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COVER STORY

28th January 2015 (Volume 12 Issue 04)

Opportunities in e-commerce: An opening for Islamic finance

Islamic finance, as we all know, has its foundations in the real economy. But in this ever-shifting environment of increasingly sophisticated technology and terminology, what does 'real' actually mean? While bricks and mortar have been the traditional investment of choice for the Islamic market, new opportunities online are gradually redefining the landscape of retail and consumer goods financing — and bringing a tempting new selection to the table. LAUREN MCAUGHTRY looks at where Islamic finance could take its next big step — and asks if the industry is missing a trick.

E-commerce environment

The online retail sector is one of the major growth stories of the last few decades, and in the last few years this evolution has reached emerging markets to offer appetizing opportunities to countries keen to catch up with their developed counterparts. The growth potential of e-commerce in growth economies — especially in leading OIC countries — is vast, and offers an irresistible opportunity for investors ever seeking the next key trend. According to eMarketer, over 40% of the worldwide internet population made a digital purchase last year, and in western countries the penetration rate is around double that (87.2% for the UK, 80.8% in

Germany). Growth estimates suggest that e-commerce sales reached US\$1.5 trillion in 2014, up 20% on the previous year.

"The lightning-fast pace of change in the digital landscape has ushered in a consumer mindset that is both adventurous and exploratory when it comes to online shopping," said John Burbank, the president of strategic initiatives at Nielsen. "Consumers everywhere want a good product at a good price, and the seemingly limitless options available in a virtual environment provide new opportunities for both merchants and consumers. The market for fast-moving consumer goods is no exception." Nielsen recently conducted an e-commerce evolution survey which found emerging markets, unsurprisingly, to have some of the highest growth rates in the sector — especially Asia Pacific, which has the highest online buying (as opposed to browsing) rates of any region in the world.

Conversely, the Middle East has lagged behind so far,

although this is beginning to change. "Lower-than-average online percentages can largely be attributed to opportunity — or lack thereof," said Burbank. "In a region where disposable income is low and shopping for daily needs is the norm, online shopping is not a priority. But that will change as more consumers continue to move up the socio-economic ladder."

Islamic opportunity

This outlines an exceptional opportunity for the Islamic economy to move in and leverage its real economy strengths. "E-commerce constitutes a new way of doing something people have been doing all along — trading in products," explained Arshad Ahmed, the managing director of US-based private equity firm Elixir Capital. "Internet and mobile technology allow for this trading to be done with fewer barriers and with greater efficiency. We see amazing opportunities all along the value chain — from product categories to adaptive marketing, from efficiency gains in warehousing, distribution, delivery to customer service."



The Muslim consumer market is estimated to be

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"Wealth, properly employed, is a blessing and a man may lawfully endeavour to increase it by honest means."

Hadith narrated by Bukhari



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KDU University College conducts early redemption of RM21.6 million (US\$5.97 million) Sukuk Ijarah

Dubai Islamic Bank announces strong demand for US\$1 billion perpetual Sukuk

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Bank of Maldives initiates Islamic banking services

Zitouna Bank completes capital increase through sale of stake to **IDB**

Premier Bank concludes first phase of going live with iMAL Islamic Banking & Investment System

ISFIN gains inroads into Brazil; collaborates with **Veirano Advogados** as exclusive partner

Bank Muamalat Malaysia commits RM100 million (US\$28.09 million) to develop Waqf land

Barclays to add Malaysian Sukuk to the Barclays Global Aggregate Index on the 31st March

Prominent economist and Islamic banking advocate, **Dr Ausaf Ahmad** passes away

Malaysian Institute of Accountants and **IBFIM** host conference to discuss issues surrounding IFSA 2013

Danamon Syariah and **ITFC** gives out US\$200 million in Shariah trade financing

RAM signs MoU with **Universiti Kebangsaan Malaysia** for talent development in Islamic finance and the capital market

Bursa Malaysia amends listing requirements

CIMB Islamic to offer full range of Islamic products and services including microfinancing

State Bank of Pakistan urges Islamic banks to reward customers in line with their surging profits; urges banking industry to rationalize average spread

Gatehouse Bank launches commercial rental-backed security for EUR100 million (US\$115.6 million) deal in Paris

S&P updates Sukuk ratings criteria to better reflect uniqueness of Islamic securities

Lord Mayor of London meets **Bank Nizwa** to discuss Islamic banking opportunities

IDB grants new development financings worth US\$189.4 million

Ibdar Bank eyes more aviation deals in Africa and the GCC

Emirates Islamic integrates **Infosys** Finacle Islamic Banking solution

Alkhabeer Capital collaborates with **Alareen Holding Company** to tap residential market

PayTabs goes Islamic; appoints **Shariyah Review Bureau** as Shariah advisor

Mashreq opens new E Cube branch in Karama

TASNEE receives SAR1.2 billion (US\$319.29 million) in Murabahah financing from **Riyad Bank** and **Saudi British Bank**

Kuwait Finance House launches new consumer product financing campaign to better serve clients

ASSET MANAGEMENT

Singaporean firm to potentially introduce Shariah compliant fund under Luxembourg's Alternative Investment Fund Manager platform

TAKAFUL

Egyptian Takaful Insurance secures tender to insure country's stock exchange

EFU Life Assurance receives license to operate a first Family Takaful window in Pakistan

RATINGS

Islamic Insurance Company receives 'A' rating from **Islamic International Rating Agency**

AM Best withdraws **Takaful International Company's** ratings

ATL's insurer financial strength rating of 'AA-' affirmed by **MARC**

Capital Intelligence affirms Qatar's sovereign ratings

RAM reaffirms **Bumitama Agri's** Sukuk rating at 'AA3/Stable'

Capital Intelligence affirms Kuwait's long and short-term ratings at 'AA-' and 'A1+', respectively

RAM upgrades **Edaran SWM's** Sukuk outlook to positive based on solid financial performance

MOVES

Economy minister, **Sheikh Ahmed Jassim Al Thani**, appointed as chairman of **Qatar Stock Exchange**

First Gulf Bank appoints **Giuseppe Ruggiero** as head of debt capital markets

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Opportunities in e-commerce: An opening for Islamic finance

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worth as much as US\$1.5 trillion and this could double by 2020, and multiple areas of growth are now attracting interest from international players. For example, the market for Islamic fashion was estimated to stand at US\$224 billion in 2012 (according to the 2013 Global Islamic Economy Report by Thomson Reuters and DinarStandard) and is expected to reach US\$322 billion by 2018 — accounting for 11.2% of the estimated global expenditure of US\$2.9 trillion. The recently launched Islamic Fashion Design Council (IFDC) in Dubai notes that: “Collectively, this clothing consumer market is only second to the largest global market — the US.”

“**The global Muslim population is expansive, young, and growing rapidly. With the population expected to rise to 2.2 billion in 2030, the projected growth rate of 1.5% will support the predicted 2018 Muslim fashion spend**”

Muslim consumer clothing consumption is led by Turkey at US\$25 billion per annum, followed by Iran, Indonesia, Egypt, Saudi Arabia and then Pakistan. “The global Muslim population is expansive, young, and growing rapidly. With the population expected to rise to 2.2 billion in 2030, the projected growth rate of 1.5% will support the predicted 2018 Muslim fashion spend,” said the IFDC.

And of this, online portals represent a key channel. DinarStandard estimated

that fashion e-commerce expenditure was worth US\$4.8 billion in 2013 and this is only expected to grow. A report from payment solutions provider Payfor suggests that regional e-commerce sales in the Middle East could reach US\$15 billion this year, from just US\$9 billion in 2012 — driven by competitive pricing, convenience and online promotions to build an online purchasing population of around 4.43 million in the MENA region, led by the UAE with 3.6 million.

Exciting new projects

So who is taking advantage of this boom — and where is the growth actually coming from? As the figures become more compelling, a plethora of new businesses have emerged to drive forward the trend. For example, the World Islamic Economic Forum in Dubai last November saw the launch of Zilzar.com, an Amazon-style e-commerce platform offering a global dashboard for Halal products across sectors including Halal food, Islamic finance, fashion, innovation and media, travel and tourism, medical and pharmaceuticals, cosmetics and logistics. Announced by Malaysian prime minister Najib Razak in a speech that claimed the Halal consumer sector was “crying out for connectivity”, the new site has also tied up with Mastercard through an Islamic partnership provided by Hong Leong Islamic Bank in order to enable safe payment processes. Eweey, a Lebanese web agency, is another firm pushing the boundaries of e-commerce trading in the region. The group this month announced the launch of a new module enabling e-commerce traders to accept bitcoin payments.

On the fashion side, Turkish online store Modanisa is one of the region’s most successful start-ups, seeing over a million orders from 50 countries last year. Indonesian Muslim fashion store Hijub has 44,000 registered members and Youtube views of over 12 million; while in the UAE Islamic fashion brand Citra Style is seeing 50% site traffic from the US and 25% from the UK, demonstrating the increasingly global appeal of Islamic

online retail. This is also translating into interest from leading global brands keen to get a piece of the action — last year DKNY entered the market with the launch of its inaugural Ramadan Collection in its Middle East stores.

Shariah concerns

Of course, the fundamental issue in any Islamic transaction is its compliance with the Shariah — and while there remain exceptional opportunities, it is vital to ensure that compliance is carefully examined. A number of issues have already been raised in terms of Islamic e-commerce: including concerns over contracting. “From a purely commercial perspective, Islam has provided its followers with general guidelines which must not be ignored or infringed. Intentionally, the door is left open for market activities to be ruled on according to what the most suitable and beneficial approach would be, based on prevalent trade practices and customs,” explained Abdulrahman Alzaagy, the author of ‘The Islamic Concept of Meeting Place and its Application in E-Commerce’. “Since the early phase of Islam, comprehensive efforts have been offered to regulate the Islamic commercial sector. However, in the case of electronic commerce there remains a need for further examination by Muslim jurists and appropriate Islamic rules are required for the development of this new phenomenon,” he warned.

One major issue is that the ‘meeting place’ or ‘sitting place’ where the contract is agreed holds a vital and unique place in the Islamic legal system. In the case of e-commerce, this physical location is obviously removed, which

causes a question in terms of the interpretation of Shariah.

One definition (article 181 of the Othman Justice Rules Magazine) defines the meeting place as “the meeting that is convened for contract making”. However, this is clearly impossible in an e-commerce transaction.

Abdulrahman offers another definition, which explains the principle as: “The time

span during which the involving parties are together to engage

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Arshad

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with the forming of contract without being busy by something else not related to the negotiated bargaining by any of them," which makes the options for e-commerce more inclusive. "To enable the necessary connection to take place, the meeting place is regarded as one unit of time," he continued. "As such, the offer is deemed to be in existence so long as the contracting parties continue their commercial engagement."

A study of e-commerce under the law of Islam in March 2000 at Al-Azhar University in Cairo found that: "After thoughtful observation, that this new kind of trading known as e-commerce is absolutely conformable with general principles and rules of Islamic law. Accordingly, it is permissible to carry out all types of trading activities through cyberspace so long as it is not in contradiction with some key aspects of Shariah". Scholar Al-Ebraheem Muhammad also concluded that: "Instantaneous methods of communication should be regarded as similar to the contract while both parties, in reality, face each other, even though they are not physically together," suggesting that despite the unique complexities of e-commerce the process is not excluded by Islamic law.

An expensive venture

So assuming e-commerce is generally acceptable to Islamic investors, where then is the money coming from to fund these new ventures?

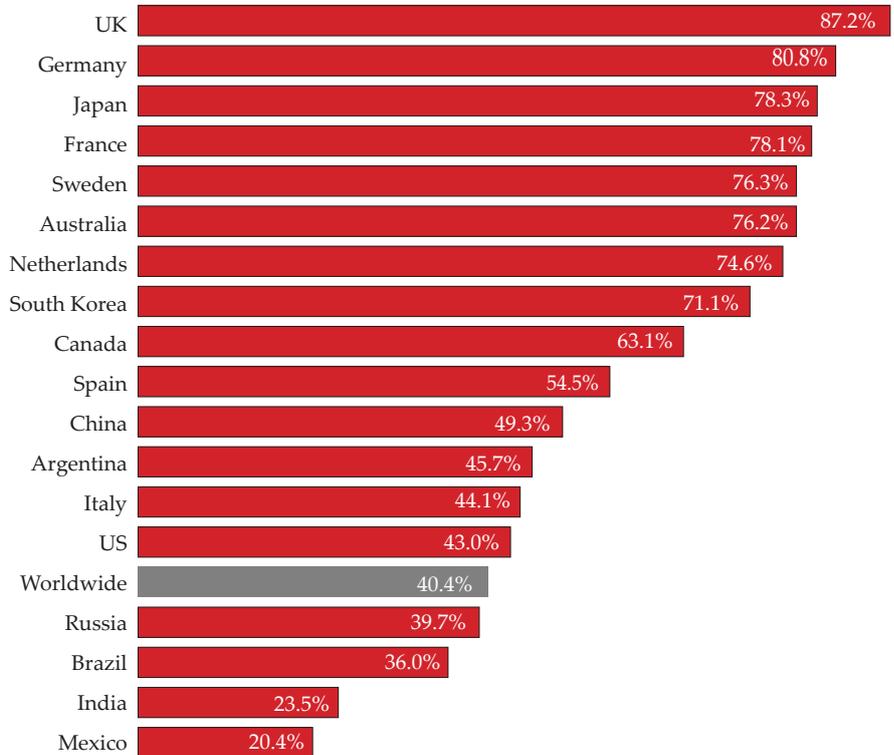
The concern is that although the opportunities appear compelling and the success stories are impressive, it is in fact harder to make money from e-commerce than you might think. Start-up costs can be expensive, long-term viability uncertain and short-term profitability challenging. Costs are often underestimated, while to achieve economies of scale can be difficult. For example Souq.com, a successful Gulf-based e-commerce platform with over 23 million visitors a month and over six million registered users, is reported to employ over 1,800 people — a vast number for a web-based business, and one which dramatically pushes up costs.

Funding flows

And while e-commerce may be a buzzword bandied about with

Global e-commerce penetration by country: 2013

This chart shows the percentage of each country's internet population who have bought something online. 40.4% of the worldwide internet population will make a purchase through a digital channel this year. Western Europe's online population is very engaged in terms of online purchases, but countries in the Asia Pacific have significant room for growth in coming years.



Source: eMarketer, June 2013

enthusiasm, when it comes to parting with cold, hard cash banks are often less than enthusiastic, with a limited track record of lending to online entrepreneurs.

Given the dearth of traditional lending channels, the sector is increasingly seeking financing from alternative sources such as private equity, driving a solid growth in regional activity and raising interest from major international players as well as driving new opportunities for domestic firms. With many of the major Muslim economies such as the GCC and Malaysia making a determined push to move towards knowledge-based economies and encourage cross-border trade, Islamic investment firms now have an exceptional opportunity to leverage this interest to move forward in the market.

However, so far this has failed to translate into action. Most investors have been from the big conventional firms and

US banks - players used to taking on risk and keen to capitalize on the growth in these regions. As they muscle in on the market, are domestic players and Islamic firms losing out on opportunities?

Souq.com saw the bulk of its funding (US\$75 million) come from South Africa media group Naspers. Namshi.com, a UAE-based designer shopping portal, obtained US\$20 million from JPMorgan Chase and Blakeney Management, while in March last year US hedge fund Tiger Global Management bought Cobone, one of the biggest daily deals sites in the Middle East and US private equity giant Warburg Pincus recently bought a majority stake in aviation IT firm Mercator. Although interest is growing from local players — last September Saudi's STC Ventures invested US\$1.7 million in UAE-based online chauffeur service Careem — they face being crowded out by flush foreign players keen to make a quick buck.

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Islamic effort

However, the area perfectly correlates to Islamic investment, and despite strong competition the trend is gradually moving in this direction, especially as the private equity market picks up. “We have started taking equity positions in winners throughout southern Asia, already in Turkey, Malaysia, and Indonesia,” confirmed Arshad. “Our platform, TransAsia E-Commerce, is also looking to expand into India, Bangladesh, Thailand and Vietnam.”

In fast-growing Islamic economies such as Turkey, the opportunities are compelling. “E-commerce in Turkey reflects 1-2% of all retail sales, whereas in the EU or China, it is around 10%,” Arshad pointed out. “If you believe, as I do, that Turkey will normalize to that global level, the right question is how long will it take, not will it happen.”

Elixir Capital recently put its money where its mouth is, with a US\$4 million Shariah compliant investment in Annelutfen, Turkey’s leading e-commerce business for baby and mother products. The investment will help Annelutfen expand its online reach at an accelerated pace using mobile products, big data strategies, and original customer-centric content. “Following examples set by Diapers.com and The Honest Company, Annelutfen’s platform brings technology-

enabled solutions to an underserved market throughout Turkey and the Middle East. There are seven million babies born in this region every year, and internet usage among parents continues to surge,” said Roys Gureli, CEO of Annelutfen. “Accelerating growth in change-intensive markets continues to be a core principle underlying Elixir’s global e-commerce vision, with Annelutfen forming a cornerstone in our TransAsia E-Commerce multi-market platform,” agreed Arshad.

New platforms

Given the urgent need for financing and the compelling growth prospects for the sector, what other opportunities are available to online entrepreneurs seeking investment?

“Crowdfunding is a good opportunity for the mass market to bypass gatekeepers at banks and financial institutions,” suggests Arshad. “However, it is predicated on whether market regulations allow it and whether the appetite is there for the types of risks that private equity entails. An attitude of risk-seeking must be there, but it needs to be an educated risk-seeking, not just a ‘me-too’ attitude. I would love to see it happen however.”

Private equity, venture capital, entrepreneurship, innovation. These are

“Crowdfunding is a good opportunity for the mass market to bypass gatekeepers at banks and financial institutions”

all key concepts that, if brought together, have the potential to remake the Islamic consumer market: allowing enterprises to join together supply and demand in order to efficiently exploit the endless possibilities available. If the Islamic finance industry is truly prepared to leverage its claim to risk sharing, the profits would surely follow. The question is — will the sector play the game and provide new solutions based on its stated principles — or will it play it safe and allow the big conventional firms to take the cake?☺

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KUALA LUMPUR CEREMONY

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IFN Global Trendswatch

What's been going on in the world this week? LAUREN MCAUGHTRY brings you an update of the most significant economic, regional and global events, issues and trends that have the potential to affect the Islamic finance industry.

- Major stimulus plan from the European Central Bank to buy EUR1.1 trillion (US\$1.27 trillion) of sovereign debt exceeds expectations — equities up and euro down on the back of quant easing plan.... But will it be enough to see the Union through the volatile political period ahead, as the Greek elections loom and oil prices continue to shake? And can the region really hope to escape deflation in the ongoing atmosphere of crude oil concern?
- Speaking of oil prices, what impact will the death of King Abdullah have on Saudi oil policy? Oil prices have already jumped as the market doubts the continuation of OPEC's aggressive policy — will the new King Salman replace Ali Al-Naimi and pursue a more reconciliatory approach, or will the hard line continue?
- With the new monarch's reputation of conservatism and traditionalism, what impact will his ascension have on Saudi Arabia's foreign policy — especially in terms of the pending opening of Tadawul to foreign investors?
- All major bourses rise on the back of ECB stimulus — including the FTSE 100, S&P 500 and most major Asian exchanges. But will the Middle East miss out on this global rally, give its current situation of uncertainty?
- The tension in Libya continues, and the US announces that special forces and international peacekeepers could be needed to keep the country together even if the civil war is brought to a successful close, according to the FT. What impact will this have on the country's Islamic finance ambitions — will it prove a divisive policy or could it be a uniting tactic for the oil-exporting nation?
- China's property developers seek external funding as investors turn cautious — will they look to the Islamic capital markets to raise money, and is an influx of dim sum Sukuk on the cards?
- Bank debt issuance touches record high, says the FT. According to Dealogic, global banks doubled their issuance to US\$274.5 billion last year — led by a six-fold rise in Asian bonds — on the back of concerns over Basel III implementation and the need to raise more capital. In the ongoing search for high yield, Coco bond issuance last year also quintupled to US\$128 billion as banks sought to raise cheap loss-absorbing Tier 1 capital (see Cover Story Vol 11 Issue 47: 'Coco bonds: Chance or challenge?')
- The president of Yemen, Abd-Rabbu Mansour Hadi, resigned last week in what critics are calling a coup, after Houthi rebels captured the palace several days ago. Prime minister Khaled Bahah also resigned, signaling the failure of his moderate and UN-backed cabinet and outlining a further period of unrest and uncertainty for the embattled country.☹

SECP dissolves Shariah Advisory Board — the right move?

