

Appendix 26:

NOTE: This file contains 7 articles about Islamic banking. The articles are separated from each other by =====xxxx.

Article 1

CBN okays first Islamic bank

Martins Oloja¹

THE Central Bank of Nigeria (CBN) has approved the setting up of the first Islamic Bank in Nigeria.

The provisional approval, which followed the completion of its internal appraisal, was conveyed to the promoters of the non-interest bank on May 18, 2005, The Guardian has learnt.

To be known as JAIZ Bank International Plc, the bank's Board of Directors is headed by Alhaji Umaru Abdulmutallab, former Chairman of United Bank for Africa (UBA) and current Chairman of First Bank of Nigeria (FBN).

The CBN has already written to confirm to the promoters that it "has no objection to the setting up of the JAIZ Bank International (the Islamic Bank in Nigeria) in Nigeria" and fund-raising as part of the conditions for the issuance of the licence.

Other requirements include acquisition of property, equipment and recruitment of personnel. The CBN Banking Supervision Department said that the approval is subject to the promoters (JAIZ International Plc) meeting the minimum capital base of N25 billion to be paid into an escrow account with the CBN.

The Islamic bank's Group Managing Director, Malam Mustapha M. Bintube, confirmed receipt of the letter from the CBN. Bintube was until recently an Executive Director of FSB International Bank.

He said his group "would pursue the vision to set up the bank with vigour and the commitment it deserves".

The Guardian learnt that the application to set up an Islamic Bank was submitted by the promoters since 1999 when the minimum capital requirement was N1 billion. It was later increased to N2 billion.

In March 2004, the sum of N2 billion and other requirements for the issuance of the licence were submitted to the CBN. Thereafter came the new directive: Consolidation that has raised the minimum capital base requirement for all banks to of N25 billion.

Bintube told The Guardian: "We plan to position the bank as a national bank and we welcome, therefore, all genuine customers and investors irrespective of race or religion".

¹*Guardian*, 30 May/2005.

The bank, which proposes to site its head office in Abuja, will set up branches in key commercial centres of the country, according to the CEO.

Bintube, who says the bank is not for adherents of the Islamic faith only, said: "In terms of customers, we won't discriminate. In terms of branches, as long as they meet standards, we will go there. We are going to compete with the conventional banks".

Listing the benefits of non-interest banks, the former Executive Director of FSB International said:

"The Federal Government and the CBN have been concerned about high interest rates. We don't charge at all. In Islamic banking, it is zero interest. Besides, most of our products will be ethical products as we will be socially responsible. For instance, we will thus have nothing to do with vices such as gambling and promoting pornography".

He continued: "Islamic banking gives people choices, especially for people who do not want interest on their investments because of their beliefs".

Bintube said that as part of the promoters' vision, "we want to be the first and the leading non-interest financial institution in Nigeria and we intend to use Nigeria as a launch pad to target the West African market".

He continued: "We also want to be among the top 10 banks in Nigeria by the year 2010. Though this is tough, it is achievable. We will also provide social and economic empowerment to the people".

He said the mission is to offer "unique products, untapped markets in Nigeria and since banking is about people, our ethical conduct in product and corporate governance will be unique to the glory of our fatherland".

The unique financial system began 30 years ago when the Islamic Development Bank was set up in Saudi Arabia. The second one was set up in Malaysia. Others followed in quick succession in Bahrain, United Arab Emirate (UAE).

They are now quoted on the prestigious New York Stock Exchange (NYSE) and some European countries, including Switzerland and Germany.

The bug did not catch Britain until 2004 when the Islamic Bank of Britain (IBB) was set up. Michael Henon, a non-Moslem, is the Chief Executive Officer (CEO) of the Islamic Bank of Britain.

South Africa has a full-fledged Islamic Bank. HSBC, one of the world's biggest banks, now has a Department of Islamic Bank. Similarly, Citibank has Islamic Bank Department.

Records show that the World Bank has just begun to introduce Islamic Long Term Bond. Praising the provisional approval of the CBN, Bintube said: "The development is a major paradigm shift in CBN. It sends strong signals that the CBN is really changing and it is open to new ideas. The shift is going to encourage creativity within the banking sector. It also shows that the CBN is not averse to new banking culture as long as the people behind the projects are credible".

