, should be able to participate fully in the financial system - and should have the opportunity to make the most of their money.
10. So, both because of the benefits for customers, and to help make sure that London is at the forefront as the sector continues to develop, we want to do everything we can to encourage the development of Islamic Finance in the UK.
11. And that's exactly what we've been consistently doing over the last few years.

2 Govt's approach to Islamic Finance

12. The main plank of our approach is to establish a level tax and regulatory playing field between conventional and Islamic finance. And over the years, we've introduced a steady stream of legislation to move towards that.
13. Back in 2003, for example, we changed Stamp Duty Land Tax to remove a major obstacle to Islamic mortgages.
14. We've also introduced the concept of alternative finance arrangements, including Islamic saving schemes for ISAs, in 2005; and ensured that Child Trust Fund accounts can be Sharia'a compliant.
15. And last year we delivered a new tax framework for sukuk, to encourage sukuk issuance.

16. This year's Budget announced further measures to establish a level playing field between sukuk and conventional debt instruments. That includes work with the FSA to clarify the regulatory treatment; and also an HMRC consultation on providing relief from stamp duty land tax, for which we intend to legislate in next year's finance bill.

3 Govt sukuk issuance

17. Of course, we've also been looking closely at the potential for the Government to issue sterling denominated sukuk.

18. We published a consultation on this last November, and I'd like to thank everyone who has contributed to that - including our Islamic Finance Experts Group.

19. It's very clear to us that Government-issued sukuk could have a number of benefits. In particular, by providing a Sharia'a compliant asset that banks could then use to back Sharia'a-compliant retail products, it could help to increase the range of Islamic Finance products that are available.

20. A Government issuance of sukuk would also show our continued ambition in this area, and that we're serious about making London a world centre for Islamic Finance - and we believe that it would help the City attract further sukuk structuring activity.

21. Of course, though, we want to make the right decision, not a hasty one. And we have had to consider the potential costs and risks, and look closely at a number of detailed issues - I'm sure you don't need me to tell you just what a complicated issue this is.

22. As I've said, we're grateful for the help that we've had in doing that, including from you, Neil, and your colleagues here at Norton Rose.

23. And I'm pleased to be able to announce today that we'll be publishing our response to the consultation on 2 June, providing a firm indication of the details of any Government sukuk issuance.

24. That shows the progress that we've been making - not just on Government-issued sukuk, but across the sector.

25. And I think that most people would agree that the Government's actions, and those of the FSA, have had a real impact on the development of Islamic Finance in the UK.

26. In London today, more than 20 banks provide Islamic financial services - more than the rest of Western Europe combined. And we have the only standalone Islamic financial institutions in Europe, including investment banks, a retail bank and a takaful provider.

27. But I do think that we do need to keep up the momentum; and we also have to make sure that Government and industry are working together.

28. This is, I have to say, a sector where we've seen just what can be achieved when industry and Government collaborate on achieving their shared objectives - and we want that carry on.

29. We in Government will, of course, continue to take the lead on tax and regulation issues.

30. But there are other issues to deal with, too - like standardisation of documentation and corporate governance; increasing practitioners understanding of Islamic Finance; and raising people's awareness about the products that are available.

31. On those issues, industry has a major part to play - although of course we're happy to help where we can.

32. Our intention is therefore to discuss these four areas - tax and regulation; standardisation; education; and awareness - with our Islamic Finance Experts Group, starting at our meeting two weeks today, and with other small and focused working groups that we'll be setting up.

33. Those working groups will discuss the barriers that need to be overcome; what's been achieved; what's left to be done; and how improvements can be made.

34. And I can announce today that we hope to then publish a document later this year, setting out our view of the UK's strategy for Islamic Finance in the years ahead.

35. That will, I hope, help to focus our attention, and the attention of industry, on the challenges that we still need to deal with, and on how we can best go about achieving the objectives that we all share for Islamic finance here in the UK.

4 Conclusion

36. And I think that is probably the best demonstration of what I've been asked to talk about this morning: the Government's perspective on Islamic Finance.

37. Our perspective, as I hope I've explained, is that this is a hugely important sector for the UK's competitiveness in financial services, and at the retail end for ensuring that everyone has access to competitive financial products.

38. We've come a long way already in supporting the sector - and the growth that we've seen over the last few years is a sign that what we've done, along with what the industry has done, has worked.

39. But there is more to do if we're going to make sure that London really is established as a leading gateway for international Islamic Finance; and that people really do have the same financial options whatever their religion.

40. I think that the process of working together and developing a clear strategy that we can all work with is the best way of achieving that, and I hope that it will have everyone's support.

41. So, let me finish by saying this. This is an exciting sector - and I think that we've got an exciting six months ahead of us.

42. We've got a strategy to develop; we'll be publishing the results of our consultation of a Government sukuk issuance; and when we are satisfied that sufficient work has been done, we'll make a decision on whether to proceed with the sovereign sukuk issuance.

43. And I'm sure that over the coming months, Islamic Finance will continue to grow and evolve here in the UK.

44. That will be down to many of you here today - and so thank you for everything that you're doing, both men and women, and particularly for your willingness to work closely and constructively with us in Government. It is making a difference, and it is much appreciated.

45. Finally, thank you Neil for inviting me to be here and to speak to you; and thank you for listening.

The history of women in Islamic trade and finance

Shaykha Halima Krausen

The History of Women in Islamic Trade and Finance

I hope the title did not cause extremely high expectations, for "The History of Women in Islamic Trade and Finance" still waits to be written. Instead, I rather often come across the question: "Women in Islamic trade and finance - isn't that something completely new and revolutionary?"

Preparing this lecture was quite a challenge.

It was a challenge for my teacher and storyteller self. There are hardly any readymade stories on this subject that could be used to present role-models for educational purposes. At first sight, Muslim women's stories (and the general interest in them) seem to focus on family matters like marriage, divorce and children, or on pious or heroic deeds, or on scandals. Even the stories of the Mothers of the Faithful, i.e. the Prophet's wives, focus, in most cases, on the Prophet and their relationship with him rather than their own activities, personalities and interests.

