

Islamic Finance and Asia

- Leveraging Japan's Emerging Role

Sukuk Summit 2007
June 20, 2007

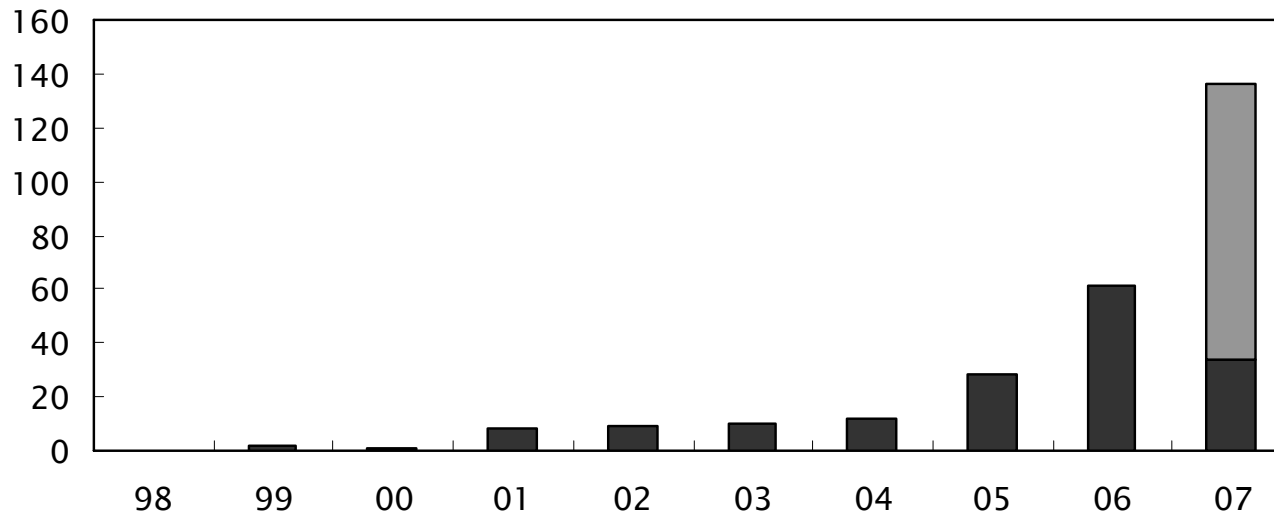


Etsuaki Yoshida

Japan Bank for
International Cooperation
et-yoshida@jbic.go.jp

Growing interest among the Japanese

■ Number of articles on Islamic Finance



* Articles including “Islamic finance” / “Islamic bank” in Nikkei Newspaper (Japanese).

**For 2007, the black bar denotes actual figures for the 1st quarter (Jan–Mar); the gray is an estimate (1st quarter x 3).

■ Lots of seminars held in Japan

JBIC takes the lead in Japan

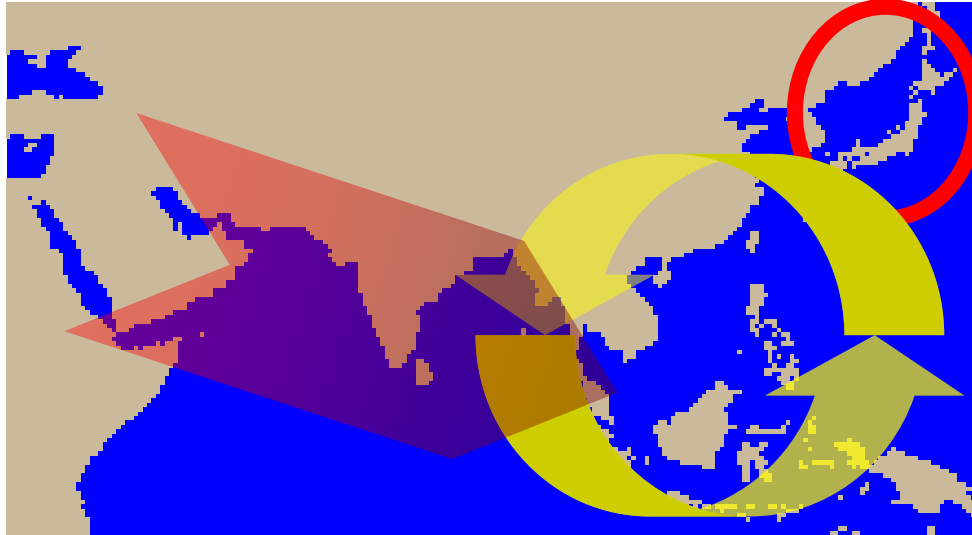
- Co-financing with Islamic finance
 - Bapco (Bahrain, 2005), Petro Rabigh (Saudi Arabia, 2006)
- Set up Shariah Advisory Group (2006)
- Established study groups with Japanese banks (2006)
- The first IFSB member (observer) among Japanese institutions (2007)
- Co-hosted a seminar in Tokyo with IFSB (2007)
- Signed MOU with Bank Negara Malaysia (2007)

Some Japanese followers...

- Aeon Credit issued Islamic CPs and MTNs
- 2 Major Banks joined IFSB (observer)
 - Bank of Tokyo–Mitsubishi UFJ (Malaysia) and Mizuho Corporate Bank
- 3 Major Banks expanding business in the Middle East
 - SMBC established Dubai branch (DIFC)
 - Other two are reportedly following
- Investment trusts / funds
- Tokio Marine – the global leader in Takaful
 - Launched Takaful operation in Saudi Arabia (2001), Indonesia (2004), and Malaysia (2006).
 - The first Retakaful company (Singapore, 2004)

Implications to the Asian region

- For the sake of financial stability in Asia



- Contributing to Asian Bond Market Initiative
- “Asian Gateway Initiative” under PM’s leadership
 - Islamic finance specified as an effective key to enhancing cross-border capital flows
- For Japanese financial institutions to catch up with the global trend

Challenges for Japanese institutions

- Existing Banking Act and related regulations
- “Firewall” between banking and securities business
 - Grass-Steagall-like regulation remaining
 - Disadvantageous to Sukuk-related business for banks
- Little Muslim population inside

Country	Total (million)	Muslim %	Muslim Population (million)
UK	60.1	2.5	1.510
France	60.7	10.0	6.120
Germany	82.5	3.7	3.050
Russia	143.0	19.0	27.040
Canada	32.6	2.5	0.815
USA	299.1	2.1	6.310
Singapore	4.5	15.0	0.650
China	1,311.4	3.0	39.111
Japan	127.8	0.1	0.183

Source) islamicpopulation.com

Possible pictures of Japanese IF

■ Scope

- Little retail banking business inside Japan
- Individual investors of great interest
- Wholesale/ investment banking
- Overseas markets will be the main

■ Contribution to the industry

- Providing facilities for Islamic investors, especially investment into the Japanese market
- Liquidity
- Product development
- Market infrastructure