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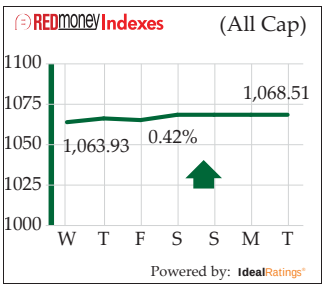


COVER STORY

25th February 2015 (*Volume 12 Issue 08*)

Africa: The lost continent?

Africa has been on the Islamic finance radar for a long time, with investors waiting eagerly in the wings ready to jump into any available opportunities. However, as momentum appears to slow and many nations remain reluctant to make a firm commitment or take any real steps to introduce or encourage a firm legal and regulatory framework to encourage development, the clock is ticking on Africa's Islamic finance ambitions. How much longer will the world have to wait to see the continent finally fulfill its exceptional potential? LAUREN MCAUGHTRY explores the options.

Opportunities abound

Home to over a billion people, Africa accounted for around 2.4% of global Islamic banking assets as of the first half of 2013 (according to KFH Research) along with 0.6% of Sukuk outstanding (as of the first quarter of 2014) and 2.8% of Islamic fund assets under management. While this can be viewed as encouraging in terms of growth and development, it is also clear that compared to its size, Muslim population, economic potential and wealth of resources, the continent is punching way below its weight.

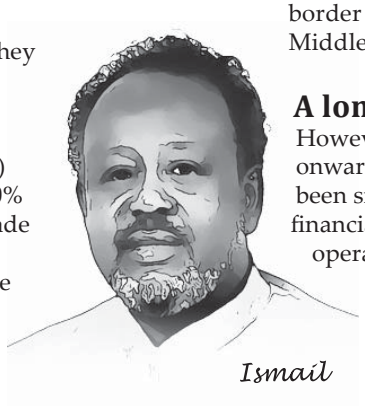
Strong potential

Yet as trade ties between Africa and the growing centers of Islamic finance in the west and east grow stronger, the allure of Islamic finance concurrently increases. Opportunities on the one side and investment in infrastructure, manufacturing and agriculture on the other, theoretically makes the match tempting on both sides of the fence. Seven out of the 10 fastest-growing economies in the world are expected to be in Africa over the coming years, and KFH Research in its latest report on the continent notes that: "Growth drivers are becoming increasingly diverse, with the resource-based, construction and services sectors taking the lead. This augurs well for Africa's economic resilience on the face of an increasingly volatile global economy."

And the vast unbanked population of Africa, the funding requirements of its emerging SME sectors and the developing economic strength of many African nations offer an exceptionally wide range of opportunities for Islamic investors and institutions to leverage.

Trade ties

And leverage it they are attempting to do: with Africa-GCC trade (as just one example) increasing by 170% over the last decade and investment flows between the two regions booming. Between 2000-10 GCC exports to Africa grew by an average 14.7% annually while imports increased by 27.5% and annual trade reached around US$35 billion.


Ismail

The heavy investment in Africa from China has also opened the door to Asian interest. Malaysia was the third-biggest investor in Africa in 2011 according to UNCTAD, with FDI flows of over US$3.5 billion. "Africa is becoming an increasingly attractive destination for Shariah compliant FDI," stated Ismail Omar Guelleh, the president of the Republic of Djibouti, at the 2014 IBSA Forum. "Africa has now been repositioned as the third-fastest growing region in the world, after the Middle East and Asia. Over the last decade, trade between African countries and the rest of the world has grown significantly, with economic linkages with the Middle East in particular strengthening further — and thus positioning Islamic finance as a catalyst to further boost cross-border investment between Africa, the Middle East and beyond."

A long way to go

However, the path still stretches onwards, and the journey has not been smooth. Only around 40 Islamic financial institutions are currently in operation across the whole of Africa, out of over 600 worldwide: despite the continent housing a population that overall is over

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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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Volume 12 Issue 8

DEALS

Indonesia to auction up to IDR5 billion (US$389,499) in retail Sukuk on the 11th March 2015

Qatar Islamic Bank to issue QAR5 billion (US$1.37 billion) Sukuk to comply with Basel III

Central Bank of Bahrain completes monthly issue of Sukuk Salam worth BHD36 million (US$94.9 million)

NEWS

Afriland First Bank rolls out Islamic window; begins offering Shariah compliant financial products

Nigeria issues Islamic banking governance guidelines; establishes dedicated advisory body

ISFIN collaborates with **Guevara & Gutierrez** to be a part of the emerging Bolivian markets

RAQABA initiates activities in the US with Shariah audit for **LARIBA**

Morocco issues royal decree for the creation of Shariah Committee for Participative Finances to oversee Islamic finance developments in Kingdom

Indonesia inaugurates **Directorate General of Financing and Risk Management Ministry of Finance**

Asia Plantation Capital secures Shariah compliance for products

Indonesian government assesses feasibility of utilization of state-owned goods and services as underlying Sukuk assets

International Bank of Azerbaijan secures US$150 million Shariah compliant syndicated financing facility

Danajamin Nasional plans partial and temporary credit guarantees to widen Sukuk issuer base

Russia considers reviewing legislation to allow Islamic banking

Turkish government and **IDB** enhance partnership

Noor Trade inaugurates new branch at the Noor Takaful Building

Bank Albilad provides SAR150 million (US$39.96 million) in financing to **Waad Holding Company**

Gulf Finance House raises paid-up capital by issuing 229.56 million shares

Operating profit of IDR2.87 trillion (US$229.6 million) for **Bank Internasional Indonesia** for financial year 2014

Qatar Islamic Insurance Co concludes 2014 with higher net profit at QAR73.4 million (US$20.15 million)

MNRB Holdings's Takaful and re-Takaful units record improved performance over 2014

Al Baraka Banking Group materializes 7% gain in net income for 2014

Alkhabeer Capital recommends SAR40.7 million (US$10.84 million) cash dividends for shareholders

Gulf International Bank's operating expenses increase as it executes GCC-focused universal banking strategy

ASSET MANAGEMENT

Qatar Exchange waits for approval to list four investment funds, one of which is Islamic

TAKAFUL

Solidarity General Takaful partners with **Copart Bahrain** to optimize efficiency

Takaful coverage extended to over 5,000 **National Higher Education Fund** borrowers, according to CEO

Oman approves draft of Takaful Insurance Law

RATINGS

Moody's assigns 'A1' rating to Oman; downgrades outlook to negative

Bank Islam Malaysia receives ratings from **Capital Intelligence**

S&P revises **Gulf International Bank**'s outlook to stable

MOVES

Robert Sharpe joins **Al Rayan Bank** as chairman

Punit Renjen to lead **Deloitte Global** as new CEO

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Africa: The lost continent?

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50% Muslim and around 65% unbanked. "To capture this tremendous potential, the regional industry must overcome certain challenges which include a lack of Shariah compliant investment vehicles, fragile legal and regulatory frameworks and, importantly, the lack of awareness by many end-users and consumers," urged Ismail.

> ***"Morocco will be among the most important growth areas in 2015. We also expect Islamic finance to continue growing in other countries where it is present"***

Pockets of opportunity

So who is doing what, and where? Reams have been written on the current situation of Islamic finance in Africa, much in these very pages, and there is no need to give yet another summary of activity. However, a few key trends have emerged in recent months that could have the potential to define or at the least determine the direction of development.