It was also a challenge for my historian self. There are no easily available facts and figures, let alone documents, about women's economic activities. This reminded me of my research on women scholars and scientists in Muslim history years ago: by carefully working through volumes of hadith literature, law books and biographical dictionaries, I found the specific information, sometimes in subordinate clauses or apparently marginal anecdotes that are easily overlooked. In the process, I discovered that in addition to the accessibility of sources, it is often internalized stereotypes, traditional, romantic or revolutionary role expectations, and habitual perspectives that influence our perception of past situations and present-day decisionmaking. Thus, e.g. if we cling to images of pre-industrial extended family structures, we might fail to see the contributions that the individual members made to it. Or with strong middle-class family ideals on our minds - happy mothers with their children, while the man is the breadwinner "outside" - we might forget that no society as a whole could ever afford having only half of their adult population economically active. If we focus on women exclusively, we might miss the corresponding situation of men and fail to see structures of interdependence - perhaps you are surprised now, but "The History of Men in Islamic Trade and Finance" is something else that waits to be written. It is not easy to form a picture of economic life in early Islam. Historians mention Makkah as a commercial centre; they investigate the disputes about shares of the market between the leading clans of the Quraish, the zakat and tax system, and power-related finance structures. But the everyday life of ordinary Muslims, that is, traders, craftsmen, men and women involved in home industry, midwives, servants, children doing jobs for their parents, and slaves must be patched together from casual information in order to get an idea of the efforts for material and social benefits that the Qur'an summarizes with the phrase "searching for God's bounty". Language can also be an obstacle if e.g. we are used to imagine "craftsmen" or "businessmen" as male persons rather than human beings, or if we, forgetting that the masculine form in Arabic is very often inclusive, end up with the impression that the Qur'an refers only to men.

This presents a challenge for my theologian self. Of course there are general ethical and legal principles, among them the equality of men and women in their ontological status, their human responsibility and their ritual and moral obligations. More specifically, and as often emphasized by authors on "Women's Rights in Islam", adult women are free to make use of their property without asking anyone else, including fathers or husbands. On the other hand, there is an everyday reality with endless debates about restrictions for women's activities outside the home; discrimination; inequality in education and career opportunities; the lack of recognition for women's work that is often unpaid, like the work of a housewife and mother in the home, or like volunteer community work - I know a number of successful social and educational projects run by women with hardly any financial backing. Trying to bridge the gap between Islamic principles of justice and everyday problems, I often find myself torn between looking for specific precedents that enable me to give immediate legal advice and assistance, and looking for a coherent picture that can help women develop perspectives of unfolding their potential. On the whole, this needs re-reading of the sources and keeping eyes and mind open for connections, insights and questions that we can learn and benefit from.

I would therefore like to look at some complexes of problems from different angles, linked with the examples of five women: Khadija, Hind, Zaynab, Shifa' and Ijliyah.

Khadija bint Khuwailid

Khadija is often proudly pointed out as the first Muslim and one of the the Prophet's greatest spiritual, emotional and material supporters. She is known as a businesswoman who employed young Muhammad and then married him. After that, details are scarce, except for the children she had, her reaction to the prophetic revelation, and a number of beautiful stories

about angels greeting her. Questions beyond that might not be compatible with habitual thought patterns: How did she become the rich business woman she was, at a time when sometimes newborn girls were buried alive? What were her arrangements with Muhammad a) regarding the work he did for her, b) how to continue business after their marriage?

Some of the answers can be found by drawing conclusions from various traditions. She inherited the import-export business from two previous husbands, that is, if women in those days did not normally inherit, she probably kept charge on behalf of her children. Why did she not travel to Syria herself? Were business trips impossible or unacceptable for a woman, or were the children too young for her to get away? We do not know how many employees she had beforehand. The agreement with Muhammad was apparently based on profit sharing, with her investing capital and administration and him investing the work. We hear how impressed she was with his reliability, but would that be enough for marriage, even considering that, in principle, the idea of a marriage contract is not too far away from a business contract? Perhaps this was a key point. But there was also another similarity. Both of them were committed to the cause of the poor: she had contributed to projects like sponsoring and running a hospital during the plague epidemics, and he had been involved in the *Hilf al-Fudul* movement to stand up for the rights of the underprivileged. Except that the business continued to be successful, we have no information about their respective agreements, but considering both their personalities and later Islamic property rules, they cannot have been far away from a similar partnership that lasted though the years of persecution and boycott after Muhammad started teaching in public until Khadīja died.

In later societies where segregation of the sexes often limited women's access to the public sphere, especially among the ruling class, we repeatedly come across women who made profitable use of the rights guaranteed in Islamic law by managing and investing their property, either directly or through their agents. For example, going back to a class of slave soldiers with a high mortality rate among men, the Mamluks in Egypt used to leave the management of their property to their wives. Whatever the popular imagination, the harem system, e.g. in the Ottoman empire, was not necessarily an obstacle: comprising wives, daughters, indoor and outdoor servants and slaves as well as unmarried sisters and elderly relatives, it provided access to education and management skills. That is how many ladies became famous for sponsoring and managing *awqāf*, endowments for needy relatives or philanthropic endowments like hospitals, colleges, *sufi* convents, libraries, mosques, or orphan's projects, but also roads, bazaars and rest houses that paid the way for the former.

Hind bint 'Uqba

Hind is mainly remembered for the disgusting scene at Badr mutilating the body of Hamza killed in battle as well as her pointed remarks when, after the Opening of Makkah, she became a Muslim. The connection is not often made with a report about her consulting the Prophet about helping herself from her husband Abu Sufyan's purse because he was too stingy to give her enough for herself and the child, and the Prophet's permission to do so within reasonable limits. This is taken for an illustration for a self-evident point: a woman has a legal right to support from her husband. The experience must have been humbling for her but did not break her spirit. According to a later casual note she was granted a substantial loan from the *Baitul-Mâl* (known to most Muslims as the contemporary treasury and social office) to start a business. Interest-free, of course. If there had been anything extraordinary or controversial about this, the resulting debate would have left its traces in the records.

Just two thoughts:

The idea of a startup loan instead of subsistence level support, help for self-help so to speak, seems to me more in tune with the Prophet's work ethics than simple unqualified "help to the poor" ("It is better to chop firewood and sell it in the market than to beg others for help"). Who knows - if the business is successful, she would be able not only to repay the loan but also to pay *zakât*, and she might even be able to offer jobs to others.

Education and capacity-building could be another worthwhile investment - sometimes the startup-capital is there but it is the knowledge and the confidence that is lacking.

Zaynab bint Abi Mu'awiya

According to a *hadīth* (tradition), Zaynab "used to provide for (her husband) Abdullah (b. Mas'ûd) and the orphans who were in her care." She (and at least one other woman in a similar situation) asked the Prophet if it is permissible for a woman to give *zakât* to her husband and other family members and was encouraged to do so.

