
A Significant and Growing Industry

The Evidence

- a) A long historical record
- b) A significant asset size
- c) Presence across many countries
- d) Presence of large international banks
- e) Emergence on international capital markets
- f) An expanding institutional infrastructure
- g) Interest of international governmental institutions

A Long Historical Record

- Early Periods:
 - Financial Intermediaries in form of money lenders, and facilitated international trade
- Recent Times:
 - 1958 Parallel Development in Egypt and Malaysia
 - 1970s Petro-\$ Created Demand
 - 1974 First Islamic Bank was Established in Middle East
 - 1975 Islamic Development Bank (IDB)

A Long Historical Record

- Recent Times (contd.):
 - 1980s Islamic Republics of **Pakistan, Iran** and **Sudan** Incorporate Islamic Banking in their respective Constitutions
 - 1990s: two-digit growth of assets
 - Sustained growth of the industry (1998-2001: total assets doubled)
 - Diversification beyond banking (capital markets, Takaful, Sukuks)
 - AAOIFI and its accounting standards
 - Increase in Islamic banking specific regulations

A Significant Asset Size

- 2005 total Asset Size is estimated close to \$ 300 billion (from \$ 140bn in 1998)
- Consistent High Growth: > 10 % per annum
- Assets concentrated in GCC and MENA at large

Source: Council for Islamic banks

In \$ bn.	1999	2000	2001
Paid-up Capital	6,917,274	10,556,986	12,596,556
Reserves	1,754,768	1,979,667	2,275,295
Net Profit	1,101,499	2,338,521	1,883,135
Total Assets	163,048,356	226,029,015	256,648,907
Deposits	116,298,419	176,162,898	197,477,938
Total Investments	91,336,106	114,852,296	155,424,175

More Than 240 Providers of Islamic Finance Services Across Muslim Countries*

Albania	Iran	Palestine
Algeria	Ivory Coast	Qatar
Bahrain	Jordan	Saudi Arabia
Bangladesh	Kuwait	Senegal
Brunei	Lebanon	Sudan
Djibouti	Malaysia	Tunisia
Egypt	Mauritania	Turkey
Gambia	Morocco	U.A.E.
Guinea	Niger	Yemen
Indonesia	Pakistan	* Defined by IsDB membership

...and non-Muslim Countries

Australia	India	South Africa
Bahamas	Ireland	Sri Lanka
British Virgin Islands	Luxembourg	Switzerland
Canada	The Netherlands	Nigeria
Cayman Islands	New Zealand	Thailand
China	The Philippines	Trinidad and Tobago
France	Russia	UK
Germany	Singapore	USA

Presence of Large International Banks

- Islamic Windows offered by conventional banks:
 - HSBC, BNP Paribas, UBS, Chase, Citibank.
 - Citi Islamic – Citicorp's subsidiary.
- Bahrain is emerging a financial center for Islamic Finance, and attracts international banks.
- DUBAI (Dubai International Financial Center) and Malaysia rising up to Bahrain's challenge.
 - Sophisticated and enabling regulation
 - Active promotion policies by public authorities

Emergence on International Capital Markets

- *Sukuks* – a form of Islamic Bonds were introduced in 2000.
- Several successful issues have taken place since introduction.
- Issues were mostly over-subscribed.
- Issuers include Bahrain, Malaysia, Qatar and Islamic Development Bank (IsDB), German State of Sachsen Anhalt, IFC, IBRD.

Expanding Institutional Infrastructure

- ❑ 1989 Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI).
- ❑ 1999 Islamic Corporation for Economic Development.
- ❑ 2001 General Council for Islamic Banks and Financial Institutions (GCIBFI).
- ❑ 2002 Islamic Financial Services Board (IFSB).
- ❑ 2002 Islamic International Rating Agency (IIRA).
- ❑ 2002 International Islamic Financial Market (IIFM).
- ❑ 2002 Liquidity Management Center (LMC).

Interest of International Governmental Institutions

- **IMF:**
 - Helping Central Banks with Funding Operations.
 - Made Significant Contribution through Early Research, with Two IMF economists awarded IDB Prize.
 - **IFC:**
 - Executed Transactions on Islamic Mode of Financing.
 - **IOSCO:**
 - Created an Islamic Capital markets task force for the regulation of the industry.
 - **BIS**
 - Supports IFSB standard-setting efforts.
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Interest of International Governmental Institutions

- **The World Bank (IBRD):**
 - Arranged, co-sponsored, participated in conferences on Islamic finance.
 - Co-sponsor Panel in Dubai with IsDB.
 - Interest of microfinance community through CGAP (e.g. Yemen, and papers).
 - Individual research work, and operational interest (e.g. housing, Pakistan, regulation, corporate governance).
 - Participates in IFSB working groups on corporate governance, transparency, market discipline and risk management.
 - IFC and IBRD issue bonds in Malaysia.