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Ahmed bin Sulayem believes the Dubai Multi Commodities Centre says Sharia-compliant hedge funds are a "big innovation". Antonie Robertson / The National

## Dubai Multi Commodities Centre a pioneering force in Sharia compliance

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The recent announcement that Dubai aims to become a global centre for [Islamic finance](#) and economy has sparked a surge of interest in the emirate in all aspects of Sharia-compliant business.

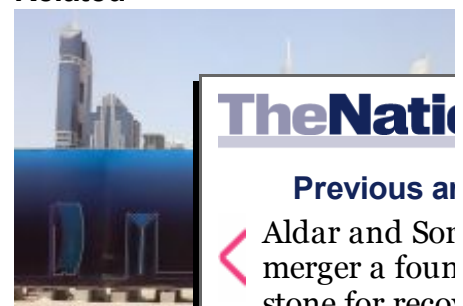
But in one business in particular, the Dubai Multi Commodities Centre, the news was greeted as confirmation of a trend that has been under way for at least seven years.

Ahmed bin Sulayem, the executive chairman of the DMCC, believes his organisation, the authority that runs the Jumeirah Lakes Towers Free Zone, has pioneered the use of sophisticated Islamic financial products and is ready to play a major role in the next stage of the industry's development.

"We have a proven track record in Islamic finance, ever since we launched our \$200 million [Dh734.6m] gold sukuk back in 2005. It helped fund our expansion without putting a burden on the Government, and we're well prepared to do whatever is necessary to help ensure the current ambitious project is a success," says Mr bin Sulayem.

Perhaps the traditional image of the DMCC as a market for precious metals, diamonds and other commodities has obscured its credentials as an Islamic trading centre, but Mr bin Sulayem is certainly not reluctant to parade the centre's Sharia-compliant

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lineage.

"The announcement on the Islamic economy in Dubai shows there has been a change of culture with regard to the Sharia industry," he says.

"Ownership of solid assets and shared risk are the essential elements of Islamic business. Where we believe we have the edge is in forward-looking Islamic products, supported by UAE-based assets that meet the most stringent criteria of Sharia compliance."

The latest venture is a project called Tradeflow, which has been given the official seal of Islamic approval by Hussain Hamed Hassan, the chairman of the fatwa and Sharia supervisory board of Dubai Islamic Bank and one of the foremost Islamic scholars in the world.

Tradeflow grew out of the DMCC's business in Dubai Commodity Receipts (DCRs) that began in 2004 as a way of trading warrant showing ownership of physical assets in DMCC's vast storage facilities. It was the first time what is effectively a warehouse receipt was traded in Dubai.

It quickly turned into a \$1 billion business with transactions involving commodities such as oil, precious metals, steel, cotton and other agricultural products.

Last year, the business in DCRs was renamed Tradeflow and made Sharia-compliant to allow trade in commodity murabaha transactions.

Murabaha is one of the most common forms of Islamic instruments that enable traders to deal in interest-free transactions. Interest or *riba*, is forbidden in Sharia-compliant finance.

Tradeflow is the latest in a line of Sharia-compliant products the DMCC has introduced, with the advice of Shariah Capital, a US-based consultancy.

After the 2005 gold sukuk, which was redeemed in 2010 with investors given the option of getting their return in cash or gold, Sharia-compliant products were rolled out on a regular basis, says Mr bin Sulayem.

In 2008, he again joined forces with Shariah Capital to launch Dubai Shariah Asset Management, which created Islamic hedge funds for the first time in the UAE. Two funds are still operating, one investing in gold, the other in energy and mining resources, under the management of BlackRock, the US firm that is one of the biggest asset managers in the world.

"Sharia-compliant hedge funds are a big innovation and give us a real edge," says Mr bin Sulayem. The funds won plaudits from professionals in the Islamic financial industry and have showed solid returns in a difficult global outlook for hedge funds. Last year the gold fund became the first to market a retail investor offering.

Another innovative product was the electronic traded fund, Dubai Gold Securities, marketed on Nasdaq Dubai in 2009. "We were very proud of that. It was the first Sharia-compliant gold product backed by physical assets anywhere in the Middle East," says Mr bin Sulayem.

Islamic products have been a major focus of the DMCC's growth plan, which seems to be paying off. This week, Mr bin Sulayem announced that 2,033 new clients had registered at the DMCC free zone last year, bringing the total to 5,720, ranging from start-ups to multinationals.

"We have harnessed Dubai's logistical offering [port, airport, Metro] and its strategic position to establish Dubai as the global gateway for commodities trade and to create a business-friendly market place in the free zone," he said.

Now the job is to extend this success further into the Islamic financial industry. Mr bin Sulayem has made his case to the special committee charged with overseeing the strategy to make Dubai a leading hub of the global Islamic economy.

"They listened to our story and I think they were impressed. We're ready to support the initiative in any way to help ensure its success," he said.

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