The usual conclusion is: this is because women are not legally obliged to support their families. One might ask why, and the usual answers are that they are physically weaker, that their natural task is to bring up the children, or that there should

be no double burden. I have another suggestion: a legal obligation is unnecessary because they would tend to support at least their children anyway - I know a lot of women who do. But this is not my point here. My question is rather: how did she end up richer than her husband? In this case, it was not an inheritance or bridal gift but a successful business producing and selling handicrafts.

If we look at hadith literature more carefully, we actually come across a number of women who were involved in agriculture, home industry and crafts, or simply in "buying and selling goods". We hear about midwives, nurses, perfume makers and a number of other professions. Unlike domestic servants, they were self-employed - otherwise the advice they asked the Prophet for would have been different. We find their counterparts in all Muslim societies in later centuries.

Shifâ'

We know about Shifâ' that she taught the Prophet's wife Hafsa reading and writing and that the Caliph 'Umar employed her as a market inspector, i.e. she had to enforce the rules concerning measures, weights and business transactions. 'Umar was not exactly known as a feminist, but he does have a reputation for choosing the most competent candidates for government posts. Whether Shifâ' had to do the actual inspecting all by herself or had a team to help her, the implications might sound alarming to Muslims who are convinced that women should not have positions where they can give orders to men. Perhaps that is why the case is not very well known.

Except that this conviction, widespread as it may be, is hardly compatible with key concepts of the Qur'an that considers men and women "each other's protecting friends who enjoin what is good and prohibit what is evil ..." (9:71). It not only points out women in resistance against oppressive political authority, like Pharaoh's wife and Moses' mother and sister, but also the example of the Queen of Sheba, traditionally called Bilqis, who, after listening to her advisors, makes a much more constructive decision for the benefit of her people. There were certainly controversial debates about women in leading positions, but the outcome was mainly determined by the socio-cultural circumstances. According to at-Tabari, women can be judges in all cases. Abu Hanifa actually demanded that there should be women judges in every city in order that women's rights can be guaranteed. Even where women as rulers or judges were under debate, women were accepted as muftis, going back to the example of the Prophet's wife Aisha who made a considerable impact on the development of law and theology.

Ijlîya bint al-Ijlî al-Asturlâbi

Ijlîya was an astrolab builder who had learned her father's trade and took over his business. An astrolab, like its successor the sextant, is used for various calculations in astronomy and navigation. Obviously successful, she was employed at the court of Saif ad-Dawla (in Northern Syria, 944 - 967 C.E.).

Women are never said to have tried to find the "Philosophers' Stone", but they were active in sciences, medicine and religious scholarship. In pre-industrial age, children usually learned their profession from their parents or relatives, normally boys from their fathers and girls from their mothers but at least in scientific studies it was more a matter of interest. It was not uncommon that well-trained women were employed as house teachers for the children of well-to-do families. In medicine, we hear of cooperation between a male and a female doctor: a young man studying to be a doctor got married with a young woman from a similar family, then they shared their work: the female doctor treated the female patients while her husband treated the male ones - either self-employed or in a hospital. But social norms of segregation did not always apply in study situations. Among the numerous examples of men studying with women teachers is ash-Shâfi'i who studied with Nafisa (b. ca. 762 C.E.), or the traveller Ibn Battuta who studied with several scholarly women teaching at the colleges of the contemporary Muslim world. If travelling proved difficult for women - after all, contemporary criminals were not only interested in a woman's purse but also in herself for the slave market - they often overcame this obstacle by accompanying male family members or by meeting scholars from all over the world during the pilgrimage to Mecca.

These examples are far from complete. They cannot be more than suggestions for exploring possibilities that women in the past made use of within the framework of their respective contemporary local understanding of Islamic law and the social conventions. Nor should we deceive ourselves into believing that these possibilities were open to all women and just a matter of free choice. As for our own time and age, we need a meaningful *ijtihad* in economic and family matters that meets the purpose of Islamic principles and modern demands, both in traditionally Muslim countries and for Muslims in the West, and educational projects that work on women's images and self-images, empowering them to use their potential - spiritual, intellectual and economical.

Norton Rose: Women in Islamic Finance

Finding a Shari'a Compliant Solution for a UK LBO Transaction

Dr. Eva Bigalke, WestLB AG, London Branch

Case Study – Aston Martin



- Aston Martin Lagonda Group Ltd. was put up for sale in 2006 by Ford Motor Company.
- 12 March 2007: Bidco (a consortium comprising Investment Dar, Adeem Investment and several individuals) agreed to acquire Aston Martin Lagonda Group for £522mio.
- WestLB AG, London Branch was appointed as Bookrunner and Mandated Lead Arranger of £225m Shari'a Compliant Senior Secured Acquisition Facilities with 8 year maturity (providing for a put option after 5 years).
- The facilities were fully underwritten by WestLB.
- The challenge was to structure a fully Shari'a compliant LBO in the UK.
- Sheikh Nizam Yaquby acted as WestLB's Shari'a advisor.

Due Diligence



DBS

RAPIDE



VANTAGE

DB9



WestLB AG
London Branch

Islamic Finance
Dr. Eva Bigalke

19.05.2008
Norton Rose: Women in Islamic Finance
Page 3



Issues to be addressed:

- Structure must adhere with framework of alternative finance regulations in Finance Act 2005
 - allows for Murabaha, Musharaka, Mudarabah and Ijara structures;
 - limits potential investors to Financial Institutions as defined in s.46 FA 2005.
- Target's assets are a mix of mainly real estate, machinery and intellectual property rights assets
 - Real estate – but financing should not attract capital gains taxes for the Group;
 - Machinery – value not sufficient to cover the total amount of financing required;
 - Intellectual Property – split over numerous jurisdictions, transfer time consuming and costly.
- Structure must be flexible to allow for typical LBO features, eg cash sweeps, convenient process for typical waivers on financial covenants and other LBO-type undertakings; requirement for working capital tranche.
- Typical Middle Eastern investors in Islamic Finance structures are less familiar with LBO-style financings and credit analysis.
- Syndication Strategy: Placement with typical Middle Eastern investors in Islamic Finance structures would incur withholding tax for UK company.