One of these is the distinction between several key areas and the emerging competition and increased activity between them. North Africa and the Maghreb (including Egypt, Morocco, Tunisia and Libya) have a clear advantage in terms of strategic location given their proximity and close cultural and historical ties to the Middle East; and following the events of the Arab Spring and their consequent political impact. While the tension between politics and religion remains high, significant steps have been taken in several countries to introduce Islamic finance at a regulatory level — Tunisia and Egypt introduced Islamic banking laws last year while Morocco recently followed. Tunisia plans to issue its first sovereign Sukuk this year; Morocco has plans to launch Islamic subsidiaries from two of its biggest banks (BMCE and BCP); and Egypt has developed into a magnet for Middle East investment with Middle East institutions such as Abu Dhabi Islamic Bank, Al Hilal and Dubai Islamic Bank all actively investing in the country.

"We expect Islamic finance to continue expanding in Africa in 2015," confirmed Mohamed Damak, the global head of Islamic finance for S&P, to IFN. "Morocco will be among the most important growth areas in 2015. We also expect Islamic finance to continue growing in other countries where it is present (such as Tunisia)."

At the other end of the continent, South Africa is the inevitable leader of the field: with its debut sovereign Sukuk issued in 2014 and a strong regulatory and legislative framework facilitating operations and investment despite a relatively small Muslim population. Al Baraka Banking Group last year also indicated plans to issue Sukuk through its local subsidiary in South Africa following the September sovereign deal which could open up the corporate market, although no announcement has since been forthcoming. However, with only a handful of Islamic institutions operating in the country and no plans to issue another US dollar-denominated Sukuk in 2015 (although the country may reportedly be considering a domestic currency issuance) the growth trajectory could be flattening out compared to its northern neighbors.

Helping the heartland

The real excitement, at the moment, lies in the central swathe of sub-Saharan Africa (SSA): which has seen an exceptional boom in activity over the last year. "Islamic finance remains small in SSA, although it has potential given the region's demographic structure and prospects for financial deepening," concluded Enrique Gelbard, Mumtaz Hussain, Rodolfo Maino, Yibin Mu, and Etienne B Yehoue in the 2014 IMF paper on 'Islamic finance in sub-Saharan Africa: Status and prospects'.

Although the market is currently still small, the demand for Islamic products and services has the potential to explode over the coming decade. Around 50% of the regional population remains unbanked, while the Muslim population — currently around 250 million — is predicted to reach over 380 million by 2030.

"Financial activities are expected to rise as a share of GDP," states the IMF. "It is also expected that many countries will introduce Islamic finance activities side by side [with] conventional banking." The retail and SME sectors are compelling prospects; while a growing middle class, a young demographic and improving education and opportunities will also drive penetration.

A diverse spread

Islamic finance has already infiltrated much of the continent: with a presence in countries as diverse as Botswana, Ethiopia, Kenya, Ghana, Gambia (which has been issuing short-term domestic currency Islamic paper for several years now), Guinea, Malawi, Mauritius, Niger, Nigeria, Senegal, Tanzania, Uganda and Zambia (which despite a small Muslim population is keen to access Islamic finance as a tool to fund investment in its mining sector).

Uganda has started the process of amending its banking regulations to allow Islamic banks to operate, while Nigeria introduced the Law Governing the Operation of Islamic Banks in 2009 and in 2011 set up an Advisory Council of Experts for Islamic Finance, issued new guidelines for non-interest banking and approved the first Islamic banking license for Jaiz International Bank, the first fully-fledged Shariah compliant bank in the country. Diamond Bank is also developing an Islamic banking window, while the non-banking sector is rapidly increasing with the assistance of key players such as Lotus Capital, which recently launched its own Islamic index.

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Africa: The lost continent?

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Kenya has an even longer history: with Barclays introducing Islamic banking products in 2005 and First Community Bank and Gulf African Bank launching in 2007 and 2008, respectively. Several conventional banks (such as Kenya Commercial Bank) now offer Islamic window services, and in 2010 the Finance Act allowed the central bank to recognize the payment of a return rather than of interest on sovereign securities; while in 2013 Standard Chartered also entered with an Islamic banking window.

Infrastructure opportunity

"SSA's large infrastructure needs will also provide an opportunity for Sukuk issuance to channel funds from the Middle East, Malaysia, and Indonesia," suggests the IMF. "By opening doors to Islamic finance, SSA can seek to attract capital from the Gulf and other Muslim countries, whose savings rates are high and projected to grow significantly." It is estimated that Africa could need upwards of US$31 billion in infrastructure financing over the next decade, and KFH Research confirms that: "The Sukuk market in Africa holds great potential over the medium-run, amid unprecedented funding needs for infrastructure building across the continent. In the next few years, Africa is likely to tap the Sukuk market to support projects in the power, transportation and other projects."

A slow start

Yet has Islamic finance achieved any real traction in any major African economy, despite all the positive steps and enthusiastic spin? Shariah compliant finance accounts for just 2% of Kenya's banking industry, and in December its finance minister once again announced a delay in its planned sovereign Sukuk issuance to the financial year 2016. And while a few other countries (including the Nigerian state of Osun and, most recently, Senegal) have issued sovereign Sukuk, the legislative and legal structure and regulatory framework remain significant impediments to investment.

Tunisia and the Ivory Coast have both delayed their expected debuts, while last month Egypt's deputy minister for economic and financial policies also confirmed that the country would require regulatory change before it could tap the international Sukuk market. "Islamic finance is being looked at by some other West African countries (such as the Ivory Coast) but we expect limited growth in these countries in 2015," commented Mohamed.

> ***"Islamic finance is being looked at by some other West African countries (such as the Ivory Coast) but we expect limited growth in these countries in 2015"***

Wheels spinning

The potential is frustratingly vast: with Megan McDonald, the global head of debt primary markets at South Africa's Standard Bank, telling Reuters last month that 15-20% of Eurobond issuance in Africa could be Sukuk as the market develops over the next two to three years. Yet so far activity has been limited, with even the big multilateral players such as the IDB taking a relatively subdued approach — although the recent US$2.6 billion power project in Morocco did see the development bank extend a small Shariah compliant tranche.

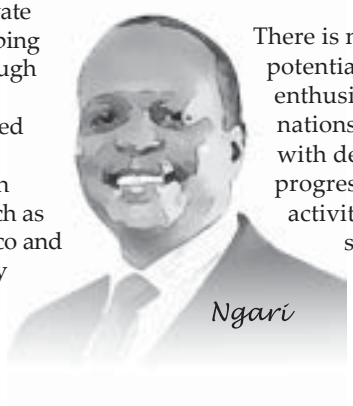
The Islamic Corporation for the Development of the Private Sector (ICD) is also stepping up its activity, both through its subsidiary Tamweel Africa which has launched banks in Senegal, Niger and Guinea; and through non-banking activity such as fund launches in Morocco and the provision of advisory services and leasing activity in Tunisia.

The European Bank for Reconstruction and Development (EBRD) and the ICD earlier this year also announced the launch of an SME fund for Egypt, Morocco, Jordan and Tunisia. Overall, the IDB has committed to US$180 million for renewable energy projects in Africa and US$7 billion in financing to African nations by 2019 — a significant sum but one that must be matched by the private sector and corporate players if the spinning wheels are ever to gain any traction.

A positive attitude

"Governments and regulators in Africa no longer view Islamic banking as a niche industry but actively seek to encourage its development," Kariuki Ngari, the head of Standard Chartered's retail banking for Africa, stated to The Africa Report. "By the end of this decade, it is quite possible that banking complying with Shariah law could account for up to 10% of banking assets in five or six sub-Saharan African countries."