Despite being widely acknowledged as an effective regulator whose work has propelled the country's finance industry to greater heights, the Securities and Exchange Commission of Pakistan (SECP) has managed to stir up a hornet's nest with its latest controversial Shariah-related decision. VINEETA TAN examines the situation on the ground.

Speaking to a senior official in the SECP, IFN can confirm that the regulatory body has dissolved its nine-member Shariah Advisory Board — a move widely unpopular among the republic's Islamic finance community and apparently initiated based on the directives of newly-elected chairman Zafarul Haq Hijazi.

Formed in 2013 to provide Shariah oversight for the Islamic finance and banking industry including the expansion of Modaraba (or known as Mudarabah in IFN pages) and Ijarah companies, the Shariah Advisory Board



was led by insurance commissioner Mohammed Asif, with Shariah scholar Mufti Muhammad Hassan Kaleem as the board's chairman.

Understandably, industry players have raised concerns (and dissatisfaction) on the decision which market participants fear may adversely affect the advancement of Islamic finance in Pakistan. In response to that, IFN's source from the SECP said: "Yes, the Shariah board of SECP was dissolved but the intention is to ensure harmonization of decisions by accepting the Shariah board of the State Bank of Pakistan as the apex body for

adjudicating on Shariah issues in Islamic finance."

SECP's move could be interpreted as being in line with the global movement calling for standardization of Shariah standards through the establishment of a central Shariah board in respective jurisdictions to minimize divergence in Shariah opinions. So while the visceral reaction to the dissolution of SECP's Shariah board may be one of apprehension, the decision to place Shariah compliance matters in the hands of a single governing entity, could prove more strategic and efficient in the long-run.

This may be one bitter pill to swallow (now) but with time, perhaps Islamic finance players in Pakistan would be able to see the intended benefits of this bold decision.☺

Visionary Saudi monarch King Abdullah passes away, leaving global uncertainty in his wake

Saudi Arabia's King Abdullah Abdulaziz Saud passed away on the 23rd January, and has been succeeded by his half-brother Prince Salman Abdulaziz (now King), royal officials announced via state television. Known to many as a cautious reformer with progressive ideas, the monarch was widely acknowledged to be the driving force responsible for the liberalization and modernization of Saudi's economic and social fabric through his reforms in key areas including education, interfaith relations and economy.

Assuming the throne as king and the Custodian of the Two Holy Mosques in 2005 (and as de-facto leader a decade prior, following the stroke which incapacitated his half-brother King Fahd in 1996), King Abdullah successfully built a strong relationship with the US, played a vital role in sponsoring the Arab Peace Initiative seeking to solve the Israeli-Palestinian conflict, and turned the Kingdom into one of the region's leading economic and political powers.

His influence in one of the world's largest Islamic finance economies is immeasurable. A far-sighted ruler, Abdullah was an early proponent of the



need for greater economic integration between regional players and a key driver for the development of an Arab common market in 2011 — which, according to Saudi foreign minister Saud Faisal, should be in place by 2017. He also pushed for Saudi membership in the World Trade Organization, and pledged a total of US\$400 billion by the end of last year for the improvement of the Kingdom's education and healthcare system as well as public infrastructure.

It remains to be seen if King Abdullah's demise will cause a shift in the country's

economic and political direction — and how this will affect the wider MENA region. However, with oil prices already sent into turmoil due to the central role the late king played in determining the recent aggressive OPEC oil policy, doubts are already being raised as to what the long-term material impact might be.

"We believe that Salman Abdulaziz taking over as King of Saudi Arabia after the death of King Abdullah would not significantly impact [the] current oil policy as he [is] an advocate of King Abdullah's position on foreign and energy policy," explained a representative from RHB Fixed Income & Currency Research to IFN. "Given that King Salman has been the governor of Riyadh for the last 50 years [and] has been crown prince and defence minister since 2012, we believe that there would not be any major changes to [the] oil policy as well as [to] US-Saudi relations."

Whatever the eventual impact may be, IFN joins with the GCC and wider global community in mourning the passing of an esteemed visionary and valued leader. ☺

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- Evolving Counterparty Credit Risk Implications of the Basel Committee 'Fundamental Revision of the Trading Book' Proposals

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Islamic finance and Russia: Closer than you think

Speculations and suggestions of Russia's participation in the Islamic finance space arose last year following some concerns over the country's economic stability. In August, the Association of Russian Banks presented a proposal to the Central Bank of Russia itemizing the introduction of a full legislative and tax structure for Islamic finance as well as the setting up of a Shariah supervisory board to oversee Sukuk issuance. A bold move for Russian industry players, **NABILAH ANNUAR** brings a snapshot of developments that have transpired since.



“ Although at its preliminary stages, with the right direction and an unconditional support of the federal government, Russia is not too far from being a constituent of the Islamic finance industry ”

Recognizing Islamic finance as a new horizon for Russian businesses, Shariah compliant structures and transactions have been suggested as an impetus that could boost the nation's economy and encourage investment from cash-rich Muslim regions such as Malaysia and the Middle East. The Islamic Business and Finance Development Fund (IBFD Fund), a non-profit fund for the development of Islamic business and finance in Russia has since its inception in 2009 pioneered efforts for the development of the sector.

Most recently in November last year, the IBFD introduced Islamic financial educational programs concentrating on terms and function of finances, role of regulation of social and economic processes, credit and financial

authorities, issues of stock market operation as well as basics of Islamic insurance. Together with the Russian Center of Islamic Economy and Finances (RCIEF), Kazan Federal University, Russian Islamic University and Allianz Life, the IBFD Fund also conducted a five-day training course on Takaful. As a result, Olga Stepanova, deputy director general of Allianz Life stated that Takaful products, adapted to the Russian market, have already been prepared, but for some technical adjustments. "And I am glad, that these are technical moments only, and for sure it will be solved soon. So we can announce that Islamic insurance product, which satisfies the requirements of Islam are going to appear in market in the next year," said Stepanova during the event, as reported by the Islamic-Finance.RU web portal, a collaborative effort between the IBFD Fund, IFC Linova and Linova-MEDIA.

In a roundtable discussion of the Bashkortostan Council, a federal subject of Russia located east of Moscow, potential Islamic investment opportunities in the republic and possibilities of Islamic finance developments in the region were discussed. The roundtable further highlighted investment projects such as Sukuk, the licensing of Islamic banking, Islamic microfinance as well as the lack of management experience and the need to study and adopt Malaysian practices. As the result of the US and EU sanctions which blocked the access for western financing, it has been reported that Vladimir Dmitriev, head of Vnesheconombank (Bank for Development and Foreign Economic Affairs) stated that the Russian state corporation is interested in Islamic finance. Dmitriev expressed intentions to build relations with the Islamic world, eyeing Sukuk as a funding instrument and plans to send its staff members

to study Islamic financial tools and standards.

The country also plans to launch its pilot program on Islamic banking in the Republic of Tatarstan. As reported by Islamic-Finance.RU, representatives of the banking community and experts of Islamic finance from Malaysia and Singapore had taken part in the discussion as the potential partners.

In December last year, Kazan Federal University held a winter program of roundtable discussions dedicated to issues in modern Islamic law and the Russian economy. The two-week program also featured lectures on the introduction into Islamic law, Islamic economy and law models realization, and foreign Islamic law and economy in the modern world. Late last year Vladimir Putin, the president of the Russian Federation appointed Rustam Minnikhanov, the president of the Republic of Tatarstan as an advocate to work with the Islamic world. Minnikhanov stated that all efforts of the republic in increasing foreign economic cooperation and attracting new investors from the East are coordinated with the federal government, reported the portal. "We are (a) multicultural country and this advantage should be used for working with (the) Islamic world. Vladimir Putin appointed me as coordinator," said Minnikhanov in a statement released by his press office.

These developments undoubtedly demonstrate Russia's interest in tapping the Shariah compliant market as a means of alternative financing. Although at its preliminary stages, with the right direction and an unconditional support of the federal government, Russia is not too far from being a constituent of the Islamic finance industry.☺

IAFC's inaugural acquisition, a milestone for Shariah compliant aviation financing

International Airfinance Corporation (IAFC), the manager of Shariah compliant ALIF Fund, has contracted a firm purchase agreement for five Airbus A330-200 aircraft, the company revealed in a statement to IFN. The US\$2 billion agreement, which includes options for an additional four A330-200 aircraft, marks yet another exciting development in the world of Shariah compliant aviation financing, which VINEETA TAN writes, has in recent years gathered momentum as aviation players aggressively seek funding diversification.

Launched in June 2014 (See IFN Vol 11 Issue 25: 'Quantum Investment Bank and Palma Capital launch new Islamic aircraft leasing fund with Airbus'), the ALIF Fund is indeed generating significant demand, primarily from the GCC and Southeast Asia both from the investor point of view as well as the operator's. This was confirmed by Dr Idriss Ghodbane, the managing partner and board member of IAFC, who also revealed to IFN that: "The first offering was oversubscribed and we are looking at hitting our US\$5 billion target soon. In fact, looking at how things are progressing, we are expecting to announce the closure of the fund sometime [this] week."

Targeting to acquire 15-20 aircraft within the next one year, Idriss said that IAFC is on track in meeting its target of deploying funds within two years from when the fund was launched in June 2014. "We are definitely on track and may even complete deployment before the two-year timeframe," said Idriss.

The involvement of Airbus, who along with the IDB provided the seed capital for the fund in their capacity as anchor investors and strategic partners, testifies the significant importance of Islamic finance to the aviation industry on a



“ Looking at how things are progressing, we are expecting to announce the closure of the fund sometime [this] week ”

global level. Just last year, as part of the UK's drive in making itself an Islamic finance hub, the economic secretary to the UK Treasury Andrea Leadsom announced UK Export Finance (UKEF)'s commitment to bring the first guaranteed Sukuk to the market this quarter, in support of an Airbus customer. This will be the first Sukuk for an export credit agency-backed aviation transaction and as Leadsom described in her speech at WIEF last year: "A significant step forward in UKEF's existing work with a wide range of airlines from the Islamic

world." It is understood that Dubai's Emirates Airline is the Airbus customer in question, according to a December report by Airfinance Journal, and recently confirmed to IFN by sources close to the deal. The airline was already a frontrunner for the hotly anticipated deal, as predicted by IFN last year upon the initial announcement of UKEF's involvement (See IFN Cover Story Vol 11 Issue 48: 'Reach for the stars').

UKEF's participation is indeed lauded by both the Islamic finance community and the aviation fraternity as not only a strong validation for Islamic finance, but also as a move that would hopefully boost and encourage the involvement of export credit agencies. According to Boeing's Current Aircraft Market Outlook 2015, export credit usage are expected to be driven to historically low levels this year as a result of commercial market strength and higher equity requirements from the 2011 Aircraft Sector Understanding. It is expected for export credit usage to be limited to emerging market players, new lessor platforms and established carriers looking at diversification.⁽⁵⁾

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Sovereign Sukuk: A quiet week

The sovereign Sukuk market has been rather quiet last week but for an interesting development on Ivory Coast's intentions to raise funds in the Shariah compliant space. Taking a trip around the world, NABILAH ANNUAR highlights sovereign Sukuk developments in relevant countries.

Africa

According to the UMOA-Titres, the region's development planning agency, Ivory Coast has plans to tap the international Sukuk market with an estimated offering of XOF200 billion (US\$347.68 million) this year, reported Reuters.

“ According to the UMOA-Titres, the region's development planning agency, Ivory Coast has plans to tap the international Sukuk market with an estimated offering of XOF200 billion (US\$347.68 million) this year ”

Tunisia's proposed US\$500 million US-dollar denominated Sukuk will be delayed until the third quarter of the year, according to Reuters. Hakim Ben Hamouda, the finance minister of Tunisia, reportedly said this during a conference, explaining that the parliament would need to rectify the Sukuk law which was passed earlier in 2013. Global Capital recently reported that Citi, JPMorgan and Natixis took Tunisian authorities to meet investors in Los Angeles, New York, Boston and Germany for the offering.

Kenya announced that it has set a target to issue its maiden Sukuk in the next financial year (ending June 2016) as the parliament considers a recommendation by its finance committee to double the government's external debt ceiling to US\$28 billion.

Although it would require regulatory change, Egypt has been exploring the idea of issuing international Sukuk. The country's sovereign Sukuk bill was under review by the finance ministry last June and is yet to be presented to parliament for approval.

Asia

Ningxia Hui Autonomous Region, an autonomous region located in the northwest part of the People's Republic of China intends to issue up to US\$1.5 billion worth of instruments including Sukuk, with maturities up to five years. Reuters reported that AVIC Securities, a subsidiary of China's AVIC Capital Co, had in late December signed an agreement to advise the government of Ningxia on these issuances.

Other countries that have come forth with Sukuk plans include: Indonesia, Bangladesh, Pakistan, Turkey and Kazakhstan. Indonesia looks to issue IDR7.14 trillion (US\$571.2 million)-worth of project-based Sukuk this year for three infrastructure programs as well as the development of the local Sukuk market. This comes subsequent to the government's plans to auction Sukuk 22 times (according to the Jakarta Post), launch a retail Sukuk program of up to IDR20 trillion (US\$1.57 billion) in April and issue global Sukuk in the first quarter of this year, as reported by Reuters.

IFN's Bangladesh correspondent Md Shamsuzzaman has confirmed that the country is actively considering the introduction of Sukuk in the domestic market. Pakistan's finance minister also affirmed that the government will not tap the international debt markets, both Islamic and conventional, until the 30th June 2015, after the republic completes its global capital market transaction portfolio.

The Turkish Treasury said that it plans to issue Sukuk worth TRY1.5

billion (US\$635.68 million) by the end of February. Kazakhstan could also potentially tap the international Sukuk market this year with a possible quasi-sovereign offering.

Europe

Global Sukuk market constituents can expect another Sukuk offering from Luxembourg as its finance minister, Pierre Gramegna, has confirmed that the country is open to the idea of making more sovereign issues after conducting its maiden Sukuk last September. In a previous interview, Gramegna disclosed to IFN that authorities are working towards developing a new structure for future Sukuk utilizing investment funds instead of real estate assets.

Middle East

In an attempt to address in part the sultanate's 2015 budget deficit of OMR2.5 billion (US\$6.47 billion), Oman is expected to make its first Omani rial-denominated Sukuk issuance for the domestic market in the first quarter of 2015. Reports have suggested that the offering could be worth the equivalent of around US\$300-400 million, with maturities of five or seven years. It is believed that the government will look to its advisors to structure the issue on an Ijarah base, with the underlying asset being a selected public project with a readily available income stream of the right proportions.

Similarly, Jordan is also expected to raise JOD564 million (US\$794.03 million) in Sukuk as early as next month to narrow the country's budget deficit. Bloomberg recently reported that the central bank expects to sell Sukuk valued between JOD300 million (US\$422.36 million) and JOD400 million (US\$563.14 million) on behalf of the Jordanian government, who aims to attract the JOD1.4 billion (US\$1.97 billion) of excess liquidity held by the nation's four Islamic banks. Jordan's budget deficit has been estimated to narrow 24% to JOD688 million (US\$968.6 million) this year.☺



Malaysia sees strong Sukuk activities in 2014; government Sukuk doubles market share

Despite a slowdown in the level of government securities issuance in 2014 as compared to the year before, Malaysia's Islamic issuance activities posted a slight appreciation in value, demonstrating the resilience of the country's Sukuk market. VINEETA TAN observes a particularly strong performance from the country's quasi-sovereign entities.

As at the end of 2014, Shariah compliant government securities accounted for 43.2% of total government bond issuance, a 0.6 percentage point improvement from 2013 figures, according to RAM Ratings's latest bond market review. Total government securities issuance dropped 2.3% year-on-year to RM108.9 billion (US\$30.1 billion), slightly outperforming the agency's full-year projection of RM100-105 billion (US\$27.64-29.02 billion).

Although still smaller than 2012's Islamic proportion which stood at 45.2% (mainly driven by Projek Lebuhraya

Usahasama (PLUS)'s largest Sukuk and Malaysia's single largest bond issuance (valued at RM30.6 billion (US\$8.46 billion) to date)), RAM noted that the number of Sukuk issuances and their market share of the entire government securities market have doubled in the last 10 years — a testament to the government's proactive measures to develop and support the Sukuk industry.

It seems also that the continued positive performance of the government Islamic securities market is buttressed strongly by quasi-government entities. While in terms of absolute gross issuance value, Shariah compliant quasi-government securities hold the lowest amount as compared to that of the government and Bank Negara Malaysia (BNM), the proportion of quasi-government companies (which includes Cagamas and Khazanah Nasional)'s Islamic portfolio to the conventional is much larger when compared to the government's and central bank's.

For the year 2014, quasi-government bodies issued (gross) RM24.5 billion (US\$6.77 billion)-worth of Islamic securities and only RM1.3 billion (US\$359.27 million)-worth of conventional bonds, translating to a 94.96% Islamic market share. Whereas the Islamic proportion of gross issuance for the government and BNM as at the end of December 2014 stood at 43.25% and 54.88% respectively.

In terms of private debt issuances however, gross issuance of Islamic securities tumbled slightly to RM45.5 billion (US\$12.57 billion) in 2014, a shortfall from 2013's RM49.39 billion (US\$13.65 billion). This slight decline caused the Islamic private debt securities to lose their majority market share by a small margin from 51.18% in 2013 to 49.4% last year. Overall private debt securities offerings dropped 5.5% year-on-year to RM92.1 billion (US\$25.45 billion) for the 12-month period ending the 31st December 2014. ^(f)

YTD (cumulative) — Government securities (RM billion)	December 2013			December 2014		
	Conventional	Islamic	Total	Conventional	Islamic	Total
GROSS ISSUANCE	64.0	47.5	111.5	61.8	47.1	108.9
MGS/GII	59.4	45.4	104.8	57.2	45.0	102.2
MTB/MITB	4.5	2.1	6.6	4.5	2.1	6.6
NET ISSUANCE	12.9	33.4	46.3	24.6	24.5	49.1
MGS/GII	12.9	33.4	46.3	24.6	24.5	49.1
MTB/MITB	0.0	0.0	0.0	0.0	0.0	0.0

YTD (cumulative) — Quasi-government securities (RM billion)	December 2013			December 2014		
	Conventional	Islamic	Total	Conventional	Islamic	Total
GROSS ISSUANCE	2.8.0	20.7	23.5	1.3	24.5	25.8
Cagamas	2.8	7.1	9.9	1.3	2.5	3.8
Khazanah	0.0	1.0	1.0	0.0	1.3	1.3
Others	0.0	12.6	12.6	0.0	20.7	20.7
NET ISSUANCE	1.1	14.0	15.1	(1.4)	16.3	14.9
MTB/MITB	0.0	0.0	0.0	0.0	0.0	0.0
Cagamas	2.3	1.7	4.0	(1.3)	(0.1)	(1.4)
Khazanah	0.0	1.0	1.0	0.0	1.3	1.3
Others	(1.2)	11.3	10.1	(0.1)	15.1	15.0

YTD (cumulative) — BNM securities (RM billion)	December 2013			December 2014		
	Conventional	Islamic	Total	Conventional	Islamic	Total
Gross Issuance	111.9	157.7	269.6	119.9	145.7	265.5
Net Issuance	(24.4)	(19.2)	(43.6)	(3.8)	0.2	(3.6)

Source: BPAM



IFN Weekly Poll: Will 2015 be the year China finally makes its move into the world of Islamic finance?

As market concerns rise due to the historic fall in oil prices and the volatile global economic condition, Islamic finance players managed to see a silver lining. Many believe that fiscal, trade and industrial uncertainties would prompt market participants to target a different class of investors thus resorting to alternative means of financing, most possibly via Shariah compliant transactions. Gauging market sentiments, NABILAH ANNUAR explores this possibility.

In the poll last week, IFN asked the industry if China would finally make its foray into Islamic finance this year. Channelling the New Year’s optimism, 70% of the respondents believed that the republic would, while the remaining 30% maintained what some would call, a realistic view. China has been building closer financial ties with Asia and the Middle East. Closer financial ties with Malaysia and the Middle East can only encourage interest in Islamic finance from mainland China, to venture where Hong Kong has already dared, with marked success.