WestLB AG
London Branch

Islamic Finance
Dr. Eva Bigalke

19.05.2008
Norton Rose: Women in Islamic Finance
Page 4



Issues faced in the process:

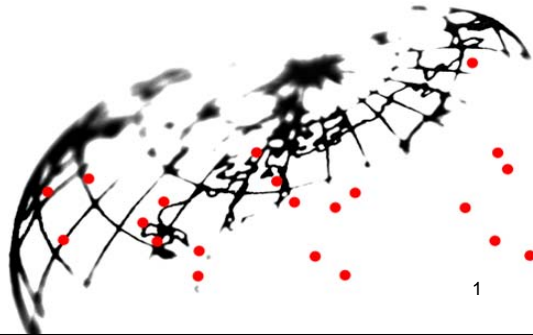
- Specifics of this transaction prevented an implementation of a structure utilising Target's assets from day 1. Solution – Commodity Murabaha with Bidco. Discussed were various options to restructure in a Musharaka financing by combining Target's machinery assets with banks financing to create Musharaka assets.
- Discussions with Pension Regulator that utilisation of Target's assets within an Islamic Finance transaction is not disadvantageous to relevant pension scheme.
- Sale of Target's assets to the Musharaka and the subsequent Ijara would be subject to VAT: On what amount should VAT be calculated? Would an assignment by a participating bank have VAT implications?
- Nature of Musharaka (1) – would participating banks face liability from owning car tooling machinery used for automobile production?
- Nature of Musharaka (2) – fulfils criteria of Collective Investment Scheme. Who would be the operator? Is it an exempt scheme?
- Musharaka assets – replenishment of machinery?

Outlook

- Tax and regulatory regimes need further fine-tuning to ensure level playing field for Islamic Finance structures with conventional financing.
- Private Equity activity from Middle Eastern investors and their interest in further asset diversification will increase demand for Shari'a compliant LBO financings within Europe.

Women in Islamic Finance: a Practitioner's Perspective

Aziza Atta, Shatha Ali
Associates
Islamic Finance
19 May 2008



1

General Overview

- Our experiences in the industry
- Women as investors in their own right
- The development of women-focused financial services
- Emerging markets and potential opportunities
- Looking ahead

2

Our experiences

- London
 - working as a practising Muslim woman in the city
 - type of work we do
 - who we deal with
- Gulf Co-operation Council
 - working as a woman in the GCC
- Pre-conceived ideas in the East and West
 - tradition versus Islam

3

Women-focused products: Why?

- Conventional products already exist to cater for women investors
 - women only insurance (Sheilas' Wheels, Diamond)
 - hotels catering to women travellers (Grange Hotels in London, Radisson SAS in Leeds)
 - wealth consultation services specifically for women (Bramdiva, Coutts)

4

Women-focused products: Why?

- Women have different investment needs
 - more ethical investments
 - an appetite for lower risk, capital protected products
 - social restrictions in the access of ordinary products
- British Columbia Securities Commission (the Canadian securities watchdog)

5

Women-focused products: Why?

- Inherited and family wealth
 - estimated US\$40 billion of personal wealth in the Gulf owned by women
 - up to 60% of this personal wealth estimated to be held as cash¹
- Greater empowerment of women through education

¹ Research conducted by Bramdean

6

Women-focused financial services

- Products targeted to women as investors
 - Johara and Al Reem offer specific financial products to women investors, including:
 - health, education and shopping benefits
 - exclusive 'women only' sales opportunities, such as the Al Furjan development
 - Bramdean: building a local company in Middle East in partnership with local investors

7

Women-focused financial services

- Different techniques of accessing women as an investor base taking into account cultural sensitivities
 - use of technology, including remote trading, promoted by Al Islami Financial Services
 - companies run by women targeted at women investors, including Forsa and Al Reem
 - dedicated branches for women

8

Women-focused financial services

- Promoting participation of women in finance
 - Qatar Ladies Investment Company
 - Durra: networking group (UAE)
 - Dubai Business Women Council
- Geographical trends in the market

9

Saudi Phenomena

- Entrenched institutional segregation
- UN ranks Saudi Arabia 74th, out of 75 countries, with respect to gender empowerment
- 5% of Saudi's working in finance and property are female
- Use of a male agent (wakeel) for financial transactions

10

Saudi Phenomena

However:

- Saudi Arabia is the largest market in the GCC
- Saudi women have significant economic power, although statistics differ as to size
 - estimated cash funds of SR45bn (US\$12bn) of which 75% sitting idle in cash deposits¹
 - own about one-third of the money in the banking system and control 20% of capital in mutual funds²

¹ Business Intelligence Report (June 2007)

² Reported by Gulf News (May 2007)

Saudi Phenomena

- Increasing recognition of women involved in the industry
 - women account for 55% of Saudi graduates
 - first women-only hotel opened in Riyadh to facilitate business women travelling
 - women only office complexes being established in Saudi Arabia

Leading women in the Muslim world

- Women influential in the development of the industry:
 - Dr Zeti Akhtar Aziz: Governor of Bank Negara, Malaysia
 - Dr Rabiah Adawiah: Islamic finance Shariah adviser with Securities Commission of Malaysia
 - Dr Shamshad Akhtar: Governor of Bank of Pakistan
 - Her Excellency Reem Ibrahim Al Hashimi: Minister of State of the UAE

13

Leading women in the Muslim world

- High profile business women in the region:
 - Mona Al-Shinnawy, UAE: founding member of Durra
 - Lama Al-Sulaiman, Saudi Arabia: on board of conglomerate Rolaco, elected to Jeddah Chamber of Commerce
 - Thaira Karajeh, Palestine: operates only shopping centre in the West Bank
 - Hanan Saab, Lebanon: founder of Pharmamed, pharmaceutical and medical supply company

14

Other emerging markets

- Other Gulf Co-operation Countries:
 - Bahrain:
 - 30% of finance sectors employees are female
 - the Masrafy Bank
 - Kuwait
 - 40% of employees working in finance and property are female

15

Other emerging markets

- Malaysia
 - Malaysian women have set the pace in Islamic finance
 - women head the authorities that regulate Islamic finance
 - first registered female Islamic finance Shariah advisor
 - Jamelah Jamaluddin became the CEO of RHB Islamic Bank in August 2007

16

Other emerging markets

- Nigeria
 - Lotus Capital - provides Shariah compliant investment products in West Africa.
 - Founder, CEO and Managing Director: Hajara Adeola
- Niche market in Africa. Developments in South Africa and Kenya (established banking systems)

17

Other emerging markets

- Iran, Pakistan
 - Islamisation of banking system as opposed to parallel system as in Malaysia
 - interest-based banking allowed as exception to accommodate correspondent banking relations
 - women participate in the banking sector in Iran

18

Conclusion: looking ahead

- Increasing demand from women to be treated as an investor base in their own right
- Nascent market but one that potentially offers vast liquidity
- Business opportunities being led by private sector
- What can 'Women in Islamic finance' do for you?