Mohamed of S&P agrees. "Islamic finance could contribute to the diversification of investors' base for African countries and help fulfilling [sic] a portion of infrastructure financing needs in the continent," he explained to IFN. "Usually, Islamic finance development is done over three stages: 1. Laying down the regulation and the necessary infrastructure for the development of Islamic finance; 2. Slow start with the development of the products and clients starting to familiarize with them; 3. Rapid growth, when the market becomes familiar and generally during [a] period of good economic performance. In Africa, depending on the countries, they are either in the first stage or between the second and the third stage."



There is no denying Africa's potential, nor doubting its enthusiasm. Nevertheless, until its nations are ready to back words with deeds, promises with progress and ambitions with activity, their wheels may keep spinning but the sector will remain stuck in its current rut.

PIDM — shifting gears to propel the Islamic finance industry forward

As the banking and insurance industries become increasingly sophisticated so do the risk management mechanisms and oversight infrastructures as these facets converge to keep pace with the increasing demands and needs of consumers. VINEETA TAN catches up with Malaysia's national financial consumer protection authority Perbadanan Insurans Deposit Malaysia (PIDM) to explore in detail the agency's three-year corporate plan, particularly the exciting pipeline for the Takaful segment.

Mandated with the task of promoting and contributing to the stability of the country's financial system, PIDM's core responsibility is to administer two financial consumer protection systems: the Deposit Insurance System (DIS) and the Takaful and Insurance Benefits Protection System (TIPS). Coinciding with its 10th anniversary, the statutory body this month released its Corporate Plan 2015-17 which will see the introduction of a slew of initiatives designed with operational effectiveness in mind along with long-term sustainability.

Rating prediction model

In addition to completing the Takaful and Insurance Risk Assessment System, PIDM revealed that it plans to introduce a unique rating prediction model for TIPS using statistics to forecast the likelihood of any changes to the member institutions' existing ratings.

"The rating prediction model for TIPS will allow PIDM to pre-emptively identify potential pressure points affecting the industry as a whole and our member institutions specifically," explained Rafiz Azuan Abdullah, PIDM's executive general manager, to IFN. "It is a key

component of PIDM's continuous risk assessment and monitoring of its member institutions and will complement the existing risk assessment and monitoring framework already in place."

The key theme in this proposed mechanism is: early detection — which will facilitate the undertaking of prompt corrective measures, enabling the necessary effective early intervention actions which will subsequently minimize costs to the financial system. This model, Rafiz revealed, will be developed for both the Islamic and conventional insurance industries in phases over the next few years.

Differential Levy System

Another important initiative is the implementation of the Differential Levy System Framework for Takaful Operators (DLST Framework), expected to take effect next year. With the enforcement of Bank Negara Malaysia's Risk-Based Capital Framework for Takaful Operators early last year, it has become even more imperative and timely for PIDM to level the playing field between conventional and Takaful players.

Equally significant, is that the utilization of a differential levy mechanism would encourage insurer members to adopt sound risk management practices and minimize excessive risk-taking. "Takaful operators will have to improve the overall aspects of their businesses in order to achieve the best-rated category and be subjected to the lowest levy rate," said Rafiz.

Adapting to a changing financial landscape

Apart from the abovementioned initiatives, the corporation is also spearheading the development of the IADI Core Principles for Effective Islamic Deposit Insurance Systems, in response to the escalating need for an effective Shariah compliant deposit insurance system in light of the rapid expansion of the Islamic financial services industry.

It cannot be denied that the Islamic financial industry in Malaysia has come a long way and is making good pace in commanding a significant market share. However, this progress cannot be taken for granted and an effective safety net has to be in place to support the industry.

Although it may seem that the development of mechanisms for the Islamic financial industry are lagging behind the conventional sector, however, due consideration must be given to the relative youth and maturity of the Shariah compliant financial segment and the accompanying complexities. Nonetheless, it is clear that PIDM is making the Islamic counterpart an equal priority and is attempting to catalyze development in this area within the next three years.

IFN survey: Islamic finance — has it really evolved?

Of late, there has been a widening debate about whether the development of the Islamic finance industry is in fact evolution towards conversion with conventional finance with mostly superficial remnants of the original ideals. Dr Andrei Juravliov, a researcher and Islamic finance course lecturer at the Moscow State University, is one of those who is looking into this thorny issue. In preparation of an essay on this subject, he has teamed up with IFN to conduct a dedicated survey. Juravliov is not expecting to receive statistically strict results. However, he believes that the answers may help to feel the pulse of the Islamic finance community and Muslims at large.

Once complete, IFN will publish the full essay — something we're certain you'll be interested to read. Therefore, please spare a few minutes to share your thoughts by answering this questionnaire. Your input is most appreciated.

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 US shale gas group experiences halt in growth and cuts capital spending following weak oil prices. EOG says it is "intentionally choosing returns over growth".
- World Bank cleared over US$1 billion China loan, says FT. Concerns were raised by treasurer after People's Bank of China had to offer loan at market rate.
- ASEAN economic bloc sees stagnant growth as regulatory and legal issues impeded process. Labor laws in particular are interrupting development. When will nations sort themselves out?
- Japanese equities see upwards growth trajectory as economy starts journey to recovery — is Abenomics working?
- Nigerian presidential and state elections have been postponed to March and April as the country struggles to handle itself in the wake of declining oil exports and growing political strife.
- Iran and the west are making progress in nuclear talks, with an agreement possible in the coming weeks. With sanctions lifted, could the influx of Islamic funds change the face of the financial markets?
- Further tax scandals in the Swiss banking market see more clients flee to other offshore markets.

New European Islamic finance player?

Belgium may be an unfamiliar name in the Islamic finance universe, but VINEETA TAN writes that this is likely to change as the European nation embarks on a series of initiatives which are bound to elevate its standing in the Shariah compliant finance fraternity.

> ***"Luxembourg and Belgium are profiling themselves to become recognized actors in Islamic finance, funds and the Islamic economy"***

The country caught attention last November when Cecile Jodogne, the secretary of state for foreign trade and investment for the Brussels-Capital Region, during the Belgian Economic Mission in Malaysia confirmed the growing demand for Islamic finance in Belgium, and how the country could leverage Shariah compliant finance to attract investment flows. It was also revealed to IFN that the Association

of Belgium Muslim Professionals had submitted a memorandum to the Ministry of Finance and the regulator to consider enabling a regulatory environment favorable to Islamic finance (See IFN Report Vol 11 Issue 48: 'Belgium: Application of Islamic finance with minimum legal change').

Building on this keen interest from both industry players and authorities, IFN has also been informed that the Belgium-based Louvain School of Management (LSM) of Université Catholique de Louvain (UCL), in association with global Islamic finance legal network ISFIN, are launching Benelux (Belgium, the Netherlands and Luxembourg)'s first university diploma in Islamic finance, with classes to commence this April.

"At the heart of Europe, Belgium host[s] the most esteemed international companies and institutional head offices. In the last decade, we have observed many actions from Belgian authorities and institutions towards the Gulf, the Mediterranean and Muslim markets (prince economic missions in Qatar, Malaysia, Indonesia, the UAE). The interest for these markets is growing in the Capital of Europe. Luxembourg and Belgium are profiling themselves to become recognized actors in Islamic finance, funds and the Islamic economy," noted a joint press release by both ISFIN and UCL.