He continued: "This will really diversify Nigeria's financial system's micro credit scheme, which has been given new dimension at the Islamic Bank of Bangladesh, will be meaningful here via Nigeria's premier Islamic Bank."

The House of Representatives was sharply divided last week when Nigeria's subscription for membership of the "Islamic Development Bank" (IDB) came up for debate.

The Speaker, Aminu Bello Masari, promptly referred the matter to the Rules and Business Committee of the House for further deliberations when tempers began to rise.

Masari said to avoid any misunderstanding based on religious sentiments, the committee should look for the bank's article of association to enable the House determine its impact on Nigeria's secular nature.

A member of the House, Datti Baba Ahmed, had informed his colleagues that all loans and other facilities taken from the bank were interest free.

He said the Federal Executive Council had in 1999 made attempts to join the bank, which is an international development financial institution. He said that if Nigeria becomes a member, benefits accruable to the country could be as much as \$200 million yearly, which would engender economic growth.

Trouble, however, started when Hon Halims Agoda called for a point of constitutional order and referred the House to Section 10 of the 1999 Constitution, which he said did not allow the country to go into a religiously controversial turf. He was overruled by Masari who pointed out that the section quoted deals with state religion, which was different from the motion.

Deputy House Leader Abdul Ningi said the principle behind the bank was that of interest free funds provision, which the country should not miss on account of sentiment, adding that if other African countries that are multi-religious are members, there was nothing stopping Nigeria from joining.

Kunaiyi Akpana urged members to disabuse their minds and think of the benefits since no other bank was granting such interest free loans. Abubakar Momoh said that since religion has been divorced from the bank, Nigeria should go ahead and join it.

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Article 2

Islamic Development Bank

Islamic Banking NN 17 July 2001, p. 14

www.Islamiq.com

www.failaka.com

www.Muslim-Investor.com

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Article 3

THE PUNCH 2005-05-26

Reps suspend debate on Nigeria's membership of Islamic Bank
Ibanga Isine-Abuja

A debate by the House of Representatives on a motion for Nigeria's membership of the Islamic Development Bank was abruptly halted on Wednesday when tension rose as members made contributions to the issue.

As members expressed different views on the matter, the Speaker of the House, Alhaji Aminu Bello Masari, stepped in, advising that the issue be treated with caution since it could jeopardise the unity of Nigeria.

Mr. Yusuf Datti Baba-Ahmed and 16 other members sponsored the motion, which sought to direct the Federal Government to release \$4.5million as an initial subscription for membership of the bank,

They said that the payment of the sum would qualify Nigeria for a \$200million interest-free loan annually.

While presenting the motion, Baba-Ahmed said IDB was an international financial institution that provided interest-free long-term loans to finance both private and public sector projects in member countries.

He said that due to the enormous benefits accruable to IDB-member nations, through project financing and other services capable of engendering economic growth, it was necessary for Nigeria to join the body.

He said, "In West Africa, only Nigeria and Liberia are not members of the IDB and other countries like Kenya, Uganda, Malaysia and Thailand are among the 55 member-nations.

"The only outstanding requirement for Nigeria to obtain membership of the IDB is the financial subscription of a minimum of \$4.5million which is payable in up to seven tranches over a period of time."

He advised his colleagues against bringing unnecessary sentiments into the issue, saying that a country like Thailand, with only five percent of its population as Moslems, was a member of the group.

According to him, Islamic Development Bank was a mere nomenclature, adding that the bank was not discriminatory in its policies and practices.

Mr. Igwua Aguma supported the argument that Nigeria should join the bank. He said that in this era characterised by government deficit and increasing debt burden, there was a need for the country to look out for debt facilities that would not attract interest.

Aguma said that if Nigeria secured loans from the IDB, it would no longer face the burden of debt rescheduling, as was the case with such facilities obtained from the Western countries.

He said Nigeria should be realistic and avoid undue religious sentiments since membership in IDB would add value to the country's economy.

Contributing to the debate, Mr. Halims Agoda, drew the attention of the House to the provisions of Section 10 of the 1999 Constitution and advised that it would be dangerous if the legislature dabbled into a matter that could jeopardise the corporate existence of the country.

He argued that with the prevailing tension in the country, it would be easy for religious hostility to break out if the country became involved with the bank.