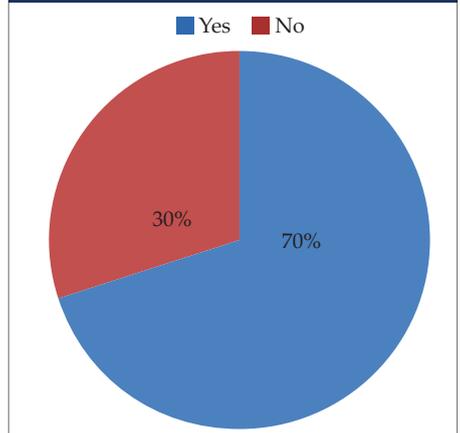
Towards the end of 2014, the People’s Bank of China and Bank Negara Malaysia signed an MoU on the renminbi-clearing arrangement in Malaysia. The agreement indicates a move to coordinate and cooperate on the supervision and oversight of the yuan-denominated business, exchange of information and to facilitate the continuous improvement and development of the arrangement. Although the arrangement did not specifically mention Islamic finance, Bank Negara Malaysia will act as a clearing bank for yuan-denominated transactions in the country. China has in the past two years also nominated yuan-clearing banks in the Middle East,

specifically Qatar, Europe, including Luxembourg and London (centers noted for their Islamic finance facilities) and in Asia; with logical partners Singapore and Hong Kong also providing the service.

“ China has been building closer financial ties with Asia and the Middle East. Closer financial ties with Malaysia and the Middle East can only encourage interest in Islamic finance from mainland China ”

Over the past year, industry players have highlighted the growing interest from China to understand Islamic finance as an effective way to build trade and investment relationships with the Middle East. Other factors that could be instrumental to China’s participation in Islamic finance include: (1) the need of China’s property developers to seek external funding as investors turn cautious — they could look to the Islamic capital markets to raise money; and (2) The Dubai International Financial Center’s expectation that it could grow to twice its current size in

Will 2015 be the year China finally makes its move into the world of Islamic finance?



terms of companies, floor space and the number of people over the next 10 years, attributed mainly to an increase in business from China and Southeast Asia.

On the Sukuk front, reports have emerged that the Ningxia Hui Autonomous Region, an autonomous region located in the northwest part of the country intends to issue up to US\$1.5 billion-worth of instruments including Sukuk, with maturities up to five years. Reuters reported that AVIC Securities, a subsidiary of China’s AVIC Capital Co, had in late December signed an agreement to advise the government of Ningxia on these issuances. Furthermore, following Hong Kong’s debut in the Sukuk market, Bloomberg has reported that Standard Chartered has been in talks with corporates from China and Hong Kong on potential Sukuk issuances.

Based on these developments, coupled with strong industry optimism, China’s foray into the Shariah compliant industry this year might not be as far-fetched after all.⁽⁹⁾

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SMEs set to receive major boost from new Shariah compliant supply chain finance platform

Tawreeq Holdings has launched a Shariah compliant supply chain finance platform designed specifically for SMEs and their corporate clients across the Middle East following a development process spanning 18 months, announced the firm in a press release. Said to be the first of its kind in the world, VINEETA TAN explores how the Halal trade receivables securitization platform marks a significant development in both the area of Islamic finance and in the poorly served SME segment as it signifies a maturity of the industry in closing the credit gap faced by SMEs in the region.

“ The time and cost associated with financing often makes such services prohibitive for most SMEs, resulting in a massive credit gap that has kept most small businesses from reaching their potential ”

“SMEs are the bedrock of the region’s economy but they face bureaucracy and countless financing challenges,” explained Haitham Al Refaie, the co-founder and group CEO at Tawreeq, in the media statement.

Despite being a core driver of economic growth in most countries (SMEs account for 90% of businesses in the region, according to Tawreeq), small and medium businesses have relatively limited access to bank funding; data from the World Bank (2011) indicates that out of their entire financing portfolio, banks in the MENA region only extended 7.6% in financing to SMEs, while SME financing in the GCC stood at a dismal 2% and non-GCC MENA countries at 13%.

“Banks are reticent to lend to small businesses as they often require the same level of filing and expense no matter the size of the loan,” said Haitham. “The time and cost associated with financing often makes such services prohibitive for most SMEs, resulting in a massive credit gap that has kept most small businesses from reaching their potential.”

This chasm has put the spotlight on the SME segment as a highly potential market for Islamic banks to further the proposition of Islamic finance; however, it has also paved the way for other Shariah compliant funding avenues including peer-to-peer lending platforms

such as Amman-based liwwa and Dubai-based Beehive (which has plans to launch a Shariah compliant spin-off in the near future) as well as Tawreeq’s latest product.

Using an automated, cloud-based paperless process with a turnaround time of less than seven days, the platform utilizes Shariah compliant factoring and reverse factoring to provide immediate cash flow and liquidity to SMEs by buying their receivables.

“Our proposition promises robust yields for institutional and other investors who choose to benefit from an alternative asset class that addresses this critical market need, while we also offer corporates the opportunity to maximize their corporate treasury yields by partaking in these short-term, fast-cycle investments,” elaborated Harish Parameswaran, the co-founder and chief operating officer of Tawreeq.

It is indeed exciting and encouraging for the industry to witness developments in relatively untapped segments unfold especially when it involves the emergence of new innovative alternatives. Whether or not these solutions would be able to meet the massive needs of SMEs remains to be seen — but at least, the industry is heading in the right direction.☺



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Senegal: Rising from the ashes

Despite the fragility of its economy, Senegal has set itself the ambitious goal of becoming a hub for West Africa, both in the conventional and Islamic space. How has the republic fared over 2014? VINEETA TAN provides a market snapshot of the country's notable developments in the past year.

Economic overview

Despite its relative political and macroeconomic stability, Senegal has failed to capture growth and pull itself out of poverty. According to the IMF, growth in 2006-13 declined to an average of 3.4%, a significant drop from the 4.5% average it experienced over 1995-2005. This deceleration was attributed to poor business climate, weak infrastructure, low efficiency of public investment, unproductive subsidies and challenges in the energy sector in addition to external shocks such as price hikes in food and fuel as well as the Ebola outbreak.

Seeking to address these flaws, the government implemented Plan Sénégal Emergent (PSE) with the overall objective of transforming Senegal into a hub for West Africa through structural reforms (over the period of 2014-35). In his New Year message, president Macky Sall confirmed that the country in 2014, for the first time since 2005, has achieved a growth rate of 4.5% — giving credit to the effectiveness of the PSE, reported Medafrica Times.

Regulatory updates

The government, which is said to have been in consultation with the African Institute of Islamic Finance to design an Islamic banking framework, has yet to finalize its Islamic banking framework. Like its conventional counterpart, Shariah banking is still regulated by the common WAEMU (West African Economic and Monetary Union) banking sector laws.

Sukuk

The Senegalese government in July 2014 issued its debut Sukuk (See IFN Case Study Vol 11 Issue 32: 'Senegal Sukuk — a strong statement for Islamic finance in WAEMU'). The XOF100 billion

(US\$173.84 million) four-year Ijarah facility carried a profit rate of 6.25% and was targeted at banks and institutional investors of the WAEMU.

IDB financing

The IDB continues to be one of Senegal's strongest supporters. In January 2014, the bank agreed to extend US\$144 million in financing to the government of Senegal, to be channelled towards three developmental projects in the republic followed by a further US\$90.8 million for the Dakar Electricity Transmission Project in May. Later in June, IDB's International Islamic Trade Finance Corporation signed a US\$30 million Murabahah financing agreement with the government to support the purchase of groundnuts from farmers and cooperatives. Senegal was also one of the seven West African countries to be granted a US\$450,000 technical assistance grant from the IDB Waqf Fund towards capacity development of microbiology laboratory technicians.

Banking and Takaful

There are no publicly available financial disclosures (in English) of Banque Islamique du Senegal (BIS), the republic (and West Africa)'s first fully-fledged Islamic bank. However, according to data from its majority shareholder, Tamweel Africa Holding (TAH), the bank has been performing well from the period 2009-11, with significant growth in profits and total assets (See Chart 1 and 2). TAH, which owns 68.77% of BIS, stated that the bank intends to command a 10% market share by 2016.

Turkey's Bank Asya, an investor in TAH; earlier this year announced its decision to sell its 40% stake in Dakar incorporated TAH for EUR31.8 million (US\$35.63 million).

Chart 1: BIS's net profit (in EUR million)

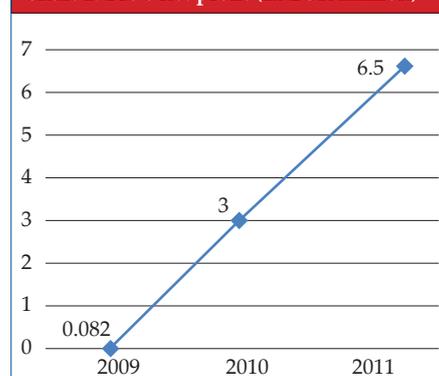
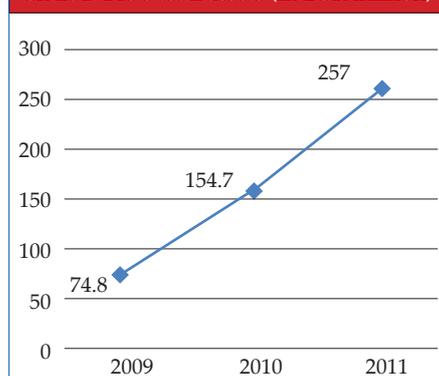


Chart 2: BIS's total assets (in EUR million)



There is at least one Takaful provider in Senegal: SALAMA Assurances Senegal (formerly SOSAR), which is an indirect subsidiary of Dubai-based Islamic Arab Insurance Company (SALAMA). For SALAMA's financial performance, see Table 2.

Conclusion

The last few years have been challenging for Senegal but with a solid long-term development strategy in place driven by strong political will, the sub-Saharan nation is looking determined to rise above the difficulties. The year 2014 has proven to be a comeback year for Senegal as it forges ahead capturing not only GDP growth, but also the attention of the global Islamic finance community with its maiden Sukuk issuance. And as the government seems keen on adopting Islamic debt instruments to finance its project pipeline, 2015 could set the stage for Senegal to firmly anchor itself as an Islamic finance hub for West Africa.☺

Table 1: SALAMA's latest consolidated financial information (nine-month period ended the 30th September) in AED

	2014	2013
Net profit (after tax and shareholder distribution)	21.6 million	(75.48 million)
Total assets	3.87 billion	4.3 billion (end of December)

Source: SALAMA

Bank debt and loan financing: An ongoing business

Keeping up with the growing needs of a growing economy, financing activities are inevitable. Capital has been raised and procured through various means such as Sukuk, syndicated financings, share issues and straightforward loans. NABILAH ANNUAR runs through the notable deals that have been contracted by financial institutions in the Islamic finance space over the past year.

Share issue

One of the first deals of the year was Qatari Masraf Al Rayan (MAR)'s acquisition of Islamic Bank of Britain (IBB) in February. MAR raised IBB (now known as Al Rayan Bank)'s Tier 1 capital to GBP100 million (US\$151.27 million) via the issuance of 7.58 billion new shares, at GBP75.75 million (US\$114.55 million) resulting in a holding of 11.92 billion shares, equivalent to 98.34% of the issued shares.

Prior to the floating of its IPO, Saudi Arabia's National Commercial Bank (NCB) increased its capital to SAR20 billion (US\$5.32 billion) through the issuance of 500 million new shares. The bank intended to increase its capital by SAR5 billion (US\$1.33 billion) by converting its retained earnings into capital. NCB later through an IPO floated 15% of its stock on Tadawul. In Kuwait, Burgan Bank, which offers Islamic finance products, launched a KWD21.6 million (US\$73.27 million) rights issue in 216 million new shares which was offered at KWD0.48 (US\$1.63) per share.

Sukuk

In Oman last year Bank Muscat announced the establishment of a Sukuk facility worth OMR500 million (US\$1.29 billion) or its equivalent in other currencies, under its Meethaq Sukuk Program. Issued in multiple tranches on the Muscat Securities Market, the offering is available to international markets through public subscription or private placement.

Bank of Tokyo-Mitsubishi UFJ (Malaysia) in September issued the world's first yen-denominated Sukuk as one of the first two tranches to be issued under the bank's US\$500 million multi-currency Sukuk program. Proceeds from the Sukuk, which have been issued under the principle of Wakalah Bi Al-Istithmar, provides a platform for the bank to diversify its funding sources for its global Islamic banking business based

in Malaysia, and to attract different investors in different currencies.

Al Baraka Bank Pakistan issued the country's first subordinated Sukuk, raising PKR2 billion (US\$19.69 million) in the privately-placed issuance. The minimum paid-up capital for Islamic banks in Pakistan is PKR6 billion (US\$59.06 million) and in issuing the Sukuk, Al Baraka Bank Pakistan has followed in the footsteps of a number of Islamic banks worldwide to boost their Tier 2 capital.

Financing

Borse Dubai, the holding company for the Dubai Financial Market and NASDAQ Dubai in June agreed to a three-year Shariah compliant loan of US\$500 million from Dubai Islamic Bank. The deal was said to replace a maturing three-year loan arranged by Emirates NBD. In August, Bahrain-based Gulf Finance House (GFH) obtained a US\$105 million financing facility from Kuwait Finance House (KFH). The five-year Islamic credits facility will be used by GFH to redeem two syndicated debt facilities and allow the release of some of the bank's major assets. GFH said that KFH would have an option to convert its outstanding debt into GFH shares, but did not specify the terms of any equity conversion.

In the Bahraini microfinance space, Family Bank has signed an agreement with Tamkeen to expand the latter's microfinance support scheme, bringing the program's total portfolio value to BHD5 million (US\$13.18 million), from BHD3 million (US\$7.91 million). Towards the end of the year, Turkey's VakifBank's board of directors approved a financing proposal to establish an Islamic banking operation in which the bank's head office was mandated to carry out all necessary transactions to obtain financing from the IDB for the bank's participation banking project, amounting to US\$300 million, with a guarantee by Turkish Treasury.

Syndicated financing

At the beginning of 2014, Kuveyt Turk concluded a syndicated club Murabahah facility with a consortium of banks from nine countries. The banks include mandated lead arrangers: ABC Islamic Bank, Abu Dhabi Commercial Bank, Citibank, Emirates NBD Capital, HSBC Amanah Malaysia, Kuwait Finance House (Bahrain) and Standard Chartered Bank; lead arranger Kuwait International Bank and arrangers: Banka Kombetare Tregtare, Commerzbank Aktiengesellschaft, Dubai Islamic Bank and the IDB. The facility comprised of two separate tranches worth US\$272 million and EUR83 million (US\$92.99 million) respectively.

Later in the year, to refinance the existing debt and to fund the future capital expenditure of an undisclosed company in Dubai's Jebel Ali Free Zone, Noor Bank, Qatar Islamic Bank and Warba Bank teamed up to provide a US\$155 million Shariah compliant receivables-backed syndicated financing facility. The landmark transaction was structured to enable the obligor to securitize its future receivables guaranteed by multinational oil and gas companies.

Just earlier this month two banks managed to secure Islamic syndicated financing facilities. Russia's AK Bars Bank managed to raise US\$100 million through a syndicated Murabahah which was the bank's second Islamic finance transaction after a US\$60 million deal in 2011.

In the UAE, Ajman Bank signed a US\$200 million Shariah compliant syndicated facility, which will be utilized to support wholesale/corporate financing deals in 2015 and to assist in the Islamic bank's asset/liability matching. The dual tranche facility comprised of Murabahah and Wakalah structures and was participated by Emirates Islamic, Sharjah Islamic Bank and Qatar Islamic Bank in the syndication.⁽⁵⁾

Ethiopian Airlines: First Islamic financing in Africa's aviation industry

In the third quarter of last year, Ethiopian Airlines successfully concluded a US\$100 million financing deal with Bahrain-based Ibdar Bank for the lease of four Bombardier Q400 NextGen planes. Speaking to Mohammed Kettani, the executive director of private equity at Ibdar Bank, NABILAH ANNUAR takes a closer look at this historical transaction.

Concluding the deal on the 28th September 2014, Ibdar leases the aircraft to Ethiopian Airlines for 12 years. Out of the US\$100 million, US\$22 million is financed through an equity deal while the remaining amount is covered by a funding agreement with Export Development Canada. Employing the Ijarah structure, the aircraft were acquired by finance SPVs which leased them onwards to lease SPVs via a head lease agreement. The lease SPVs later sub-leased the aircraft to Ethiopian Airlines.

According to Kettani, the purpose of the transaction was to meet the bank's investor demand for asset-backed yielding products. Kettani said: "This transaction provides adequate returns and exposure to Africa's leading airline. Our aim was also to establish ourselves as a serious player in the aircraft leasing space, an area where we see great potential for Islamic finance due to its asset-based nature." Among the challenges that were faced during the transaction was the comprehension of Islamic finance for both teams at Export Development Canada and Ethiopian Airlines, over and above ensuring that each contract was Shariah compliant. "This transaction was definitely the most challenging given that there were four aircraft involved and numerous parties were working simultaneously in different time zones to close the deal," added Kettani.

Targeted at GCC investors, the transaction is the first Islamic financing transaction contracted in Africa's aviation industry. The deal managed to attract new borrowers as the bank aims to see more carriers and corporates into the Islamic financing space. Another distinct feature of the deal is the ability to

“ The deal managed to attract new borrowers as the bank aims to see more carriers and corporates into the Islamic financing space ”

structure innovative transactions which provide high asset-based returns to investors while also providing diversification. "Islamic banks and other investors need to switch away from real estate — aircraft leasing provides an asset-based alternative to real estate while also providing excellent yield," opined Kettani. In addition to asset class diversification away from real estate, venturing into the African continent provides investors geographical diversification within the Islamic sphere. Africa, with its huge untapped potential, offers great returns to investors with adequate risk appetite in addition to providing geographical diversification away from oil-linked economies.⁽⁵⁾

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Q400 Aviation Company
US\$100 million
28th September 2014

Issuer	Ibdar Bank
Obligor	Ethiopian Airlines
Issuance price	US\$10 per share
Purpose of issuance	To acquire four brand new Bombardier Q400 NEXTGEN aircraft which are leased to Ethiopian Airlines on a dry lease for 12 years with terms expiring in 2026
Trustee	Bank of Utah
Tenor	12 years
Coupon rate/return	10% coupon, 11% investment return rate
Payment	Quarterly
Currency	US dollars
Maturity date	28 th September 2026
Lead manager	Ibdar Bank
Governing law	Kingdom of Bahrain
Legal advisor	Allen & Overy
Underlying assets	Four brand new Bombardier Q400 NEXTGEN Aircraft
Shariah advisors	The Shariah Supervisory Board of Ibdar being: 1. Dr Abdul Sattar Abdul Kareem Abu-Ghuddah 2. Shaikh Adnan Abdulla Al Qattan 3. Shaikh Nidham Mohammed Saleh Yaquby
Tradability	Yes
Investor breakdown	GCC investors
Face value / minimum investment	US\$250,000



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Query:

A customer has approached an Islamic bank for financing of renovation of its chain of outlets. The scope of work includes renovation of interiors, fit out, furniture and lighting, etc.

Shariah guidance has been sought in order to find a suitable Shariah compliant structure to finance the renovation.

Pronouncement:

The Murabahah structure is suitable where merely supply of goods is involved whereas the Ijarah structure is appropriate where only service (any type) is required without supply of goods. However, in the situation requiring a combination of both, Istisnah and parallel Istisnah will be the ideal structure.

The bank will sign an Istisnah contract with the contractor whose quotation is acceptable by the bank. Under this contract the contractor shall complete the works for the bank within the agreed timeline and against a fixed price to be paid as per agreed payment terms (whether commensurate with work progress or in a lump sum).

At the same time the bank will sign another Istisnah contract with the customer with the same specifications but at a higher price and agreed deferred payment terms. As a measure of precaution, the bank may keep the delivery date of this Istisnah contract later than the first Istisnah contract should the contractor delay the completion of the required work. Under this contract the bank will be under an obligation to provide the customer with the required renovation and fit out works.

Before signing both contracts, the bank shall inspect the site to ensure that the renovation work has not been started because under the Istisnah structure, the bank can finance only the unfinished work which needs to be done, and not the work which is already completed either in part or full.

In case some renovation work has already been carried out, the scope of work under both Istisnah contracts will be confined to the remaining work only.

Although the specifications of work will be similar in both Istisnah contracts, performance obligation under each contract will be separate and shall not be dependent on the other contract. As such, in case of delay in delivery of work by the contractor to the bank, the bank will not be in a position to provide this reason as justification for the delay of the delivery under the Istisnah contract it has signed with the customer. In order to mitigate this risk to a certain extent, the bank may ask the customer to choose the contractor with whom the bank shall sign the Istisnah contract.

The following documents are needed to execute such a transaction:

1. Istisnah contract between the bank and the customer
2. Parallel Istisnah contract between the bank and the contractor.