With Islam as Belgium's largest minority religion (6% of total population according to Pew Research Center), the Kingdom does indeed hold significant potential not only for Islamic finance, but also the wider Halal industry as Brussels could act as the gateway to 15-20 million Muslims in the eurozone. Although Belgium's Islamic finance industry is nascent at best, the country does have redeeming advantages including: increasing demand and concerted efforts from market players, as well as existing legal and financial infrastructures which accommodate the issuance of Sukuk — the most popular platform among sovereigns in launching their Islamic finance ambitions. And with this upcoming Islamic finance qualification, the country is tapping one of the most fundamental components in the development of the industry — human capital. With these developments unfolding, the global Islamic finance community cannot ignore the very likelihood of Belgium making its mark as a serious player in the near future.

Sovereign Sukuk: Indonesia making strides

Over the past week, quite a few corporates have revealed intentions to tap the Sukuk market this year. In the sovereign space, the Indonesian government made public its intention to issue a three-year Sukuk as well as its efforts in exploring new avenues to serve as underlying Sukuk assets. Lauding these advancements, NABILAH ANNUAR provides a brief account of developments in the global sovereign Sukuk market.

Asia

The Indonesian government has recently announced that it will auction a three-year Sukuk of up to IDR5 billion (US$389,499) through its SPV Indonesian SBSN Issuer Company on the 11th March 2015. According to the statement, the target investors for the Sukuk are 'individual, Indonesian citizens', to be sold at an indicative fixed coupon rate of 8.25% per year. The government is also currently assessing the feasibility of the utilization of state-owned goods and services such as tables, chairs, computers and cars as underlying assets for Sukuk issuances. The country intends to issue IDR7.14 trillion (US$571.2 million)-worth of project-based Sukuk this year, auction Sukuk 22 times, launch a retail Sukuk program of up to IDR20 trillion (US$1.57 billion) in April and issue global Sukuk within the first quarter.

The Malaysian government is (according to Bloomberg) planning to tap the global Islamic bond market for the first time in almost four years, instructing banks to submit proposals for a US dollar-denominated debt offering. Malaysia last tapped the market in 2011, when it sold Sukuk worth US$2 billion with maturities of five and 10 years.

Other countries that have come forth with Sukuk plans include: Bangladesh, Ningxia Hui Autonomous Region, Turkey and Kazakhstan. IFN's Bangladesh correspondent Md Shamsuzzaman has confirmed that the country is actively considering the introduction of Sukuk in the domestic market. Ningxia Hui 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.

The Turkish Treasury said that it plans to issue Sukuk worth TRY1.5 billion (US$609.87 million) by the end of February. Kazakhstan could also potentially tap the international Sukuk market this year with a possible quasi-sovereign offering. Pakistan's finance minister on the other hand has 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.

Africa

South Africa has no plans to issue a US dollar-denominated Sukuk in 2015, reported Reuters. The sub-Saharan nation, which is also planning to offer domestic South African-rand denominated Sukuk, may, however, consider selling Sukuk next year. Tunisia has revised its plans expecting to debut its Sukuk offering in the second half of 2015 to allow parliament time to amend a law concerning the sale, reported Reuters. The Republic picked four banks including Citigroup, Natixis and Standard Chartered for the proposed US$500 million US-dollar denominated issuance.

With a final decision yet to be made, according to UMOA-Titres, the region's development planning agency, Ivory Coast reportedly has plans to tap the international Sukuk market with an estimated offering of XOF200 billion (US$344.23 million) this year. 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.

Europe

Global Sukuk market constituents can expect another Sukuk offering from Luxembourg as its finance minister, Pierre Gramegna, 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

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 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.

90 North acquires US$127 million US trophy property

Shariah compliant and socially responsible real estate specialist 90 North Real Estate Partners has concluded its third US acquisition and single largest deal to date — the Lenovo Enterprise Campus in North Carolina's Research Triangle Park for US$127 million. VINEETA TAN explores the significance of this deal.

Contracted by a new 13-year triple net lease to Lenovo (US) with a guarantee from its parent Lenovo Group (Hong Kong), the 450,000 sq ft property consists of two Class A four-storey buildings which can accommodate a further 100,000 sq ft of new development.

"This is a great acquisition for 90 North, one that really speaks to our commitment to investing in prime, trophy-caliber assets in North America," explained Daniel Cooper, the head of 90 North US, in a statement to IFN. "The Lenovo Enterprise Campus has the stability and guarantee of a Fortune 500 company and the upside potential of the additional space being developed, and available to be developed, all within a prestigious research park environment."

Despite the fall in global oil prices and inflation, the international real estate market continues to see growing demand across the board including in the UK, Norway and Germany as well as the US; which perhaps explains the commendable expansion of 90 North. The firm this year opened an office in Kuala Lumpur, Malaysia, following its expansion into the US (Chicago) last year and has its eyes on China. This most recent acquisition brings the value of transactions advised by the firm in the US alone to US$233 million and US$850 million globally in less than three years. The company is also looking at acquiring a logistic facility in Europe, founder and managing partner Philip Churchill told IFN.

Acting in the capacity of corporate advisor and asset manager, the deal was closed in partnership with Dubai's Arzan Wealth, which acted as strategic advisor on the structuring and acquisition of the property. Brokered by Cushman & Wakefield, the property was sold by affiliates of the Philadelphia-based Rubenstein Partners and its partner, Grubb Properties.

Islamic banking business boosts NBK's position as strongest franchise in Kuwait

After a period of negative earnings, Kuwait's Shariah compliant Boubyan Bank has managed to remove itself from the red and steered itself on a journey of increasing profitability, underpinned by its five-year strategic plan which came to a close last year. VINEETA TAN discusses how Boubyan's exceptional progress has made it an essential unit of its parent bank.

Reporting a 111% leap in net profits over the period, the Islamic bank realized KWD28.2 million (US$95.76 million) in profits for the 2014 financial year, marking a 21% growth in total assets to KWD2.7 billion (US$9.17 billion). Boubyan's market share in financing portfolio more than doubled to 5.8% last year from 2.3% in 2009, while its share of consumer finance increased significantly from 1.2% to more than 8.3%, as of present.

More significantly, however, is that the transformation of this bank has made it a vital component of the growth story of its conventional parent, NBK. "From a low base, Boubyan is growing rapidly and performance has improved markedly. Income is further diversified by the bank's strong capital markets division and stable earnings from the bank's treasury function," explained NBK in a statement. This diversification-focused business strategy of NBK is what led Fitch to view the bank as one of the region's strongest franchises.

> ***"It is difficult to compare NBK with domestic peers, due to the dominance of the bank's domestic franchise and superior diversification"***

"It is difficult to compare NBK with domestic peers, due to the dominance of the bank's domestic franchise and superior diversification," said Fitch in its latest report on the bank. "We therefore view NBK's closest peers as other leading GCC banks that are flagship banks within their domicile." Since acquiring a majority stake (58.3%) in

Boubyan three years ago, NBK has made it a priority to enhance the profitability and optimize the efficiency of its Islamic arm with a focus on organic growth, to boost its standing in the domestic Islamic banking landscape. To date, NBK is the only bank in Kuwait which offers both Islamic and conventional financial services.

And while Boubyan may pale in comparison to other peers (Kuwait Finance House registered a net profit of KWD126.5 million (US$427.49 million) in 2014 and total assets of KWD17.2 billion (US$58.13 billion)), the Islamic bank is expected to grow rapidly in the next few years, contributing a larger portion of earnings to its conventional parent which Fitch notes will assist in maintaining NBK's healthy earning base.

