

Special requirements to establish an Islamic bank in Italy



ITALY

By Stefano Loconte

The possibility of opening an Islamic bank in Italy can be a reality but it requires respecting binding rules and specific procedures.

In fact, institutions that could offer Shariah compliant financial products and services could collaborate with Islamic banks or branches of an Islamic bank established in another European or extra-EU country.

In any case, each type of Islamic financial institution needs a Shariah board, or Shariah supervisory board (SSB), that sits at the top of the company's governing structure.

The SSB is an independent and autonomous body of specialized jurists

and scholars in Fiqh Muamalat (Islamic commercial jurisprudence) with the purpose of directing, reviewing and supervising the activities of the Islamic financial institution in order to ensure that all the operations and activities are Shariah compliant. The aim of providing binding Fatwas and other decisions is to respect the minimum Shariah standards and to harmonize market practice.

For example, the SSB provides Fatwas that declare financial products and contracts as permissible, certifies a non-Shariah compliant income or earnings, provides advice to the bank on the distribution of income to shareholders or investment account holders and fixes any possible violations.

Also, it is possible to do Islamic banking through the opening of a branch of an Islamic bank already set in another EU country. The authorization procedure

is based on the European principles of Directive 93/22/CE 'Investment Service Directive' (ISD), which has since been replaced by Directive 2004/39/CE 'Markets in Financial Instruments'. With reference to this, once a bank receives the license to conduct operations, it is allowed to perform banking and financial activities in the other EU countries without having to go through a different full license application process, thanks to the 'European passport'.

Therefore, establishing a branch in Italy would present a unique opportunity to open access to banking and financial services to the Muslim residents in Italy and also to non-Muslim customers interested in Islamic finance. (f)

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Tatarstan promotes Islamic finance educational programs



RUSSIA

By Dr Ilyas Zaripov

Some regional governments in Russia are planning to promote Islamic finance programs online following the cancelation of the 2020 Kazan Summit and other international forums due to the impact of the global coronavirus pandemic. The programs will be conducted online for the convenience of participants from all regions in Russia and abroad.

On the 28th July 2020, the Investment Development Agency of the Republic of Tatarstan, together with the Russian Islamic Institute, launched the first online free course titled 'Financial Literacy in Shariah'. This short-term program is for those who want to learn how to plan personal finances, how ethical it is for a private person to invest in Russia and how to draw up various contracts in accordance with Russian law and Islamic business ethics.

The government of the Republic of Tatarstan, the flagship region in Russia for Islamic finance development, opines that now is the right time to teach the basic principles of the Islamic economy.

This is because the development of Islamic financing entails the transition of public consciousness from a borrowing approach to an investment approach, where each participant of a deal is interested in successful business development.

The online course will comprise brief but complex information on:

- Basics of personal financial planning
- Sound financial management and investment in accordance with Islamic business ethics
- Islamic financial instruments which can be realized within the Russian legal base
- Attracting investments in the Halal business, and
- Creating contracts in accordance with Russian law and the principles of Shariah.

In addition, all participants will receive a list of existing Islamic financial and investment products currently available in Russia. In support of this initiative, the



governments of other Russian Muslim regions such as Bashkiria, Dagestan and Chechnya are following suit by preparing similar Islamic finance and business educational courses in their respective regions. (f)

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