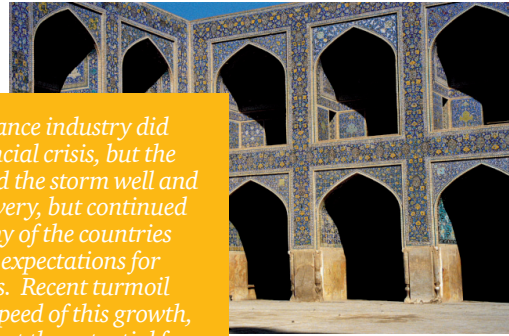


Middle East and Islamic Finance



The Middle East region and Islamic finance industry did not escape the effects of the global financial crisis, but the overall consensus is that they weathered the storm well and are on their way to, not only a full recovery, but continued growth. 2011 GDP projections for many of the countries within the region are around 5%, with expectations for countries like Qatar in the double digits. Recent turmoil in the region will certainly impact the speed of this growth, but many in the market are excited about the potential for both the conventional and Islamic finance industries.

Products & Services

With oil prices back on the rise, increased cash, liquidity and spending, this region continues to be a place of interest for many investors. At the same time, institutions globally are seeing the possibilities Islamic Finance has to offer and are expanding their offerings in to this area. Today sources predict the Islamic Finance industry is close to USD 1 trillion, and while the Middle East is certainly a natural destination for Islamic investments, Islamic Finance has long since crossed borders and is now expanding in Europe, Africa, and other Asian countries.

We have spent a significant amount of time in the area, and have experience helping clients with a wide range of projects including expanding operations in to the region, assisting with the structuring of Islamic products, distribution services in the region, regulatory updates, etc.

Challenges

Similar to any growing industry, the Islamic Finance industry and the Middle Eastern markets are not without their challenges.

- There continues to be a lack of consistent guidelines across the industry as to what is or is not allowable under the Shariah;
- The limited market for many of the new instruments;
- Being introduced poses risk management, valuation and compliance issues to name a few;
- Custodians and other service providers outside the region are scrambling to determine how the respective laws and fiduciary rules apply to such products;
- International taxation and structuring of investment;
- Products in a tax efficient way, while still meeting Islamic requirements, is a tremendous feat;
- The multiple regulations and requirements around distribution of investment funds in the Middle East can also be quite complex.

How we can help?

We have a dedicated team that specialises in Middle Eastern Finance including Islamic Finance. The members of our team span multiple lines of service and have the experience and knowledge to assist with a variety of areas including operations, compliance, tax, distribution and fund set up.

Our approach to assisting you is very flexible and can range from a limited one-on-one conversation to help you in making strategic decisions, to an all inclusive turn key solution:

- helping you in creating a tax efficient product;
- distributing your product throughout the region;
- helping you establish efficient daily procedures and compliance checks;
- performing a statutory audit;
- providing industry specific training.

Recent examples:

- An in depth review of current procedures to determine possible gaps in servicing Islamic products;
- Working with clients to establish a fund structure that adheres to local country requirements (regulatory and tax) as well as Luxembourg regulations;
- Providing tailored training to clients;
- Proposing real estate/private equity structures that meet Shariah regulations but are also tax efficient;
- Performing in depth research on market opportunities, challenges, regulations and taxes for entry to certain Middle Eastern countries;
- Assistance with the Market Strategy and Market Entry of Shariah compliant funds in Europe and the Middle East;
- Providing Market Reporting, Tax Optimisation and Distribution Model Optimisation in the various distribution countries;
- Eligibility review of stock exchanges and regulated markets to ensure that portfolio transactions are made on official stock exchanges or regulated markets within the context of the law and appropriate regulations;
- Providing accounting, tax and reporting assistance to clients.

Why PwC Luxembourg?

PwC Luxembourg (www.pwc.com/lu) has about 2000 professionals from 53 different countries. PwC firms provide industry-focused assurance, tax and advisory services to enhance value for their clients. More than 161,000 people in 154 countries in firms across the PwC network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

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