IFN Weekly Poll: Would the upcoming Sukuk offering in Labuan by Australian joint venture company, SGI-Mitabu spur more Islamic finance activities back home in Australia?

This week IFN follows up on the development in Australasia. It was reported last week that SGI-Mitabu, a joint venture company between The Solar Guys International and Mitabu Australia, is looking to auction AU$150 million (US$116.23 million) in Sukuk in Labuan this year. What could this monumental issuance mean for the budding Islamic finance sector in Australia? NABILAH ANNUAR reports.

Signaling a lack of growth for foreign financial institutions in the country, and possibly Islamic finance, in the first week of February, Malaysia's CIMB Group, the parent company of CIMB Islamic, announced that it will be closing down its offices in Sydney and Melbourne. This followed an announcement where CIMB stated it was looking to reduce its Asia Pacific investment banking and equities operating cost by 30% in 2015. Just a week later, hopes for Shariah compliant activities Down Under were renewed as reports emerged on the revival of SGI-Mitabu's plans to issue Sukuk in Labuan to fund the construction of a solar project in Indonesia.

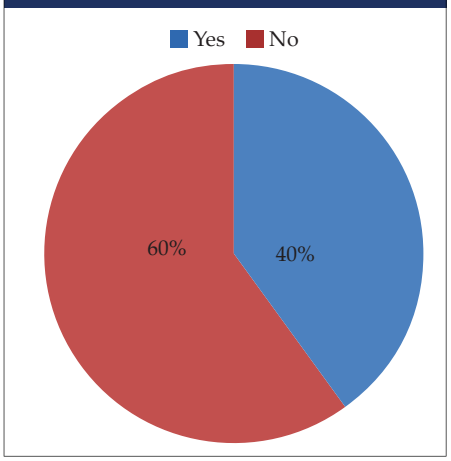
With an estimated amount of AU$150 million (US$116.23 million), the Sukuk is slated for the third quarter of this year. The offering was first announced in December 2012 but delayed from its June 2013 issuance date. According to news portal W-T-W, the 250 MW solar power project was contracted with Indonesia's Ministry of Energy. The first 50 MW of the project is to be financed through the issuance of a seven-year AU$100 million (US$78.35 million) Sukuk, which will be followed by two more tranches that will be structured as either Sukuk or Islamic syndicated financing schemes. The entire project would require up to AU$550 million (US$430.93 million) in financing, with all funding to be structured in a Shariah compliant manner. The initial Sukuk is set to be domiciled in Labuan and is expected to be placed almost entirely with Malaysian investors.

> ***"It is rather unlikely that the deal would have a significant impact on market constituents back home"***

Built up to be a promising venture, could it spur more Shariah compliant activities in Australia? Leaning towards a realistic view, the poll results portray skepticism as 60% opine that it would not. Looking at the deal objectively, although both companies mandated to set up the project originate from Australia, the power plant is to be constructed in Indonesia, with monies raised from Malaysian investors. Hence, it can be said that it is rather unlikely that the deal would have a significant impact on market constituents back home.

However, over the past year Australia has had several notable developments for the advancement of Islamic finance in the country. One of the most prominent was at the federal government level; the Australian Treasury Department released the Murray Interim Report in July 2014 called the 'Financial System Inquiry Interim Report'. The report, which was built on the progress made in the Johnson Report (Johnson Report 2009 and Board of Tax review completed in 2011), mentions, indirectly, that there is still a desire to accommodate Islamic finance in order to facilitate integration with neighboring Asia. It highlighted many impediments to accommodate such integration with Asia but did not rule out further exploration into such initiatives — which means that Islamic finance is still on the government's radar. On the back of a development as concrete as this, it can be said that the deal could perhaps be a stepping stone to further propel Islamic financial activities in the country.

Would the upcoming Sukuk offering in Labuan by Australian joint venture company, SGI-Mitabu spur more Islamic finance activities back home in Australia?



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IILM expands short-term Sukuk program

Continuing its commitment to provide the Islamic banking and finance industry with effective liquidity management tools, the International Islamic Liquidity Management Corporation (IILM) auctioned two tranches of Sukuk collectively worth US$990 million on the 24th February, bringing the value of IILM's short-term Sukuk program to over US$2 billion. VINEETA TAN takes a closer look at the deal.

As a measure to enhance the appeal of its regular issuance program, the IILM has again expanded beyond its usual three-month issuances with another six-month tenor facility (worth US$500 million) following its debut of a six-month Sukuk last August; a step most welcomed by industry players. While it may seem counter-intuitive to issue a relatively longer facility in an environment in dire need of shorter-term Shariah compliant liquidity management tools, a survey conducted by IFN (See IFN Weekly Poll Vol 11 Issue 37) indicated that a majority (58.8%) of the respondents preferred six-month papers, with the rest divided between one-month (17.6%) and one-week (11.8%) and the rest three-month and one-year; demonstrating the differing liquidity management needs of different institutions.

However, regardless of the maturity of these papers, the industry is at a juncture whereby there is an acute shortage of highly-rated Islamic short-term paper — therefore the availability of Shariah compliant high-quality liquid assets (HQLA) takes precedence over the exact tenor of these facilities.

Issuing its last Sukuk on the 22nd January (US$860 million at a profit rate of 0.55% with a three-month tenor), the IILM has consistently provided the market (both Islamic and conventional) with short-term HQLA that meet Basel III requirements. The Malaysia-based entity has also expanded its unique multi-jurisdictional primary dealer network (including Qatar's Barwa Bank in October) to facilitate distribution to investors worldwide.

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France — a stronger Islamic finance presence in 2015?

France has long been touted as a market of immense latent Islamic finance potential due to it being home to Europe's largest Muslim population (7.5% of its total population belong to the Islamic faith, according to latest figures from Pew Research Center). Although there has been political initiatives to facilitate Shariah compliant finance in the country, the development of Halal finance has nonetheless been slow to take off due to the country's staunch secular belief system which permeates every aspect of French life. However, that is likely to change as France struggles economically, making it increasingly difficult to ignore alternative funding sources. VINEETA TAN highlights key Islamic finance developments over the past year.

Economic overview

2014 was a difficult year for France. Marred by an escalating unemployment rate, weak growth, low productivity and high taxes, Europe's second-largest economy is not expected to pick up this year. The Organization for Economic Co-operation and Development (OECD) projects real GDP growth to rise by 0.8% this year and 1.5% in 2016, driven by improvements in the international environment, a favorable exchange rate, lower energy prices and a slower pace of fiscal consolidation.

Despite structural reforms and medium-term policies to moderate public spending and boost business competitiveness, OECD is of the opinion that narrowing the country's budget deficit gap would be significantly less ambitious than originally intended: with the 3% deficit threshold only likely after 2017, not 2015 as hoped.

Table 1: Key economic indicators for France (forecast)

	2014 (%)	2015 (%)	2016 (%)
Unemployment rate	9.9	10.1	10
Fiscal balance	-4.4	-4.3	-4.1
Headline inflation	0.6	0.5	0.9
GDP growth	0.4	0.8	1.5

Source: OECD

Real estate

Real estate continues to be the springboard for Islamic finance in France. With Paris being one of the most lucrative property markets (up to 4.1% initial yields for offices in the Paris Central Business district and 3.9% for best retail location almost double that of London's Mayfair (2-2.75%)) and the more preferred destination among Middle Eastern investors, industry players continue to highlight French real estate as the avenue for Islamic finance to take off from.

