

FAAIF NEWS

FAAIF Participates in 4th Halal Expo and Conference in Lahore, Pakistan, March 10-11, 2015.

Camille Paldi, FAAIF CEO, participates in 4th Annual International Halal Conference and Expo organized by USAID, Punjab Halal Development Agency, and Halal Research Council in Lahore, Pakistan on March 10-11, 2015. Paldi discussed how Islamic financing can be used to finance halal meat production.

FAAIF Participates in Comsats University Global Islamic Finance Forum 2015 in Lahore, Pakistan, March 10-11, 2015.

Camille Paldi, FAAIF CEO, proposes a framework for dispute resolution for the global Islamic finance industry at GIFF 2015 in Lahore, Pakistan. The conference hosted 44 prominent domestic and international speakers including lawyers, bankers, Shari'ah practitioners, academics, students, and Islamic Finance professionals. The wide array of topics, selection of speakers, and excellent organization certainly shed light on the Comsats GIFF forum as a major platform for the development of the Islamic finance industry now and for years to come.

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How Islamic Finance can Finance the Halal Industry

There is potential for great correlation between the Islamic finance and the halal industry.

FAAIF CEO Camille Paldi to participate in 4th Annual International Halal Conference and Expo organized by USAID, Punjab Halal Development Agency, and Halal Research Council in Lahore, Pakistan on March 10-11, 2015. Paldi plans to discuss how Islamic financing can be used to finance halal meat production. Halal food has a very low rate of incidences of food poisoning and contamination in contrast to food sold in major supermarkets and fast food chains, which often contains e-coli poisoning and other life threatening poisons, bacteria, and substances due to unclean processing and packaging procedures, chemical additives, pesticides, and hormones. The Islamic method of meat preparation is based on two important principles: (1) Tasmiyah and Tazkiyah. Tasmiyah refers to invoking the name of Allah when

slaughtering so as to ask His permission while Tazkiyah means purification and the cleaning the meat of blood through slaughter. Islamic slaughter methods are beneficial to human health in that the blood completely drains from the carcass, producing healthier and cleaner meat free from excessive microbial growth. In addition, the meat lacks fear toxins, which cause fear and anxiety in humans, as the slaughter is swift, quick, all-encompassing, and as painless as possible.

A halal meat processing plant may be financed with an istisna'a sukuk. Istisna'a is a pre-delivery financing instrument used to finance projects where the commodity is transacted before it comes into existence. Project financing can be undertaken through an Istisna'a contract whereby funds are advanced to pay for the supplies and labor costs by an Islamic bank. Once the project is completed, the advances are repaid from the revenue derived from the project. To introduce bonds based on istisna'a, a parallel istisna'a contract is generally used where by the financier enters a contract with a subcontractor who actually builds the facility being financed. To use istisna'a, the public authority or private company commissioning the project provides details of the specifications and timing of the schemes. The financier then sets these out in the tender documents. Bids are subsequently invited from contractors who will specify how they intend to sell completed parts of the project over time and the amount of each payment instalment expected. These instalments will include an element of profit over the construction costs. As the financier is expecting a stream of payments over a specified period, certificates can be issued based on the income expected. It should be noted that as the deferred price certificates represent debt obligations, they cannot be traded for cash at below face value in a secondary market. They can, however, be used to purchase goods or services whose price is equal to the face value of the certificate. The purchase price of the goods may be less than the deferred price as this represents a trading transaction.

Takaful may be utilized to cover risk of loss due to injury or death of halal animals. Takaful may also be offered as employee health and accident coverage and pension/401K plans.

Salam may be used to purchase the animal feed and other items. Bai salam means a contract in which advance payment is made for goods to be delivered later on. The seller undertakes to supply some specific goods to the buyer at a future date in exchange of an advance price fully paid at the time of contract. Quality and quantity should be specified and the commodity should be freely available in the market.

