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A FIRST IN MAURITIUS, HSBC BANK (MAURITIUS) LIMITED OFFERS ISLAMIC BANKING PRODUCTS.

HSBC Bank (Mauritius) Limited has launched Islamic banking products aimed at the Global Business customer segment. With this launch, HSBC Bank Mauritius will become the first bank on the island to offer Shariah-compliant banking services.

In his introduction speech to more than 80 people present this morning at Domaine Les Pailles, Sandeep Uppal said: "I am delighted that HSBC is leading the growth of Islamic Banking in Mauritius. We do see a competitive niche for Mauritius in the global Islamic banking market given that the other jurisdictions do not benefit from the range of tax treaties that we have. We now look forward to working with the other stake holders in developing Islamic Banking in Mauritius".

By leveraging the Group's knowledge and global experience with HSBC Amanah, our Islamic banking arm, HSBC will provide Global Business customers access to Shariah-compliant banking products.

Islamic banking is seeing one of the fastest growth rates among the global banking and financial services sector. An HSBC report estimated the size of the global Islamic banking market to be US\$650 billion - US\$750 billion annually – and increasing at more than 15 per cent per annum.

For the initial launch, HSBC Bank Mauritius will introduce two products under the HSBC Amanah brand - a current account and a term investment account. Following the launch, it is intended that we extend the range of products in the near future in line with Global Business customers' requirements.

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Giving further details on this historic launch, Blair Harden, Managing Director of HSBC Bank Mauritius advised "that Islamic Banking services are a natural extension of HSBC's product range as we wish to appeal to investors with Shariah requirements not only from the Middle East but from other jurisdictions using Mauritius as a gateway into Africa and Asia. With HSBC's global capabilities, we are able to provide world class HSBC Amanah banking products to our Global Business client base. Furthermore, this development reinforces Mauritius's position as a progressive financial centre as we continually look to bring in innovative products and services."

HSBC Amanah is the global Islamic financial services division of the HSBC Group. It was established in 1998 with the aim of making HSBC the leading worldwide provider of Islamic financial services. HSBC Amanah offers a comprehensive range of Islamic personal and corporate banking services which adhere to the highest Shariah standards, as set out by the Islamic financial services industry.

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Media enquiries to Amelie Desvaux de Marigny on + 230 403 0785 or email ameliedesvauxdem@hsbc.co.mu

Notes to editors:

1. The HSBC

In Mauritius, HSBC operates 11 full-service branches and an offshore unit, which for many years has played a leading role in facilitating cross-border investment activity. It offers a wide range of products and services to a diverse domestic and cross border customer base, from accounts services to credit cards, savings, investments, home loans, personal loans and custodian services. Through our locally incorporated subsidiary, the HSBC Bank (Mauritius) Ltd, HSBC is able to offer many of its global customers more sophisticated financial products and structures that benefit from the extensive range of international double taxation avoidance treaties that Mauritius has negotiated.

2. The HSBC Group

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 9,500 offices in 86 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$2,527 billion at 31 December 2008, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

4. HSBC Amanah

HSBC Amanah has been mandated to develop financial products and provide advisory services that comply with the Shariah (Islamic law). With operations in twenty Organisation of Islamic Conference (OIC) member states, no international bank is more widely represented in the Muslim world than HSBC. Nor has any made a greater investment in Islamic banking. HSBC Amanah is not a distinct legal entity, but rather a registered global brand. Furthermore, we have Shariah compliant product structuring capabilities in wealth management, takaful (Islamic insurance) and credit, prepaid and charge cards.

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FAQ HSBC AMANAH

ABOUT HSBC AMANAH

What is HSBC Amanah?

HSBC Amanah is the global Islamic banking division of the HSBC Group, responsible for the development of Islamic banking products for distribution to customers of the HSBC Group. It was established in 1998 and has regional offices in the UK, Saudi Arabia, the UAE, Malaysia, Indonesia, Bangladesh and Brunei.

HSBC is a conventional bank which is primarily interest-based. How will HSBC Bank Mauritius offer Islamic banking services?

HSBC is a customer-driven institution and is providing Islamic products to serve the financial needs of Muslims. Islamic law does not require that the seller of a product be Muslim, or that its other services also be Islamic. This is the considered opinion of our Shariah Supervisory Committee. Of course, our Islamic products are available for Muslims and non-Muslims alike.

Why is there a need for a separate brand for HSBC Amanah?

There are over 1.5 billion Muslims in the world today, and almost a quarter of them live in countries having Muslim majorities in which HSBC operates. Clients are increasingly looking for financial products which are in harmony with their religious beliefs. HSBC understands the needs of our local communities, and the HSBC Amanah brand responds to the desire of our Muslim customers for our Shariah compliant services to be fully differentiated from our conventional financial services.

Who are the Shariah Board members of HSBC Mauritius and what is their role?

