

# Islamic finance: western and Russian approaches

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# Short review of the attempts to establish Islamic finance institutions in Europe

- 1978: Islamic Banking System International Holding (Luxembourg);
- 1981: Dar al-Mal al-Islami (Switzerland);
- 1982: Islamic Bank International of Denmark (Denmark);
- 1982: Al-Barakah bank (England);
- 1983: Takafol S.A. (Luxembourg);

## Short review of the attempts to establish Islamic finance institutions in Europe (contd.)

- August 2004: Islamic Bank of Britain (IBB) obtains the license from FSA;
- March 2006: FSA gives authorization to European Islamic Investment Bank;
- October 2006: Faisal Private Bank – first private Islamic bank in Switzerland starts operating in Switzerland.

# Muslims of Russia vs. Muslims of Europe

- 10 to 25 mln. people;
  - Mainly autochthones;
  - Muslims who go to mosque are generally reluctant to follow economical rules of *Shariah*.
- More than 53 mln. people of which appr. 14 mln. live in the EU (2005 survey of the *Central Institute's Islam Archives in Soest, Germany*);
  - Mainly allochthones (immigrants);
  - Many practicing Muslims follow economical prescriptions of their belief.

# Brief overview of the history of Islamic banking in Russia

- 1992: an attempt to set up the “United Islamic Joint-Stock Commercial Bank” in Kemerovo (Western Siberia). The project remained on paper;
- 1997: “Forte-Bank” starts utilizing Islamic financing tools in its operations. “Badr-Bank”, an Islamic unit established by “Forte-Bank” shortly;
- 2000: merger of “Forte-Bank” and “Badr-Bank” into “Badr-Forte Bank”;

## Brief overview of the history of Islamic banking in Russia (contd.)

- 2005: a consumer society “Menzil” established under the auspices of “Badr-Forte Bank” to offer *halal* residential mortgage programmes for Muslims in Russia;
- December 2006: withdrawal of the license from “Badr-Forte Bank”.

# Islamic insurance (*takaful*) in Russia

- Islamic insurance in Russia can be carried out in two forms: commercial insurance or mutual insurance.
- The latter is preferable:
  - it is easier to be adjusted to *Shariah* (see *Fatwa of Islamic Fiqh Academy (Jeddah), 1985*) ;
  - Russian legislation on mutual insurance is still underway.

# Islamic insurance in Russia: key dates

- 2004: Islamic insurance directorate established within “Itil” insurance company (Russia, Tatarstan);
- 2004: agreement reached between “Dubai Islamic Insurance and Reinsurance Company (Aman)” (UAE) and “Itil” insurance company to joint efforts in order to establish the first *takaful* operator in Russia;
- How to proceed? Options under consideration: turn “Itil” into an Islamic insurance company;
- 2005: the first ever Islamic insurance project in Russia based on “Itil” insurance company ended off.

# *Waqfs* in Russia: past and present

- The bloom of *waqfs* in the Russian Empire (XIXth – beginning of XXth century). Where: Volga region, the North Caucasus, Central Asia;
- Modified cash *waqfs* – the most popular *waqfs* in Volga region at that time. The cash is deposited with a bank and the beneficiary is entitled to receive bank interest on the deposit;

## *Waqfs* in Russia: past and present (contd.)

- 1920s: abolition of *waqfs* in Soviet Russia. *Waqfs* illegally existed in certain areas of the North Caucasus in the Soviet times;
- The culture of *waqfs* in Volga region in the Soviet times has been lost;
- 1990s: attempts to revive *waqfs* in the North Caucasus and Volga region.

## “Gold Dinar” project in Russia

- 2007, the spearhead: a group of Moscow-based businessmen from Dagestan (the North-Caucasian republic of Russia);
- “Gold Dinar” management company to be set up;
- Nature of business: unit investment funds (UIF) structured in accordance with *Shariah*.

## “Gold Dinar” project in Russia: main advantages

- Put *Shariah* principles into practice without triggering the need to amend current legislation;
- Popularity of UIF among Russian people;
- Original products and services offered by “Gold Dinar” management company;
- Less capital is required to be inputted when establishing a management company as opposed to Islamic bank or *takaful* company.

**Many thanks for your attention!**

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