Mr. Depo Oyedokun strongly opposed Nigeria's membership of the bank, saying that in view of its secular nature, a wrong signal would be sent to the Christians and adherents of other religions.

He asked the sponsors of the motion to explain how the interest of Nigerians who were non-Moslems would be protected since "there is no free lunch anymore."

Dr. Wale Okediran reminded the lawmakers that the situation in some West African countries that are IDB members was different from that of Nigeria.

He argued that the crises that could erupt if the country joined the bank would rubbish the gains.

Sensing the raging emotions, Masari appealed to the members to exercise restraint in the matter because of its sensitivity.

He added that it was fundamental for the House to safeguard the unity and corporate existence of Nigeria.

Rather than commit the motion to vote, Masari asked the Chairman of the House Committee on Business and Rules, Mr. Ita Enang to study IDB's Article of Association and advise the House on what steps to take.

It will be recalled that violence erupted in many parts of the country in 1986 when the then military president Gen. Ibrahim Babangida, attempted to register the country in the Organisation of Islamic Countries.

THE PUNCH, Thursday, May 26, 2005

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Article 4

THISDAY www.thisdayonline.com/nview.php?id=18393

Islamic Bank Divides House

From Ahamefula Ogbu in Abuja, 05.26.2005

The House of Representatives was sharply divided yesterday when Nigeria's subscription for membership of the "Islamic Development Bank" (IDB) came up for debate.

Speaker Aminu Bello Masari, however, promptly referred the matter to the Rules and Business Committee for further deliberations when tempers began to rise.

Masari said to avoid any misunderstanding based on religious sentiments, the Committee should look for the bank's article of association to enable the House determine its impact on Nigeria's secular nature.

Hon Datti Baba Ahmed informed his colleagues that all loans and other facilities taken from the bank are interest free.

He said the Federal Executive Council had in 1999 made attempts to join the bank, which is an international development financial institution. He said that if Nigeria becomes a member, benefits accruable to the country could be as much as \$200 million annually, which would engender economic growth.

Ahmed noted that Nigeria was the only nation in West Africa that was yet to subscribe to IDB whereas the only requirement to join and begin to access the funds from the bank was a subscription of \$4.5 million payable in instalments over a period of seven years.

He pointed out that countries like Kenya, Uganda, Thailand and Malaysia among others were already members and were benefiting from the scheme adding that there was nothing stopping Nigeria from joining.

Hon Igo Aguma, who seconded the motion, said that in this era of debt problems and budget deficits and pleas for debt cancellations, Nigeria should only go for facilities that would benefit the country maximally with no strings attached, such as the Islamic bank offers.

Trouble, however, started when Hon Halims Agoda called for a point of constitutional order and referred the House to section 10 of the 1999 Constitution, which he said did not allow the country to go into a religiously controversial turf. He was overruled by Masari who pointed out that the section quoted deals with state religion, which was different from the motion.

Deputy House Leader Abdul Ningi said the principle behind the bank was that of interest free funds provision, which the country should not miss on account of sentiment, adding that if other African countries that are multi-religious are members, there was nothing stopping Nigeria from joining.

Hon Kunaiyi Akpana urged members to disabuse their minds and think of the benefits since no other bank was granting such interest free loans. Hon Abubakar Momoh submitted that since religion has been divorced from the bank Nigeria should go ahead and join it.

Hon Depo Oyedokin warned against the House dabbling into issues that would cause divisions in the country, adding that if it were a scheme that would benefit Nigeria, he would be at the forefront.

He said since Nigeria was sitting on a religious tripod of Islam, Christianity and traditional religion, there was need to avoid any semblance of tilting towards a particular one no matter the allure.

Hon Wale Okediran said that the implication of the move was loaded, adding that he was not swayed by the argument that other countries have joined since Nigeria differs in several respects from those that have joined. He referred to past religious violence in Kaduna, Kano and Jos and said the \$200 million being spoken of is child's play when compared to the losses from the crises therefrom.

He described the bank's interest-free loan as the "dangling of a carrot which is like 419" and urged his colleagues to reject the motion.

At this juncture, the atmosphere became charged as members even pointed fingers at themselves. After failing to restore order Masari said to ensure that the greater interest of Nigerians were served, the bank's articles of Association should be produced to see whether it had religious coloration.

