

BMB Group

A bridge between Asia and the Middle East

BMB GROUP IS one of the world's most exclusive financial institutions. Its growing numbers of investors are often drawn from eastern ruling families with vast riches gleaned from the long-term growth in demand for commodities. It makes some institutions based in London's Mayfair look dreary and mundane by comparison.

The group calls to mind an era when the courts of Asian empires were the global centres of money, technology, culture, and power. But this is not an artefact in a museum.

It is at a nexus of the contemporary redirection of wealth to the industrializing nations of the east, from the west, via petrodollars. BMB is a bridge for elite investment between the Middle East and east Asia. Indeed, it was co-founded and is co-chaired by Prince Ali Yil Kabier, a member of Brunei's royal family, which traces its roots to both Arabia and China.

BMB's wide and widening connections at the top of eastern societies are shown in its role as investment manager for a charitable fund created this spring by the 56 states of the Organization of Islamic Conference. "The fund will act as a rallying call for wealthy Islamic countries to help needy communities around the world," says Mat Hassan Esa, chief executive of the newly formed International Zakat Organization.

This is the OIC's first attempt to create a common initiative for the global distribution of zakat, the charitable donations of Muslims. Contribution to zakat by those able to do so is one of the five pillars of Islam. The fund will have \$750 million by the end of its first year, rising to more than \$3 billion once other commitments are realized. It will build schools, hospitals, and social housing, develop agriculture, give emergency aid, and provide venture capital to small and medium-sized enterprises.

However, a development for BMB that might contribute more to the wealth if not to the glory of its regal patrons came in December last year, with the acquisition of EMP Global. This emerging markets private equity firm, based in Washington DC, had made investments of more than \$7 billion.

Following the acquisition, BMB Group has more than \$12 billion under management.

The two men who co-founded EMP Global in the early 1990s after working together at the World Bank have thrown in their lot with BMB Group. Moeen Qureshi, who was interim prime minister of Pakistan for three months in 1993, is now vice-chairman. Don Roth, former head of Merrill Lynch Europe, has become head of principal investments.

BMB has acquired EMP's offices in Bahrain, Buenos Aires, Hong Kong, Johannesburg, Singapore, and Washington DC. New offices in Beijing, Saudi Arabia and UAE are planned for this year.

"We see a lot of interest among Middle Eastern investors in East Asian assets. Similarly, we see a lot of interest among east Asian investors in Middle Eastern assets," says Rayo Withanage, the co-founder, co-chairman, and chief executive of BMB.

Energy and infrastructure were two of EMP's strengths. Prices of

energy-related companies have fallen because of the crash in commodities and there is a mini-infrastructure boom in some emerging markets. BMB Group plans to launch a series of private equity funds targeting energy and infrastructure in Asia, the Middle East and North Africa. This will be mainly done through BMB Private Equity, a new subsidiary in BMB's principal investments division.

BMB also harbours a desire to snap up more financial institutions around the world, with its stakeholders' own money, and with the money of its clients. "This year is poised to be our biggest year of growth," says Withanage.

Late last year, BMB set up a special vehicle, BMB Bank Acquisitions, to take advantage of lower valuations of financial services firms. This is part of a division of the group called BMB Wealth Management, which has more than \$5 billion in client-specified mandates. David Gibson-Moore, former head of the Middle East operation of Dutch fund manager Robeco, heads BMB Wealth Management.

"Any acquisition would not be small," says Withanage. In particular he mentions private banks in Europe as targets in the financial services sector. "The fact that most alternative assets are managed in the west is to be short lived," Withanage says.

Private banking

"It is like a family office dealing with other family offices," says one BMB worker of his company. But these family offices are only the richest of family offices.

Indeed, the royal nature of the company's connections, clients and stakeholders is reflected in BMB Collections, a division being created to advise royal families on the acquisition and management of crown jewellery, art and other valuable collectable items. The division will help royals extract value from such assets by renting them to galleries, or through other means.