The halal meat business may opt to organize on musharakah or mudharabah basis. Musharakah is a relationship between two parties or more that contribute capital to a business and divide the net profit and loss pro rata. All providers of capital are entitled to participate in management, but not necessarily required to do so. The profit is distributed among the partners in pre-agreed ratios, while the loss is borne by each partner strictly in

proportion to respective capital contributions. The Mudharabah is a contract with one party providing 100 percent of the capital and the other party providing its specialized knowledge to invest the capital and manage the investment project. Profits generated are shared between the parties according to a pre-agreed ratio. If there is a loss, the first partner "rabb-ul-mal" will lose his capital and the other party "mudarib" will lose the time and effort invested in the project. The profit is usually shared 50%-50% or 60%-40% for rabb- ul-mal.

The plant may also consider murabahah financing and tawarruq. Murabahah is a type of sale contract under which payment of all or part of the purchase price is deferred for an agreed period. The price may be payable by instalments or in one lump sum at an agreed date. The Islamic bank acquires goods or an asset from a third party and having acquired ownership, sells them onto the end purchaser under a murabahah agreement. The price payable by the end purchaser will be the original cost price of the goods plus an agreed profit for the bank, which rewards the bank for taking the risk of ownership of the goods. In tawarruq, a customer buys an asset from an Islamic bank at a marked up price to be paid at a later date and quickly sells the asset to raise cash.

If every Muslim in the world spent USD\$1 per day on halal food, the total would amount to approximately USD\$584 billion per year. There is potential for great correlation between Islamic finance and the halal industry in terms of financing, completing the halalness of the product or service, profit-maximization, and stabilization and expansion for both the halal and Islamic finance industries. Each industry can provide a source of stability for the other. Camille Paldi can be reached at camille@faaif.com.

FAAIF Limited is a legal and management consultancy firm servicing clients in Islamic banking, finance, takaful, and the halal industry. FAAIF Events is an events production and management company <http://www.faaif.com>.

Check Out my Book Review for Takaful Investment Portfolios: A Study of the Composition of Takaful Funds in the GCC and Malaysia published in International Finance Magazine.
<http://www.internationalfinancemagazine.com/article/Only-if-you-have-a-lot-of-time-on-your-hands.html>



Speaking at the 4th International Halal Conference organized by the Punjab Halal Development Agency; USAID Punjab; and Halal Research Council in Lahore, Pakistan.

Comsats University Concludes Global Islamic Finance Forum 2015

GIFF 2015 proves itself as a major platform for the development of the international Islamic finance industry.

FAAIF CEO Camille Paldi proposes a framework for dispute resolution for the global Islamic finance industry at GIFF 2015 in Lahore, Pakistan. The conference hosted 44 prominent domestic and international speakers including lawyers, bankers, Shari'ah practitioners, academics, students, and Islamic Finance professionals. The wide array of topics, selection of speakers, and excellent organization certainly shed light on the Comsats GIFF forum as a major platform for the development of the Islamic finance industry now and for years to come.

Paldi introduced the concept of the Dubai World Islamic Finance Arbitration Center (DWIFAC) and Jurisprudence Office (DWIFACJO) as the dispute resolution center for the Islamic Finance Industry and suggested that it might be wise to formulate an Islamic finance bankruptcy court for the worlds' sukuk defaults. DWIFAC, which shall be funded by Sheikh Mohammed bin Rashid Al Maktoum, may act as the independent central dispute resolution authority and Shari'ah regulator connecting all of the adjudication apparatus's of Dubai, the UAE, and the DIFC into one consolidated framework for the adjudication of Islamic finance disputes with a centralized Shari'ah authority in the form of the Shari'ah Supreme Council. The decisions of the Shari'ah Supreme Council shall be binding and available to the public for review, thereby giving certainty to legal decisions and promoting confidence amongst investors. The DIFC, Dubai Courts, Central Bank of the UAE, and the IICRCA may refer arbitration to DWIFAC and/or utilize the DWIFAC Ambassador's List and facilities. In addition, DWIFAC may utilize the expert determination, mediation, and other services of the Dubai and DIFC Courts and the arbitrators of the IICRCA, DIFC-LCIA, DIAC, and the Central Bank of the UAE governance unit. DWIFAC awards may be enforceable in the Dubai and DIFC Courts through a special protocol.