Dr Hussain Hamed Hassan

Chairman of the DIB Shariah Board,

Managing director, Dar Al Sharia Legal & Financial Consultancy, Dubai, UAE

Hong Kong has all the right ingredients for Islamic finance



HONG KONG

By Amiral Bakirali Nasir

During the Asian Financial Forum 2015 held in Hong Kong from the 19th - 20th January 2015 at the Convention and Exhibition Center, Michael Bennett, head of derivatives and structured finance at the World Bank, presented the plenary lecture entitled "Green bond, climate financing and disaster risk management".

During his speech he expressed the view that Islamic finance was included by the World Bank to expand services to Muslims who did not accept interest, allowing the World Bank to be inclusive in the products and services that it became involved in, particularly in countries with Muslim populations. Islamic financial products also allowed for diversification and appealed to those interested in socially responsible investment products.

Bennett expressed the view that Malaysia is presently the leader in Islamic finance in Asia, well ahead of countries such as Pakistan, Indonesia and Singapore, primarily because of the approach taken and support given by the Malaysian government to the development of the Islamic financial market. Certain countries have found it difficult to introduce Islamic finance and banking because of their secular approach and this has led to the use of terminology such as participation banks instead of Islamic banks. Bennett was of the view that Hong Kong had all the right ingredients to allow for the development of Islamic finance. (F)

Amiral Bakirali Nasir is the managing partner and a solicitor at Nasirs Solicitors and chairman of the Law Society of Hong Kong working party on Islamic finance. He can be contacted at abn@nasirs.com.hk.

MoU signed between the IDB Group and the Kingdom of Morocco



MOROCCO

By Dr Ahmed Tahiri Jouti

The signing ceremony of an MoU between the Kingdom of Morocco and the IDB to strengthen the cooperation in the field of economic development of sub-Saharan African countries was held on Wednesday the 14th January 2015 and was chaired by both Mohamed Boussaid, the Moroccan minister of economy and finance and Dr Ahmad Mohamed Ali, IDB Group president.

On this occasion, Boussaid praised the special attention given by the IDB Group to support the economic and social development in the Kingdom and emphasized the importance of such an MoU to strengthen the economic development capacities of sub-Saharan African countries. Indeed, the MoU serves as a general framework for cooperation between the IDB Group and the Kingdom to build a strategic partnership to support the economic development initiatives in sub-Saharan African countries through the transfer of best practices in the field of development in the Kingdom and the involvement of

both the public and private sectors in the implementation of projects financed by the IDB Group in these countries.

Ahmad praised the excellent relationship with Morocco focusing on the interest of the IDB Group to finance different projects in the Kingdom and pointing out the importance of cooperation to transfer Moroccan expertise in the different areas to serve economic and social development in these countries.

Moreover, Ahmad justified the choice of Morocco as a strategic partner for the development of Africa because of the potential of the country and its willingness to strengthen cooperation between countries south of the Sahara.

The MoU identifies the different areas of cooperation between both parties in the financial sector, infrastructure development, production sector, trade sector and social sector as well as institutional support. (F)

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Indonesian government Sukuk: Starting 2015 strong



INDONESIA

By Farouk Abdullah Alwyni

The government of Indonesia through the Ministry of Finance (MoF) started the first issuance of Sukuk through auction on the 13th January 2015.

The response from the market was impressive and somehow unexpected by the MoF itself.

Initially, the MoF set an issuance target of IDR2 trillion (US\$160 million). However, it attracted incoming bids of IDR13.7 trillion (US\$1.09 billion). In response to this, the MoF then upsized the issuance to IDR6.8 trillion (US\$544 million).

“ The amount raised in this issuance constitutes the largest amount ever from a single Sukuk auction, showing a growing interest among investors towards Islamic financial instruments ”

The amount raised in this first government Sukuk issuance in 2015 constitutes the largest amount ever from a single Sukuk auction, showing a growing interest among investors towards Islamic financial instruments. In this auction, the MoF sold four series of Sukuk with the tenor ranging from six months to 25 years with the yield ranging from 6.33% to 8.62%.

Out of the four series of Sukuk, the short tenor six-month Sukuk proved to be the most attractive for the investors. It had a bid to cover ratio of 11.2, attracting bids of IDR5.6 trillion (US\$448 million) for an



issuance of only IDR500 billion (US\$40.06 million). This short-term Sukuk is similar to Sukuk treasury bills. The structure of the Sukuk is based on the Ijarah sale and leaseback approach with state-owned properties as their underlying assets.

The other three series of Sukuk also have the same Ijarah asset-to-be-leased structure with projects planned to be undertaken in the 2015 Budget (APBN 2015), which have been approved by the parliament, as their underlying assets.

The MoF planned to hold another Sukuk auction on the 27th January 2015 for the same series of Sukuk like the ones above with the indicative target of issuance amounts up to IDR2 trillion. It is reported that this upcoming auction result will form the basis for the MoF to decide whether or not to raise more financing from Sukuk this year.☺

Farouk Abdullah Alwyni is a senior lecturer in the Graduate Program at Perbanas (National Banking Association) Institute, Jakarta, Indonesia and the chairman of the Center for Islamic Studies in Finance, Economics, and Development (CISFED). He can be reached at faalwyni@alwyncapital.co.id.

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Arbitration of Islamic finance disputes – Part 2

In the second and final installment of a special series, SARAH WALKER and TOM CHILDS look at whether arbitration is the answer to Islamic finance disputes.



ARBITRATION

By Sarah Walker & Tom Childs

The main dispute resolution options available to the parties to an Islamic finance contract are as follows:

Arbitration of Islamic finance disputes in accordance with Shariah

Some observers (including some devout Muslims) have decried the Beximco judgment and, more generally, the practice of extracting Islamic finance disputes from the Middle Eastern legal landscape as contrary to the spirit of Islamic finance. While the evidence is only anecdotal, dissatisfaction with this practice may be having a negative impact on the Islamic finance industry's growth.

These critics generally favor the arbitration of Islamic finance disputes by arbitrators who are called upon to adjudicate the dispute in accordance with Shariah in addition to national law. Precedents for such arbitration exist, as illustrated by the English Commercial Court's judgment in *Sanghi Polyesters (India) v The International Investor KCFC (Kuwait)*. The Islamic finance agreements in *Sanghi* provided for arbitration of any dispute in London according to the ICC Arbitration Rules and stipulated that they were governed by English law "except to the extent it may conflict with Islamic Shariah, which shall prevail". As in *Beximco*, the defaulting customer claimed that the agreements were void and unenforceable because they allegedly did not comply with Shariah. The sole arbitrator appointed by the ICC, a prominent Lebanese lawyer with expertise in Shariah, received evidence on Islamic law and ultimately rejected the customer's claim on the merits. The Commercial Court subsequently denied the customer's application to set aside the arbitrator's award.

More recently, two arbitral institutions have promoted themselves as venues for the arbitration of Islamic finance disputes in accordance with Shariah and national

law. In 2007, several Islamic financial institutions located mainly in the Middle East established the International Islamic Center for Reconciliation and Arbitration (IICRA), which is based in Dubai. The IICRA's arbitration procedures require the arbitral tribunal to exclude any provisions of the law chosen by the parties that are not in conformity with Shariah.

“ Arbitration of Islamic finance disputes in accordance with Shariah is unlikely to take off until the Shariah principles applicable to Islamic financing transactions are codified in some manner ”

According to the procedures, the tribunal "may invoke for the disputed issue whatever it deems appropriate from among the viewpoints of various schools of Islamic thought, rulings of Islamic Fiqh academies, and opinions of Shariah supervisory boards at Islamic financial institutions". The IICRA has administered a small number of cases but has not achieved widespread acceptance in the Islamic finance community.

In 2013, the Kuala Lumpur Regional Center for Arbitration (KLRCA) published a revised version of its "i-Arbitration" rules for disputes arising out of commercial agreements based on Shariah principles. Rule 11 of the i-Arbitration rules provides that the arbitral tribunal may refer any "dispute

arising from the Shariah aspect of the contract" to a Shariah expert agreed upon by the parties or appointed by the tribunal. The rules allow the parties to designate any country as the seat of the arbitration. As a practical matter, however, the KLRCA's rules are unlikely to hold much appeal to market participants outside Southeast Asia.

Despite the favorable result in the *Sanghi* case and the initiatives of the IICRA and the KLRCA, arbitration of Islamic finance disputes in accordance with Shariah is unlikely to take off until the Shariah principles applicable to Islamic financing transactions are codified in some manner. Most banks require a high degree of certainty regarding the enforceability of their contracts before they are willing to part with large sums of money.

"Secular" arbitration of Islamic finance disputes

Another alternative to the prevailing practice of conferring jurisdiction on the English or New York courts is to refer any dispute to arbitration, but to require that the arbitrators apply only English or New York law (to the exclusion of Shariah). This "secular" arbitration option has a number of advantages, including:

- **Convenience.** The parties can agree to arbitrate in an arbitration-friendly jurisdiction that is geographically convenient to them. Good options in the Middle East and Asia include the Bahrain "Free Arbitration Zone," the Dubai International Financial Center (a free zone located in Dubai), Hong Kong and Singapore.
- **Quality of decision-making.** The parties can select an arbitrator or arbitrators (in the case of a three-member tribunal) with expertise in the applicable law and financial disputes. While the arbitrator need not have any expertise in Shariah (because it is not applicable), familiarity with Islamic finance may also be desirable. If the parties cannot agree on the sole arbitrator or the chairman of a three-member tribunal, the arbitral institution will make the appointment. For this

continued...

Continued

reason, it is essential that the parties specify a reputable institution in their arbitration clause.

- **Enforcement.** An arbitral award can be easier to enforce internationally than a court judgment, depending on the countries involved. For example, an award issued in Bahrain by an arbitral tribunal applying New York law should be easier to enforce against a customer's assets in India than a judgment of a New York court.
- **Flexibility and expedition.** Arbitration is a flexible process that can be adapted to the circumstances of the dispute. The parties can agree to arbitrate in English. If they select an arbitration-friendly jurisdiction and an expeditious arbitral tribunal, it may be possible to obtain an award within six months of the dispute arising.

In 2010, the International Swaps and Derivatives Association (ISDA) and the International Islamic Financial Market (IIFM) promoted the secular arbitration option when they launched the ISDA/IIFM Tahawwut (Hedging) Master Agreement. This framework agreement is intended to be Shariah compliant and was developed under the guidance and with the approval of the IIFM's Shariah advisory panel. Section 13(c) of the agreement gives the parties the option to choose ICC arbitration with a London or New York seat and English or New York law as the governing law. For the avoidance of any doubt, Section 1(d) specifically provides that the governing law does not include Shariah.

Despite its many advantages, the secular arbitration option has yet to receive widespread acceptance in the Islamic finance community. This may be owing to history more than anything else. Unlike energy and mining companies, financial institutions have traditionally preferred litigation over arbitration. The recent uptick in the use of arbitration to resolve cross-border, conventional finance disputes thus may bode well for the future of secular arbitration of Islamic finance disputes. ☺

Sarah Walker is a partner in the London office of King & Spalding while Tom Childs is a counsel in the firm's New York office. They can be contacted at SWalker@kslaw.com and TChilds@kslaw.com respectively.

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Growth of Islamic finance in Canada

Though relatively underdeveloped compared to some other Western jurisdictions, namely the UK and the US, Islamic finance is making small but steady strides in the Canadian market. REHAN HUDA discusses the correlation between the growth in size and affluence of the Canadian Muslim community and growth in the level of observance, leading to more vocal demand for Islamic financial products and services.



CANADA

By Rehan Huda

The Canadian Muslim population is rich in cultural, ethnic and linguistic diversity and is one of the fastest growing in Canada with a current population estimated to be over 1.2 million. Approximately half of the country's Muslim population resides in the Greater Toronto area and most of the large cities have experienced significant growth in Muslim immigration over the past decade. The Canadian Muslims are among the best-educated communities in the country and they have the lowest median age as well as larger family sizes. The population of Muslims in Canada is projected to double within the next 10 years.

2014: A review

Some of the developments in Canada in the field of Islamic finance over the year 2014 are in the areas of education as well as the introduction of new Islamic investment products.

The Rotman School of Management within the University of Toronto is Canada's leading business school and continues to provide a leadership role in Islamic finance education. It introduced Canada's first MBA course in Islamic finance, which is now entering its fourth year and has been a top-ranked course since its inception.

In a recent interview in a major Canadian newspaper, Walid Hejazi, an associate professor at the Rotman School of Management, stated that six years ago he discovered that half the people in his program had an increasing desire to learn more about the Middle East. It was not surprising given the fact that international students comprise a larger and larger portion of enrolment at the school.

"At the time there was very little offered in terms of Islamic finance on the curriculum," he said. So he took it upon himself to build a Middle East-focused

curriculum, starting with study tours to the region. After the fourth junket, he introduced a course on Islamic finance. The study tours and course, which focuses on business strategy and economic diversification, have generated a tremendous demand from both local and international students. The Islamic finance class is now at capacity with more waiting to get in. "The demand reflects the interest many students have in that part of the world economically," noted Walid.

The Rotman School has also held several roundtables and conferences over the past years that cover both Islamic finance and business opportunities in the Middle East. There has been strong demand for these events, and many executives from the Toronto financial community have attended. This is indeed a reflection of the increased desire on their part to learn about, and hopefully become more involved in, Islamic finance. Discussions regarding potential Sukuk issuances for Canadian corporates have begun with attendees from these events and there is growing interest to initiate such transactions in the Canadian market.

At the domestic level, there are several Shariah compliant mortgage products as well as investment funds that continue to operate. Islamic housing cooperatives provide funding, though very limited, for home financing. On the commercial finance side, there have been several Shariah compliant financing for purchases of Islamic centers, Islamic schools and commercial properties for Muslim businesses. These financings were done by Canadian financial institutions including several major credit unions. A number of real estate projects are currently being undertaken that will be financed by using Shariah compliant commercial mortgage contracts.

In terms of Shariah compliant investment funds in Canada, the largest is the mutual fund of the Bullion Management Group, a firm specializing in purchasing and storing physical gold, silver and platinum bars as an investment.



Another mutual fund is the Global Iman Fund which is owned by Global Growth Assets which is a part of the Global Financial family of companies that is one of the largest independent financial institutions in Canada. The fund is currently managed by UBS and is based on the Dow Jones Islamic Index.

The Everest Group based out of the oil-rich province of Alberta is in the process of converting its existing mortgage and real estate funds into Shariah compliant funds. These will be the first Shariah compliant asset-backed and income-yielding funds for the Canadian market.

2015: A preview

It is expected that more private equity and wealth management-related Shariah compliant products will be developed in 2015. There is a need for an Islamic mortgage product as well as a diversified set of retail investment products.

The recent developments indicate that there may be further interest from mainstream Canadian financial institutions to explore Islamic financial products. As the Canadian market is becoming more and more attractive to international investors, there will also continue to be opportunities for Islamic financial institutions to participate in the Canadian market and help develop Islamic finance opportunities there. In this respect, there are a number of initiatives that are being undertaken to explore such opportunities as major Islamic financial institutions seek to diversify their assets and their investment risk. (f)

Rehan Huda is the director of Amana Canada Holdings. He can be contacted at rhuda@amanacanada.com.

The devil's advocate

This might be an unusual title to be found in a journal titled *Islamic Finance news*, but it just goes to show that the dialogue in Islamic finance is moving away from the academic, the theoretical and the idealistic, to the pragmatic and possibly the marketplace. Since 2008, banks have been subjected to much criticism in what became a media "barrage of bank bashing". Money lenders were criticized with a sense of biblical scorn, yet nothing was said of money borrowers. Taking an empathetic standpoint, HUSSAIN KURESHI offers a different perspective on the matter.



BANKING

By Hussain Kureshi

Much of this criticism is and was warranted, but focused primarily on the bad behavior of a handful of rather large, global banks. These and other banks have since 2008 been accused of putting the financial system of the developed world at risk by essentially over-leveraging their books, taking considerable exposure on contingent liabilities by investing heavily in derivatives, rigging foreign currency exchange rates, rigging or misreporting interbank lending rates, and manipulating prices of metals. Surprisingly, this is not the first time these accusations have been levied against banks, but possibly not all at once, and not on such a large scale.

Banks have incurred huge losses before on financial products developed out of residential mortgages and the prices of metals have been rigged; in fact certain investment banks have been guilty of hoarding the supply of aluminium and thereby manipulating prices.

In their defence what are banks to do in an environment of decreasing interest rates? Imagine if you owned a business selling shoes. You have certain costs of doing business ranging from operating costs such as rent, utilities, salaries, raw materials. You have also spent money on a factory, on equipment, and also on a sales and distribution network. You also require a certain return on your investment to justify using your capital. You control the price at which you sell your product based upon product quality, branding, and so on. What if all of a sudden the government decides the price of your shoes? What if the prices of shoes became a fundamental feature of government policy?

All you could do as a shoe company is lower your costs, as you have no control over the final price. You may outsource

some production features, you may lay off staff, you may compromise the quality of your products, you may use synthetic materials and the list goes on.

Banks have had to do much of the same. Behind the suave suits and the swanky offices it is after all a business, the product is money and there is not much differentiation in that. Banks face other regulatory restrictions of being able to only invest in 'A'-rated assets. How many 'A'-rated assets are out there which can be bought at a reasonable price?

“ It is hard to blame banks for what they did; after all, what else can you do if the price of your product is controlled by government policy? ”

Since 2005, the global financial landscape has changed with the emergence of sovereign wealth funds (SWFs) flush with millions of dollars of capital to invest. Hedge funds (HFs) also took to the scene with less restrictions on asset classes to choose from. Banks faced difficulties on two fronts. The interest rates that could be charged on their major line of business, which is lending, were declining. And the universe of 'A'-rated assets was flooded with liquidity from large SWFs and HFs that greatly inflated the prices of a limited pool of 'A'-rated assets, narrowing the margins on trading income.

What were banks to do? Banks developed synthetic products. These products "derived value" from the behavior of 'A'-rated assets and thus became asset classes themselves. A call option on an 'A'-rated share has the same rating as the share (in most cases). A credit default swap (CDS) which ingeniously priced the credit risk experienced by a bank and separated it from market risk, operational risk, and liquidity risk, derived value from the credit portfolio of a bank, and if the bank was 'A'-rated the CDS typically would be 'A'-rated as well. These instruments were far less costly than the "parent product", and when banks leveraged their positions, using low interest rates to their advantage to benefit from a .0000001 movement in prices of these products they (the banks) developed a whole new universe of financial products. These products were linked to financial assets that were linked to real assets.

There was no question of putting all this money into the real economy, such as real businesses, because there was no demand for the products. This lack of demand can be linked to an ageing baby boomer population in the US, where most households had already bought all their big ticket items and new households were yet to develop their spending habits. This can also be explained in part by shrinking populations in countries like Japan, and other parts of Europe. The real action was and is in emerging markets and frontier markets, but the banks that make headlines do not like doing business there.

So, it is kind of hard to blame banks for what they did end up doing; after all, what else can you do if the price of your product is controlled by government policy? (f)

Hussain Kureshi is the head of mergers and acquisitions at Millennium Capital. He can be contacted at hussainkureshi@gmail.com.

Islamic finance making headway in Palestine

Islamic finance in Palestine has moved through several phases throughout the years. Since the 1980s, meetings were held with businessmen on Islamic finance, lectures were given in universities, articles and books about Islamic banking have been published, and Islamic banking courses have been introduced in the universities. DR M HISHAM JABR gives an overview of the development and prospects of Islamic finance in Palestine so far.



PALESTINE

By Dr M Hisham Jabr

In 1994, the Palestinian Finance House Corporation was established with a capital of JOD10 million (US\$14.07 million). Two big housing projects were financed and sold on a Murabahah basis. Many other Islamic banks were also established after the mid-1990s, such as: Arab Islamic Bank, Palestine Islamic Bank, and Islamic branches of Cairo Amman Bank and Al Aqsa Islamic Bank.

The Arab Islamic Bank and Palestine Islamic Bank are now the only Islamic banks operating in Palestine, in addition to the Islamic National Bank in Gaza which is still not licensed by the Palestine Monetary Authority. Table 1 shows Islamic banks operating in Palestine as at the end of September 2014 whereas Table 2 shows different indicators of the Islamic banks.

Islamic banks represents about 10% of all banking activities i.e its banking share is still very low in spite of the rapid increase in the past years. Deposits with Islamic banks represent about 11.6% of all deposits in the banking sector. Islamic banks' investments represent about 16.6% of all credit facilities granted by the total number of banks. Table 3 shows the growth of Islamic banks' activities as a percentage of all banks' activities.