Members still shouted from the floor that the procedure Masari adopted was against the House Rule and that having heard from both sides he ought to have put the matter to vote.

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Article 5

GUARDIAN OCT 10 2005 ISLAMIC BANK

Atiku lauds Nigeria's membership of Islamic Bank

NIGERIA'S decision to join the Islamic Development Bank is a wise one as it stands to gain from the bank's vast opportunities, Vice President Atiku Abubakar has said.

Receiving the bank's President, Dr. Hamed Mohammed Ali, who led a 10-man delegation to his office on Friday, Atiku said that the bank had enormous opportunities for public sector development.

Atiku recalled that the country's relationship with the bank started years ago, noting that the recent signing of an agreement between the two was to merely formalise its membership.

He said that the bank had been intervening in the country's programmes since they both opened communications some time in the past.

"The presence of the bank in Nigeria is for cooperation and partnership between the people of Nigeria, the bank and other countries of the south," the vice president added.

While noting the bank's interventions in areas such as agriculture, water resources and industry, Atiku urged it to explore other public sector areas for cooperation.

He said that both the people of Nigeria and the bank would benefit immensely from such arrangement.

The vice president also noted that with Nigeria's large population, cooperation between it and the bank would be mutually beneficial.

Speaking earlier, Ali said that the bank was established to enhance south-south cooperation and promote development among them.

He expressed his pleasure with Nigeria's membership of the bank, saying that he looked forward to working with the country for the benefit of its people.

The bank offers interest-free loans to member-countries and is also involved in equity financing, especially in the textile industry.

It also finances equipment leasing and engages in import-export guarantee, technical cooperation and exchange of experts.

Established in 1975, the bank has all the West African countries as members, except for Ghana, while Nigeria is its 56th member.

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Article 6

Nigeria - Thursday June 23, 2005 COMPASS DIRECT

COUNTRY JOINS ISLAMIC DEVELOPMENT BANK

Membership raises religious tension in the country.

June 23, 2005 (Compass) -- Nigeria has formally joined the Islamic Development Bank (IDB) in spite of protests by Christian leaders, who see the move as the continuation of the Islamization of the country by Muslims, increasing the already tense religious atmosphere in Nigeria.

The IDB is run in accordance with the principles of *sharia*, the Islamic law. The bank was established in 1973 in Saudi Arabia, and has its headquarters in Jeddah.

Dr. Ngozi Okonjo-Iweala, Nigeria's finance minister, announced the membership of Nigeria as the 55th member of the Islamic bank on Wednesday, June 15. Okonjo-Iweala stated that the Nigerian government has paid the sum of \$3.4 million to the bank as its initial membership subscription.

To become a member in the IDB, a prospective member country should be a member of the Organization of the Islamic Conference (OIC), pay its contribution to the capital of the bank and be willing to accept such terms and conditions as may be decided upon by the IDB Board of Governors. The OIC is an international organization of countries pooling resources to speak with one voice to safeguard the interests of their people and of all Muslims in the world. Nigeria joined the OIC in 1986.

Okonjo-Iweala said at a press conference in Abuja, the nation's capital, that the Nigerian government had wanted to join the bank in 1999, but religious controversy derailed the decision, forcing the government to delay the processing of the country's bank membership.

Muslims Introduce Motion to Join Bank

Christian and Muslim legislators in the House of Representatives, the lower chamber of Nigeria's National Assembly, adamantly opposed each other on Wednesday, May 25, while debating Nigeria's decision to become a member of the bank.

Sixteen Muslim members of the House of Representatives brought a motion before the House demanding Nigeria's membership in the Islamic bank. The motion was countered by the Christian members of the House who saw the demand as a desire to continue the Islamization of the country.

Datti Baba Ahmed, a Muslim legislator in the House and spokesperson for the sixteen Muslim legislators, claimed that Nigeria's membership of the Islamic bank will attract loans of about \$200 million to the country annually.

Christian Legislators Voice Concerns

However, Halims Agoda, a Christian legislator, countered that Nigeria's 1999 Constitution, under section 10, forbids the government from adopting any religion as a state religion. He said Nigeria's membership in the Islamic Development Bank will indicate that the country is an Islamic state.

Agoda's position was supported by Depo Oyedokin and Wale Okediran, both Christian legislators, who said in view of the prevailing religious atmosphere in the country, Nigeria should not become a member of the bank.