According to the CBRE, Europe accounted for a majority of Middle East real estate outflows (80% average) over the last 10 years, with Paris commanding a 15% share. CBRE expects Paris to account for a larger chunk in the next decade, possibly registering a five-fold growth as compared to the previous decade.

Banking

Islamic banking in France remains dismal with the likes of BNP Paribas and Societe Generale (SocGen) being more active in the Islamic finance scene overseas, rather than in the domestic market. Chaabi Bank is the only Islamic banking window operator in France, offering a deposit account service and a real estate product.

SocGen's proposed RM1 billion (US$273.77 million) Sukuk, which had been delayed since last July, has not materialized; however, the French bank affirmed that it will continue to strengthen its Islamic finance capabilities and presence. The proposed multi-currency Islamic medium-term notes program was assigned a 'AAA(s)/Stable' rating by RAM Ratings and features back-to-back Shariah compliant contracts with its wholly-owned subsidiaries: Societe Generale Bank and Trust (the obligor) and ALEF (the issuer).

Education

In November 2014, Paris Dauphine University (PDU) struck an agreement with the UAE's Hamdan Bin Mohammed Smart University, through which the two education providers will design Islamic finance programs for the GCC and MENA regions which can be taken in either institutions.

Takaful

With its existing law compatible with the demands of Takaful insurance with no need for further amendments, France is presented with the unique advantage to further its Islamic insurance industry. However thus far, only Family Takaful solutions are available to French consumers — Salam by Swiss Life and Amane Exclusive Life from VITIS LIFE.

Islamic funds

Latest figures from the European Central Bank (2013) indicate that there are six Shariah compliant funds in France with total assets under management of US$147.2 million, relatively evenly distributed between money market (47%) and equity (53%).

Others

French legal firm De Gaulle Fleurance & Associés in August 2014 joined global Islamic finance legal network ISFIN, becoming its exclusive representative in France.

Conclusion

While the development of Islamic finance in France has lagged in comparison to its other European peers despite its favorable demographic advantage, the country can no longer afford to be as ambivalent about utilizing Shariah compliant finance as it needs to attract petrodollars. As with the UK, launching a sovereign Sukuk program would elevate France's standing in the global Islamic finance community; however, that seems very unlikely in the near future. Nonetheless, there are vast opportunities in real estate, insurance as well as private banking.

Risk management: A continuous endeavour

As one of the paramount necessities in the banking and finance industry, risk management undoubtedly plays a crucial role in carrying out an organization's objectives. From Takaful to banking to corporate governance, NABILAH ANNUAR provides an update on the risk management space.

Risk management regulation

The Islamic Financial Services Board (IFSB) last November published two new exposure drafts (ED-17: Standard on Core Principles for Islamic Finance Regulation (Banking Segment) and GN-6: Guidance Note on Quantitative Measures for Liquidity Risk Management in IIFS), for public consultation. In December it held a second hearing for the two exposure drafts with the discussed matters to be brought up at a Shariah and technical committee meeting expected next month.

The Indonesian government has established a five-year roadmap for Islamic finance which seeks to address risk management and settlement of disputes in the Shariah compliant marketplace. Expected outcomes of the five-year strategy include: (i) the development of synergy between all sectors of Islamic financial services, such as Shariah banks, the capital market, Takaful companies, financial Shariah units of cooperatives and other financial institutions; (ii) the stimulation of the development of Shariah activities in Indonesia through the issuance of reliable laws and regulations to stipulate the Islamic financial products to be engaged by Islamic financial institutions.

R&D

In a research undertaken by software and technology company Sungard, a more effective enterprise risk management framework, competitive product offerings and customer service as well as working with regulators to achieve greater standardization are identified as the necessary requirements to support the growth of the Islamic banking industry.

The World Bank and Bahrain's Al Baraka Banking Group last August collaborated on a landmark research partnership to examine risk management challenges in Islamic finance. The first initiative began with a study examining the risk management challenges faced by Islamic banks, focusing on Mudarabah and Musharakah transactions under the profit-and-loss-sharing system. The methodology not only involves collecting data from a number of countries where Mudarabah and Musharakah are being used in banking transactions, but it also examines what enabling legal and regulatory environment would be needed to support the adequate risk management of these transactions.

REDmoney Group, NASDAQ Dubai and the UAE-based Islamic advisory partnership AIMS, have collaborated in providing training courses to develop human capital in the financial sector, both Islamic and conventional. The courses will be organized by NASDAQ Dubai Academy, the exchange's training arm, and will cover a wide range of topics including: risk management, corporate banking, investment banking, capital raising, treasury products and fund management.

Takaful

Fitch Ratings in a recent report expects more consolidation in the Malaysian Takaful sector. This is premised on the expectation of enhanced risk management practices by regulators as well as continued implementation of tighter capital requirements. Both factors are likely to pool together Takaful players of limited operating scale and weak financial flexibility. Despite tighter capitalization requirement, Fitch expects the Malaysian Takaful and insurance sector to remain stable, while commanding a high potential for further growth. This market outlook is based upon continued premium expansion, sound capital buffers and solid underwriting margins which will bolster the credit profiles of a majority of insurers.

In the UAE, AM Best affirmed the financial strength rating and the issuer credit rating of Emirates Retakaful (ERL) at 'B++ (Good)' and 'bbb+' respectively, with a stable outlook. The affirmation reflects ERL's adequate enterprise risk management, strong risk-adjusted capitalization and good projected financial performance.

ISLAMIC FINANCE QUALIFICATION (IFQ)
9TH – 11TH MARCH 2015, KUALA LUMPUR

An exchangeable Sukuk with a hybrid structure: Cahaya Capital

Khazanah Nasional on the 18th September 2014 via its Labuan-incorporated SPV Cahaya Capital, successfully auctioned a US$500 million Sukuk. The instrument was unique bearing an amalgamation of the Mudarabah and Murabahah structure. Speaking to Chin Sook Kwan, a partner at Zaid Ibrahim & Co who worked on the deal, NABILAH ANNUAR has the exclusive.

Exchangeable into Tenaga Nasional's ordinary shares, Malaysia's electricity utility company, the Sukuk was priced through an accelerated book-building process drawing a demand of 1.6 times the book size, arriving at a -5bps yield to maturity and a 15% exchange premium. Said to be a novel structure, the Sukuk is the first exchangeable Sukuk based on the combined Islamic principles of Mudarabah and Murabahah. The Sukuk was issued in line with Khazanah's fund-raising strategy and long-term commitment towards progressive divestments of its investments. Proceeds from the auction will be used for additional working capital and for other general corporate purposes relating to the obligor's principal business activities which are Shariah compliant.

"The transaction sets a benchmark for future issuers of exchangeable Sukuk to access a wider pool of investors. It also supports the Malaysia International Islamic Financial Center's initiative and reinforces Malaysia's status as an international marketplace for Sukuk offerings and leader of Islamic finance. It is the first seven-year put four exchangeable Sukuk priced at negative yield," said Chin. One of the main challenges faced in the deal was combining the two Islamic principles of Mudarabah and Murabahah and incorporating the exchange feature into the structure.

> *"The transaction sets a benchmark for future issuers of exchangeable Sukuk to access a wider pool of investors"*

With investors originating from outside of Malaysia, the unrated paper is listed on the Singapore Exchange, Bursa Malaysia (under the exempt regime) and the Labuan International Financial Exchange. The issuance is believed to provide future issuers with greater options to access a wider pool of investors. Arrangers and bookrunners for the deal were CIMB Bank, Deutsche Bank Singapore branch and Standard Chartered Bank Singapore branch.