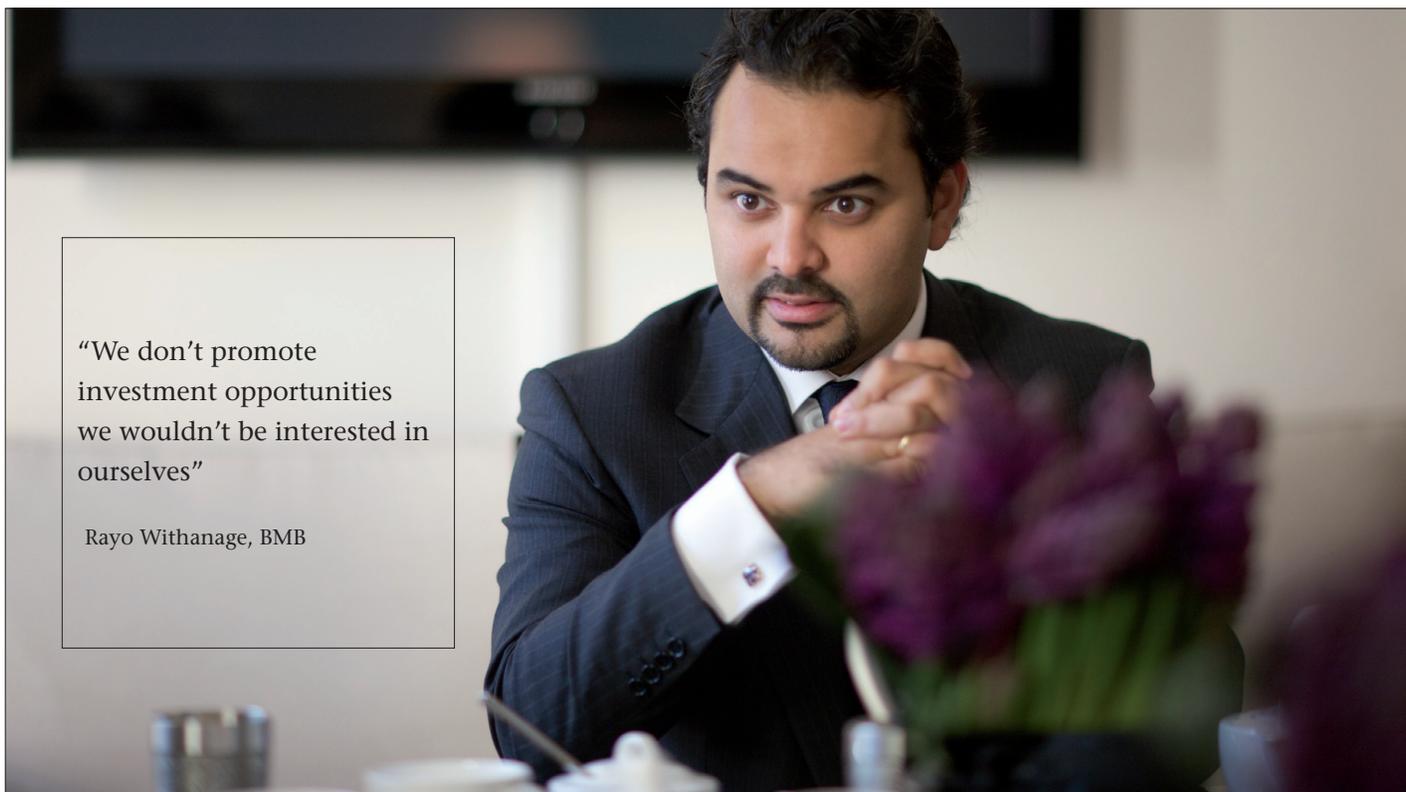
Withanage, a former lawyer with roots in Brunei and New Zealand, set up BMB in 2004, when he was in his mid-20s. He had the help of Prince Abdul Ali, a son of the Sultan of Brunei's sister. Prince Abdul Ali, who is still co-chairman, is just two years older than Withanage.

