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Islamic, Western banks urged to co-operate.

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DUBAI, Nov 6 (Reuter) - Islamic and Western banks should co-operate with each other to achieve greater **efficiency** and a more global and dynamic industry, head of Islamic investment banking at United Bank of Kuwait Duncan Smith said.

Speaking at an **Islamic banking** conference, Smith said there was scepticism over the ability of the two types of banks to co-operate as principles of religion and trust differed.

"The religious aspects of **Islamic banking** should be looked after by the Shari'a experts; the commercial implementation should be handled by the bankers," he said.

"Where it makes sense from a commercial point-of-view, Islamic banks may best fulfil their fiduciary responsibilities as fund managers and bankers by co-operating with non-Islamic banks."

Smith said trust between the banks could be achieved by implementing due diligence excercises, setting up contractual documentation which clearly set out each parties responsibilities and performing a "quasi-audit function" to ensure that all had been performed in accordance with the contractual arrangements.

"From the non-Islamic banks' standpoint, banking and investment transactions with Islamic banks need to be transparent to enable the trust to be justified."

Growing competition in the banking industry meant that banks could no longer afford to offer "universal" or complete banking. Instead niche banking was strategically wiser, Smith said.

If Islamic and Western banks joined forces, each could concentrate on its area of specialisation, while spreading the cost of producing specific banking services between them.

"In many ways it is significantly easier for non-Islamic banks working in their established areas of expertise and experience to work with Western companies to convince them that finance provided by Islamic banks and investors is not only a beneficial alternative to interest-based funding, but also has some unique features which are unavailable from other sources."

Smith said an important indicator of success was when non-Islamic banks invested in Islamic transactions because the transactions were commercially the best deals on offer.

"This has already started," he said.

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