Table 4 shows that Islamic banks concentrate on Murabahah because of its low risk and periodic cash flows. Murabahah is used mainly to finance construction, real estate and commercial transactions. The other financial instruments represent only about 10% of all Islamic banks' instruments.

In the area of Takaful, there are two companies currently operating in Palestine as follows.

- a. Al Takaful Palestine Company in the West Bank.

continued...

Table 1: Islamic banks in Palestine

	Arab Islamic Bank	Palestine Islamic Bank	Total
Number of branches	9	17	26
Number of offices	1	1	2
Date of establishment	1995	1996	

Table 2: Islamic banking indicators as of the 30th October 2014 (US\$ million)

Indicator	Islamic banks	All banks operating in Palestine	% of Islamic banks to total banks
Paid-up capital	100	946.2	10.6
Net worth	133	1,400	0.095
Deposits	954	8,200	11.6
Credit facilities	578.4	3,487	16.6
Total assets	1,120	11,597	0.097

Table 3: Islamic banking indicators in Palestine comparing 2012 and September 2014

Islamic banks indicators	% of total banks as of 2012	% of total banks as of Sept 2014
Deposits	6.7	11.6
Credit facilities	10	16.6
Assets	8.7	9.7

Table 4: Distribution of Islamic banks' investment according to instruments as of the 30th October 2014

Financing instrument	Balance as of the 30 th October 2014 (US\$ million)	% of total Islamic banking facilities
Murabahah	530	94.3
Istisnah	3.5	0.006
Mudarah and Musharakah	11	2
Ijarah Muntahiya Be Tamleek	16.6	3
Others including Salam	1.2	0.001
Total	562	100

Table 5: Financial data of Al Takaful Palestine Company (US\$ million)

	2012	2013	Percentage increase
Assets	19.275	23.997	12.5
Investments	9.051	11.362	12.6
Equity	9.140	10.443	
Number of branches		11	
Number of employees	76	91	11.97

Continued

Table 5 shows selected financial data of the company and it is evident from the table that there is an annual increase of about 12% in all its activities.

- b. Al Multazem Insurance Company in Gaza. Established in 2008, its assets as of 2012 reached US\$13.15 million, compared with US\$10.3 million in 2011. It distributed profit to shareholders of 9% and 2% as shares in 2012.

As for Islamic microfinancing, there are about nine microfinance institutions providing Islamic finance besides conventional finance with a total of 71 branches.

The IDB in Jeddah provided the United Nations Development Program called Deprived Families Economic Empowerment Program (DEEP) with US\$15 million to be invested according to Islamic Shariah. DEEP in turn provided this amount to microfinance institutions to use them in financing according to Shariah. These institutions used the amount on a Murabahah basis only. DEEP also prepared and approved a manual in Arabic and English which contains the following:

- a. Practical procedures for every Islamic financial instrument.
- b. Forms for every instrument.
- c. Practical accounting procedures for every instrument.
- d. Training workshops for employees of these Islamic institutions.

The training workshops were conducted for about 30 working days during 2014.

Conclusion

Islamic finance in Palestine has very good prospects. It is expected to grow in the coming years at a rate of 10-12% annually. Islamic banks therefore need to increase their marketing and promotional campaigns regarding Islamic finance and they need to concentrate their marketing strategies on the difference between Islamic finance and conventional finance as there is generally a misconception in this regard. ☺

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Risk management for Islamic banks

Risk is an inherent force on all marketplaces. Each industry offers its own unique risks and its own unique ways of managing these risks. The art of risk management consists of identifying risks, measuring risks, and mitigating risks. This is a classroom definition of risk management. Risk simply refers to the probability of events occurring that adversely impact future expected outcomes. Risk addresses the probability of such events occurring and the impact they have on any given system. Manufacturing companies face the risks that by the time products come to the marketplace they are obsolete, unwanted, or are selling at prices lower than the cost of production. Banks confront a host of different risks that are unique to the business model of banks.

Financial intermediaries mobilize deposits from households, companies, and governments and lend these deposits back to other households, companies, and governments. At one stage banks are borrowers of funds and at another stage they are lenders of funds. The risks that impact a bank's ability to mobilize funds at a certain cost are different from the risks they face in being able to recover moneys lent out to third parties. Islamic banks face many of the same risks that are faced by conventional banks. These risks are categorized into credit risk, market risk, and liquidity risk. Islamic banks also face Shariah risk, which is unique to Islamic financial institutions (IFIs); however, that topic is discussed in other works.

Credit risk

Credit risk is merely the risk of loss faced by a bank due to the inability of borrowers to make all the payments owed to the bank. This is risk of default, pure and simple, and can arise from changing financial circumstances of borrowers that affects their ability and willingness to return loans taken from banks.

Banks therefore have in place a risk management process by virtue of which risk is identified, measured, and mitigated. Credit risk is identified as the

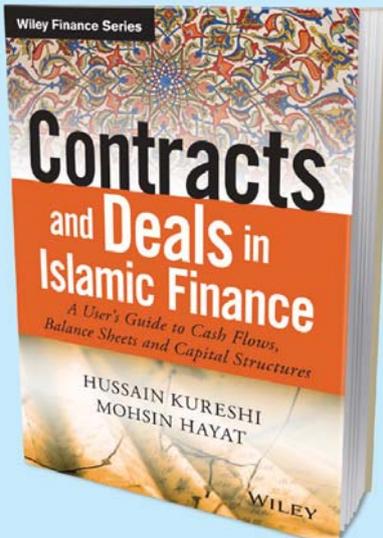
risk of default. It is measured by certain methods, which we discuss in detail, but what is an obvious measure of this risk is the impact on the bank's assets, liabilities, and income if a borrower fails to make payments on the bank's receivables.

Islamic banks experience credit risk in the same manner as conventional banks as they, too, have adopted credit financing models through credit-based sales and lease contracts. The discussion on credit risk to conventional banks is therefore applicable to Islamic banks as well.

Credit risk is mitigated at source by carefully screening borrowers for their creditworthiness and ability to repay any loan over a long period of time. The methods of credit analysis that are found in many conventional banks apply to Islamic banks as well, and by and large no matter how complex

such analyses may be in their attempt to forecast a borrower's cash flow, they remain at best educated predictions. A variant of the credit analysis technology is simply to focus on the assets pledged as collateral to secure a loan or financing contract and to measure the ease with which that asset can be liquidated for cash.

A combination of assessing a borrower's creditworthiness and the quality of assets pledged make up the major portion of credit analysis. It is a little more complex for large corporations with various sources of revenue streams. The process becomes more complex if such companies have revenue streams in various currencies and have bank borrowings in various countries and in various currencies, where the companies' operations face political risk, currency risk, business risk, risk of nationalization, risk of...⁽²⁾



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DEALS

KDU redeems Sukuk early

MALAYSIA: In a disclosure to Bank Negara Malaysia, as facility agent, Hong Leong Investment Bank announced the early redemption of KDU University College's RM21.6 million (US\$5.97 million) Sukuk Ijarah, Series A3, B3 and

C3 which took place on the 26th January 2015. (📄)

DIB prices Sukuk

UAE: Dubai Islamic Bank (DIB) in a press release announced the pricing of a US\$1 billion Tier 1 perpetual Sukuk, which received orders exceeding US\$2.5 billion. Listed on the Irish Stock Exchange and

NASDAQ Dubai, the program carries a profit rate of 6.75%. Structuring advisors to the deal are HSBC and Standard Chartered Bank, while Al Hilal Bank, DIB, Emirates NBD Capital, National Bank of Abu Dhabi, Noor Bank, Sharjah Islamic Bank and also both Standard Chartered and HSBC acted as joint lead managers. (📄)

DEAL TRACKER

Full Deal Tracker on page 33

EXPECTED DATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENT DATE
TBA	Qatar Islamic Bank	QAR2 billion	Sukuk	19 th January 2015
1 st quarter 2015	Bank Islami Pakistan	PKR3.5 billion	Sukuk	15 th January 2015
TBA	Pakistan Mobile Communications (Mobilink)	PKR6.9 billion	Sukuk	14 th January 2015
2015	International Bank of Azerbaijan	TBA	Sukuk	13 th January 2015
3 rd quarter 2015	Government of Tunisia	US\$500 million	Sukuk	13 th January 2015
TBA	Dubai Islamic Bank	TBA	Sukuk	7 th January 2015
Feb-15	Government of Jordan	TBA	Sukuk	6 th January 2014
TBA	Turkiye Finans	TRY71 million	Sukuk	5 th January
TBA	Turkiye Finans	TRY143 million	Sukuk	5 th January
2015	Government of Indonesia	IDR7.14 trillion	Sukuk	15 th December 2014
2015-16	Government of Kenya	TBA	Sukuk	2 nd December 2014
TBA	DRB-HICOM	RM2 billion	Sukuk Musharakah	1 st December 2014
TBA	KPJ Healthcare	RM1.5 billion	Sukuk	28 th November 2014

AFRICA

Bank of Maldives launches Wadiah deposit product

MALDIVES: Bank of Maldives in a press release announced the initiation of its Islamic banking services with the launch of the Wadiah deposit product for personal customers. The new product is the first step in the bank's vision to provide alternatives to customers who

wish to strictly follow Islamic principles in their banking and the bank intends to increase its range of Islamic products and services over the next two years. (📄)

the bank's share capital has thus increased to TND88.5 million (US\$46.19 million). (📄)

Zitouna Bank raises capital

TUNISIA: Zitouna Bank in a filing to Bourse de Tunis announced the completion of its capital increase of TND18.5 million (US\$9.65 million) via the issuance of 18.5 million in common shares to the IDB. Following the exercise,

Premier Bank goes live with iMAL

SOMALIA: Premier Bank has successfully integrated Path Solutions's iMAL Islamic Banking & Investment System, the Islamic bank announced in a press release. (📄)

AMERICAS

ISFIN establishes Brazilian presence

BRAZIL: ISFIN in a press release announced its exclusive partnership with local law firm, Veirano Advogados, making a debut presence in the South American country. (📄)



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ASIA

Bank Muamalat to develop Waqf land

MALAYSIA: Bank Muamalat Malaysia will commit RM100 million (US\$28.09 million) this year to develop 4.47 hectares of Waqf land in collaboration with UDA Waqf, reported Bernama.

UDA Holdings (parent company of UDA Waqf) group managing director Ahmad Abu Bakar reportedly said that the group has identified approximately 120 hectares of Waqf land, which will be developed over the course of two to three years. (F)

Malaysian Sukuk to be added into Barclays's index

MALAYSIA: Malaysian government investment Sukuk issues will be added to the Barclays Global Aggregate Index on the 31st March 2015 with a weighting of 0.18%, reported Bloomberg.

The country's Sukuk could receive a US\$3 billion injection when they get added to the index, making them cheaper compared to the country's conventional notes. Barclays estimates that it would attract at least US\$2.5 billion to US\$3 billion. (F)

Dr Ausaf's passing

INDIA: Dr Ausaf Ahmad, a prominent economist, passed away in New Delhi on the 22nd January 2015, reported Arab News.

Dr Ausaf was known for his work in Islamic economics and was a senior economist with the IDB for more than two decades and his main areas of research were economics of development, public finance, monetary policy and

Islamic banking. Among Dr Ausaf's prominent works were "Challenges facing Islamic banking", "Structure of deposits in selected Islamic banks", and "Towards an Islamic financial market". (F)

MIA and IBFIM host conference

MALAYSIA: Malaysian Institute of Accountants (MIA) and IBFIM on the 21st January organized a conference discussing issues surrounding the new regulatory reporting standards for Islamic finance in compliance with the Islamic Financial Services Act 2013 (IFSA 2013). Over 100 participants attended the event. (F)

Danamon Syariah-ITFC collaboration

INDONESIA: Danamon Syariah, the Islamic banking unit of Bank Danamon Indonesia, has partnered with the International Islamic Trade Finance Corporation (ITFC), a unit of the IDB for the advancement of trade finance activities in the country. According to The Jakarta Globe, the partnership targets to book as much as US\$1 billion in Shariah-based trade financing within the next five years, starting with US\$200 million this year. (F)

RAM-UKM cooperation

MALAYSIA: RAM Holdings announced in a press release that it has signed an MoU with Universiti Kebangsaan Malaysia (UKM) to promote cooperation and communication between the two organizations to develop core competency of graduates in the capital market. The MoU would, among others, cover training programs on the capital market, publication on Islamic finance and other related activities. (F)

New listing requirements by Bursa Malaysia

MALAYSIA: The Malaysian exchange, Bursa Malaysia, announced on its website amendments to the Main Market and ACE Market Listing Requirements to achieve a balance between promoting business efficacy and enhancing market quality.

The amendments took effect on the 27th January, with certain changes to the foreign listing requirements to come into effect on the 1st July 2015. (F)

CIMB Islamic's microfinancing plans

MALAYSIA: In efforts to become a universal bank, CIMB Islamic seeks to offer a full range of Islamic products and services this year, reported local daily The Edge. Subject to relevant approvals, the bank plans to introduce a range of products including microsavings, microinsurance and advisory services. (F)

SBP's guidelines for 2015

PAKISTAN: Ashraf Mahmood Wathra, the governor of the State Bank of Pakistan (SBP) has called on banks to focus on private sector lending and deposit mobilisation, reported local newspaper The Express Tribune.

According to Ashraf, the average spread of all banks continues to remain high and should be reasonably rationalized. The SBP will review the position by the end of June 2015 and may take regulatory measures to lower the spread. Addressing Islamic banks and its profitability, Ashraf further highlighted that Islamic banks should reward their customers appropriately in line with their surging profits. (F)

EUROPE

Gatehouse introduces CRBS

UK: Gatehouse Bank on its website announced the launch of a new Shariah compliant securitization product, known

as a commercial rental-backed security (CRBS). Acting as sole structuring agent, arranger and lead manager to a Parisian commercial office property acquisition worth over EUR100 million (US\$115.6 million) in this transaction, the Islamic bank will begin to market the deal in

Europe in the next few weeks. The securitization comprises of two-tranche fixed rate certificates which will be backed by the direct legal ownership of the property. (F)



REDmoney Ideal Ratings Indexes

The REDmoney Global Shariah Index Series powered by IdealRatings consists of a rich subset of global listed equities that adhere to clearly defined and transparent Shariah guidelines defined by Shariyah Review Bureau. The REDmoney Shariah Indexes provides Islamic investors with an accurate and Shariah-specific equity performance benchmark with optimized compliance credibility due to the intensive research conducted to ensure that index constituents do not conflict with the defined Shariah requirements.

GLOBAL

S&P updates Sukuk ratings methodology

GLOBAL: S&P has updated its criteria for Sukuk ratings which takes into consideration the differences between Sukuk and their conventional counterparts, more specifically the additional risks assumed by Sukuk, announced the agency in a press release. ^(f)

More interest in Islamic finance

GLOBAL: Bank Nizwa recently welcomed to its head office the Lord Mayor of London, Alderman Alan Yarrow, who was on an official visit. According to a press release, the British

delegation included Jon Wilks, the British ambassador to Oman and a business delegation made up of Islamic banking specialists of the UK financial sector.

During the visit Yarrow expressed interest in working with the Omani banking sector by sharing experience and expertise with financial solutions such as Sukuk. The UK is Oman's largest foreign investor, generating pools that exceeded GBP600 million (US\$898.77 million) in 2013 alone. ^(f)

IDB's new grants

GLOBAL: Following the 302nd meeting of the board of executive directors of the IDB, the bank in a press release announced the approval of US\$189.4 million in new financings for

development projects in several member countries and also a number of Muslim communities in non-member countries.

The IDB granted: (1) US\$136 million to Cote d'Ivoire's road and transport sector for the construction of a 130-kilometer road connecting the capital Yamoussoukro to the city of Tiebissou; (2) US\$22.3 million to support food security in Chad by contributing to management of natural resources; (3) US\$16.5 million to Djibouti for the Regional Submarine Telecommunications Project; (4) US\$14 million to Burkina Faso to support the higher education sector in the country; and (5) US\$600,000 under the IDB Waqf Fund for projects focusing on education in Barbados, Nepal, and Sri Lanka. ^(f)

MIDDLE EAST

Ibdar Bank's aviation pipeline

BAHRAIN: Speaking to IFN on the Ethiopian Airlines financing deal, Mohammed Kettani, the executive director of private equity at Ibdar Bank, said: "We are currently in talks with other regional carriers [in Africa and GCC] wishing to expand their fleet and will make announcements once the deals materialize."

The Ethiopian Airlines US\$100 million Ijarah financing deal is part of Ibdar Bank's strategy to enter the aircraft leasing space and as they seek to develop attractive new products within this market segment for investors. ^(f)

EI selects Infosys

UAE: Emirates Islamic (EI) has selected the Infosys Finacle Islamic Banking solution to power its operations, according to a press release. ^(f)

Alkhabeer and Alareen collaborate

SAUDI ARABIA: Alkhabeer Capital has announced in a press release its strategic partnership with Alareen Holding Company, a real estate development company in Saudi Arabia. This strategic agreement signed between the two complements Alkhabeer's investment expertise within the local real estate sector and provides Alkhabeer further exposure to the attractive Saudi residential development market, which

is expected to grow significantly in the future, driven by supply shortages and strong demand across major cities in Saudi Arabia. ^(f)

PayTabs goes Shariah compliant

UAE: To ensure that businesses are running in a Shariah compliant manner, PayTabs, a company providing online payment solutions for SMEs, has hired Shariyah Review Bureau (SRB) as its Shariah advisor. SRB is assigned to help execute PayTabs's online payment transformation and invoicing solution in a Shariah compliant manner. ^(f)

Mashreq's new branch

UAE: Mashreq in a press release announced the opening of its E Cube branch in the residential district of Karama. Offering customers a wide range of products and innovative financial solutions, the new branch is a part of the bank's network expansion strategy. ^(f)

TASNEE's financing scheme

SAUDI ARABIA: The National Industrialization Company (TASNEE) recently signed an Islamic Murabahah financing agreement worth SAR1.2 billion (US\$319.29 million) with Riyad Bank and Saudi British Bank. According to the announcement on Tadawul, the agreement has a competitive floating-rate Murabahah structure, a five-year tenor with a one-year grace period and an optional one-year extension,

and is payable in equal semi-annual installments with an order note guarantee. Proceeds from the agreement will be utilized to partially finance the acquisition of additional shares in its subsidiary, Cristal. ^(f)

KFH's new financing scheme

KUWAIT: Kuwait Finance House (KFH) in a press release announced the introduction of a new consumer product financing campaign themed "Financing Meets your Needs", in order to meet clients' aspirations and financing requirements. With exclusive privileges, the financing scheme reaches KWD15,000 (US\$50,656.9), with a 60-month repayment period, in addition to the fact that entitlement for the first instalment is six months, and clients are not requested to transfer their salaries in order to be financed. ^(f)

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Amlak Finance to resume trading in first half of 2015

UAE: Islamic mortgage provider Amlak Finance will begin trading its shares on the Dubai Financial Market in the first half of this year, according to The National, quoting the UAE minister of economy. The mortgage financier, whose stock has been suspended since 2008, repaid US\$2.7 billion-worth of debt last year. (F)

ASSET MANAGEMENT

Singaporean firm considers Islamic AIFM fund

GLOBAL: Speaking to IFN, Marcus Peter, a partner at Luxembourg law firm Bonn Schmitt, revealed that the firm is working with a Singaporean firm that is looking at launching an

Iran eyes larger Halal food share

IRAN: The Iranian government is looking to increase its share in the global Halal food market, reported Islamic Republic News Agency. It is also reported that Iran only holds approximately US\$400 million out of a total of US\$700 billion of turnover in the global Halal food market. (F)

Alternative Investment Fund Manager (AIFM) fund platform in Luxembourg with consideration of introducing a Shariah compliant option in the future. Considering the relatively inactive Shariah compliant fund industry of Singapore, this development could perhaps see more Singaporean firms venture into the Islamic funds sector through Luxembourg's Alternative Investment Fund Managers Directive legislation. (F)

BisB-Visa partnership

BAHRAIN: Bahrain Islamic Bank (BisB) in a press release announced the signing of a five-year strategic agreement with Visa. The agreement is part of the bank's efforts to consolidate cooperation and efforts with various parties involved in the development of the banking services and products which it offers to its customers. (F)



RESULTS

Ahli Bank

QATAR: Ahli Bank in an announcement to the Qatar Stock Exchange has reported a net profit of QAR601.3 million (US\$164.99 million) in 2014 for the year ended the 31st December 2014, up from QAR525.7 million (US\$144.25 million) it made in 2013. The bank's board of directors have recommended the distribution of a 15% cash dividend and a 10% bonus share (one share for each 10 shares) from the capital shares of the bank on the said date, subject to the approval of the central bank and the general assembly meeting. (F)

United Arab Bank

UAE: United Arab Bank (UAB), which offers Islamic banking products, on its website announced a full-year net profit of AED605 million (US\$164.68 million) for 2014, an increase of 10% over 2013. This performance represents the highest ever annual net profit for the bank. (F)

Sabana REIT

SINGAPORE: According to a bourse filing, Sabana Shariah Compliant REIT realized a gross revenue of SG\$100.3 million (US\$75.06 million) in 2014, marking a 12.1% year-on-year increase.

