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**A case study: Italy and islamic
finance**
**From a borderline actor to a land
of opportunities**

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Italy and islamic financing: some milestones in a not proactive environment ...

- Banca di Roma, Conference on Islamic Banking in Italy, Rome, January 1994: first gathering of major national players with an alien world
- A. G. Brugnoli, *Il Genoardo*, Palermo, December 1997: a ground-breaking publication
- Associazione Bancaria Italiana, Conference on Islamic Banks, Rome, December 2002: a confirmation of interest
- 2005-2006, a number of papers written by top bank's research departments: sensing the business?

Italy and islamic finance: ... but at the end a dream comes true ...

- An up-hill struggle with some simple truths:
A. Brugnoli, *The Issues of Compatibility Between the Italian Banking System and Islamic Banking*, London, November 2004
- A number of domestic banks open migrants-dedicated services with leaflets written in arabic. Arab banks are opening in Italy to service their nationals
- Just an article or a turnaround?
ASSAIF, *Halal home financing*, Fondazione Housing Sociale, Milan, December 2006: a specific product

... a dream that has roots as strong as a well built house

- The domestic migrant-led real estate demand: a question of individual rights acknowledged by EU directives but also a tale of juicy numbers
- The market for foreign investments: trophy buildings and something else. A huge potential: the expressed interest of Shariah conscious investors moves from 10% to 25% in the next three years (data courtesy of dr. Ali Parsa)
- Italy is a top trading partner of a number of mediterranean southern shore countries and has strong links with the Gulf region

The real estate migrant domestic market

- 10% of national real estate turnover is originated by migrants
- 110.000 migrants have bought an house for a total turnover of € 10,2 billion. This represents 12,6%
- In the provinces of Milan and Rome it reaches 17% with peaks of 50% where migrants are prevalent
- Average cost of the property is € 110.000: 30% paid cash and 70% with mortgages for 70%-90% of value
- Who is the buyer?
- No breakdown based on religion but 40% comes from 'islamic culture'

The business idea

- A not-for-profit association based in Milan and its members
- The challenge: to put together the italian civil code and italian fiscal law with the *shariah* in all fields of financing but ...
- ... first things come first: let people own their home!
- Our strategy: the network concept and knowing where to go for the right answer

The results: a shariah compliant product

- First *murabaha* ever done in Italy - two different transactions: one in October 2006 and one on the 1st of December 2006
- A number of *ijara wa iqtina'* on the pipeline ...
- Vast array of financing vehicles for different needs
- A challenge to the establishment? It will be probably be questioned by the italian fiscal authorities ...
- But also a positive contamination: the notary public was intrigued and initiates a debate

Our first *murabaha*: some details

- Followed the published indications of the judge Muhammad Taqi Uthmani
- “... *important contribution to the full exercise of the right of citizenship ... and taking into account the prohibition of riba*”
- A big deal? A € 290.000 transaction financed with ASSAIF own funds for the buying of a warehouse turned into a cultural center in medieval Pavia (60 km from Milan)

The nearest future: a pent-up demand ready to explode?

- Huge spread between expectations and realities: only 12% of known demand is satisfied. No figures for unexpressed demand
- 134.000 mortgages contracts in favor of migrants. Total of open mortgages: € 4.900 million with the average between € 100.000 and € 175.000 for a 20 year period
- History comes back: 2010, the mediterranean free trade zone. A benefit for both Muslim residents and foreign islamic investments alike
- European Investment Bank (EIB) and the Bank for the Development of the Mediterranean region

We and the world ...

- Important event in Milan mid-March 2007
- Already contacted by one major banking institution for distribution of a *halal* home financing product
- Consulting services on commercial real estate and on trophy buildings

Thank You !

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