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Islamic finance in the legal and economic Italian context

In Europe there are 17 million Muslims who account for 4% of the total population, while in Italy live 2 million people representing 3% of the population. While in Europe there have been initiatives related to Islamic finance, in Italy this has not yet happened.

The British government in 2011 established a General Secretariat which has the function of permanent confrontation between the Islamic financial industry, the government and entrepreneurs. Islamic finance has made numerous investments in London, for example by funding Harrods and the Olympic Village.

Although in Italy there are not these initiatives, this does not mean that there are no interactions between Islamic finance and the Italian finance. In the past, Islamic investment in Italy were significant (for example in Fiat), also in companies such as Ferrari, Juventus, Piaggio. More recently Unicredit has seen a significant participation of the Islamic world in its own capital.

The Italian stock exchange is controlled by the London Stock Exchange at 100% which is itself controlled by the Islamic finance sovereign fund of Qatar that participates for 15.1% and the Dubai Stock Exchange that holds 20.6%.

In Italy listed companies participated by sovereign funds are over 102.

There are three ways of interaction among Islamic finance and Italian:

- 1) investments that Islamic subjects can do in Italy;
- 2) offer of Islamic products in Italy (such as sukuk);
- 3) the possibility that companies or Italian intermediaries intend to raise capital also respecting the rules of the Islamic Sharia

The presence in Italy of a large Islamic community offers a great opportunity to attract or retain in our country the savings of Muslim subjects.

L'International Organization of global Consob for several years has established that Islamic finance is compatible with the principles of conventional finance.

The Islamic financial product over to the characteristics of transparency has a risk of interpretation: in Islamic countries there is not a single authority which certifies compliance of goods and services with Sharia or not and it can happen that one Sharia Boarder considers a product conform to Sharia and another not conform.

Typical products of Islamic finance are: stocks, bonds and mutual funds and there are four Islamic financial indexes¹ that are managed by the largest world stock exchanges.

To enter into these Muslim indexes you must obtain a certificate attesting the conformity of products of the company to Sharia. Two screenings are made: one industrial type, verifying if the activity is haram, and one financial verifying whether certain financial characteristics are observed. Today only seven Italian companies in these indexes (such as Luxottica, Moncler, Parmalat), while the French companies listed are 23 and the German 36.

If Italian listed companies promotes themselves the certification of compatibility with Islamic finance, they could enter much more easily in the Islamic financial indexes.

1 Dow Jones, Morgan Stanley, FTSE, Standard & Poors.

According to the Italian Civil Code, the certification can be done in three ways:

- 1) experts of Islamic law are part of the Board of Directors and they decide if the activity is compatible or not with Sharia;
- 2) the creation, in the society, of an additional Sharia Board organ;
- 3) the creation of a Shariah Compliance Department, within the company, checking the conformity of Islamic products.

The risk factors of Islamic finance that you may have with these certifications are the presence of a few experts of Islamic law in the world (less than a hundred) and, consequently, the possible long waiting times for obtaining a certification and the need to have a certification that follows the life of the company.