Its net property income, however, dropped 9.2% to SG\$72.95 million (US\$54.6 million) due to a 200% increase in property expenses. (F)

Banque Misr

EGPYT: Banque Misr has recorded EGP2 billion (US\$268.04 million) in total Shariah compliant funding while its deposits totaled EGP26 billion (US\$3.48 billion) as at the end of 2014, according to news agency, Amwal Al Ghad. (F)

National Bank of Fujairah

UAE: The National Bank of Fujairah, which operates an Islamic window, has announced a 28.6% growth in net profit from AED393.1 million (US\$107 million) in 2013 to AED505.4 million (US\$137.57 million) as at the 31st December 2014, improving the bank's return on average assets to 2.2% from 2%. Its operating profit witnessed a 13.8% growth to AED637.8 million (US\$173.61 million), while its operating expenses increased by 19.6% due to the bank's efforts to develop new business streams and enhance operating platforms. Cost to income ratio, while increasing from 36.6% to 37.8%, is expected to normalize when the bank reaps further benefits from such investments in the years ahead. Strong capital adequacy and lending to stable resources ratios were maintained

at 17.6% (Tier 1 ratio: 14.6%) and 87% respectively, well ahead of the Central Bank of the UAE's requirements. (F)

National Bank of Bahrain

BAHRAIN: The National Bank of Bahrain announced a net profit of BHD53.44 million (US\$140.84 million) for the year ending the 31st December 2014 which is an increase of 4% compared to BHD51.36 million (US\$135.36 million) in 2013 and the highest ever achieved by the bank, according to a press release. The bank recorded a net profit of BHD11.28 million (US\$29.73 million) in the fourth quarter of 2014, compared to BHD11.27 million (US\$29.70 million) for the corresponding period of the previous year. Operating expenses increased by 6.3% to reach BHD29.19 million (US\$76.93 million), largely because of contribution to the Deposit Protection Fund effective 2014 as mandated by the Central Bank of Bahrain. (F)

Dubai Islamic Bank

UAE: Dubai Islamic Bank announced a 63% jump in net profit for 2014 to AED2.8 billion (US\$762.16 million) from AED1.7 billion (US\$462.74 million) the year before. Total assets grew 9% (year-on-year) to AED123.9 billion (US\$33.73 billion) in 2014. (F)

Boubyan bank

KUWAIT: In an announcement on its website, Shariah compliant Boubyan Bank announced the completion of its five-year strategic plan (2010-2014) with a growth of 111% in its net profits. The bank achieved KWD28.2 million (US\$95.76 million) in profits for the 2014 financial year, witnessing a 21% growth in total assets to KWD2.7 billion (US\$9.17 billion). Boubyan's market share in financing portfolio, increased from 2.3% in 2009 to 5.8%, while the share of the consumer finance increased significantly from 1.2% to more than 8.3%, as of present. (f)

Masraf Al Rayan

QATAR: Masraf Al Rayan in an announcement on its website released its financial results for the year 2014, recording a net profit of QAR2 billion (US\$548.22 million) which is an increase of 17.6% compared to its 2013

results. Total assets of the bank reached QAR80.09 billion (US\$21.95 billion) compared to QAR66.55 billion (US\$18.24 billion) as at the 31st December 2013, a growth of 20.4%. (f)

Emirates REIT

UAE: Shariah compliant Emirates REIT announced a 39% year-on-year increase in net profit for the 12-month period ending the 31st December 2014 to US\$48.56 million. Total assets at the end of last year were up 78.3% to US\$594.15 million as compared to the same period in 2013. (f)

NBK

KUWAIT: National Bank of Kuwait (NBK), which has expressed interest in becoming a fully-fledged Islamic bank and owns a majority stake in Shariah compliant Boubyan Bank, has reported a net profit of KWD261.8 million (US\$885.87 million) for the year

2014 compared to KWD238.1 million (US\$805.67 million) it made in 2013, recording a 10% year-on-year growth. According to the announcement on the bank's website, NBK Group's total assets reached KWD21.8 billion (US\$73.77 billion) at the end of 2014, up 17.1% compared to 2013, while total shareholders' equity increased by 5.8% year-on-year to KWD2.5 billion (US\$8.46 billion). (f)

Sharjah Islamic Bank

UAE: Sharjah Islamic Bank has reported a net profit of AED377.2 million (US\$102.69 million) for 2014, an increase of 22.8% compared to AED307 million (US\$83.58 million) in 2013, reported Gulf News. The bank's total assets witnessed a growth of 19.7% reaching AED26 billion (US\$7.08 billion) at the end of 2014 compared to AED21.7 billion (US\$5.91 billion) it recorded the previous year. (f)

TAKAFUL

Egyptian Takaful Insurance secures tender

EGYPT: Egyptian Takaful Insurance has succeeded in its bid for a tender to insure the two headquarters of the country's stock exchange (EGX), reported local daily Amwal Alghad. According to the Amwal's sources, the policy would secure insurance coverage for the EGX's premises, offices, and cars against all risks, over a one-year renewable term, designated to provide insurance coverage against all risks of fire, burglary, cash transfer, and dishonesty. (f)

EFU receives Takaful license

PAKISTAN: EFU Life Assurance has been granted the license by the Securities & Exchange Commission of Pakistan (SECP) to commence business as a window Takaful operator, according to local daily The News. (f)



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- Application of various Islamic toolkits in the Islamic money markets
- Manage foreign exchange instruments and associated rate risks

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RATINGS

IIRA rates JIB's Takaful subsidiary

JORDAN: Jordan Islamic Bank's Islamic Insurance Company has been assigned a Takaful financial strength rating of 'A' by the Islamic International Rating Agency (IIRA), with a stable outlook.^(f)

TIC's ratings withdrawn

BAHRAIN: AM Best in a press release assigned a financial strength rating of 'B++' (good) and an issuer credit rating of 'bbb' to Takaful International, with a stable outlook. At the same time, the agency has also withdrawn the ratings as the company has requested to no longer participate in AM Best's interactive rating process.^(f)

Stable outlook for ATL

GLOBAL: MARC in a press release announced that it has affirmed the insurer financial strength rating of life insurer Atlantidlux Lebensversicherung (ATL) at 'AA-' with a stable outlook

on the Malaysian national rating scale. The affirmed rating is underpinned by ATL's focus on underwriting relatively low-risk unit-linked life policies and maintaining a low retention of mortality risk. The rating is further moderated by ATL's relatively small market share in the unit-linked life insurance segment, a lack of product diversity and the challenging environment in Europe.^(f)

Qatar's ratings decided

QATAR: Capital Intelligence (CI) in an announcement on its website has assigned a rating of 'AA-' to Qatar's long-term foreign currency and local currency and a rating of 'A1+' to its short-term foreign and local currency.^(f)

Bumitama Agri's Sukuk rating reaffirmed

INDONESIA: RAM has maintained the rating of 'AA3/Stable' of Bumitama Agri's RM2 billion (US\$554.86 million) Islamic medium-term notes Sukuk Musharakah (2014/2029). Bumitama is an Indonesia-based oil palm plantation company listed in Singapore and it manages almost

200,000 hectares of land in Kalimantan and Riau, 150,000 hectares of which is planted. According to the press release, the rating reflects Bumitama's strong growth potential, underpinned by its favorable tree-maturity profile.^(f)

Kuwait's currency ratings affirmed

KUWAIT: Capital Intelligence (CI) has assigned a rating of 'AA-' to Kuwait's long-term foreign currency and local currency, and a rating of 'A1+' to its short-term foreign and local currency.^(f)

Positive outlook for Edaran SWM's Sukuk

MALAYSIA: The stable outlook on Edaran SWM's initial RM750 million (US\$207.79 million) issuance under its RM1 billion (US\$277.05 million) Islamic medium-term notes program has been upgraded to positive by RAM, who also reaffirmed the facility's rating. The outlook revision is predicated on Edaran's better-than-expected financial results in the last two years.^(f)

MOVES

QSE

QATAR: In an announcement on its website, the Qatar Stock Exchange (QSE) has appointed **Sheikh Ahmed Jassim Al Thani**, Qatar's economy minister, as its

chairman in a move seen as an attempt to raise the exchange's international profile.^(f)

First Gulf Bank

UAE: First Gulf Bank (FGB), which operates an Islamic banking division,

has appointed **Giuseppe Ruggiero** as its head of debt capital markets, according to a report by Reuters. Ruggiero joins FGB from National Bank of Abu Dhabi and is reportedly a part of the bank's efforts to get a share of the region's growing advisory market.^(f)





IBI Islamic Banking Intelligence
Correlation of Islamic Banking and Business Intelligence

IBI is the Islamic finance industry's first and most comprehensive one-stop source of global Islamic banking information, with data from over 130 Islamic banks in 36 countries. IBI offers users the capability to interactively analyze and compare the financial performance of Islamic banks using both numerical and graphical formats.

With over five years of financial data, and more than 250 information fields in 28 categories, IBI contains more than 50 KPIs for performance measurement, including some criteria that is exclusive to Islamic banks, such as Islamic contracts and Maqasid Al Shariah.

IBI Consists of:

- Fully audited financial statements from Islamic banks in both numerical and graphical formats
- 5+ years of historical aggregated data
- Country and bank comparison capabilities
- Numerous analytical dashboards analyzing bank data, including Islamic contracts, Maqasid Al Shariah, performance, vertical & horizontal analysis and bank information

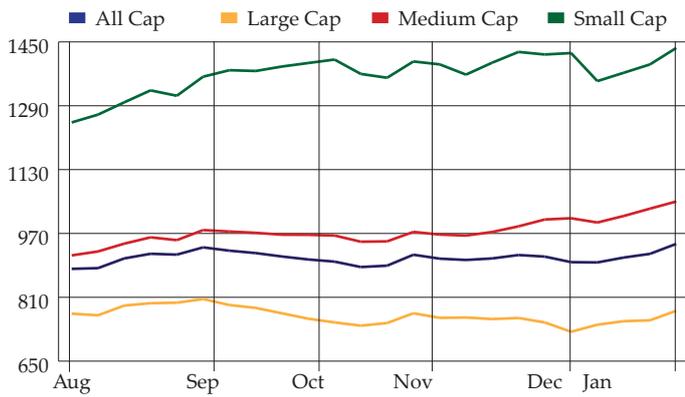
DEAL TRACKER

Expected date	Company's name	Size	Structure	Announcement Date
TBA	Qatar Islamic Bank	QAR2 billion	Sukuk	19 th January 2015
1 st quarter 2015	Bank Islami Pakistan	PKR3.5 billion	Sukuk	15 th January 2015
TBA	Pakistan Mobile Communications (Mobilink)	PKR6.9 billion	Sukuk	14 th January 2015
2015	International Bank of Azerbaijan	TBA	Sukuk	13 th January 2015
3 rd quarter 2015	Government of Tunisia	US\$500 million	Sukuk	13 th January 2015
TBA	Dubai Islamic Bank	TBA	Sukuk	7 th January 2015
Feb-15	Government of Jordan	TBA	Sukuk	6 th January 2014
TBA	Turkiye Finans	TRY71 million	Sukuk	5 th January
TBA	Turkiye Finans	TRY143 million	Sukuk	5 th January
2015	Government of Indonesia	IDR7.14 trillion	Sukuk	15 th December 2014
TBA	UniTapah	RM600 million	Sukuk	9 th December 2014
Apr-15	Government of Indonesia	IDR20 trillion	Sukuk	4 th December 2014
H2 2015	Government of Indonesia	TBA	Sukuk	3 rd December 2014
2015-16	Government of Kenya	TBA	Sukuk	2 nd December 2014
TBA	DRB-HICOM	RM2 billion	Sukuk Musharakah	1 st December 2014
TBA	KPJ Healthcare	RM1.5 billion	Sukuk	28 th November 2014
TBA	ICD	US\$1.2 billion	Sukuk	27 th November 2014
Q2 2015	Khazanah Nasional	TBA	Sukuk	26 th November 2014
2 nd December 2014	Indosat	IDR2.5 trillion	Sukuk + conventional	13 th November 2014
18 th November 2014	Government of Turkey	TRY1.84 billion	Sukuk	30 th September 2014
2014	Adira Dinamika Multi Finance	IDR1.5 trillion	Sukuk	2 nd July 2014
2014	Bank Islam Malaysia	Up to RM1 billion	Sukuk	2 nd June 2014
2H 2014	Felda Global Ventures Holdings	US\$1 billion	Exchangable Sukuk	22 nd May 2014
Nov-14	1MDB	RM8.4 billion	Sukuk	9 th October 2014
Nov-14	Government of Tunisia	US\$140 million	Sukuk	7 th February 2014
Q1 2015	Meethaq	Up to OMR500 million	Sukuk	5 th May 2014
pre-2015	Government of Indonesia	IDR6.4 trillion	Sukuk	18 th August 2014
2015	International Finance Corp	TBA	Sukuk	17 th June 2014
Q1 2015	Government of Oman	OMR300-400 million	Sukuk	27 th October 2014
Q1 2015	Etisalat	US\$500 million	Sukuk	13 th October 2014
Q2 2015	Export-Import Bank of Malaysia	US\$200-300 million	Sukuk	12 th November 2014
2016	Government of the Philippines	TBA	Sukuk	26 th May 2014
TBA	Turkiye Finans Katilim Bankasi	TRY71 million	Sukuk	25 th November 2014
TBA	Point Zone	RM1.5 billion	Sukuk	21 st November 2014
TBA	Northport	RM1.5 billion	Sukuk	20 th November 2014
TBA	Malaysia Building Society	RM700 million	Sukuk	19 th November 2014
TBA	Fleetcorp	Up to TRY150 million	Sukuk	7 th November 2014
TBA	DRB-Hicom	Up to RM2 billion	Sukuk Musharakah	4 th November 2014
TBA	AirAsia	Up to RM1 billion	Sukuk	31 st October 2014
TBA	Government of Mexico	TBA	Sukuk	30 th October 2014
TBA	Pemex	TBA	Sukuk	30 th October 2014
TBA	Government of Kazakhstan	TBA	Sukuk	29 th December 2014
TBA	ACWA Power	TBA	Sukuk	24 th October 2014
TBA	Kesas	RM735 million	Sukuk	1 st October 2014
TBA	WCT Holdings	Up to RM1.5 billion	Sukuk Murabahah	29 th September 2014
TBA	Malaysia Marine and Heavy Engineering Holdings	Up to RM1 billion	Sukuk Murabahah	29 th September 2014
TBA	Agaoglu Group	Up to US\$300 million	Sukuk	16 th September 2014
TBA	Kuveyt Turk	Up to RM2 billion	Sukuk	15 th September 2014
TBC	Zain Group	TBC	Sukuk	27 th August 2014
TBA	CIMB Islamic	Up to RM5 billion	Sukuk	26 th August 2014
TBA	Sunway Treasury Sukuk	Up to RM2 billion	Sukuk Mudarabah	25 th August 2014
TBA	Malaysia Airport Holdings	TBA	Sukuk	19 th August 2014
TBA	Government of Malta	TBA	Sukuk	7 th August 2014
TBC	Bank Internasional Indonesia	IDR300 billion	Sukuk	20 th June 2014

SHARIAH INDEXES

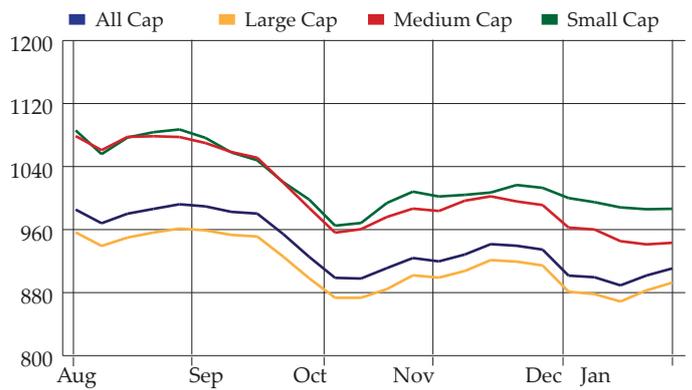
REDmoney Asia ex. Japan

6 Months



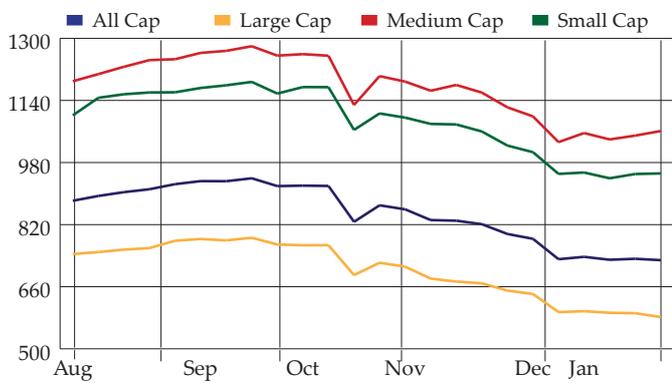
REDmoney Europe

6 Months



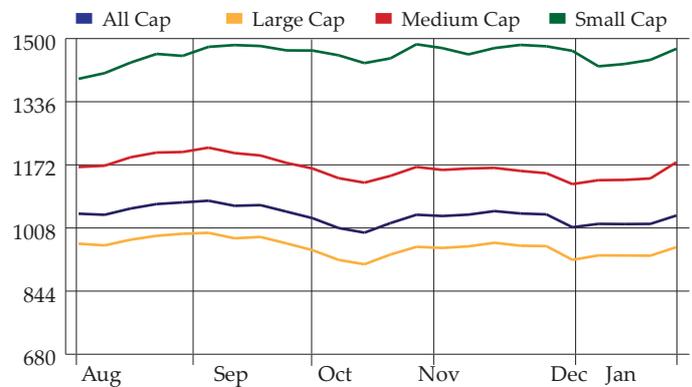
REDmoney GCC

6 Months



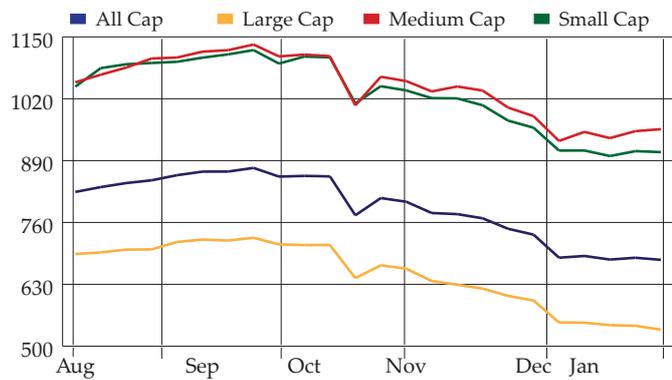
REDmoney Global

6 Months



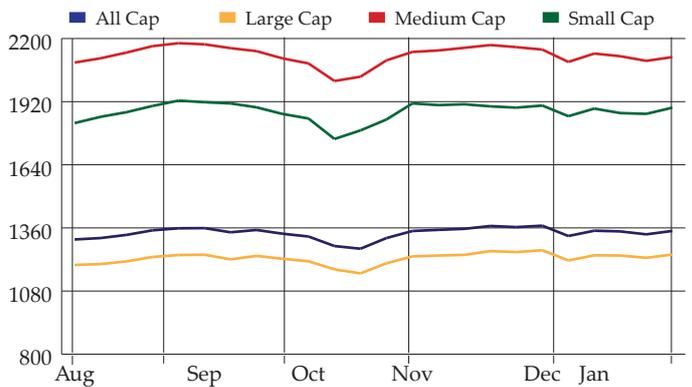
REDmoney MENA

6 Months



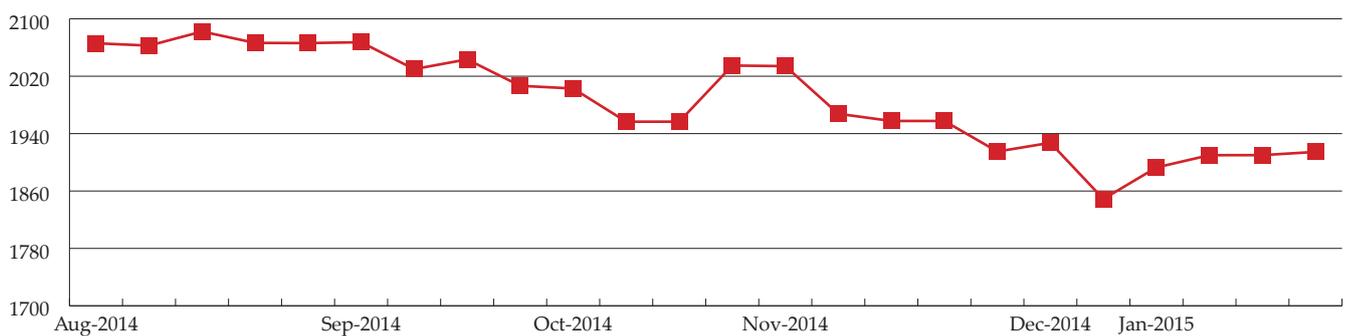
REDmoney US

6 Months



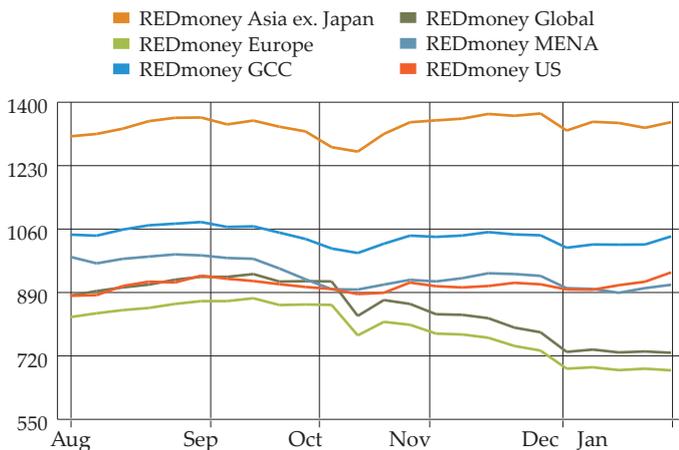
SAMI Halal Food Participation (All Cap)

