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Embryonic Journey

Majid Dawood from Yasaar



RIGHT PLACE, RIGHT

Anyone attending an Islamic finance conference in recent years will have seen **Majid Dawood**, chairman of Yasaar, building up his contacts with the assembled. He spoke to Paul McNamara at Yasaar's new offices with



TIME

Chief executive of Yasaar
in the DIFC

In retrospect it may seem like a no-brainer to start a consultancy firm that allowed both conventional and Islamic finance houses access to top Shari'ah advice, but Yasaar has had a virtual monopoly in the space until very recently.

The concept is fairly simple: form alliances with the world's top Shari'ah scholars and set yourself up as a broker for their services. Demand for such services has grown in line with the growth in Islamic finance, to such a point that Yasaar has now sprouted competition in the form of a new Shari'ah consultancy from Dubai Islamic Bank that will be headed by Dr. Hussain Hamid Hassan as well as the Shari'ah Review Bureau headquartered in Bahrain.

What the competition lacks is Majid's trump card. Yasaar is based in the financial centre that is positioning itself aggressively as the global hub of Islamic finance: the DIFC.

To this end the DIFC Islamic Finance Advisory Council was formed in December 2005, with the aim of providing strategic advice on Islamic finance and helping in the development of the industry. The council includes executives and decision makers who provide expertise and insights into the Islamic finance industry and marketplace. The members also forecast future trends and highlight the impact of the legal and regulatory initiatives, locally and internationally, on the Islamic finance market within the DIFC.

Majid's proximity to the decision-makers within the DIFC could hardly put the firm in a stronger position to act as a de facto counsellor to the fast expanding Islamic finance sector within DIFC.

So how does the one-time buddy of 1960s psychedelic band Jefferson Airplane make it to become head of Shari'ah advisory company?

I studied economics in Boston and did a variety of jobs, including having a bank in the UK, after which I moved back to Pakistan in 1992. In 1983 my father had set up the first Islamic leasing company in Pakistan that was listed on the Karachi Stock Exchange.

In 1997 I went to my first Islamic finance conference and I realised that there was a gap for an Islamic asset management company. We couldn't find a partner in one of the more established players so we decided to set one up ourselves. We planned to launch an equity fund and a property fund.

We managed to get Morgan Stanley to come in as managers of the equity fund. They then indicated that they wanted to do a much larger fund than what we had in mind but they knew that they did not know enough about Islamic finance and Shari'ah law and so they asked us to help in exchange for a fee. That is how Yasaar was born.

We started talking to them at the end of 1999 and by February 2001 we had become Yasaar. The word has two meanings. It means 'left' in the colloquial sense but it also means 'prosperity and facilitation'. The idea was Dr. Badawi's and mine that we should create a consultancy. We were joined by Dr. Elgari, Dr. Baker and so on.

What sorts of services was the company set up to provide?

We have been very focused. We provide simple Shari'ah compliant services. What we never do is compete with any of our clients, because we think that is wrong. We are not structurers or product developers. That is the bank's job. The client's intellectual property remains the client's. We don't pass it to any third party.

I could end up with two institutions giving me very similar prod-

ucts and we could advise them both because we are an honest broker. We create Chinese walls to make sure there is no cross-contamination.

So you simply look at what they have produced and let them know if it is Shari'ah compliant?

Let me use an analogy. They put together all the ingredients and we bake the cake and then they sell it.

What is the process?

We will be contacted by a client who will outline what they have in mind. We send them our agreement and our terms if we feel that we can help them. Once they engage us we agree on a schedule of fees. We normally expect 50 per cent of the fee up front and 50 per cent when we have given them a Fatwa.

Often it doesn't end there, because you need to have continuity to make sure that once the product is developed that it is maintained in a Shari'ah compliant manner. For that we charge a fee. Normally we charge basis points on the assets under management.

Much of the time we spend sending emails back and forth, but if it becomes too technical then we would organise a conference call in which we would thrash out the details. After that we will look at their marketing materials and prospectus and so on and review all of them to make sure they are Shari'ah compliant.

When a new client approaches you, how do you know which resource to assign to that particular piece of work?

The investment banking products are generally more complex than the retail banking products. This means that we tend to give the retail products to the younger scholars. The more complex issues go to the more senior, more experienced scholars. We circulate the comments of the scholars so that they all know what the others are thinking. In this way the younger scholars are exposed to the thinking of the more senior scholars.

How do you go about acquiring new business?

Much of the time it is word-of-mouth and from people who have met us at conferences. Fortunately for us, by this stage our name is quite well known.

You used to be based in London but relocated to Dubai. Why was that?

We arrived in Dubai in September 2005 and we were incorporated in April 2006. Initially we had to undertake not to advise any DIFC regulated companies but we no longer have to give that undertaking since the law has changed.

London is a big financial centre and we still maintain our office there. But I had been watching the market and I

could see that what DIFC was doing was very important. When I first started, the Bahrainis had asked me to set up there but I set up in London instead. Back in 1998 DIFC was not an option.

But when the DIFC was launched and we could see what was going on, we were asked many times by Khalid Yousaf to set up here. It is a Muslim country and there is a lot of liquidity. Add to this Dubai's desire to make the DIFC an Islamic financial hub and you can see that access to the market is better from Dubai. The infrastructure here is much better than any other place. Communication here is terrific. You can fly to anywhere from here, unlike somewhere like Qatar.

The vision that Sheikh Mohammed has had added to the strategy that they have complements exactly the strategy that we have. So we want to develop our base from here.

The DIFC Islamic Finance Advisory Council is a key part of Dubai's vision for Islamic finance. Do you see Yasaar playing an advisory role for them?

If they were to ask us to help in any way, it would be both an honour and a privilege because we have a commitment to Dubai. We have the knowledge of the marketplace and we have the scholars. In fact we have been asked by members of the DIFC team to help them with an event in Paris in April. We are also talking to the DIFC Academy about training.