**A Seminar hosted by
Norton Rose LLP**

3 More London Riverside

19th May 2008

**Women in Islamic Finance
An Industry Overview**

**Speaker: Stella Cox
Managing Director
DDCAP Group**



Women in Islamic Finance – An Industry Overview

DDCAP group

- **DDCAP is a joint venture between Dawnay, Day and ICAP Private Group Limited "IPGL"**

- **40 professionals focused on Sharia'a compliant financial services including:**

- **9 member management team with 90 years combined experience of the Islamic financial sector**

DDCAP Limited 

Women in Islamic Finance – An Industry Overview

DDCAP Group

- DDCAP companies include:

DD&Co Limited (formerly Dawnay, Day and Co., Limited);

- Founded in 1928
- Commodity facilitator
- Counterparty for Islamic transactional requirement
- Joint Venture Islamic capital markets Sukuk initiative with ICAP plc
- Member of the London Investment Banking Association
- Member of the London Metal Exchange
- Member of the London Platinum and Palladium Market
- Winner of "Best Commodities House" – Euromoney Islamic Finance Awards 2005
- Winner of "Best Commodities House" – Euromoney Islamic Finance Awards 2007
- Winner of "Best Islamic Market Intermediary and Liquidity Manager " – Euromoney Islamic Finance Awards 2007
- Winner of "Best Commodities House" – Euromoney Islamic Finance Awards 2008

DDGI Limited (formerly Dawnay, Day Global Investment Limited);

- Financing and investment solutions
- Advisory and asset management
- Direct investment in Islamic financial sector opportunities
- Founder shareholder of Islamic Bank of Britain plc
- Joint Venture Partner – Global Islamic Clearing Company



Women in Islamic Finance – An Industry Overview

DDCAP Shareholders

The Dawnay, Day Group

- Established in 1928
- Privately owned and wholly independent
- Headquartered in Central London with over 700 employees worldwide
- Focused on merchant trading, financial services and property
- Regulated by UK Financial Services Authority
- Combined gross assets exceed USD 4bn
- Net worth in excess of USD 1.5bn



Women in Islamic Finance – An Industry Overview

DDCAP Shareholders

IPGL

- IPGL is a significant shareholder in ICAP plc

ICAP PLC



- The world's largest voice and electronic broker
- A FTSE 100 Company listed on the London Stock Exchange
- Current market capitalisation of approx. GBP 4 billion
- Staff in excess of 2900 in 25 offices throughout the world

DDCAP Limited 

**A Seminar hosted by
Norton Rose LLP**

3 More London Riverside

19th May 2008

**Women in Islamic Finance
An Industry Overview**

**Speaker: Stella Cox
Managing Director
DDCAP Group**



Women in Islamic Finance – An Industry Overview

Introduction

During this session we will:

- Review the evolution of the Islamic financial system
- Evaluate current status of the marketplace
- Consider the contribution of women to Islamic finance
- Assess the opportunities for further integration of women in the Islamic financial workplace

DDCAP Limited 

Women in Islamic Finance – An Industry Overview

Islamic Financial Practice

- Islamic financial practice has evolved from the and economic principles of Sharia'a Law the Holy Qu'ran, the Hadith and the Sunnah
- The contemporary Islamic financial sector was pioneered by several, super high net-worth individuals in the early 1970s
- Today there are more than 350 established Islamic banks and financial institutions and many conventional banks with Islamic "windows", divisions or subsidiaries



revealed within

DDCAP Limited 

Women in Islamic Finance – An Industry Overview

Islamic Economics

- Money is not a commodity in itself, reflecting time value for a return
- It is an asset-based system
- Based on productive use of money for community benefit



DDCAP Limited 

Women in Islamic Finance – An Industry Overview

Sharia'a Principles:

- Riba (Interest)- Forbidden as money is not a commodity, merely a medium of exchange
- Gharar (Ambiguity)- Incomplete disclosure in transactions/contracts
- Maisir (Gambling)- covers speculation
- Haram (Impure)- some activities, certain foods, beverages and commodities that are forbidden

DDCAP Limited 

Women in Islamic Finance – An Industry Overview

How does Islamic Finance differ?

- Financing and investment is effected purchase and sale of
- Income must be generated through ownership or use of the asset
- Levels of risk and return should be clearly defined and balanced accordingly
- There must be no uncertainty in the terms of the financial transaction for any involved party



DDCAP Limited 

Women in Islamic Finance – An Industry Overview

Prohibited Investments

- Usury i.e. interest-based contracts and financial instruments
 - ⊘ - Cash deposits and loans
 - ⊘ - Certificates of deposits
 - ⊘ - Conventional bonds
- Conventional financial derivatives: Swaps, futures
- Investment in any commodity or asset repugnant to Islam, including:
 - ⊘ - Alcohol or its manufacturing process
 - ⊘ - Pork and pork related products
 - ⊘ - Shares in mainstream banks, breweries, tobacco companies
- Investment in quoted stocks or shares unless “screened” and deemed Sharia’a compliant



DDCAP Limited 

Women in Islamic Finance – An Industry Overview

Assets and Funding

- **Assets have to be structured Islamically**
 - private, public or sovereign sectors
 - conventional “borrowers” can access Islamic funding within eligible parameters
- **Funding**
 - Islamic investors / financiers
 - Conventional investors / financiers (adhering to Islamic stipulation)
 - funds can be co-mingled provided structure is Islamically compliant
 - Islamic funds cannot be used in conventional financing

