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Islamic banking finally starting in France

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The past four weeks have been decisive in the French history of Islamic finance with two major pieces of news.

The first is that Chaabi Bank Europe, the European subsidiary of the Moroccan bank, announced the launch of the first French retail banking products on the 25th June.

Even though these products remain quite basic and the distribution network still needs to adapt to this new product line, it is a significant leap forward for the French market.

Over the past three years, several non-French licensed banks have considered applying for a banking license in France to sell Islamic products. None ever succeeded in meeting the Prudential Supervisory Authority (ACP) requirements.

Chaabi Bank, however, is a long established bank in France, licensed and regulated by the ACP since 1972. This has probably been a key factor in their ability to obtain a green light from the ACP for this launch.

Mainly serving the Moroccan community in France, Chaabi Bank faces the challenge of addressing a larger customer base.

But no matter what, Chaabi Bank definitely made history last month and they have opened the way for other market players. Several banks established in France, large and small, have contemplated getting involved in Islamic finance at some stage. Chaabi's announcement might just be the catalyst that will entice them to cross the line.

The second is that Islamic Corporation for the Development of the Private Sector (ICD), the private sector arm of the IDB, signed in June an MoU with a French financial investment advisory boutique, Real Economy Partners (REP). The MoU was signed by an ICD subsidiary, Ijara Management Company (IMC).

This MoU is another corner stone for the French market, as it shows two things.

First, IDB has set foot in France. As an opinion leader in the Islamic finance industry, IDB group's interest and involvement in France is a strong message that should echo internationally.

Second, it shows that the French 'crédit-bail' can easily be adapted as an Ijarah contract. In a code law country, relying on this well established contract governed by a familiar legal regime will be a strong advantage.

With legal risk resolved, REP might emerge as a key player in the French market, offering French SMEs a powerful alternative financing tool complying with Shariah law.


These new developments in the French landscape are not yet significant in terms of business volumes.

But they have taken France to the next level, finally making Islamic banking and financing a reality in the country. These tangible results came days before former French minister of economy, Christine Lagarde, who has shown ongoing personal commitment towards the development of Islamic finance in France over the past three years, was appointed head of IMF on the 28th June.

François Baroin, her successor as French minister of economy, is said to share her interest in Islamic finance.

But no matter what his implication will be, the foundations have already been laid for a solid French Islamic finance industry.

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