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Investments in real estate and energy could create opportunities for Islamic finance in Germany

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German issuers could potentially benefit from the proximity of their country to the UK in terms of Islamic finance, as London ramps up its efforts to incorporate Islamic finance as a viable alternative to the conventional banking and finance system.

According to the findings from a recent roundtable session conducted by law firm K&L Gates on Islamic finance in Germany, the sector could gain traction in one of the strongest economies in the EU through a series of sectors including: municipal-owned real estate, investments by energy suppliers in private and public ownership — especially in renewable energy, investments by municipalities, federal states and state universities in the healthcare sector, as well as private public partnerships in infrastructure projects.

The report, which was prepared by Jonathan Lawrence, K&L Gates' UK-based partner, and Rudiger von Hulst and Matthias Grund, partners at the law firm's Berlin and Frankfurt offices, also said that Islamic finance could offer a host of advantages to the German economy despite the country's seemingly lack of need for alternative sources of finance.

"While at the moment, the inexpensive refinance opportunities for all state levels in Germany through the European Central Bank mechanisms make alternative sources of finance less necessary, Islamic finance would offer other advantages such as diversification of financing resources as a hedge against the risk of rising interest rates, attracting foreign direct investments from private investors, financial institutions and sovereign wealth funds in Asia and the Middle East; as well as reducing Germany's over-reliance on the Russian and Chinese markets for trade and investments," according to the report.

Germany has so far been home to two Sukuk issuances; with the first issued in 2004 by the federal state of Saxony-Anhalt worth EUR100 million (US\$132.52 million), and the second a Sukuk Ijarah by FWU Group worth US\$55 million issued at the end of last year. — NH

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