DDCAP Limited 

Women in Islamic Finance – An Industry Overview

Modes of Financing and Investment

Type of Finance

Islamic Terminology and Acceptable

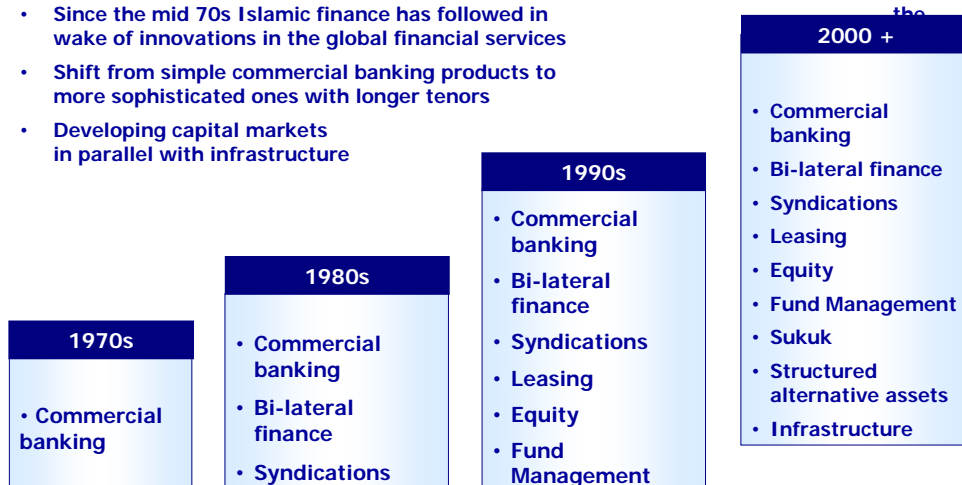
- | | |
|----------------------------------|---|
| • Deferred Payment Sale | • Morabaha
Commodities - oils, metals, minerals, softs |
| • Future Delivery Financing | • Salam
Agriculture, commodities |
| • Working Capital / Construction | • Istisna'a
Capital goods / equipment |
| • Lease Finance | • Ijara
Property, motor vehicle, aircraft, ship |
| • Fund Management | • Modaraba
Multi-asset |
| • Partnerships / Equity | • Musharaka
Direct investment |
| • Islamic Bonds | • Sukuk
Underlying asset backed or based |

DDCAP Limited 

Women in Islamic Finance – An Industry Overview

Evolution of Islamic Finance Product Timeline

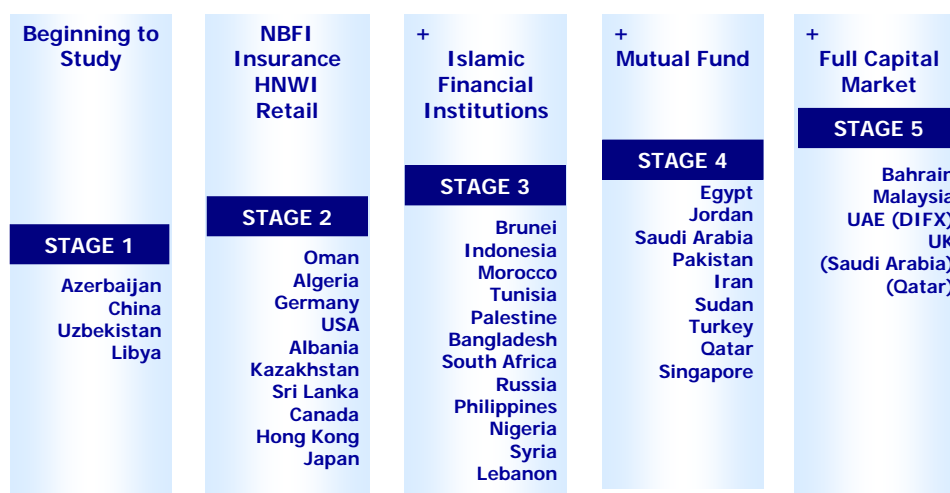
- Since the mid 70s Islamic finance has followed in wake of innovations in the global financial services
- Shift from simple commercial banking products to more sophisticated ones with longer tenors
- Developing capital markets in parallel with infrastructure



DDCAP Limited 

Women in Islamic Finance – An Industry Overview

Evolution of Islamic Finance - Markets overview



DDCAP Limited 

Women in Islamic Finance – An Industry Overview

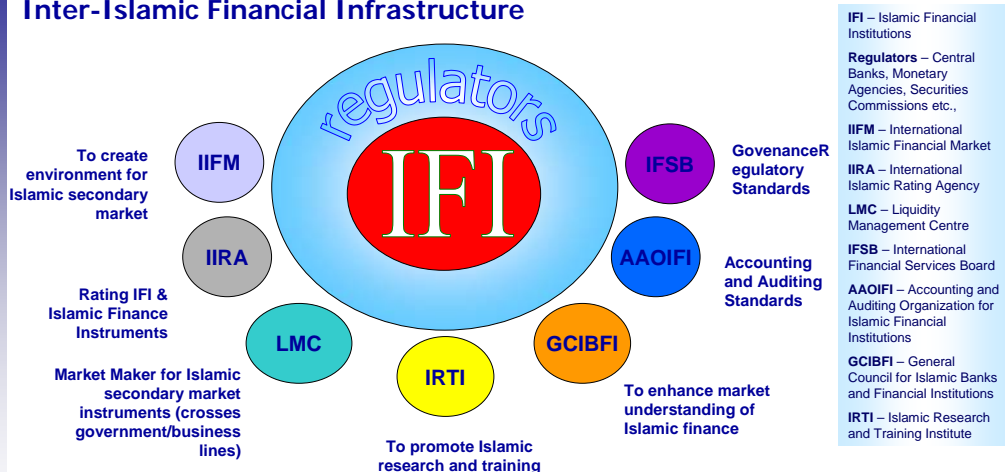
Evolution of Islamic Finance - Infrastructure Trends



