Islamic Finance 101

Hosted by the

U.S. Department of Treasury

In association with the

Islamic Finance Project – Harvard Law School

November 6, 2008

1:00 p.m. to 5:00 p.m.

1500 Pennsylvania Avenue NW, Washington D.C

Seminar at the US Department of the Treasury:

"Islamic Finance 101"

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Department of Treasury, Washington DC

Purpose:

This forum is designed to help inform the policy community about Islamic financial services, which are an increasingly important part of the global financial industry. The Department of the Treasury, working with Harvard University's Islamic Finance Project, will host speakers from academia and industry to share information on the development of Islamic finance, both in the United States and globally. The primary audience of this seminar is comprised of staff from U.S. banking regulatory agencies, Congress, Department of Treasury and other parts of the Executive Branch. For some in attendance, this may be their first and only opportunity to learn formally about Islamic finance. We expect about 100 people in the audience. The presentations will be short and focused, directed toward policy makers rather than academics.

Program:

A. WELCOME (5-10 min):
Assistant Secretary Neel Kashkari

B. INTRODUCTION AND SEMINAR OVERVIEW (10 min):
Seminar Chair: Samuel Hayes, Professor Emeritus, Harvard Business School

C. PANEL I – OVERVIEW OF ISLAMIC FINANCIAL INSTRUMENTS AND TRANSACTIONS (45 min):
Moderator: Samuel Hayes, Professor Emeritus, Harvard Business School

Speaker	Presentation Topic
1. Mahmoud El-Gamal, Rice University	What is Islamic Finance?
2. Sarah Bell, Federal Reserve Bank of New York	US regulation of Islamic financial institutions
3. Yusuf Talal DeLorenzo, Shariah Capital	Understanding shariah compliance

D. COFFEE BREAK (20 min)

E. EVOLUTION OF THE MARKET FOR ISLAMIC FINANCE (45 min):
Moderator: Mark Brady, Deputy Assistant Secretary for Services, US Department of Commerce

Speaker	**Presentation Topic**
1. Michael McMillen – Islamic Legal Forum, American Bar Association	Legal trends in shariah compliant finance
2. Rushdi Siddiqui, Dow Jones Indexes	Overview of recent developments in the global market for Islamic financial services
3. David Loundy – VP & Corporate Counsel, Devon Bank	US market for Islamic financial services

Profile of Moderators and Speakers:

NEEL KASHKARI
Interim Assistant Secretary of the Treasury for Financial Stability and Assistant Secretary of the Treasury for International Economics and Development, U.S. Department of the Treasury

Neel Kashkari was designated as the Interim Assistant Secretary of the Treasury for Financial Stability on October 6, 2008. In this capacity, Mr. Kashkari oversees the Office of Financial Stability including the Troubled Asset Relief Program. Mr. Kashkari also continues to hold the position of Assistant Secretary of the Treasury for International Economics and Development, but his International Affairs responsibilities are delegated to Assistant Secretary for International Affairs Clay Lowery while Mr. Kashkari serves as Interim Assistant Secretary for Financial Stability.

Mr. Kashkari joined the Treasury Department in July 2006 as Senior Advisor to U.S. Treasury Secretary Henry M. Paulson, Jr. In that role, he was responsible for developing the President's Twenty in Ten energy security plan, enhancing Treasury's engagement with India, particularly in the area of infrastructure development, and developing and executing the Department's response to the housing crisis, including the formation of the HOPE NOW Alliance, the development of the subprime fast-track loan modification plan, and Treasury's initiative to kick-start a covered bond market in the United States.

Prior to joining the Treasury Department, Mr. Kashkari was a Vice President at Goldman, Sachs & Co. in San Francisco, where he led Goldman's IT Security Investment Banking practice, advising public and private companies on mergers and acquisitions and financial transactions. Prior to his career in finance, Mr. Kashkari was a R&D Principal Investigator at TRW in Redondo Beach, California where he developed technology for NASA space science missions such as the James Webb Space Telescope.

