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France and Islamic Finance

Islamic Finance may become wildly popular in France.

PARIS, FRANCE , January 20, 2015 /EINPresswire.com/ -- CEO of the Franco-American Alliance for Islamic Finance (FAAIF) Camille Paldi explains that there is a huge potential for Islamic finance in France. This is due to the fact that France is the fourth-ranked financial market worldwide and number one in the Eurozone and desires to attract liquidity from cash rich Gulf investors and Asia. This factor coupled with a large Muslim population and an open-minded and financially savvy general populace equates to a large success factor for Islamic finance in France. Having travelled all over France, Paldi believes that once it is shown how this type of innovative Holy Book finance is based on the same principles as Christian and Jewish banking, distributes wealth across the different sectors of society, and has the possibility to spur growth and job creation enabling talent and entrepreneurship to blossom, Islamic finance is going to become wildly popular and trendy in France. Paldi notes that France's former economy minister and IMF chief, Christine Lagarde, openly advocates for Islamic finance in France and has been seen on TV discussing the potential of Islamic finance for the French economy and people. The video can be found here: https://www.youtube.com/watch?v=Mc-WETcLylQ.

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> *Camille Paldi*

Actually, many government and finance ministers around the world advocate for Islamic finance as it is a form of finance based on real assets, zero-interest, profit rates, and productive trade, which stimulates economic growth and financial stability. Any financial system where money is created from debt such as the fractional reserve banking system can only lead to cyclical crashes until eventually there is a huge crash with an end to fiat money as we know it. A system based on debt and interest leads to the devaluation of currency, homelessness, stress, family and community disintegration, and moral decline. Furthermore, the use of reckless instruments such as derivatives encourages greed with a win to kill mentality, causing loss for the vast majority and gain for an elite minority. Derivatives also create a side economy not connected to the real economy, causing financial instability. It is a known fact that derivatives have been outlawed in many US states during the course of history. Furthermore, to allow private bankers to issue our currency and charge interest for loaning the funds created out of nothing to our banks enables private bankers to rob us of our wealth and wreak havoc on earth. In fact, President Kennedy attempted to restore the power to issue currency to the US government in the form of silver certificates with Executive Order 11110.

“If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around them will deprive the people of all property until their children wake up homeless on the continent their Fathers conquered...I believe that banking institutions are more dangerous to our liberties than standing armies... The issuing power should be taken from the banks and restored to the people, to whom it properly belongs." – Thomas Jefferson.

In terms of France, the first French sukuk of US 6$ million or Euro 5 million was launched in 2011 in the French fast food sector. In November 2011, Paris Europlace launched the French sukuk guidebook to assist with the issuance of sukuk in France, recognizing that sukuk represent a valuable tool to raise capital for French businesses and government from the international sukuk market, which is projected to reach US$900 Billion in 2017 according to Ernst and Young. In 2012, two more sukuks were issued in France for both individual and institutional investors (Khan).

In 2008, France implemented the first changes in legislation and policy in order to enable Islamic finance transactions. The changes were related to the listing of sukuk in the French regulated market. At the same time, the Autorité des marchés financiers or AMF, the French financial markets’ regulatory authority announced tax and regulatory changes to facilitate Islamic finance in France. In 2009, the Sukuk Guidebook clarified legal concepts and the tax treatment applicable to sukuk. In 2010, the French government enacted an amendment removing Double Stamp Duty, which made sukuk a viable alternative to the conventional bond. Now, the income from sukuk is treated as interest and tax is exempt (Khan). However, France does not have a trust law that approves dual ownership as it is a civil law country. An amendment of Article 2011 of the French Civil Code was tabled at the French parliament in 2009 to rectify this issue, however, has not been passed as of yet (Khan). Thus, a French corporate bond could take the form of a sukuk, characterized by a remuneration based on the performance of an underlying asset or the bond could be structured as a sukuk bond, which mimics the financial features of an interest-paying bond.

Importantly, foreign Islamic banks can carry out a wide array of finance transactions in France without being licensed as a credit institution. The only type of transaction that a foreign Islamic bank may not carry out in France without a license includes an ijarah with a purchase option, as finance leases and leases with purchase options fall within the scope of French banking monopoly rules.

Recently, France’s Alliance International Holding formed a JV with Bahrain’s Gulf Finance House for the multi-million dollar Tunis Financial Harbour Project using Islamic finance and investment for the construction project in Tunisia. Furthermore, French Bank BPCE and Qatar Islamic Bank have signed an MOU to establish a partnership in France. In addition, between 2003-2008, roughly 40 Islamic finance transactions worth Three Billion Euros or US$4.2 billion were completed in France’s real estate market. French officials forecast that France may attract US$120 Billion in Islamic assets through lending and investments in French businesses, property, and financial markets by 2020. In order to remain competitive with other European nations and the world, the decision-makers in France have realized the necessity of entering the global Islamic finance markets.

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