DDCAP Limited

Women in Islamic Finance – An Industry Overview

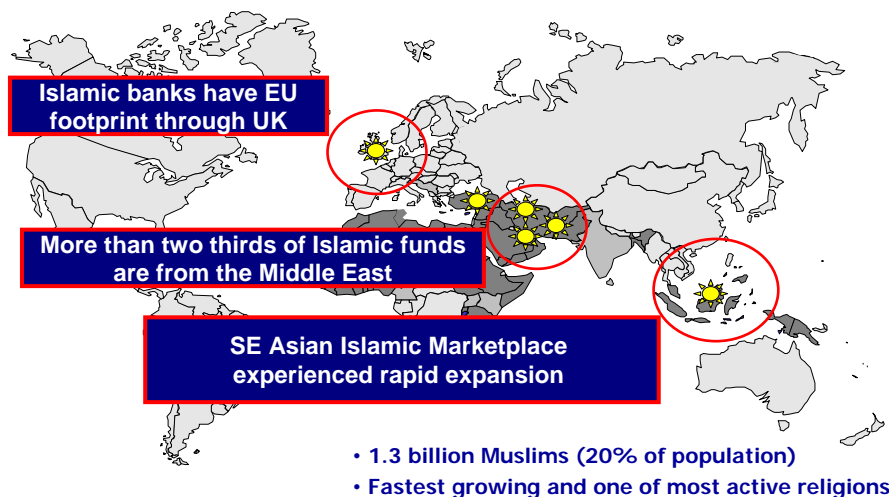
Inter-Islamic Financial Infrastructure



DDCAP Limited

Women in Islamic Finance – An Industry Overview

Islamic Financial Markets – Sources of Funds and Global Footprint



DDCAP Limited 

Women in Islamic Finance – An Industry Overview

Global Islamic Financial Perspective 2008

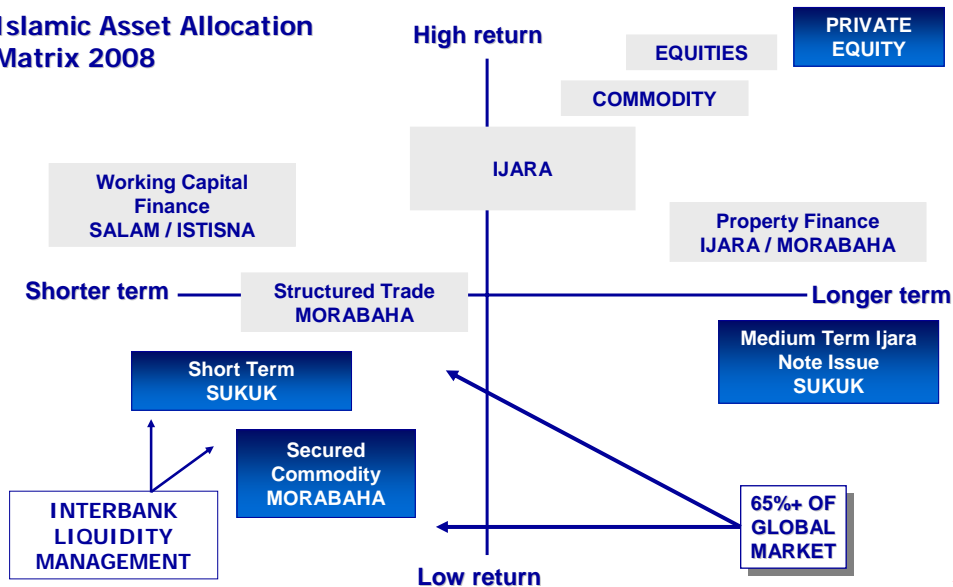
- In October 2006 S&P estimated market potential of US\$4 trillion (*1) with market size at 10% of potential
- Financial assets under management within the sector are now estimated at US\$ 500bn plus growing at approximately 20% per annum (*2)
- Liquid Funds in the Islamic markets looking for quality assets are circa
US\$ 50bn (*3)

(sources: *1 S&P Report – 'The Islamic Financial Industry comes of age' / *2 World Bank 2007/ *3 UAE MOF)

DDCAP Limited 

Women in Islamic Finance – An Industry Overview

Islamic Asset Allocation Matrix 2008



DDCAP Limited 

Women in Islamic Finance – An Industry Overview

Islamic Capital Markets – December 2007

Equity

- GCC equity markets were amongst the fastest growing in the world by both value and volume in 2005, but sharp decline 2006 with partial recovery in 2007
 - Equity held in Islamic portfolios at end of 2005 est. US\$ 20 billion
 - 60-70% of GCC market stocks comply with generally accepted screening criteria + 30% of international stocks, total accessible market value c. US\$ 9 trillion
 - Approx. 100 GCC companies planned IPO's in 2006 but only a fraction floated
 - Selected IPO's in 2007, more planned 2008

Bonds

- Rapidly expanding GCC conventional bond and Islamic Sukuk market
 - Sukuk were first recognised as a Sharia'a compliant instrument in Malaysia c. 2000
 - Aggregate value of total Sukuk issues to December 2007 c. US\$ 101 billion* (equivalent)

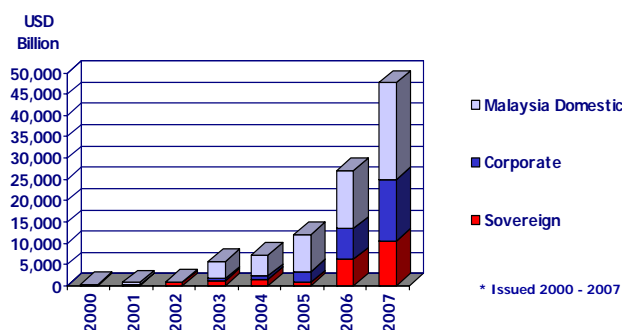
(*source – IFIS)

DDCAP Limited 

Women in Islamic Finance – An Industry Overview

Islamic Capital Markets – 2000/2007

- Sukuk were first recognised as a Sharia'a compliant instrument in Malaysia c. 2000
- Total issues to December 2007 approx. US\$ 101 billion *
 - US\$ 55.2 (419 issues) Malaysian domestic
 - US\$ 25.5 (194 issues) international corporate
 - US\$ 21.1 Sovereign (domestic and international)



(*source – IFIS)

DDCAP Limited 

Women in Islamic Finance – An Industry Overview

Market Overview Today

- Wholesale financings effected through bi-lateral, club and syndicated structures
- Continued overweighting to short-term investment structures but markets and investors are becoming more sophisticated using cash as a strategic liquidity management tool
- Capital market is emerging; Sukuk issuance expanding at primary level but limited secondary trading; further impacted as a knock-on effect of the sub-prime crisis and credit crunch plus the AAOIFI Sharia'a challenge
- Capital market needs continual origination with varied terms involving institutions and corporates; not simply sovereign "landmarks"
- Market infrastructure is not yet complete
 - Products and services are not uniform
 - Sharia'a divergence
 - Fragmented regulatory environment
 - Regulatory / jurisdictional issues

DDCAP Limited 

Women in Islamic Finance – An Industry Overview

Women in the workplace - Overview

- As in conventional finance, this remains a principally male-dominated industry
- Women's roles differ greatly across the core markets relevant to Islamic finance and further development of the role of women may be dependent on local custom and culture
- The Arabian Gulf, a traditionally male-dominated society, has only recently considered the economic force of women in the workplace
- Elsewhere in the GCC, there are less constraints but few women hold senior positions in wholly Sharia'a compliant firms, although there have been significant developments
- Women have excelled in the Islamic financial marketplace, a few have achieved senior positions, but instances of this are still too few

