

Prime Rate Capital Management

Liquidity management for Islamic Insurers

July 2008



Prime Rate Capital Management

Prime Rate Capital Management was formed:

- To become the first independent, specialist provider of liquidity solutions
- To deliver competitively priced product on a wholesale basis:
 - For institutions to employ in their own management of liquidity
 - For institutions to distribute to their client base

Background

- Lack of a fully functional Islamic money market
- Market demand for high grade investment structures that will accommodate wholesale market volumes
- Increasing frictional cash flows from growth in Islamic capital market issuance
- Need for Shariah compliant outlets for Takaful liquidity

Islamic Money Market

- Investors who need to access cash
 - Earn no interest or donate interest to charity
 - Manage and match investment maturities
 - Enter into longer term structures and agree on break conditions
 - Enter into 'wakala' or inter-Islamic bank deposit placements

Requirements of Islamic Insurance

- Insurance contracts need to be compliant
 - But also investments need to be compliant
 - And need to comply with regulations
 - And need to earn profits

Our aim.....

- Create a liquidity instrument
 - Using Shariah-complaint investments
 - AAA rated investment
 - Where profit rates can be indexed to conventional benchmarks
- To become the market's short term instrument of choice

Key requirements

- Shariah compliant
- Same day access
- Highly rated
- Competitive profit rates

Key Features

- Uses murabaha contracts
 - Overseen by a Shariah board
- Offers same day access to funds
- Rated AAA
- Aims to achieve competitive rates

Challenges

- Ensuring it gains widespread recognition as liquidity instrument of choice
- Regulatory issues?
- Currencies?
- Any other issues?

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Thank You

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Appendix



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