6 months

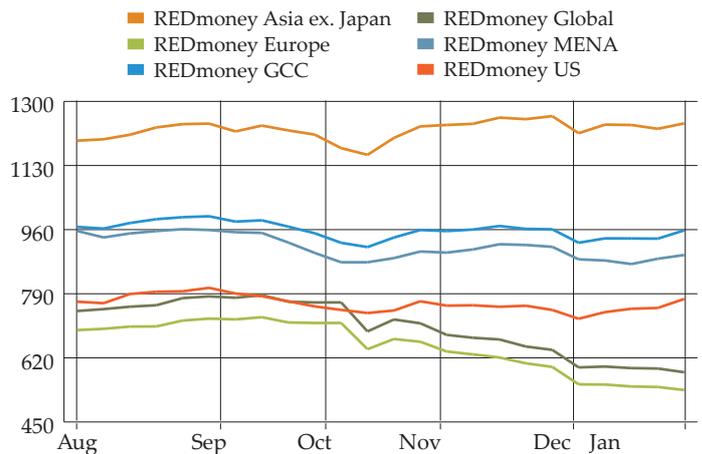


SHARIAH INDEXES

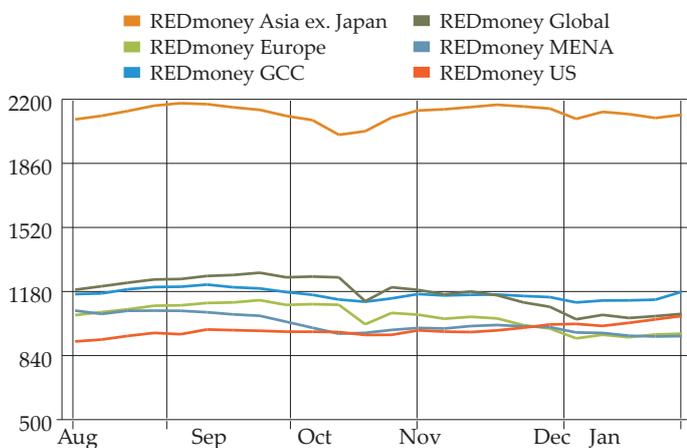
REDmoney Global Shariah Index Series (All Cap) 6 Months



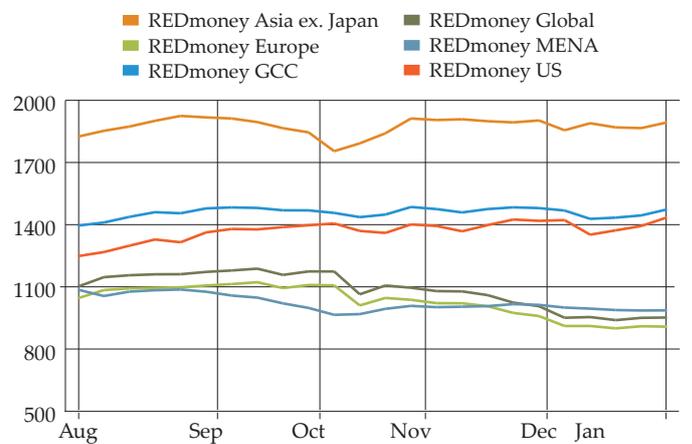
REDmoney Global Shariah Index Series (Large Cap) 6 Months



REDmoney Global Shariah Index Series (Medium Cap) 6 Months



REDmoney Global Shariah Index Series (Small Cap) 6 Months



REDmoney Global Shariah

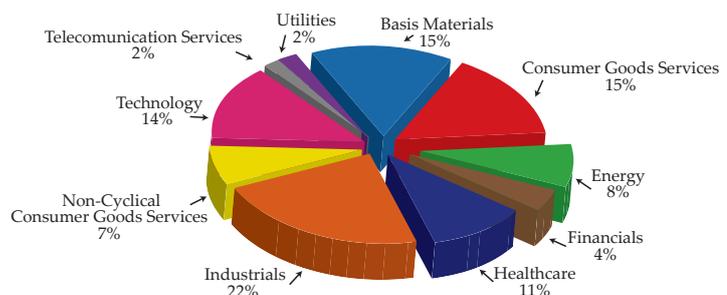
Equities are considered eligible for inclusion into the REDmoney Global Shariah Index Series only if they pass a series of market related guidelines related to minimum market capitalization and liquidity as well as country restrictions.

Once the index eligible universe is determined the underlying constituents are screened using a set of business and financial Shariah guidelines.

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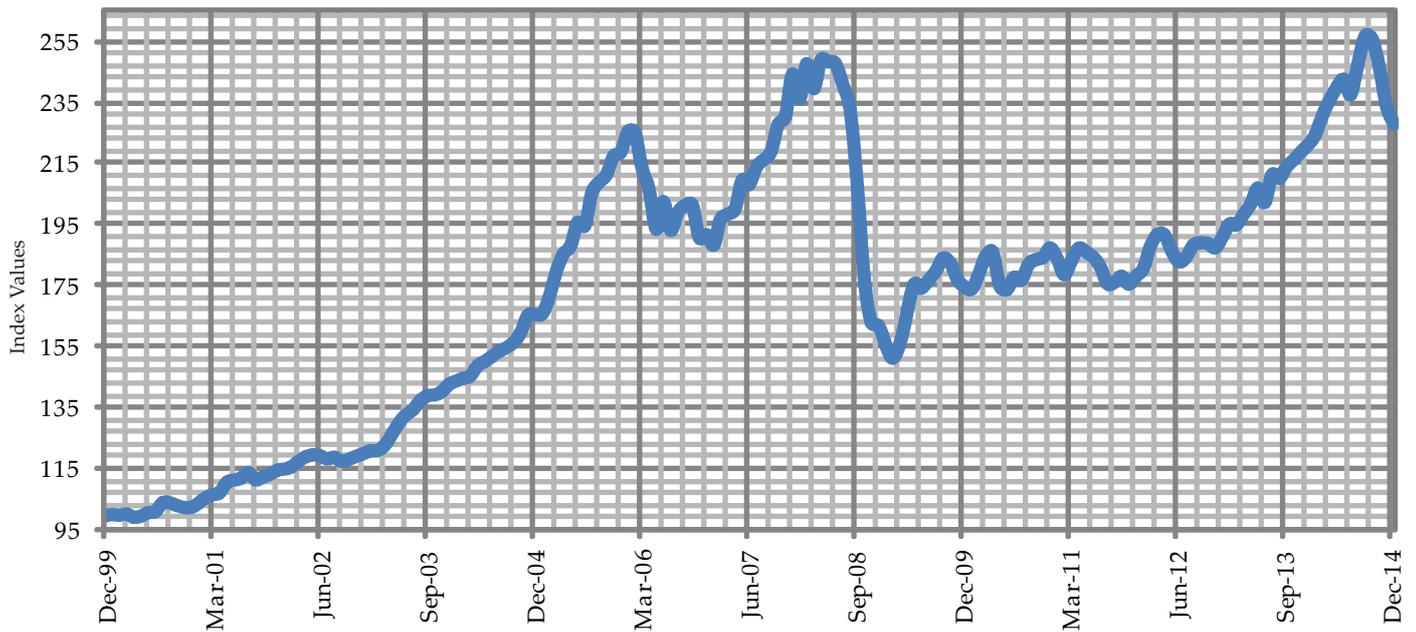
For further information regarding REDmoney Indexes contact:

Andrew Morgan
Managing Director, REDmoney Group

Email: Andrew.Morgan@REDmoneygroup.com
Tel +603 2162 7800

FUNDS TABLES

Eurekahedge Middle East/Africa Islamic Fund Index



Top 10 Monthly Returns for Asia Pacific Funds

Fund	Fund Manager	Performance Measure	Fund Domicile
1 Atlas Pension Islamic - Equity Sub	Atlas Asset Management	2.09	Pakistan
2 Namaa' Asia-Pacific Equity Growth	AmInvestment Services	2.07	Malaysia
3 Atlas Islamic Stock	Atlas Asset Management	1.44	Pakistan
4 Meezan Balanced	Al Meezan Investment Management	1.13	Pakistan
5 Al Meezan Mutual	Al Meezan Investment Management	0.78	Pakistan
6 Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	0.66	Pakistan
7 Atlas Islamic Income	Atlas Asset Management	0.66	Pakistan
8 Meezan Tahaffuz Pension - Money Market Sub	Al Meezan Investment Management	0.59	Pakistan
9 Atlas Pension Islamic - Debt Sub	Atlas Asset Management	0.58	Pakistan
10 Atlas Pension Islamic - Money Market Sub	Atlas Asset Management	0.58	Pakistan
Eurekahedge Islamic Fund Index		(0.82)	

Based on 57.81% of funds which have reported December 2014 returns as at the 26th January 2015

Top 10 Monthly Returns for Middle East/Africa Funds

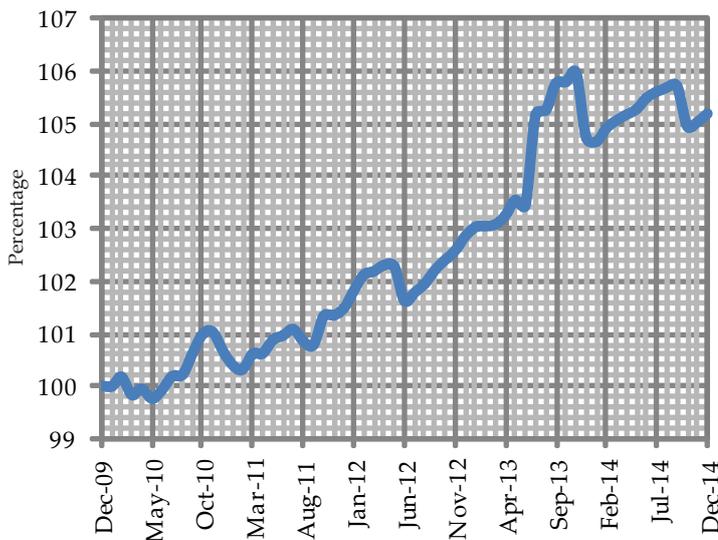
Fund	Fund Manager	Performance Measure	Fund Domicile
1 Markaz Real Estate	Kuwait Financial Centre (Markaz)	0.30	Kuwait
2 Commodity Trading - USD	Riyad Bank	0.08	Saudi Arabia
3 Eammar and Estethmar	Bayan Investment Company	0.00	Kuwait
4 Jadwa Saudi Equity	Jadwa Investment	0.00	Saudi Arabia
5 Jadwa GCC Equity	Jadwa Investment	-0.66	Saudi Arabia
6 Jadwa Arab Markets Equity	Jadwa Investment	-2.02	Saudi Arabia
7 Al-Beit Al-Mali	Global Investment House	-2.28	Qatar
8 Islamic Balanced Income	Riyad Bank	-3.87	Saudi Arabia
9 Riyadh Equity 2	Riyad Bank	-5.38	Saudi Arabia
10 Riyadh Gulf	Riyad Bank	-9.68	Saudi Arabia
Eurekahedge Islamic Fund Index		(2.35)	

Based on 20.83% of funds which have reported December 2014 returns as at the 26th January 2015

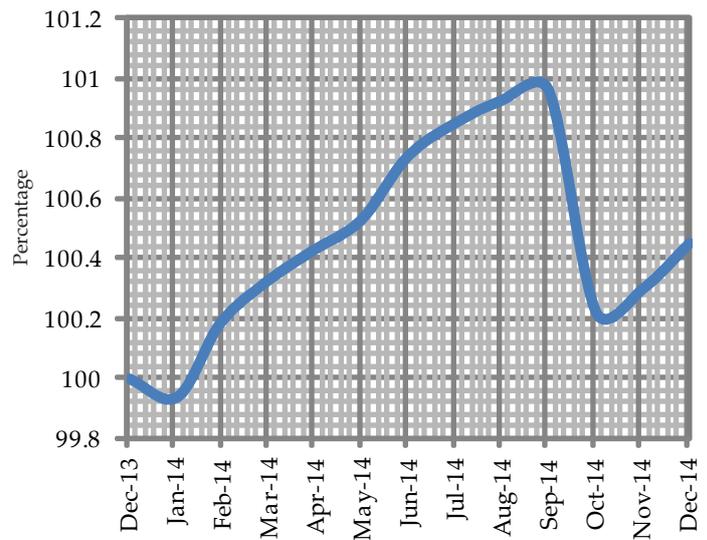
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity, global investing (which would focus on funds investing with global mandate instead of a specific country or geographical region), fund of funds, real estate as well as the Sortino ratio. Each table covering the duration, region, asset class and ratio will be featured on a five-week rotational basis.

FUNDS TABLES

Eurekahedge Islamic Fund Money Market Index over the last 5 years



Eurekahedge Islamic Fund Money Market Index over the last 1 year



Top 10 Islamic Money Market Funds by 3 Months Returns

Fund	Fund Manager	Performance Measure	Fund Domicile
1 Meezan Tahaffuz Pension - Money Market Sub	Al Meezan Investment Management	1.60	Pakistan
2 Atlas Pension Islamic - Money Market Sub	Atlas Asset Management	1.05	Pakistan
3 CIMB Islamic Money Market	CIMB-Principal Asset Management	0.23	Malaysia
4 Jadwa Saudi Riyal Murabaha	Jadwa Investment	0.13	Saudi Arabia
5 Watani KD Money Market	National Bank of Kuwait	0.13	Cayman Islands
6 Commodity Trading - SAR	Riyad Bank	0.12	Saudi Arabia
7 Commodity Trading - USD	Riyad Bank	0.11	Saudi Arabia
8 Watani USD Money Market	National Bank of Kuwait	0.08	Cayman Islands
9 CIMB Islamic Deposit	CIMB-Principal Asset Management	0.02	Malaysia
10 AmAl-Amin	AmInvestment Management	0.00	Malaysia
Eurekahedge Islamic Fund Index		(0.51)	

Based on 50.00% of funds which have reported December 2014 returns as at the 26th January 2015

Top 5 Islamic Commodity Funds by 3 Months Returns

Fund	Fund Manager	Performance Measure	Fund Domicile
1 ETFS Physical Palladium	ETFS Metal Securities	2.84	Jersey
2 ETFS Physical Gold	ETFS Metal Securities	-1.51	Jersey
3 ETFS Physical PM Basket	ETFS Metal Securities	-2.66	Jersey
4 ETFS Physical Silver	ETFS Metal Securities	-6.77	Jersey
5 ETFS Physical Platinum	ETFS Metal Securities	-7.03	Jersey
Eurekahedge Islamic Fund Index		(4.38)	

Based on funds which have reported December 2014 returns as at the 26th January 2015

Contact Eurekahedge

To list your fund or update your fund information: islamicfunds@eurekahedge.com
For further details on Eurekahedge: information@eurekahedge.com Tel: +65 6212 0900

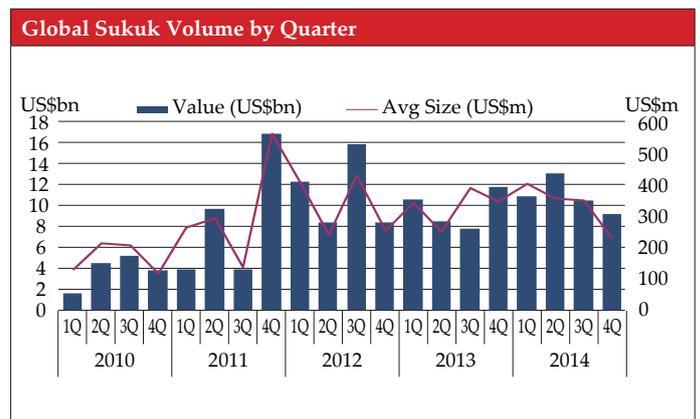
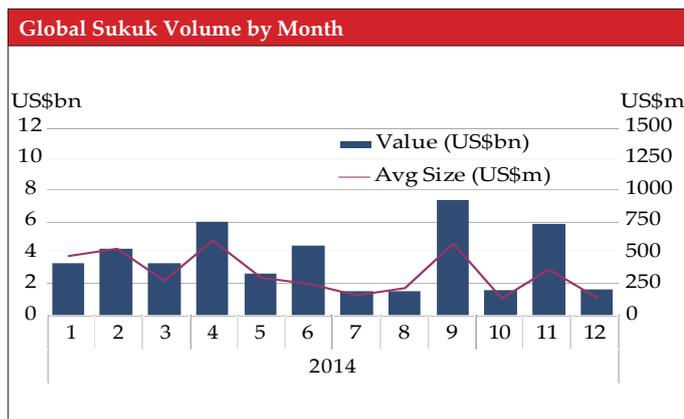
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LEAGUE TABLES

Most Recent Global Sukuk						
Priced	Issuer	Nationality	Instrument	Market	US\$ (mln)	Managers
14 th Jan 2015	Dubai Islamic Bank	UAE	Sukuk Mudarabah	Euro market public issue	1,000	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD, Noor Bank, Al Hilal Bank
19 th Dec 2014	DRB-HICOM	Malaysia	Sukuk	Domestic market private placement	206	CIMB Group
19 th Dec 2014	Northport (Malaysia)	Malaysia	Sukuk	Domestic market public issue	101	Maybank, Affin Investment Bank
15 th Dec 2014	Malaysia Airports Holdings	Malaysia	Sukuk Musharakah	Domestic market public issue	286	HSBC, Maybank, CIMB Group
12 th Dec 2014	Unitapah	Malaysia	Sukuk	Domestic market public issue	146	Kenanga Investment Bank
11 th Dec 2014	Suria KLCC	Malaysia	Sukuk Murabahah	Domestic market public issue	172	CIMB Group
9 th Dec 2014	National Higher Education Fund	Malaysia	Sukuk Murabahah	Domestic market public issue	287	Maybank, CIMB Group
8 th Dec 2014	Malaysia Building Society	Malaysia	Sukuk Murabahah	Domestic market public issue	201	RHB Capital, DRB-HICOM, AmInvestment Bank
5 th Dec 2014	Jana Kapital	Malaysia	Sukuk Murabahah	Domestic market public issue	270	RHB Capital
25 th Nov 2014	Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup
25 th Nov 2014	IFFIm Sukuk	United Kingdom	Sukuk	Euro market public issue	500	Saudi National Commercial Bank, Standard Chartered Bank, National Bank of Abu Dhabi, CIMB Group, Barwa Bank
18 th Nov 2014	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	HSBC, CIMB Group, Citigroup
17 th Nov 2014	Flydubai	UAE	Sukuk	Euro market public issue	500	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Emirates NBD, Noor Bank, Credit Agricole
17 th Nov 2014	Mumtalakat Sukuk Holding	Bahrain	Sukuk	Euro market public issue	600	Standard Chartered Bank, Deutsche Bank, BNP Paribas, Mitsubishi UFJ Financial Group
17 th Nov 2014	Advanced Petrochemicals	Saudi Arabia	Sukuk	Domestic market private placement	267	HSBC, Riyadh Bank
14 th Nov 2014	Tan Chong Motor Holdings	Malaysia	Sukuk	Domestic market public issue	225	CIMB Group, AmInvestment Bank
13 th Nov 2014	Imtiaz Sukuk II	Malaysia	Sukuk Musharakah	Domestic market public issue	150	Maybank, CIMB Group
11 th Nov 2014	DanaInfra Nasional	Malaysia	Sukuk Murabahah	Domestic market public issue	720	RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group, AmInvestment Bank
3 rd Nov 2014	Dubai International Financial Centre	UAE	Sukuk Wakalah	Euro market public issue	700	Standard Chartered Bank, Dubai Islamic Bank, Emirates NBD, Noor Bank
28 th Oct 2014	Cagamas	Malaysia	Sukuk	Domestic market public issue	305	Standard Chartered Bank, AmInvestment Bank

