



Joint Meeting
EFMLG - FMLC - FMLG
Global Financial Infrastructure

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June 2006



Islamic Financing

Current FMLC involvement

- Request from Law Society
- Related to treatment and consequences of particular form of retail mortgage financing
- Ijara – a lease based structure

Certain issues with Ijara

- Capture within financial services regulatory regime
- Non-applicability of certain conventional mortgage protections
- Conflict of interest issue making conventional methodology for legal services provision problematic, with cost implications
- Double stamp duties

Recent events

- Financial services regulatory regime extended to bring ijara within scope
- Stamp duty law changed to mitigate double stamp duty

However, issues relating to

- availability of comparable mortgage protections
- legal provision conflict of interest

remain unresolved

Going forward

- Significant activity in Islamic finance
 - retail
 - part of government social exclusion agendas
 - new retail banks and financial institutions
 - accessing new customers
 - wholesale
 - accessing Islamic investors
 - greater emphasis on compliant products
 - new Islamic institutions
 - significant scaling up of presences in Middle East

Going forward (2)

■ Challenges

- characterisation, analysis and “assimilation” into differently based legal traditions
- structuring to comply with Shari’a
- lack of standardisation
 - differences in Shari’a interpretations
 - competitive advantage issues
 - limited numbers of Shari’a scholars familiar with financial markets