DWIFACJO may issue a standardized dispute resolution contract, which may be attached to all Islamic finance contracts. The DWIFACJO standardized dispute resolution contract may contain a similar built-in dispute resolution mechanism as the FIDIC contract containing three stages including (1) the Dispute Resolution Board (DAB), (2) amicable settlement, and (3) final referral to DWIFAC arbitration. Either of the parties may submit a dispute to the DAB at any time. The DAB has 60 days to issue a ruling, which will become binding if neither party objects. However, each party has the right to object through a notice of dissatisfaction within thirty days of the receipt of the DAB ruling. If the parties cannot reach amicable settlement within 50 days from the submission of the notice of dissatisfaction, the dispute can finally be submitted to DWIFAC.

The DAB shall consist of three people who must be suitably qualified in law, Islamic finance, and Shari'ah. DWIFAC may establish an Ambassador's List similar to the FIDIC President's List, from which arbitrators and DAB members may be selected, if not specified in the contract.

Persons who have successfully completed a DWIFAC Adjudication Assessment Workshop and International Arbitrator's Islamic Finance Contracts Course and applied for entry to the DWIFAC Ambassador's List of Approved Dispute Adjudicators are entered on the List for five years. Successful attendees at an Adjudication Assessment Workshop are required to be fluent in English and to be thoroughly familiar with Islamic finance, law, and Shari'ah.

Once the arbitration procedure has been initiated, the arbitration shall commence according to the DWIFAC arbitration rules. The arbitrator(s) shall have full power to open up, review, and revise any decision of the DAB relevant to the dispute. Neither party shall be limited in the proceedings before the arbitrator(s) to the evidence or arguments previously put before the DAB to obtain its decision or to the reasons for dissatisfaction given in its notice of dissatisfaction. Any decision of the DAB shall be admissible in evidence in the arbitration. Arbitration may be commenced prior to or after completion of the contract. The obligations of the Parties and the DAB shall not be altered by reason of any arbitration being conducted during the progress of the contract. The arbitration shall be conducted in the English language and any arbitral decision shall be final and binding. All of the DWIFAC decisions are to be published in English, French, and Arabic and the arbitration itself to be conducted in English. In the event of a conflict of laws, the Shari'ah shall prevail. A valid arbitration decision should lead to a verdict that conforms to the rules of the Shari'ah (AAOIFI 2004:559).

In the context of DWIFAC, the center may make arrangements with the Dubai and DIFC courts for enforceability of DWIFAC arbitration awards. However, parties to the dispute must realize that the arbitration award issued by DWIFAC may be overturned or enforced in other jurisdictions (International Bechtel Co. Ltd. v. Department of Civil Aviation of the Government of Dubai 300 F. Supp. 2d 112 (DDC. 2004)) or challenged in UAE courts based on Article 216 of the Civil Procedure Law. Shari'ah Supreme Council decisions shall act as a source of precedent and shall be binding, thus providing legal certainty to Islamic finance dispute adjudication. The Shari'ah Supreme Council established by DWIFAC shall act as the highest Shari'ah authority for DWIFAC arbitration, the UAE, and the DIFC. The full proposal can be found at https://www.academia.edu/4384666/The_Dubai_World_Islamic_Finance_Arbitration_Center_DWIFAC_and_the_Dubai_World_Islamic_Finance_Arbitration_Center_Jurisprudence_Office_DWIFACJO . Camille Paldi can be contacted at camille@faaif.com.

Speaking at the Comsats University GFIF 2015 in Lahore, Paksitan on March 11, 2015!



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<http://www.einpresswire.com/article/255021060/faaif-expands-investor-visa-service-in-dubai-uae>

Upcoming FAAIF Events

Islamic Finance for Lawyers, Milan, Italy, June 19-20, 2015.

Islamic Finance for Lawyers, The Hague, Netherlands, August 17-18, 2015.

Shari'ah and Islamic Finance, London, UK, August 24-25, 2015.



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