Finance sector beckons Shariah scholars

DUBAI

Islamic banking needs more religious advisers versed in global business

BY SHAHEEN PASHA REUTERS

Fifteen years ago, a New York native, Taha Abdul-Basser, had a set plan for his future. A Harvard student, he was double-majoring in pre-med and comparative religion with the expectation that he would serve society as a doctor.

But his life took a different turn as Mr. Abdul-Basser, already a student of traditional Islamic disciplines, became involved with Harvard University's Islamic Finance Project as a researcher and found his new calling: Shariah, or Islamic law.

"I always had an interest in traditional Islamic religious sciences, with my early education coming from my father,' Mr. Abdul-Basser said. "But I really stumbled across the opportunity to apply Islamic ethics to contemporary life."

At 35, Mr. Abdul-Basser is now a respected and sought-after Shariah adviser in the global Islamic finance industry and is positioned to benefit from an acute shortage of qualified professionals in the sector.

Islamic finance is a \$1 trillion industry globally and is expected by Moody's, the ratings agency, to reach \$5 trillion in time. Students of Shariah have more opportunities than ever before to take their skills beyond the mosque doors and into the boardroom.

Shariah boards review the details of business transactions and structures and issue a fatwa, or ruling, on whether the deals are Shariah-compliant. Scholars make sure that there is proper risksharing in a deal, that there is no interest being paid out and that the deal is not engaging in any practices that violate the tenets of Islam, such as speculation. In the case of a sukuk, or Islamic bond, Shariah boards are there to make sure that there is a transfer of assets in the deal, because Shariah does not recognize a borrower-lender relationship

It can be a lucrative endeavor. Scholars working on Islamic finance deals are paid consulting fees, depending not only on the services provided but also on the seniority and reputation of the scholar.



The stock exchange in Kuala Lumpur. The International Shari'ah Research Academy for Islamic Finance in Malaysia fosters finance professionals' contact with Shariah scholars.

Positions abound, as every Islamic finance company has a Shariah board that monitors compliance and sets up ad hoc boards for individual deals.

While there is no benchmark for fees, a renowned chairman of a Shariah board, for instance, can earn \$50,000 to \$100,000 per board seat as a result of retainer fees and fees for issuing edicts, audits and documentation. Junior scholars make significantly less.

Mr. Abdul-Basser, who works full time as the Muslim chaplain at Harvard, sits on five international Shariah boards and has served on six others that are no longer active. Junior scholars like Mr. Abdul-Basser undergo informal apprenticeships with senior scholars and move up the ranks as their expertise

No standard global training process or certification exists for Shariah students to become scholars. Shariah scholars thus come from all walks of life from small village madrassas in South Asia to venerated universities like Al Azhar University in Cairo.

Well-rounded Shariah advisers are scarce. Islamic finance experts say that the first generation of scholars may have laid the specialty's foundation, but

many still lack the business acumen and skills in technology and language necessary to help the industry evolve.

As a result, the same scholars are repeatedly seen at the helm of Shariah boards.

"There are about 15 highly qualified, internationally recognized scholars who are financially savvy and who understand modern finance," said Harris

Islamic finance is a \$1 trillion industry globally.

Irfan, head of Islamic products at Barclays Capital. "It's very difficult to get time with those 15, as they sit on dozens of boards and are very much in

Among the 132 scholars active within the Gulf Cooperation Council, the same top 10 occupy almost half of all Shariah board positions, according to the consulting firm FundsAtWork.

But that could change as more global programs are created to help foster the Islamic finance industry by training upcoming Shariah scholars.

Bahrain, for instance, has a certified Shariah adviser and auditor program in

place to train scholars.

In Malaysia, the central bank established the International Shari'ah Research Academy for Islamic Finance to help develop talent among industry practitioners and Shariah scholars.

The program provides scholarships for Shariah students or scholars pursuing advanced degrees in Islamic finance and also offers mentoring for aspiring Shariah practitioners from established

"We now have around 120 advisers that we have developed sitting on different Shariah boards," said Mohamad Akram Laldin, a prominent Shariah scholar and the executive director of the

Scholars must think internationally, improving their English skills and knowledge of Western business practices, to be successful, experts said.