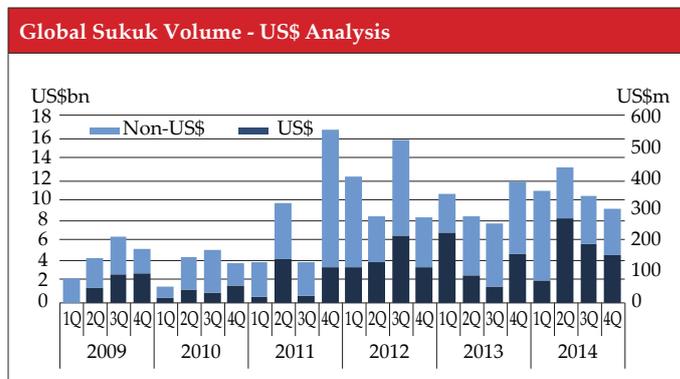
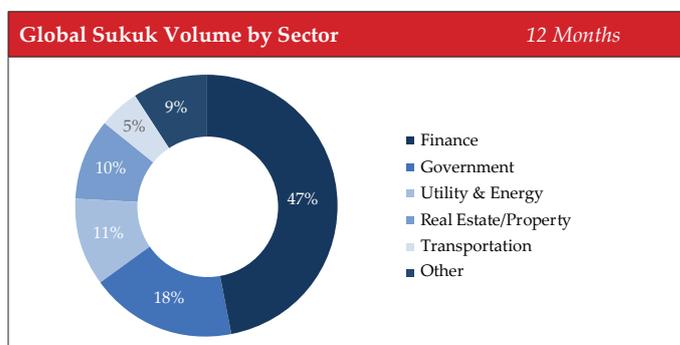
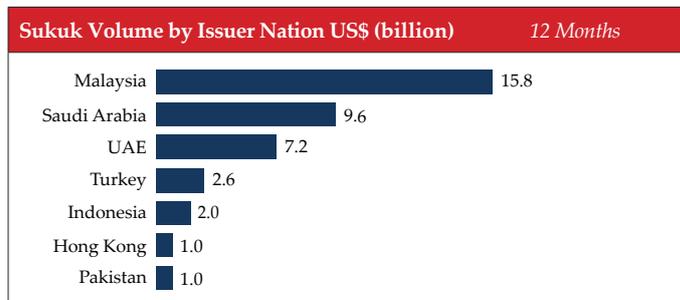
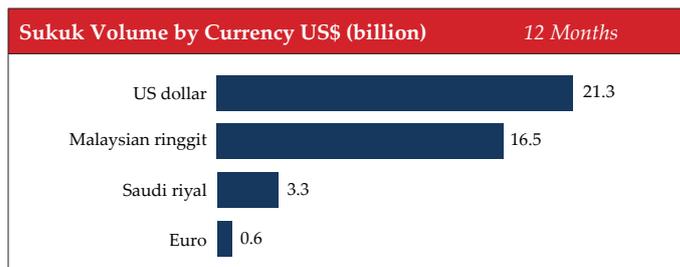


LEAGUE TABLES

Top 30 Issuers of Global Sukuk							12 Months
Issuer	Nationality	Instrument	Market	US\$(mln)	Iss(%)	Managers	
1 Saudi Electricity	Saudi Arabia	Sukuk	Domestic market public issue	3,700	8.7	Banque Saudi Fransi, HSBC, JPMorgan, Deutsche Bank	
2 IDB Trust Services	Saudi Arabia	Sukuk Wakalah	Euro market public issue	3,381	8.0	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, First Gulf Bank, RHB Capital, Natixis, CIMB Group, Commerzbank Group	
3 DanaInfra Nasional	Malaysia	Sukuk Murabahah	Domestic market public issue	2,337	5.5	HSBC, RHB Capital, Maybank, CIMB Group, AmInvestment Bank	
4 Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk Wakalah	Euro market public issue	1,500	3.5	Standard Chartered Bank, HSBC, CIMB Group, Emirates NBD	
5 National Higher Education Fund	Malaysia	Sukuk Murabahah	Domestic market public issue	1,361	3.2	Maybank, CIMB Group	
6 National Commercial Bank	Saudi Arabia	Sukuk	Domestic market public issue	1,333	3.1	Saudi National Commercial Bank, JPMorgan, HSBC, Gulf International Bank	
7 Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	2.4	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup	
7 Hong Kong Sukuk 2014	Hong Kong	Sukuk	Euro market public issue	1,000	2.4	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, CIMB Group	
7 Hazine Mustesarligi Varlik Kiralama Anonim Sirketi Dubai Islamic Bank	Turkey	Sukuk	Euro market public issue	1,000	2.4	HSBC, CIMB Group, Citigroup	
	UAE	Sukuk Mudarabah	Euro market public issue	1,000	2.4	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD, Noor Bank, Al Hilal Bank	
11 Bank Pembangunan Malaysia	Malaysia	Sukuk Murabahah	Domestic market public issue	948	2.2	HSBC, CIMB Group	
12 Rantau Abang Capital	Malaysia	Sukuk Musharakah	Domestic market public issue	781	1.8	Standard Chartered Bank, HSBC, CIMB Group, RHB Capital, Maybank, Bank Islam Malaysia	
13 Sharjah Sukuk	UAE	Sukuk Ijarah	Euro market public issue	750	1.8	Standard Chartered Bank, HSBC, Kuwait Finance House, National Bank of Abu Dhabi, Sharjah Islamic Bank	
13 Government of Dubai	UAE	Sukuk	Euro market public issue	750	1.8	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Emirates NBD	
13 Emaar Malls Group	UAE	Sukuk Wakalah	Euro market public issue	750	1.8	Mashreqbank, Standard Chartered Bank, Morgan Stanley, National Bank of Abu Dhabi, First Gulf Bank, Dubai Islamic Bank, Union National Bank, Abu Dhabi Islamic Bank, Emirates NBD, Noor Bank, Al Hilal Bank	
16 ICD	UAE	Sukuk	Euro market public issue	700	1.7	Standard Chartered Bank, HSBC, Dubai Islamic Bank, Citigroup, Emirates NBD	
16 Dubai International Financial Centre	UAE	Sukuk Wakalah	Euro market public issue	700	1.7	Standard Chartered Bank, Dubai Islamic Bank, Emirates NBD, Noor Bank	
18 DAMAC Real Estate Development	UAE	Sukuk	Euro market public issue	650	1.5	Deutsche Bank, National Bank of Abu Dhabi, Barclays, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Citigroup, Emirates NBD	
19 Syarikat Prasarana Negara	Malaysia	Sukuk Murabahah	Domestic market public issue	610	1.4	RHB Capital, Maybank, Kenanga Investment Bank, CIMB Group	
20 TDIC Finance	UAE	Sukuk	Domestic market private placement	600	1.4	National Bank of Abu Dhabi	
21 Mumtalakat Sukuk Holding	Bahrain	Sukuk	Euro market public issue	594	1.4	Standard Chartered Bank, Deutsche Bank, BNP Paribas, Mitsubishi UFJ Financial Group	
22 Saudi Telecom	Saudi Arabia	Sukuk	Domestic market public issue	533	1.3	Saudi National Commercial Bank, Standard Chartered Bank, JPMorgan	
23 ZAR Sovereign Capital Fund	South Africa	Sukuk	Euro market public issue	500	1.2	BNP Paribas, Standard Bank, Kuwait Finance House	
23 Turkiye Finans Katilim Bankasi	Turkey	Sukuk	Euro market public issue	500	1.2	HSBC, Citigroup, Emirates NBD, QInvest	
23 Kuveyt Turk Katilim Bankasi	Turkey	Sukuk	Euro market public issue	500	1.2	Standard Chartered Bank, HSBC, Kuwait Finance House, Citigroup, Emirates NBD	
23 JANY Sukuk	US	Sukuk	Euro market public issue	500	1.2	Saudi National Commercial Bank, Goldman Sachs, National Bank of Abu Dhabi, Abu Dhabi Islamic Bank, Emirates NBD, QInvest	
23 IFFIm Sukuk	United Kingdom	Sukuk	Euro market public issue	500	1.2	Saudi National Commercial Bank, Standard Chartered Bank, National Bank of Abu Dhabi, CIMB Group, Barwa Bank	
23 Flydubai	UAE	Sukuk	Euro market public issue	500	1.2	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Emirates NBD, Noor Bank, Credit Agricole	
23 Al Hilal Bank	UAE	Sukuk	Euro market public issue	500	1.2	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Citigroup, Emirates NBD, Al Hilal Bank	
30 Aman Sukuk	Malaysia	Sukuk Musharakah	Domestic market public issue	491	1.2	RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group, AmInvestment Bank	
				42,406	100		

LEAGUE TABLES

Top Managers of Sukuk		12 Months		
Manager	US\$ (mn)	Iss	%	
1	HSBC	5,790	34	13.7
2	CIMB Group	5,728	49	13.5
3	Maybank	4,356	38	10.3
4	Standard Chartered Bank	3,341	23	7.9
5	RHB Capital	2,645	40	6.2
6	AmInvestment Bank	2,449	27	5.8
7	National Bank of Abu Dhabi	2,196	14	5.2
8	Emirates NBD	1,801	15	4.3
9	Deutsche Bank	1,541	6	3.6
10	JPMorgan	1,344	3	3.2
11	Citigroup	1,200	8	2.8
12	Dubai Islamic Bank	1,147	9	2.7
13	Natixis	735	3	1.7
14	Saudi National Commercial Bank	694	4	1.6
15	Banque Saudi Fransi	600	1	1.4
16	Kuwait Finance House	518	4	1.2
17	BNP Paribas	517	4	1.2
18	Gulf International Bank	500	2	1.2
19	Kenanga Investment Bank	450	3	1.1
20	Noor Bank	440	4	1.0
21	First Gulf Bank	422	3	1.0
22	Al Hilal Bank	401	5	1.0
23	Bank Islam Malaysia	361	3	0.9
24	QInvest	345	4	0.8
25	Sharjah Islamic Bank	275	2	0.7
26	Abu Dhabi Islamic Bank	244	3	0.6
27	Hong Leong Financial Group	219	7	0.5
28	Barwa Bank	217	3	0.5
29	Affin Investment Bank	198	6	0.5
30	Commerzbank Group	188	1	0.4
31	Standard Bank	167	1	0.4
32	Mitsubishi UFJ Financial Group	149	1	0.4
33	Riyad Bank	133	1	0.3
34	Goldman Sachs	133	2	0.3
Total	42,406	130	100.0	



Top Islamic Finance Related Project Finance Mandated Lead Arrangers		12 Months		
Mandated Lead Arranger	US\$ (million)	No	%	
1	Public Investment Fund	2,571	2	27.9
2	Samba Financial Group	438	2	4.8
3	Al Rajhi Bank	320	2	3.5
4	Banque Saudi Fransi	312	2	3.4
5	HSBC Holdings	286	1	3.1
6	National Bank of Kuwait	268	1	2.9
7	Attijariwafa Bank	267	1	2.9
7	BMCE Bank - Banque Marocaine du Commerce Extérieur	267	1	2.9
9	Sumitomo Mitsui Financial Group	252	2	2.7
10	Mitsubishi UFJ Financial Group	248	3	2.7

Top Islamic Finance Related Project Financing Legal Advisors Ranking		12 Months		
Legal Advisor	US\$ (million)	No	%	
1	Allen & Overy	5,915	4	41.9
2	Baker & McKenzie	2,676	1	18.9
3	Linklaters	1,320	1	9.3
4	Clifford Chance	1,267	3	9.0
5	Chadbourne & Parke	660	1	4.7
6	Salans FMC SNR Denton Group	650	1	4.6
6	White & Case	650	1	4.6
8	Norton Rose Fulbright	354	1	2.5
8	Pekin & Pekin	354	1	2.5
10	Balcioglu Selcuk Akman Keki Avukatlik Ortakligi	177	1	1.3

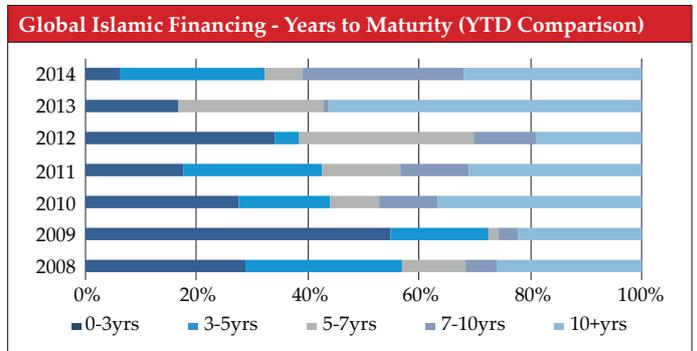
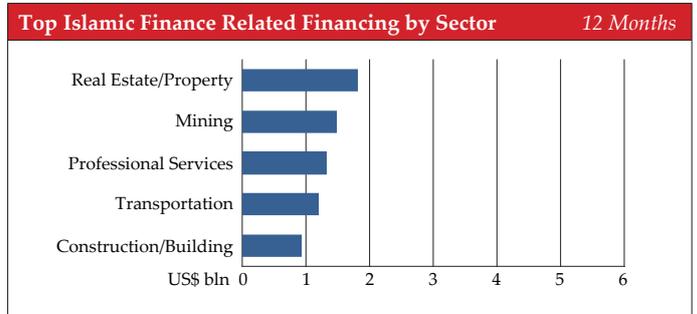
LEAGUE TABLES

Top Islamic Finance Related Financing Mandated Lead Arrangers Ranking				
12 Months				
	Mandated Lead Arranger	US\$ (mln)	No	%
1	Abu Dhabi Islamic Bank	1,389	10	13.0
2	First Gulf Bank	937	9	8.8
3	National Bank of Abu Dhabi	893	5	8.4
4	Mashreqbank	679	5	6.4
5	Samba Capital	613	2	5.7
6	Abu Dhabi Commercial Bank	596	5	5.6
7	Dubai Islamic Bank	558	5	5.2
8	Noor Islamic Bank	430	4	4.0
9	Emirates NBD	362	6	3.4
10	Al Hilal Bank	338	5	3.2
11	Standard Chartered Bank	288	6	2.7
12	SG Corporate & Investment Banking	267	2	2.5
12	Credit Agricole	267	2	2.5
14	HSBC	221	2	2.1
15	Alinma Bank	220	1	2.1
15	Al Rajhi Capital	220	1	2.1
17	Union National Bank	208	4	2.0
18	Deutsche Bank	187	1	1.8
19	Saudi National Commercial Bank	171	1	1.6
19	Saudi Investment Bank	171	1	1.6
19	Riyad Bank	171	1	1.6
19	Banque Saudi Fransi	171	1	1.6
23	Commercial Bank of Dubai	167	2	1.6
24	Ahli United Bank	145	2	1.4
25	Arab Banking Corporation	139	3	1.3
26	Barwa Bank	139	3	1.3
27	Commercial Bank International	134	2	1.3
28	National Bank of Kuwait	87	1	0.8
28	Kuwait International Bank	87	1	0.8
30	Mitsubishi UFJ Financial Group	80	2	0.8

Top Islamic Finance Related Financing Mandated Lead Arrangers				
12 Months				
	Bookrunner	US\$ (mln)	No	%
1	Abu Dhabi Islamic Bank	1,611	6	37.6
2	Samba Capital	1,327	1	30.9
3	Barwa Bank	405	2	9.5
4	Standard Chartered Bank	205	5	4.8
5	Emirates NBD	141	3	3.3
6	Noor Islamic Bank	135	3	3.1
7	Arab Banking Corporation	126	2	2.9
8	Abu Dhabi Commercial Bank	70	1	1.6
9	Mashreqbank	34	1	0.8
9	Askari Bank	34	1	0.8
11	United Bank	30	1	0.7

Top Islamic Finance Related Financing Deal List				
12 Months				
Credit Date	Borrower	Nationality	US\$ (mln)	
30 th Jun 2014	Ma'aden Waad al-Shamal Phosphate	Saudi Arabia	2,350	
21 st May 2014	Emaar Malls Group	UAE	1,500	
19 th Nov 2014	Saudi BinLaden Group	Saudi Arabia	1,327	
7 th May 2014	Emirates Steel Industries	UAE	1,300	
8 th Sep 2014	Atlantis The Palm	UAE	1,100	
26 th Feb 2014	Mobily	Saudi Arabia	761	
24 th Dec 2014	National Central Cooling - Tabreed	UAE	706	
7 th Dec 2014	Utilities Development	Kuwait	624	
31 st Jul 2014	Emirates Airlines	UAE	425	
10 th Nov 2014	Zakher Marine International	UAE	420	

Top Islamic Finance Related Financing by Country				
12 Months				
	Nationality	US\$ (mln)	No	%
1	UAE	5,064	13	47.4
2	Saudi Arabia	3,705	4	34.7
3	Turkey	573	2	5.4
4	Qatar	350	1	3.3
5	India	272	1	2.6
6	Kuwait	261	1	2.4
7	Sri Lanka	150	1	1.4
8	Pakistan	138	1	1.3
9	Indonesia	90	1	0.8



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If you feel that the information within these tables is inaccurate, you may contact the following directly: Shireen Farhana (Media Relations)
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25 th	IFN Qatar Forum	Doha, Qatar

APRIL 2015

1 st	IFN Investor Forum	Dubai, UAE
2 nd	IFN US Investor Forum	Dubai, UAE
22 nd	IFN Indonesia Forum	Jakarta, Indonesia

MAY 2015

25 th – 26 th	IFN Asia Forum	Kuala Lumpur, Malaysia
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JUNE 2015

10 th	IFN Europe Forum	Luxembourg
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SEPTEMBER 2015

13 th	IFN Issuer Forum	Dubai, UAE
18 th	IFN Iran Forum	Tehran, Iran

OCTOBER 2015

5 th	IFN Kuwait Forum	Kuwait City
27 th	IFN Egypt Forum	Cairo, Egypt

NOVEMBER 2015

17 th	IFN Turkey Forum	Istanbul, Turkey
30 th	IFN Saudi Arabia Forum	Riyadh, Saudi Arabia



JANUARY 2015

22 nd	IFSA 2013 & Islamic Banking Deposits	Kuala Lumpur, Malaysia
26 th –27 th	Managing Operational Risk in Trade Finance	Kuala Lumpur, Malaysia
28 th –29 th	Structuring Bank Payment Obligations	Kuala Lumpur, Malaysia

FEBRUARY 2015

1 st –3 rd	Derivatives & Options Masterclass	Dubai, UAE
10 th	IFSA 2013 and Islamic Investment Accounts	Kuala Lumpur, Malaysia
10 th –11 th	Ethical Banking, Sustainable & Responsible Investment (SRI) Sukuk	Kuala Lumpur, Malaysia
12 th	GST for Islamic Financial Institutions	Kuala Lumpur, Malaysia
16 th –17 th	Shariah Audit for Islamic Investment & Capital Market Instruments	Kuala Lumpur, Malaysia
23 rd –25 th	Shariah Governance & Islamic Law of Business Transactions	Dubai, UAE

MARCH 2015

1 st – 3 rd	Bonds & Fixed Income Instruments	Riyadh, Saudi Arabia
9 th –10 th	Fixed Income Products & Bond Markets	Kuala Lumpur, Malaysia



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