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DIFC launches Shariah advisory board

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The Dubai International Financial Centre (DIFC) has launched a Shariah financial advisory board to provide compliant advisory and training services.

One of the critical requirements for the sustained growth of Islamic finance is the availability of reliable and high-quality advisory services, said Abdulla al Awar, the managing director of the DIFC Authority.

Islamic finance is one of the key sectors the DIFC is focusing on this year and a Shariah board would provide much needed advisory services to help firms in the region develop innovative Shariah-compliant products, Mr al Awar said.

The Minhaj Shariah Financial Advisory (MSFA) consultancy, which launched operations yesterday at the DIFC, has already secured three to four mandates from companies in the UAE seeking approval on Islamic products, according to a member of the board.



The establishment of a Shariah board at the Dubai International Financial Centre is said to be essential for tapping the Islamic finance industry. **Philip Cheung / The National**

This is absolutely the right time to do this; even with market conditions as they are, it doesn't mean that companies will stop functioning and there is a big demand for Shariah-compliant services, said Amin Fateh Amer, a resident Shariah adviser with the MSFA consultancy team.

Controversy broke out in Bahrain last February when religious scholars declared that the majority of regional fixed-income securities were not in line with Shariah principles, further distressing a struggling sukuk market.

Sukuk had already experienced a US\$10 billion (Dh36.79bn) drop in sales before the financial crisis dried up international debt markets in the third quarter last year.

The number of international consultancies monitoring Shariah compliance is increasing. Kuwait has nine independent institutions, while Shariah boards are present in the central banks of Bahrain, Malaysia and Sudan. The establishment of a Shariah board in the DIFC, as it evolves further into a global hub for international finance, was essential for tapping the Islamic finance industry, industry executives said.

Before, companies would have to contact each Shariah scholar individually, which takes a long time; now [the companies can] contact someone from the institution and get the Shariah opinion, which is more professional, said Muhammad Amin Qattan, a Shariah adviser.

Members of the advisory board said it was the ideal time to launch operations to cater to the growing need for regulation and investor interest in simpler, asset-backed Islamic financial products that were properly monitored.

Part of the consultancy's role would be to approach government entities and encourage the Central Bank to appoint a Shariah board to monitor the country's banking sector, as other countries such as Malaysia, Sudan and Bahrain had done, Dr Qattan said.

The Islamic finance industry itself is still young, so added regulation can be a good thing if it's not overdone, said an analyst at a conventional investment bank in Dubai.

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