To that end, the Islamic Finance Council in Britain has developed the Scholar Professional Development Program to train Shariah scholars in the tenets of Islamic finance, said Omar Shaikh, executive board member of the council.

"It's extremely unrealistic for Shariah scholars to give opinions on such a diverse space in finance without being up to speed with understanding the language of the finance professional," he

While the program does not offer any specific certification, it does provide 21 hours of workshops over about three days designed to teach financial basics for midlevel and novice scholars that may not be as familiar with Islamic finance. The program is already up and running in Britain, Malaysia and Bahrain.

Mr. Shaikh and Mr. Laldin said that the next generation of scholars would be asked to do more than simply approve deals and financial structures.

"The gap between Shariah knowledge and market practice will be narrower," Mr. Laldin said. "There will be more demand for scholars to help with coming up with better solutions and bet-

But Mr. Abdul-Basser said it was important that upcoming scholars stay rooted in their teaching as the industry

"There is a fairly large set of up-andcoming experts who are well-positioned to take positions on Shariah boards." he said. "We have received the torch, so to speak, and have a responsibility to move things forward."

Ford's pedal problem echoes that of Toyota

DETROIT

Regulators are checking to see whether floor mats have caused acceleration

BY NICK BUNKLEY

U.S. regulators are examining whether one of the problems that caused Toyota to recall millions of vehicles also exists on two Ford sedans

The National Highway Traffic Safety Administration said it had opened a preliminary investigation of the Ford Fusion and Mercury Milan after verifying complaints from three drivers who said the accelerator pedal had become trapped under a rubber all-weather floor mat.

The safety agency also warned drivers of all vehicles to make sure their floor mats were properly installed.

The investigation covers almost 250,000 vehicles and shows that the potential for accelerator pedals to stick is not limited to Toyota, which has recalled more than eight million vehicles since November, damaging its sales and reputation.

But the complaints about the Ford sedans differ because they involve two floor mats stacked atop each other something that Ford specifically discourages customers from doing whereas Toyota's floor-mat recall related to vehicles with one properly installed mat.

"We do not recommend stacking floor mats in any vehicle from any automaker," Said Deep, a Ford spokesman, said Tuesday. "We're not aware of any customer complaints or accidents in vehicles with properly installed floor

The safety agency, which has opened inquiries faster since Congress criticized it for not discovering the Toyota problems sooner, said none of the Fusion and Milan complaints involved crashes or injuries. Regulators have received reports of 89 deaths in accidents in which Toyotas accelerated out of con-

One of the complaints about the Fusion was filed in April by Dan Edmunds, the director of vehicle testing at Edmunds.com, a Web site that provides information to consumers on buying cars. Mr. Edmunds, a former engineer at Toyota and Hyundai who is not connected with the Web site's name, wrote on the site at the time that he had experienced unintended acceleration for several seconds on a Los Angeles freeway.

Mr. Edmunds said he had put the allweather mats in the trunk but that a mechanic or car wash attendant might have installed them over the regular mats without his knowledge. After he passed another vehicle and removed his foot from the accelerator pedal, the car kept speeding up for several seconds before there was a click as the pedal dislodged itself from the mat, Mr. Edmunds said.

He later re-enacted the problem with the car parked and posted a video and photos online. In one of the photos, the message "Do not place on top of existing floor mats" can be seen inscribed on the rubber mat.

Mr. Deep of Ford said the company was aware of Mr. Edmunds's complaint and attributed the incident to improper stacking of the mats, contrary to the warning printed on them.

The Fusion, which was redesigned for the 2010 model year, is now Ford's bestselling car, with sales up 50 percent this Of the cars Toyota has recalled world-

wide, it said 5.4 million had the potential for the accelerator pedal to get stuck in the mat and 4.5 million were made with defective pedals. To reduce the risk of what it calls mat entrapment, it is removing some padding from the floor and shortening the pedals on affected vehicles.

