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Market Emerging for Islamic Finance

By Khristina Narizhnaya

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Gazprombank has been researching and developing Islamic finance tools for several years, director of the bank's structured and syndicated finance department Alexander Kazakov said. **Vladimir Baranov**

Islamic finance may debut this year in the Tatarstan republic in the form of sukuk, or bonds that, in accordance with Islamic law, do not charge interest, experts said at a World Islamic Economic Forum round-table discussion Wednesday.

"Russia is ready for sukuk," director of the Gazprombank structured and syndicated finance department Alexander Kazakov said. "They can make Russia a lot of money. A trillion dollars."

Gazprombank has been researching and developing Islamic finance tools for several years, Kazakov said. Structures for deals using sukuk are in place, but at this point more needs to be done to popularize the instrument.

Islamic finance is based on sharia law, which prohibits collecting interest on loans and investing in projects that violate principles of Islam — anything related alcohol,

for example. Sukuk are one of the tools, others include musawamah, or negotiation, musharakah, or joint venture, and wadiah, which is essentially the equivalent of deposit insurance.

Russia is the most attractive of the four BRIC countries for Islamic investment because it's relatively stable, close to the Middle East and has an established legal system and infrastructure, said Abas Jalil, executive director of AmanahRaya Capital Group in Malaysia.

Islamic finance will bring Russia an "influx" of investment, a more inclusive economy and will facilitate trade with the Middle East, Jalil said.

Luxembourg, with a population of 280,000, is the richest country in Europe. It has been hosting Islamic financial instruments for about 30 years and in 2009 became the first European country to join the Islamic Financial Services Board as an associate member.

The country's environment is becoming more conducive to Islamic finance, said independent finance adviser Alberto Brugnoni. He cited Russia's increasing engagement with the Middle East, its repositioning as a world financial center and its Muslim population of about 20 million.

"Russia has the potential to be the largest Islamic financial market in Europe," Brugnoni said.

Many challenges need to be overcome, however, before that happens.

Russia's legal system needs to be amended for some of the instruments to be legal, and that might take a long time, Al Shams Capital founder Adalet Djabiev said.

Another issue is misconceptions about Islamic finance and the halal industry. Halal is anything that is allowed under Muslim law.

But educational forums held throughout Russia and increased discussion of the subject seem to be solving that problem.

"People are less afraid of 'halal,'" Kazakov said. "Now you can walk into Auchan and buy a halal chicken."

Several round tables on Islamic finance have been held throughout the world since the beginning of this year in preparation for the seventh World Islamic Economic Forum, to be held in Astana.

Kazakhstan was the first CIS country to allow Islamic finance. It has brought the country a lot of money, Zautbek Turisbekov, Kazakhstan ambassador to Russia, said. But he prefers not to make a distinction between Islamic and conventional financing.

"It's money, and we all need it," Turisbekov said.

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