Our Shariah Board consists of three eminent scholars in the field of Islamic banking: Shaykh Nizam Yaquby from Bahrain, Dr. Mohamed Ali Elgari from Saudi Arabia and Dr Muhammad Imran Ashraf Usmani from Pakistan. The role of these scholars is to review the operations of HSBC Amanah (the global Islamic banking division of HSBC Group), supervise its development of Islamic products, and determine the Shariah compliance of these products.

In which countries does HSBC Amanah offer Islamic banking products?

The countries within the HSBC Group that offer HSBC Amanah products and services include Saudi Arabia, UAE, Malaysia, UK, Indonesia, Bangladesh, Brunei and Singapore.

What is the advantage of HSBC Amanah over products offered by other Islamic financial providers?

With over 800,000 Amanah clients, HSBC is a leader in this business segment. HSBC Amanah offers Islamic banking solutions which combine our financial expertise with your enduring values which are approved by our Shariah Advisory Board. Global Business customers can now experience the global coverage and convenience of banking with HSBC, without compromising the principles of the Shariah (Islamic law).

Why is Amanah being launched for Global Business customers only? Can we expect to see HSBC Amanah available for domestic customers?

HSBC's key strategy is "leading international business" and in line with this strategy, we continuously review our products and services. We have seen a demand for Shariah compliant products for our Global Business customers, hence the reason for the new products. We will continue to review the demand of our customers and we will expand our offerings to our domestic customers at an appropriate time.

Are we looking to launch other products in the future?

Whilst initially we are launching two products, we continue to look out for new avenues for product expansion, and it is intended that we extend the range of products in the near future, in line with Global Business customers' requirements.

ABOUT ISLAMIC BANKING

What are the goals and objectives of an Islamic economy towards which the Islamic banking system contributes?

Muslim economists have suggested the following objectives for an Islamic economy:

1. Broad-based economic well-being with full employment and optimum rate of economic growth
2. Socio-economic justice and equitable distribution of income and wealth;
3. Stability in the value of money to enable the medium of exchange to be a reliable unit of account, a just standard of deferred payments, and a stable store of value;
4. Mobilisation and investment of savings for economic development in an equitable manner such that a just return is ensured to all parties concerned;
5. Effective rendering of all services normally expected from the banking system.

What constitutes Riba?

Simply, riba is interest. "Any amount, big or small, over the principal, in a contract of loan or debt is "riba" prohibited by the Quran, regardless of whether the loan is taken for the purpose of consumption or for some production activity."

How does HSBC Amanah ensure that the Shariah scholars maintain objectivity, and safeguard all sensitive information, despite being present on the Shariah boards of competing institutions concurrently?

Shariah scholars sit on the boards of various institutions. However, just as one person can be a non-executive director at a number of companies and still maintain confidentiality so can the Shariah scholars sit on various boards and still safeguard sensitive information.

Is there any independent central body that regulates Shariah scholars globally, in order to maintain some degree of consistency within the Islamic banking industry?

There are global bodies of Shariah scholars that work towards promoting consistency and standardization. The Shariah Board of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) is one example. The OIC (Organisation of Islamic Conference) Islamic Fiqh Academy is another. The Shariah Board of AAOIFI has issued Shariah Standards that are widely followed within the Islamic banking industry. However, the scholars are not regulated by a central authority and it is expected that the general acceptance of Shariah standards will create a market precedent and consistency.

Why do the Shariah Standards vary between Malaysia and the Middle East?

The entire gambit of the Shariah is not a codified legal system. While there are issues on which all the Shariah scholars would agree, they may disagree on certain other issues. Their disagreement is based on the interpretation of evidence available from the Quran and Sunnah (Prophetic example). The difference in the Shariah standards between Malaysia and the Middle East is a reflection of that reality.

What is Commodity Murabaha?

Commodity Murabaha, as it is generally known, is sale of certain specified commodities, through a metal exchange, on a cost plus profit basis. If the customer wishes to invest money with the Bank it will purchase commodities and sell them to the Bank on a deferred basis. The Bank will repay the Contract Price over a period of time.

Is it permissible to use LIBOR (London Inter-Bank Offer Rate) as a benchmark?

It is the view of our Shariah Supervisory Committee that Islamic law permits using the conventional market as a benchmark.

Let's take the example of home finance based on Ijara. According to the Shariah, the rent in an Ijara transaction can be set at any value agreed between the buyer and seller. There is no particular reason why a house financed by this method should be any more or less expensive than a house financed by a conventional mortgage. If not ideal, it is certainly halal (permissible) to use the prevailing interest rate as a benchmark for this rate. The criterion for acceptability by the Shariah is that the transaction is compliant with the Shariah, regardless of the price of the goods or how that price is determined.

Is it permissible to charge a fee for any late or partial payments? If so, is this acceptable under the Shariah?

We may charge an administration fee for any late or partial payments, but this cannot be charged to cover opportunity cost. According to our Shariah Supervisory Committee, such a fee can be charged in order to encourage financial responsibility and to recover administrative expenses. This charge is not interest, and does not reflect the interest rate.