Toyota first blamed floor mats for unintended acceleration, after four people died in the crash of a Lexus near San Diego in August. The police contend an incorrectly installed mat caused the accelerator pedal to stick.



Gas pedals may be getting trapped under floor mats of the 2010 Mercury Milan.

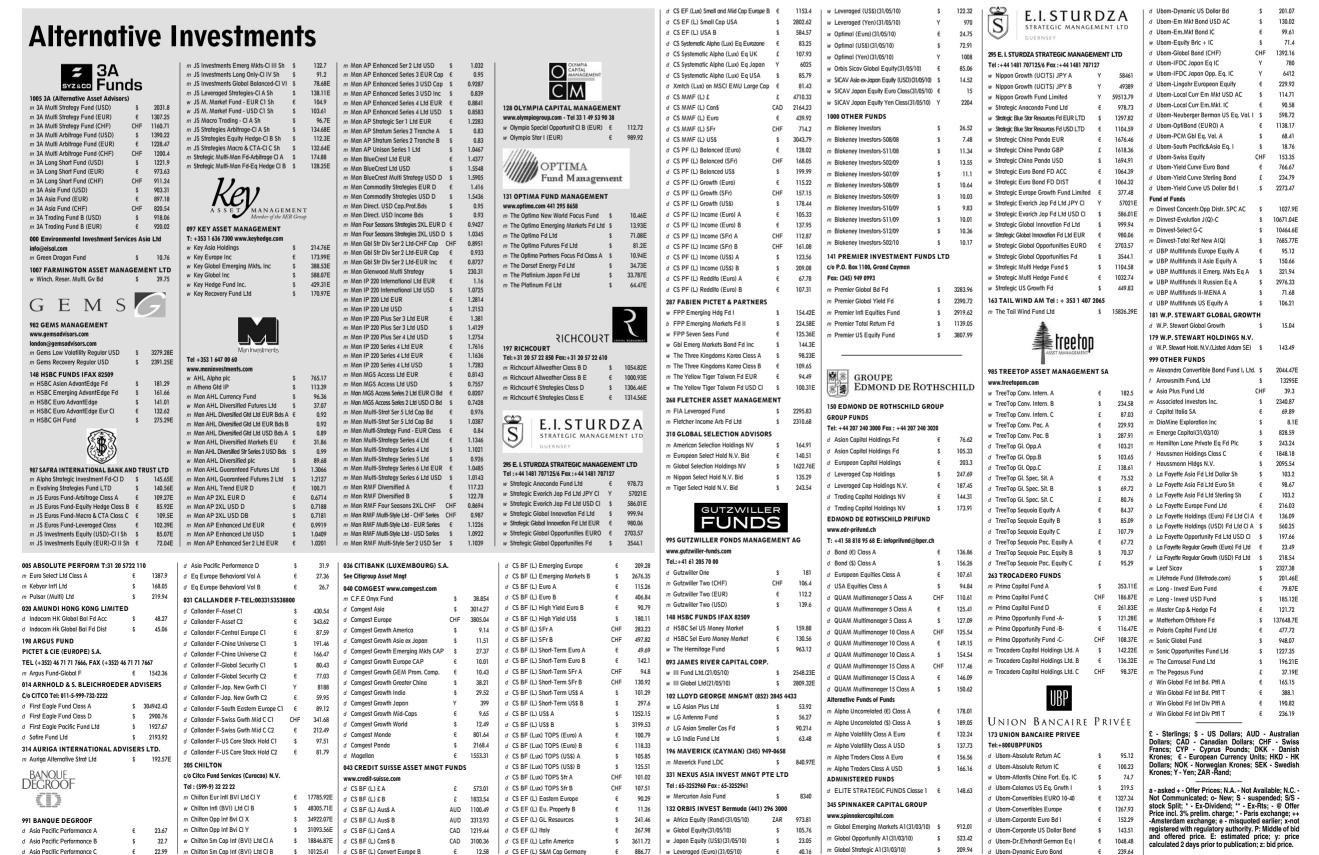
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