Exchangeable trust certificates, exchangeable into ordinary shares in Tenaga Nasional

US$500 million

18th September 2014

Issuer	Cahaya Capital
Obligor	Khazanah Nasional
Issuance price	US$500 million
Purpose of issuance	Additional working capital and for other general corporate purposes relating to the obligor's principal business activities which are Shariah compliant
Trustee	The Bank of New York Mellon, London Branch
Tenor	Seven years
Pricing	-5bps
Maturity date	18th September 2021
Arrangers and bookrunners	CIMB Bank, Deutsche Bank Singapore branch, Standard Chartered Bank Singapore branch
Legal counsel	Issuer: CIMB Bank, Deutsche Bank Singapore branch, Standard Chartered Bank Singapore branch Arrangers: Linklaters Singapore as English law counsel and Zaid Ibrahim & Co as Malaysian law counsel
Rating	Unrated
Shariah advisor(s)	CIMB Islamic Bank, the Shariah advisor of Deutsche Bank, the Shariah supervisory committee of Standard Chartered Bank
Structure	Mudarabah-Murabahah exchangeable Sukuk
Listing	Singapore Exchange and Bursa Malaysia
Investors	Outside Malaysia

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Query:

Islamic bank A and Islamic bank B had extended a club financing facility to an airline (the customer). The financing was under the Murabahah structure, as the banks had purchased an aircraft from the manufacturer company and sold it to the customer. The Murabahah sale price had to be paid by the customer in monthly installments throughout the financing period.

Meanwhile, for the purpose of liquidity management, Islamic bank A has decided to exit from the financing, and has proposed to Islamic bank B to purchase the Murabahah receivables from it on a discounted price payable on the spot. Islamic bank B has no objection from a commercial perspective. However, Shariah guidance is sought in this regard.

Pronouncement:

Sale of debts and receivables are governed by two major conditions, one of them is that both considerations must be settled on the spot, the second condition is that such a sale must be at par basis. In the said situation, Murabahah receivables cannot be sold by Islamic bank A to Islamic bank B because the required conditions are not fulfilled.

There is a second option of Hawala (assignment), whereby Islamic bank A can assign its right to receivables to Islamic bank B. However, this structure also may not be commercially feasible for Islamic bank B, because under the structure of Hawala, Islamic bank B is bound to pay to Islamic bank A the amount equal to the assigned receivable without any discount or deduction on any count (such as admin fee, etc.), because such discount or deduction shall be treated as Riba, that is prohibited in Shariah.

It is also to be noted that under the Hawala structure, Islamic bank B will have the right to recourse to Islamic bank A in case the customer is declared insolvent.

In view of the above, it can be said that in relation to Murabahah receivables, the ideal practice for any bank in the club or syndication is to continue with the receivables until maturity.

However, as a solution, Islamic bank B may sell a commodity to Islamic bank A whereas Islamic bank A will assign the Murabahah receivables equal to the commodity sale price to Islamic bank B. In such a case the commodity shall be delivered by Islamic bank B on the spot, and the commodity sale price can be a price higher than the actual market price. This will facilitate Islamic bank A to exit from the syndication after booking a loss in consideration of required liquidity.

Dr Hussain Hamed Hassan
Chairman of the DIB Shariah Board,
Managing director, Dar Al Sharia Legal & Financial Consultancy, Dubai, UAE

Law reforms on the horizon

RUSSIA

By Roustam Vakhitov

Over the last few months, Russia has demonstrated a stronger interest in Islamic finance, including at the level of state authorities. It was reported that the Russian parliament has established a working group to analyze the necessary changes to the Russian legislation to facilitate further development of Islamic finance in Russia.

Particular attention was paid to facilitate inbound investments to Russia from the Middle East and Southeast Asia.

There has been strong demand for Shariah compliant retail solutions for years, as 10-15% of the Russian population are Muslims where a significant part is willing to have access to Shariah compliant financial services.

Although there were developed and incorporated solutions for corporate finance, retail Islamic finance products are yet to be developed. For some financial services, such as insurance and private pension schemes, it is just not possible to operate in a Shariah compliant way under current Russian laws and regulations.

Therefore, the parliament's initiative to review existing laws to identify impediments preventing further development of Islamic finance in Russia is very timely.

Russia is not the first non-Muslim country working on the implementation of Islamic finance. Remarkable and successful examples of such countries are the UK, Luxembourg and South Africa.

> ***"Expectations, if there are any, to attract foreign financing through such amendments, may be premature as sanctions and tensions between Russia and the EU/US are regarded by investors as a risk"***

Considering the number of successful Islamic finance deals conducted in the country, AK Bars's Shariah compliant financing deals being examples of such developments, there is demand for such solutions, and removing obstacles in domestic law will improve the Russian Islamic finance market.

Expectations, if there are any, to attract foreign financing through such amendments, may be premature as sanctions and tensions between Russia and the EU/US are regarded by investors as a risk. But consolidation of funds of the Russian Muslim population and reinvestment of these funds into the Russian economy may be a very useful outcome of such legislative reforms.

We will keep you informed on further developments.

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Solid start to 2015 for Islamic syndicated finance

SYNDICATED FINANCE

By Elina Khayrullina

A quick look at the industry data (Bloomberg and other sources) gives the notion that the new year has warmed up the beginning of the financial period with four public Islamic syndicated facility transactions in January 2015 — after an intense ending to 2014 with December's 14 deals closed. Saudi Arabia and the UAE are customarily prevalent in the Islamic syndications market within the chemical industry (43%), real estate (37%) and oil and gas services and equipment (16%). Nonetheless, the volume of funds raised in January decreased as compared to December 2014 (three and a half times); it was six and a half times higher year-on-year making US$1.2 billion.

> ***"Dubai's TECOM Investments signed for a syndicated loan facility of up to AED4 billion (US$1.09 billion) to fund its growth. This transaction amount is comparable to the volume of Islamic syndications raised within the entire month of January 2015"***

Generally, the market recovers while attaining the course in the run-up to the second half of the first quarter. In the meantime, proceeding from maturity distribution of data applied, the vast volume of maturing Islamic loan issues falls in June 2015. Seasonal market analysis bears the evidence of June and December being the peaks of Islamic syndicated loan issues by number and volumes, which is also fair for the conventional market. There is a tendency for Islamic syndicated loan issues for the last few years.

The average life of Islamic loans in January 2015 is quite long around 7.5 years indicating relative stability in the market. At the moment, borrowers prefer medium and long-term facilities.

It should be noted that the month would not have turned out to be that successful without the share of Al Waha Petrochemical Co — almost half of all loan amounts falls to the subsidiary of Saudi Arabia's Sahara Petrochemical Co.

In conclusion of our short review, it is worth mentioning that January was also notable in light of another major project: Dubai's TECOM Investments, the real estate master developer and operator of Dubai's leading business parks, signed for a syndicated loan facility of up to AED4 billion (US$1.09 billion) to fund its growth. The combined conventional and Islamic facility is for AED3.53 billion (US$960.99 million) with an option to raise it to AED4 billion. It is to be completed by the end of March 2015. This transaction amount is comparable to the volume of Islamic syndications raised within the entire month of January 2015.

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Islamic finance overview

At the close of December 2014, the figures, reports and analyses about Islamic finance were promising. At the same time the forecasts and predictions for 2015 are cautious yet encouraging. It is clear that this year will be full of global challenges that will affect all including the Islamic financial institutions (IFIs). MOHAMMAD ABDULLAH MALIK DEWAYA provides an overview of the Islamic finance landscape.