DDCAP Limited 

Women in Islamic Finance – An Industry Overview

The Middle East

- In recent years, there has been a definite change in perception of women in business and finance, particularly noticeable has been the rapid integration of women.
- In Saudi Arabia, prior to 2005, there was complete segregation. Mrs. Lubna Al-Oleyan was recently appointed to the Board of Saudi Hollandi Bank
- In the UAE Sheikha Lubna Al-Qasimi was appointed UAE Minister of Economy – the first woman to assume ministerial rank
- In Kuwait, Mrs. Maha Al-Ghunaim is Chairperson and Managing Director of Global Investment House. Global's asset management product has won many accolades in both the Islamic and conventional financial marketplaces

DDCAP Limited 

Women in Islamic Finance – An Industry Overview

South East Asia

- In Malaysia, women have made significant achievements within Islamic finance
- Women lead and head the authorities relevant to the regulation of Islamic banking and financial practice
- Islamic banking and capital markets in Malaysia have prospered under Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia and Zarinah Anwar, Chairperson of the Securities Commission Dr. Dato
- However, to date, there has not been a woman appointed to head any of the country's Islamic banks

DDCAP Limited 

Women in Islamic Finance – An Industry Overview

The UK and beyond

- The UK is somewhat ahead of other European and western jurisdictions in developing a strategy for Islamic financial services
- Since 2003 the UK Financial Services Authority (FSA) has authorised 5 Sharia'a compliant banks (1 retail and 4 wholesale) and a Sharia'a compliant insurance (takaful) company
- The UK has stated its intention to become a global hub for Islamic Finance. Women are involved and actively participating at all levels of the collaborative relationship between Government and industry
- Gatehouse Bank plc has appointed a woman to its Board of Directors and others to senior executive positions, as have other UK Islamic financial institutions

DDCAP Limited 

Women in Islamic Finance – An Industry Overview

Gatehouse Bank - Overview

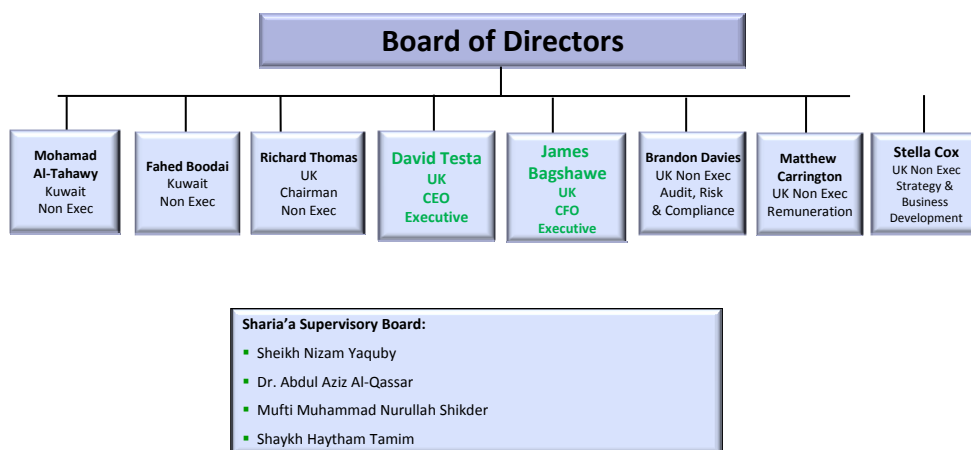
- ❑ The Securities House in Kuwait has incorporated a wholly-owned public limited company in the UK – Gatehouse Bank plc (“Gatehouse”)
- ❑ Gatehouse received approval from the Financial Services Authority on 22nd April 2008 for a licence to act as a deposit taking banking entity operating within the UK regulatory environment
- ❑ Gatehouse will operate as a **Shariah-compliant wholesale investment bank based in the City of London** focusing on
 - Islamic capital markets
 - Institutional wealth management
 - Shariah advisory services
 - Islamic treasury business
- ❑ The **key client focus** is:
 - GCC corporates and financial institutions wanting to access the global capital markets
 - Asian, European and US non-Islamic borrowers seeking investor diversification
 - Islamic investors funding investments in Asian, European and North American assets



Authorised and regulated by the Financial Services Authority

Women in Islamic Finance – An Industry Overview

Gatehouse Board of Directors and Shariah Supervisory Board



Authorised and regulated by the Financial Services Authority

Women in Islamic Finance – An Industry Overview

Gatehouse Bank - Your Contacts

David Testa <i>Chief Executive Officer</i>	Telephone Fax e-mail	(+44) 20 3170 5558 (+44) 20 3170 5867 david.testa@gatehousebank.com
James Bagshawe <i>Chief Financial Officer</i>	Telephone Fax e-mail	(+44) 20 3170 6255 (+44) 20 3170 5867 james.bagshawe@gatehousebank.com
Anthony Saint <i>Head of Origination</i>	Telephone Fax e-mail	(+44) 20 3170 7319 (+44) 20 3170 5867 anthony.saint@gatehousebank.com
Ewa Gracey <i>Head of Distribution</i>	Telephone Fax e-mail	(+44) 20 3170 7315 (+44) 20 3170 5867 ewa.gracey@gatehousebank.com
Lee Sims <i>Treasurer</i>	Telephone Fax e-mail	(+44) 20 3170 5869 (+44) 20 3170 5867 lee.sims@gatehousebank.com
Samer Merhi <i>Institutional Wealth Management</i>	Telephone Fax e-mail	(+44) 20 3170 7137 (+44) 20 3170 5867 samer.merhi@gatehousebank.com

Authorised and regulated by the Financial Services Authority

Women in Islamic Finance – An Industry Overview

Summary

- In the Islamic world females, increasingly, control a significant amount of private wealth capital; entrepreneurial women have incorporated financial services companies, some managed by women for women
- Many Muslim women do prefer to interface in business and finance with other women
- This continues to validate and offer career prospects in established banking infrastructure such as the female branch banking system
- To date, we await the appointment of a woman Chief Executive Officer of an Islamic Bank, but women are well represented amongst Islamic financial specialists in government, law firms, financial advisory and other professional, ancillary services

DDCAP Limited 

Women in Islamic Finance – An Industry Overview

Conclusion

- **“The current lack of qualified, young Islamic bankers looks set to hamper the development of the sector should it not be addressed”**
(source: “Growth and Diversification in Islamic Finance” KPMG 2007 Report)
- **Further integration of women in the workplace may help to resolve this**
- **“Establishment of Islamic finance in non-Muslim countries will support the development of women in senior executive capacities”**
(source: Jeddah Chamber of Commerce and Industry 2007)
- **Perhaps a major value-added will be the experience gained by women in the UK, which can be exported elsewhere?**

DDCAP Limited 

