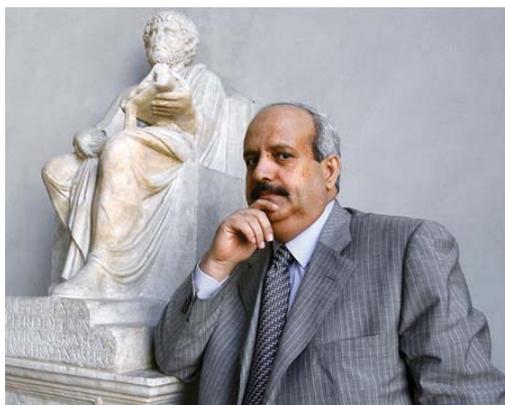


Godly but ambitious

Adnan Yousif wants to build the first truly global Islamic bank.



Photoshot

Most practitioners of Islamic finance pride themselves on their modesty. But not Adnan Yousif, the chairman of the Union of Arab Banks, a regional club for financial firms. He has recently struck a tone more reminiscent of greed-is-good Wall Street, with a grand plan to build the biggest Islamic bank yet seen, spanning the world and providing Muslim countries with new financial services their people have barely heard of. "People never thought big here, never thought globally," he says.

Mr Yousif's ambitions date to the founding of modern Islamic finance. During the 1970s oil boom the Gulf's Muslim elite needed to put their new-found wealth somewhere, and American government bonds seemed the safest option. Yet Islam prohibits the charging of interest. So some sheikhs bought bonds but let their Western banks keep the interest, in the casual manner of a customer leaving change on a restaurant table. To Mr Yousif, then a young banker at American Express in his native Bahrain, this made no sense. At a time when Muslim countries had imposed an oil embargo over America's support for Israel why, he wondered, refuse the Americans oil but give them billions of dollars?

The embargo faltered and ever more money flowed to the Gulf, prompting Muslim scholars to seek ways to cleanse finance of interest payments. Practical men like Mr Yousif paid attention. In 1980 he moved to Arab Banking Corporation, a Bahraini bank, and set up an Islamic-finance division. It was little more than a few desks in a bare room where white-robed bankers created investments that generated profits in forms other than interest. The bank's bosses thought it would be, at best, a niche business with little chance of competing against Western-style finance.

But over the next two decades Islamic banking prospered, driven by a revival of faith following the Iranian revolution in 1979. By the turn of the century there were more than 200 Islamic banks and Mr Yousif was leading from the front. He turned his bank's Islamic-finance division into a stand-alone institution, then became chief executive of Bahrain Islamic Bank in 2002. Two years later, now head of the Al Baraka Group, another Bahraini bank, he oversaw its initial public offering (IPO), the largest thus far by an Islamic bank. Along the way, interest-avoidance schemes became ever more sophisticated. Today \$700 billion of global assets are said to comply with sharia law. Even so, traditional finance houses rather than Islamic institutions continue to handle most Gulf oil money and other Muslim wealth.

In private, some Gulf bankers speak of the need for an "Islamic Goldman Sachs". That is what Mr Yousif is now attempting to create—a sharia-compliant investment bank with global reach and ready access to capital. It will be called Istikhlaf, Arabic for "doing God's work". Others in

the industry have welcomed the move. "Islamic banking cannot be taken seriously until we have some global Islamic banks," says Simon Eedle, managing director of Islamic banking at Calyon, a French investment bank. "They don't have to be present everywhere in the world, but they need to be in the top 100."

Mr Yousif says he has raised \$3.5 billion from Gulf investors and is seeking the same again by the end of the year. In addition he plans a \$3 billion IPO in Dubai and Bahrain. The oil price is down from last year's peak, but there is plenty of cash in the region looking for a home. So far, though, most of what Mr Yousif has collected comes from other banks rather than private investors. He and his backers, including Sheikh Saleh Kamel, the force behind the Al Baraka Group, delayed the launch of Istikhlaf last year after turbulence in the financial markets. They also dropped talk of raising up to \$100 billion—at least for now.

Even with a more modest capital base of \$10 billion, Istikhlaf will stand a reasonable chance of picking up lucrative finance deals. The region's ubiquitous infrastructure projects need beefy backers. Most Islamic banks have so far been absent from this field because of their small size. Deals instead went to sharia-compliant units of multinationals like Deutsche Bank, HSBC and Citigroup. These will now face stronger local competition.

Mr Yousif's ambitions do not end there. He plans to create a team of venture-capital researchers to sift through innovators' ideas and provide the good ones with a cradle-to-IPO service. Many people do this successfully in Silicon Valley, but potential investors in his bank may wonder how easy it will be to transplant that sort of high-technology entrepreneurship to the Gulf.

You say sukuk, I say heresy

More worrying still, the rules for Islamic finance are not uniform around the world. A Kuwaiti Muslim cannot buy a Malaysian sukuk (sharia-compliant bond) because of differing definitions of what constitutes usury. Indeed, a respected Islamic jurist recently denounced most sukuk as godless. Nor are banking licences granted easily in most Muslim countries. That is why big Islamic banks are so weak. Often they are little more than loose collections of subsidiaries. They also lack home-grown talent: most senior staff are poached from multinationals.

There are worries, too, about Istikhlaf's lack of a Saudi presence or partner. There have been rumours of a merger with Saudi Investment Bank, although Mr Yousif has denied this. Such a deal would be a big help. Saudi Arabia is one of the main growth areas for Islamic banking. It has the largest oil reserves and the most valuable project-finance deals. It is no coincidence therefore that the biggest Islamic bank to date, Al Rajhi, is Saudi. But if anyone can snatch the lead from the Saudis it is Mr Yousif. Never afraid of breaking the mould, he confesses to admiring Alan Greenspan, a man (of Jewish origins) better known as a disciple of Ayn Rand, the prophet of rugged capitalism, than as a scholar of holy scripture. Mr Yousif has read the former Fed chairman's memoirs "three or four times", he says. With luck he will heed Mr Greenspan's warnings about irrational exuberance.

GODLY but ambitious. **The Economist**, New York, June 18, 2009. Disponível em: www.economist.com . Acesso em: 25 jun. 2009.