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