The debate on the issue was inconclusive and tensions remained high among the legislators as both sides fought for their convictions. The leadership of the House then hurriedly adjourned the debate on the issue. While Nigerians were waiting anxiously to see what the outcome would be, the government announced the membership.

Finance Minister Ignores Concerns

Okonjo-Iweala said despite the outcry by Christians against membership in the Islamic bank, the government decided to take the membership because, "The IDB is a multilateral development financing institution which promotes economic and social development of member states."

She explained that the Islamic bank performs similar functions to the International Monetary Fund, the World Bank, and the African Development Bank.

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Agoda's position was supported by Depo Oyedokin and Wale Okediran, both Christian legislators, who said in view of the prevailing religious atmosphere in the country, Nigeria should not become a member of the bank.

The debate on the issue was inconclusive and tensions remained high among the legislators as both sides fought for their convictions. The leadership of the House then hurriedly adjourned the debate on the issue. While Nigerians were waiting anxiously to see what the outcome would be, the government announced the membership.

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Article 7

GAMJI 220 www.gamji.com/article4000/NEWS4791.htm

"The 'Daily Sun' And IDB Membership"

By Garba A. Isa

Yekuwa Communications, Kano, Nigeria

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In its editorial of June 21, 2005, the “Daily Sun” newspaper portrayed a burning fire of crass Islam phobia and sentiment in an attempt to discredit the country’s decision to join the Jeddah-based Islamic development Bank (IDB). The paper particularly described the decision of the Federal Executive Council to formally join the Bank Group having paid the about \$3.4million to subscribe to 250 shares of the IDB as “hasty” and “divisive”.

The “Daily Sun” is either ignorant or blinded by sheer bias to know that Nigeria’s process of entry to the IDB Bank Group began as far back as 1999 and only completed it recently. This cannot therefore be sensibly described as “hasty”. The other argument of the paper is that our joining the IDB is “divisive” and a breach of our “secularity” since it is a “faith-based” institution. This writer has always maintained that the our claim to secularism is hypocritical. This nation is from all practical purposes, operated on a “multi-Religious” basis whatever jargons we put on the paper. A pertinent question is should we for instance stop observing Sallah and Christmas celebrations as public Holidays or closing from work to attend to Mosques and Churches on Fridays and Sundays respectively because they are “divisive”? The other possible hypothesis is to stop Government’s involvement in Hajj and Christian Pilgrimage in the name of Secularism! The Federal Government recently approved the establishment of several private Universities in the country majority of which are “Faith-based” but the “Daily Sun” and its likes did not criticize for obvious reasons.

The trouble with “bias” as my friend Kabiru Yusuf of “Trust” Newspapers once said, is that it cannot be erased even by “good education”. Otherwise, how can supposedly well educated elites ignore reason and oppose something simply because the “other Religion” is involved even where the benefit is multi-religious or multi-cultural like in the case of the IDB? Beside, some of the member nations of the IDB in Africa for instance which have benefited tremendously in terms of developmental assistance and investment portfolios can hardly be described as “Islamic” notably Gabon, Cameroon, Cote de Ivoire and Mozambique.

In the spirit of mutual co-existence, Nigerians must own the necessary moral courage to adopt the culture of symbiotic relationship anchored on the basis of give and take. We must learn to respect the principles of “Freedom of Choice” under a Democratic setting. The major World financial institutions such as the World Bank, the IMF and the Africa Development Bank are basically run on the basis of *interest* charges. But that does mean *non-interest* options should be denied in our competitive national and international business spaces largely dictated by the “market forces”. The painful reality in this country is that people often read sentiment into what they perceive as religious advantage to the opposing(?) religion while abandoning the real spiritual demands of the faiths to the dogs. It is in Nigeria that one will oppose what belongs to the “other man’s religion” even where it doesn’t impinge on his legitimate Rights.

In the final analysis therefore, the “Daily Sun” and its likes must give a breeze to our democratic plain and understand the multiplicity of the society which necessitate the need for varying choices for reciprocal, peaceful co-existence. We should strive to ensure justice and equity on all sides of the national divides as a collective National challenge. As the late Prime Minister Abubakar Tafawa Balewa once said, Nigeria is “big enough to accommodate our differences”.

Garba A. Isa