

# Guided by higher principles

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Islamic banking in its current incarnation came into being after the Second World War. In the 1960s, Muslims around the world began to seriously consider a means of organising an interest-free banking system in accordance with Islamic Shari'a law, an idea that was dismissed as wishful thinking by many economists.

The first Islamic interest-free bank was established in 1963 in the Egyptian town of Mit Ghamr, a savings bank based on profit sharing. The Mit Ghamr savings bank project continued as part of the Nasser Social Bank, although the Mit Ghamr bank itself closed in 1967, by which time there were already nine other Shari'a-compliant banks in Egypt.

Contrary to popular misconceptions, Islamic banking is a very simple straightforward financial system. The core concept of Shari'a compliant bank is that it partners with its customers, sharing profit and loss, and operates in accordance with Islamic rules on transactions, known as *Fiqh al Mu'alamat*. Banks operating according to Islamic Shari'a are thus forbidden to charge a fixed rate of interest, trade in alcohol or tobacco, casinos, or any other activities forbidden by Islamic Shari'a law.

Modern Islamic banking has advanced rapidly since its inception more than thirty years ago. Islamic banking grew in popularity in the Middle East and Gulf regions during the 70s, and since then has grown throughout the world. This popularity has proved

that Islamic banking is no longer solely for Muslims wishing a Shari'a-compliant option, with American and European banks around the world such as Citigroup, HSBC, Deutsche Bank, and BNP Paribas all having established Islamic banking subsidiaries.

Like all banks operating in a competitive marketplace, Islamic banks must constantly create and offer new products that meet their customers' needs. The Abu Dhabi Islamic Bank (ADIB) is one such institution that has built up a reputation for offering attractive and competitive products. Since its founding, ADIB has succeeded in launching a number of popular banking products, such as current accounts and recurring and short term investments, along with finance products.

ADIB also offers investment funds that operate according to Islamic Shari'a principles: the Helal fund, the Haris fund, the Ijarah fund, the Nojoum Island fund and the Shorouk fund.

ADIB acquired the National Bank for Development (NBD) in 2007, since when NBD has begun to offer a broad spectrum of Shari'a-compliant banking products, among them *Murabba* financing for retail customers, long and short term corporate financing through *Murabba*, *Wekala*, *Musharka* and *Mudarba*, and Shari'a-compliant deposits, current and saving accounts and *Sukouk*. NBD has converted all its new business to Shari'a-compliant products and services and expects to complete the full conversion of its legacy business by 2012. **F**



The face of  
21st Century  
Islamic banking