The two brought in funds from various Asian royals, and realized the potential for inviting friendly Middle Eastern royals into the project too. An idea emerged for a platform for Islamic-focused investment, especially between Asia and the Middle East.

"Prince Abdul Ali and I played on a polo team together," says Withanage when describing how the idea behind BMB was first born. It made for a small new company that, like its senior management, was very young and extremely well connected.

Withanage, who is based in Brunei, likes to think of BMB as akin to a Swiss-style unlimited partnership private bank. In other words, BMB's senior managers and stakeholders often put their own capital at risk when deploying clients' assets.

The antithesis to BMB's approach, according to Withanage, would



“We don’t promote investment opportunities we wouldn’t be interested in ourselves”

Rayo Withanage, BMB

be a method of focusing on short-term revenues, and multiplying transactions through thousands of employees and millions of customers.

“At BMB it’s not just how much money you make at the end of the year,” he says. “We ask about the longer-term risk for the firm and the clients when awarding employees compensation. We don’t promote investment opportunities we wouldn’t be interested in ourselves.”

Thanks to the EMP acquisition, BMB’s staff numbers have grown from about 30 to about 100. An advisory body consisting of high-profile ex-government officials from around the world is soon to be announced. This will be meeting in Brunei in October.

Nevertheless, Withanage is still attached to the idea of having a small group of partners that clients know and trust. He says big firms with a constant ebb and flow of bankers can become impersonal and take undue risks with clients’ capital, partly because of the limited recourse to the bankers’ own pockets. “We’re in this for life,” he says.

Islamic characteristics

Given its stakeholders and client base, BMB is always careful to offer options for both Islamic and non-Shariah-compliant investors. Islam originated in the Middle East, after all, and although Brunei’s royals are also Muslim, some BMB clients are not.

“Whatever we do we provide a strong Shariah-compliant structure, window, or parallel structure,” says Withanage.

Even so, BMB Group is likely to steer away from buying local Islamic retail or commercial banks in the Middle East and Asia. This is because it wants to be a support rather than a rival to these institutions. “One reason why we exist in the Islamic space is to empower local Islamic banks in the Middle East and Asia,” says Withanage.

“We saw, certainly until last year, that the largest Islamic banks in the world were the western bulge-bracket banks. Investors go where they have the greatest offering of products.”

Another division of Withanage’s group, BMB Islamic, was therefore created to structure Islamic products and advise institutions on the use of these products, or on becoming Shariah compliant. Mirzan Mahathir, the eldest son of the former prime minister of Malaysia, Mahathir Mohamad, supervises BMB Islamic and is the president of the division. He was one of the first people to join the group.

However, BMB Islamic as it exists today came into being after the recruitment in 2007 of a team of Islamic finance technicians responsible for many of Deutsche Bank’s Islamic products. They left Dar Al Istithmar, a subsidiary of Deutsche Bank. Dar Al Istithmar’s former managing director, Humayon Dar, is now chief executive of BMB Islamic.

BMB Islamic’s credentials include helping Dubai’s Shuaa Capital create a Shariah-compliant equity fund. It has also helped National Bank of Dubai create a sukuk fund, and Abu Dhabi bank ADCB and Australia’s Macquarie Bank create a Shariah-compliant swap structure for an infrastructure fund. It also submitted a report to Commercial Bank of Dubai on how that institution could enter the Islamic market.

BMB Islamic has not restricted itself to helping non-western institutions. One of the schemes it has been working on recently is a new fund from UK asset manager F&C for investments that are Shariah-compliant, and – to appeal to non-Muslims – that are deemed and marketed as generally socially responsible.

The team has helped structure Shariah-compliant funds for Germany’s Allianz, State Bank of India, and Deutsche Bank. It also helped MSCI Barra fashion Islamic indices and helped Société Générale with a range of Islamic structured products.