SAMUEL L. HAYES III
Jacob Schiff Professor of Investment Banking, Emeritus, Harvard Business School

Samuel L. Hayes, III, holds the Jacob Schiff Chair in Investment Banking Emeritus at the Harvard Business School. He joined Harvard's faculty in 1970, prior to which he was a tenured faculty member of the Columbia Business School. Hayes has a B.A. in Political Science from Swarthmore College and an MBA (with Distinction) and D.B.A. from the Harvard Business School. Hayes has published in journals such as Harvard Business Review, Accounting Review, and Financial Management. He was a principal contributor to the Harvard Islamic Investment Study. Hayes is the author or co-author of seven books, including Islamic Law and Finance: Religion, Risk and Return, which he co-authored with Frank E. Vogel of Harvard Law School. Hayes has consulted for a number of corporations, financial institutions, foundations, and government agencies including the Treasury Department, Justice Department, the Federal Trade Commission, the Securities and Exchange Commission, and is a founding member of Harvard's Islamic

Finance Project Advisory Board. Hayes has been the invited speaker to many of the major Islamic finance conferences held globally.

MAHMOUD A. EL-GAMAL

Professor of Economics and Statistics, Rice University

Mahmoud Amin El-Gamal Ph.D, is a Professor of Economics and Statistics at Rice University in Houston, TX, where he is currently Chair of the Economics Department and holds the endowed Chair in Islamic Economics, Finance, and Management. Before joining Rice in 1998, he was an Associate Professor of Economics at the University of Wisconsin in Madison. He has also worked as an Assistant Professor at the University of Rochester, and the California Institute of Technology, as an Economist at the Middle-East Department of the International Monetary Fund (1995-6), and as the first scholar in residence on Islamic finance at the U.S. Department of Treasury (2004). El-Gamal has published extensively on finance, econometrics, decision science, economics of the Middle East, and Islamic transactions law. His recent books are Islamic Finance: Law, Economics, and Practice, Cambridge University Press, 2006, and a major translation project for classical Islamic law and its contemporary interpretations: Financial Transactions in Islamic Jurisprudence, Dar Al-Fikr, 2003. Other publications have included academic journal articles and book chapters on monetary and exchange rate policies, foreign direct investment in the Arab world, growth and investment in various Arab countries, and financial models for employment-generating small and medium enterprises.

SARAH BELL

Senior Bank Examiner, Bank Supervision Group, Federal Reserve Bank of New York

Ms. Bell currently works in the FRBNY Investment Support Office. She is also part of the internal FRBNY working group on Islamic finance and has worked on related issues since joining the Bank in 2003. Before her current assignment, Ms. Bell worked in the Credit Risk Department where she monitored financial institutions' commercial, consumer and counterparty credit risk management. Prior to joining the Credit Risk Department, she conducted financial analysis and risk monitoring in the Regional Banks Department. Ms. Bell earned a BA degree in Political Economy from Princeton University and a Masters in Public Policy from the Kennedy School of Government at Harvard University.

YUSUF TALAL DELORENZO

Chief Shariah Officer, Shariah Capital

Shaykh Yusuf Talal DeLorenzo is a scholar of Islamic Transactional Law whose 30 year career was featured in an August 2007 front page story in The Wall Street Journal. Based in the Washington, DC area, he has served as a Shariah advisor to dozens of international financial entities, including index providers, institutional investors, home finance providers, international investment banks and a variety of asset managers. He is the author of the three volume Compendium of Legal Opinions on the Operations of Islamic Banks, the first English/Arabic reference on the fatwas issued by Shariah boards. In addition, he wrote the introduction to Islamic Bonds, the 2003 book that introduced Sukuk and transformed the world's Islamic capital markets. His work has appeared in academic and industry journals and as chapters in books, including Euromoney's Islamic Asset Management (2004), Islamic Retail Finance (2005), and Islamic Finance: Innovation & Growth (2002). His entries on the terminology of Islamic finance appear in The Oxford Dictionary of Islam.

MARK BRADY
Deputy Assistant Secretary for Services, U.S. Department of Commerce

Mark Brady oversees and manages three separate offices, which develop trade policy, identify foreign market barriers, and analyze trends affecting the domestic and foreign competitiveness for U.S. businesses in the service, tourism and finance industries. He provides technical support to the United States Trade Representative during trade negotiations. Additionally, Mr. Brady works to ensure that U.S. exporters have competitive access to export finance through the Department of Commerce's representation on the Export-Import Bank and the Overseas Private Investment Corporation. The services sector represents approximately 75 percent of the private sector economy of the United States.

