



## Islamic Bankers on the Spot

The Islamic Banking and Finance Industry is growing rapidly. There are varying estimates of its growth rate and also of its volume. These estimates may differ but there is a general agreement that this industry is growing much faster than the conventional banking industry. The ongoing financial crisis and the consequent loss of faith in the conventional banking is likely to divert more attention to Islamic Banking and Finance as this industry has, to a large



Mr. Jamal Zaidi  
IIRA's CEO

extent, managed to limit the damages arising out of defaults by large conventional banking institutions and their securities. While it is encouraging to note that Islamic Banking is being looked at with greater respect, it is also true that it places the Islamic Banking on the spot for critical examination particularly in the areas of risk management, liquidity management, and product innovation to satisfy market needs. Risk management requires professionals trained in the art and science of financial analysis and Shari'a Compliance.

We at IIRA understand the above need for skilled professionals and have designed training courses both in analysis of financial institutions and Shari'a compliance to train Islamic bankers. These courses are targeted at middle level management who act as frontline risk managers. IIRA is offering these courses in Bahrain and in other countries. We recently conducted a training workshop in Sudan. To enlarge our geographical reach, IIRA has recently signed a memorandum of understanding with Union of Arab Banks (UAB) to join hands in offering such courses in several countries. We believe that with UAB's vast network and experience in many countries and IIRA's experience in rigorous and in-depth analytical techniques and experience in rating will enable us to offer highly useful training in risk management to both Islamic and conventional bankers in addition to the Shari'a compliance training to Islamic bankers. For more information about the Courses, Mr. Hussain Yusuf may be contacted.

## IIRA and Union of Arab Banks Formalize Agreement to Organize Joint Training Programs



Islamic International Rating Agency (IIRA) announced on June 2, 2009, that it has entered into a cooperative agreement with Union of Arab Banks (UAB). Under this agreement, IIRA and UAB will organize joint training programs on Financial Institutions Analysis in different areas and jurisdictions.

Based in Manama Bahrain, IIRA is a regional rating agency which started its operations in 2005. IIRA is completely independent and transparent, and follows a consistent methodical and rigorous analytical process consistent with international best practice.

The Union of Arab Banks (UAB), headquartered in Beirut Lebanon, was formed on March 13, 1974. It comprises today more than (300) Arab financial and banking institutions representing the major and biggest Arab banks. The ultimate objectives of UAB are to consolidate relations and foster cooperation between its members, to coordinate their activities, and to emphasize their Arab identity to secure common interests.

The management of IIRA and UAB believe that the efforts of both the parties under this cooperative agreement will bring more awareness about analysis and go a long way in preparing trained and professional bankers and this is a cause which is dear to both institutions.

## IIRA Assesses Liquidity Position of the Islamic Banks

The Islamic International Rating Agency has published a research report on the liquidity characteristics of Islamic Banks. The research was conducted by selecting key Islamic Commercial Banks based in a few countries. The liquidity indicators for these banks were extracted from the published financial statements and the measurements as at Dec 2007 and Dec 2008 was analyzed.

The study concluded that Islamic Banks face challenges in managing their liquidity in adverse markets. The liquidity indicators have deteriorated compared to 2007, but for some banks it simply means holding less liquid assets and reserves compared to the prior year. The liquidity indicators, albeit down from the previous year, still indicate adequate liquidity for some of the banks while a few face challenges. Since the origin of the credit crisis rests in the diminution of asset values, especially interest bearing asset backed securities; the nature of Islamic banking with its prohibition on interest has served to protect Islamic banks to some extent. That is not to suggest they are entirely immune from the impact of declining real estate values and restricted real estate lending.

The detailed research report containing analysis, ratios and statistics can be downloaded from the IIRA website, [www.iirating.com](http://www.iirating.com), under the research reports section. For further information on this research report, please contact Mr. Umer Zuberi (Assistant Vice President) or J. M. McMullen (Senior Vice President) at +973-17 211 606 or fax no +973 17211605

## **IIRA Organizes a Workshop on Financial Institutions Analysis in Sudan**



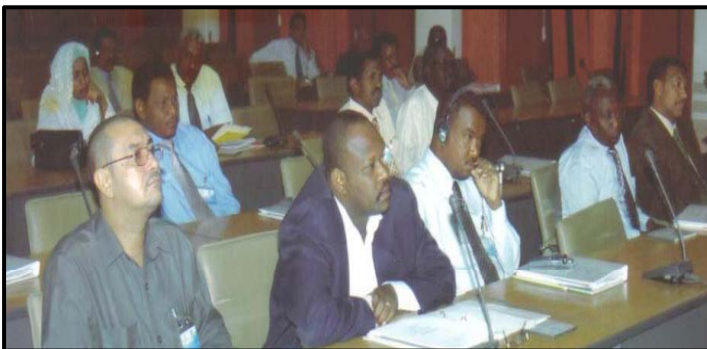
As a continuation of its strategy to disseminate the knowledge of analysis, and to generate awareness about ratings in the market, the Islamic International Rating Agency (IIRA) organized a 2-day training workshop on Financial Institutions Analysis on May 11 and 12, 2009 in Sudan. This workshop was a continuation of the series of other workshop / seminars organized by the agency in the past in line with IIRA's mission of fostering development of the financial markets.

Dr. Abdulrahim Hamdi, Chairman of Al-Iqbal Consulting Company (ACC), inaugurated the workshop by welcoming the attendees and the honorable guests. Prominent high-ranking guests from Sudan financial authorities and market attended this workshop and showed their support for IIRA, namely, Mr. Osman Hamad, General Manager of Khartoum Stock Exchange; Mr. Magzoub Geli, Secretary General of Association of Sudanese Banks; and Mr. Mustafa Holi, from Ministry of Finance. The first day of the workshop began with an introduction to Ratings, IIRA and its services by its CEO – Mr. Jamal Zaidi. IIRA is a full service rating agency which provides ratings to Conventional and Islamic issues / issuers. In its brief history of approximately three years, it has achieved several milestones, including recognition by Central Bank of Bahrain as an External Credit Assessment Institution (ECAI) and being approved by Islamic Development Bank (IDB). IIRA has earned rating assignments from many countries which reflects on the agency's internationally growing franchise.

After the introduction, various aspects of analysis of financial institutions were comprehensively discussed by Mr. Zaidi. Mr. Ali Abdulaal described the features of Shari'a Quality Rating (SQR) and distinctions between conventional financial institutions and those offering Islamic services, on account of the risk that they face and the nature of relationship between the depositor and the bank. On the second day of the workshop, two case studies were presented, one on a conventional bank and the other one on an Islamic bank by Mr. Nasir Ali Merchant. The participants were invited to analyze one case by applying the principles of analysis taught to them earlier.

The workshop was attended by thirty of participants. The participants showed keen interest in the presentations and asked a number of inquisitive questions during the presentation, as well as at the end of session, about the various aspects of analysis and about the rating agencies, their work ethics and their rating methodologies. The feedback received from the participants was positive, as they expressed a desire to attend more such workshops in the future. This workshop was sponsored by Central Bank of Sudan, Association of Sudanese Bank, Alrowad Financial Services Company, Social Insurance Fund.

During Sudan visit, Mr. Jamal Abbas Zaidi, IIRA's CEO, visited the governor of Central Bank of Sudan (CBOS) and discussed with him the role of ratings in capital market development and possible mutual cooperation between CBOS and IIRA. Furthermore, meetings with Shiekan Insurance and Re-Insurance Company as well as Bank of Khartoum were held in order to explore any rating needs and to introduce IIRA to the Sudanese market. These meetings were fruitful and further steps will be taken in the near future.



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