Prior to assuming that position, Mr. Brady was appointed to be the first Executive Director of Corporate Partnerships for the U.S. Commercial Service. Prior to joining the Administration, Mr. Brady was President of Manchester Partners, Inc., a corporate financial advisory firm. He is a former member of the New Hampshire Legislature where he represented district 2 and served on the Commerce Committee. He has written and testified extensively on fiscal, health care, and environmental policy and successfully sponsored legislation as a freshman legislator. He earned a degree in Economics from the Whittemore School of Business and Economics, University of New Hampshire.

MICHAEL MCMILLEN
Lecturer-in-Law, University of Pennsylvania

Michael McMillen is a partner of Fulbright & Jaworski and works in the areas of Islamic finance, project finance and structured finance. Although based in New York, he also works extensively in the London, Riyadh and Dubai offices. He teaches Islamic Finance at the University of Pennsylvania Law School, the Wharton School of Business, and other institutions. Michael was the first Chair, and is the current Co-Chair of the American Bar Association Islamic Finance Committee. He has twice received Euromoney's award for Best Legal Advisor in Islamic Finance. Michael has also received the Sheikh Mohammed Bin Rashid Al Maktoum Award for Best Islamic Finance Legal Advisor for North America. Michael works closely with the Islamic Financial Services Board and has responsibility for three of the five capital markets initiatives of the IFSB (securities and capital markets laws; the use of trust concepts; and enforceability matters).

Michael received his Juris Doctor from the University of Wisconsin School of Law in 1976, his Doctor of Medicine from the Albert Einstein College of Medicine in 1983, and his Bachelor of Business Administration from the University of Wisconsin in 1972.

RUSHDI SIDDIQUI
Global Director of the Islamic Index Group, Dow Jones Indexes

Rushdi Siddiqui is Global Director for the Dow Jones Islamic Market Indexes. In this capacity he supervises more than 70 Dow Jones Islamic Market Indexes [equity, sukuk, sustainability, etc.] that underlie hundreds of Shariah-compliant mutual funds, exchange traded funds and structured products with total assets under management (AUM) of US$7B. He also oversees the Dow Jones Islamic Market Index Shariah Supervisory Board of international scholars. Mr. Siddiqui introduced the idea of building Islamic indexes to Dow Jones in 1998 and since then has been a vigorous advocate for the Islamic finance through his relationships with OIC global stock exchanges and investment firms, speaking at conferences, teaching at universities, writing articles, and conducting media interviews. He has received numerous awards in Islamic finance, and is on the advisory of committees of DIFC's Islamic Finance Advisory Committee (IFAC) and Islamic Capital Market Committee at UK Trade & Investment (UKTI).

DAVID LOUNDY
Corporate Counsel and Vice President, Devon Bank

David Loundy is Corporate Counsel, a Vice President, a member of the Board of Directors for Devon Bank, and is in charge of the Islamic Finance Division for Devon Bank at Devon Bank, David has created the products for the Bank’s Islamic finance program, has worked to expand the Bank’s Islamic finance program out to cover 37 states, and designs the structures for all non-standard transactions. He has designed and implemented more Islamic banking products in the United States marketplace than any other banker in the U.S. He is working to create an off-shore investment company that will allow for continued growth and expansion of the Bank's Islamic finance program. Devon's program won the Sheikh Mohammed Bin Rashid Al Maktoum award in Islamic Finance in the Category "Vision: North America."

Before joining Devon Bank, David worked as a law professor, a law school administrator, as well as teaching in an executive MBA program, and worked as a lawyer practicing in the fields of intellectual property and computer law, with a focus on Internet law issues. He is a past chairman of the Illinois State Bar Association Intellectual Property Law Section, and the Chicago Bar Association Computer Law Committee. David has given more than seventy presentations and has more than one hundred publications in his name. Some of his works have been translated into French, Japanese, Turkish and Korean. David Loundy has a BA in telecommunications from Purdue University, and a JD from the University of Iowa, College of Law, both with distinction. He has completed the post-graduate diploma program from the Institute of Islamic Banking and Insurance, and recently finished the Loyola University Family Business Center’s Next Generation Leadership Institute.