ISLAMIC FINANCE

By Mohammad Abdullah Malik Dewaya

Islamic finance total assets are projected to cross US$2 trillion in 2015. Nevertheless, it remains a tiny part of the global financial system. Conversely, it is a titanic number for the portion of the world that pioneers this industry i.e. the OIC members. It is a fact that 95% of Islamic finance is concentrated in the Islamic countries. Unfortunately, these countries have the highest ranking in regards to the density of unemployed population, corruption, single recourse economy such as oil, political instability, security issues and wastage of recourses, etc.

In contrast, only some of the OIC countries have a significant (economy-wise) presence in the world. These countries are giving considerable support and push to Islamic finance. Some institutions like IDB consistently have top ratings over the decade, while some banks such as Dubai Islamic Bank have taken a global lead in syndications and Sukuk. Yet, Islamic finance faces a potential threat from the oil price plunge, real estate bubbles and the mismatch between assets and liabilities.

Having said this, projections are optimistic for Islamic finance growth in 2015. Globally, Sukuk size is expected to reach US$175 billion in 2015, with a growth of 59% compared with the volume of Sukuk issued in 2014 which totaled US$110 billion. The total assets of Islamic banking in 2014 closed at US$778 billion. An annual average growth of 16% was recorded for the period from 2006-12. A slowdown was witnessed when the growth rate dropped to 8.7% in 2013 compared to 20.7% in 2012. Nevertheless, the total assets of the Islamic finance industry reached US$1.3 trillion by the end of 2013. The breakdown of the assets was US$958 billion for Islamic banks, US$251 billion for Sukuk, US$44 billion for Islamic funds, US$26 billion for Takaful and US$21 billion for others.

The total number of banks, Takaful companies, funds and Sukuk has increased constantly. Islamic finance has also witnessed success in new markets such as Oman. Oman operationally entered the Islamic finance industry in 2013 and published promising numbers during 2014. It has also successfully experienced issuing its first private Sukuk and is heading towards issuing its first sovereign Sukuk dominated in local Omani rial and expected to be equivalent to US$300-400 million. Expectations are that the same will be issued during the first quarter of 2015. Nigeria, Somalia, Egypt, Libya, Morocco and Algeria are potential markets for Islamic finance. The traditional players, namely Saudi Arabia, the UAE, Bahrain, Qatar, Malaysia, Indonesia and Pakistan are expected to continue their lead in Islamic banks, Takaful and Sukuk.

Despite the concerns looming over the EU economic crisis and amid the negative effects on the region due to the already dipping oil prices, there is no limitation for the issuing of Sukuk if the proceeds of these Sukuk are directed towards development programs. Moreover, the pockets of the regional banks and governments are highly liquid and they have built strong sovereign funds over the past decades. The overall circumstances are in favor of Islamic finance. It is predicted that more countries including OIC member countries and EU member countries will keep the Islamic financial instruments as their option in case of financing requirements.

Given the above facts and expectations, it is significant to mention that the sustainability of Islamic finance is supported by Shariah principles which encourage careful and responsible handling of money. It also curbs unrealistic transactions like simple interest or compounding (usury), gambling, speculations, ignorance, fraud, etc. Subsequently, Islamic banks are neither allowed to have sale or purchase of debts nor discount financial bills. It is also not permissible to deal in derivatives, options, futures, etc.

The distinction of Islamic finance is that it focuses on noble objectives such as supporting the poor, creating equality, having financial justice, creating balance between the capital and the worker, encouraging development projects, encouraging micro-level financing, and encouraging partnerships to finance small and mega projects. It provides an ethical code of conduct for growing the money and the wealth in a permissible and transparent manner.

The question here is: do Islamic banks in particular and Islamic finance in general follow the above in letter and spirit? I leave the answer to the stakeholders. The public, clients, customer, executives, bankers, regulators, investors and Shariah scholars are the best persons who can answer the question.

In this context, it is worth mentioning that public expectations of Islamic banks are very high. These institutions need to fulfill their social, corporate and Shariah responsibilities. All the institutions, governments and society are required to work together to reach a win-win situation. The Islamic banks should contribute to create and develop opportunities based on justice and ethical wealth distribution. IFIs are expected to create some balance in the current situation in which the wealthy is getting wealthier and the majority of the people are living below the poverty line. Many hope that Islamic banks will provide opportunities for SMEs and provide them viable and affordable financing solutions. Supporting this segment only will help to shift the majority of people from the poor to the middle class category. Eventually, this will help IFIs to widen their customer base and enable the medium and small entrepreneurs to contribute in GDP growth and spread prosperity.

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The search for an Islamic risk-free rate

The notion of a risk-free rate may not settle too well with all Shariah scholars, but here we are not talking about an absolute risk-free rate, we are discussing the concept of risk-free within the confines of financial analyses. We all know that in absolute terms no asset is risk-free and therefore we cannot afford to be too 'literal' in our interpretations. HUSSAIN KURESHI discusses the concept of an Islamic risk-free rate.

RISK-FREE RATE

By Hussain Kureshi

The capital asset pricing model (CAPM) employs the concept of a risk-free rate to tabulate an expected rate of return on equity where E(r) = Rf + β(Rm - Rf). In the developed world the return on US Treasury bills is seen as a risk-free rate. Investors calculate forward from this rate, how much additional return they wish to earn at what risk. This rate is also used to discount cash flows to price instruments. A risk-free rate is therefore a starting point.

The ratings of various sovereign countries within the Muslim world are highlighted in Table 1. The ratings are extracted from tradingeconomics.com, the rating agencies are S&P and Dagong. It is likely that every country has its own rating agency and may rate their sovereign instruments slightly differently.

Of the 36 countries sampled, 11 countries have economies heavily dependent on oil and gas revenues, more than seven are considered conflict areas depending on the definition of conflict and three countries, Indonesia, Pakistan and Bangladesh have populations near the 200 million mark. Turkey and Indonesia have GDPs that are in the US$1 trillion range, while countries like Saudi Arabia and Iran have GDPs in the US$500 billion range. Turkey has a diverse manufacturing and services sector with considerable trade with many EU countries. It has reached the US$1 trillion club without being an oil exporter. We will examine some of the borrowing costs in these countries.

Let us look at coupon rates of various issuers. An Emirate of Dubai issuance of US$750 million (ISIN RegS XS0880424337) on the 3rd July 2014 and matures in 2023 bears a coupon rate of 3.875%. The issue was oversubscribed to a tune of US$11 billion with the majority of investors coming from the Middle East, with only 3% of the subscription going to US-based investors, and 12% going to European investors.

Table 1 Ratings of various sovereign countries within the Muslim world

	Country	Rating	Outlook	Rating company
1	Kuwait	AA	Stable	S&P
2	Qatar	AA	Stable	S&P
3	UAE	AA	Stable	S&P
4	Saudi Arabia	AA-	Stable	S&P
5	Oman	A	Negative	S&P
6	Malaysia	A-	Stable	S&P
7	Kazakhstan	BBB+	Negative	S&P
8	Turkmenistan	BBB+	Stable	Dagong
9	Bahrain	BBB	Negative	S&P
10	Uzbekistan	BBB		Dagong
11	Azerbaijan	BBB-	Stable	S&P
12	Morocco	BBB-	Stable	S&P
13	Algeria	BBB-	Stable	Dagong
14	Indonesia	BB+	Stable	S&P
15	Turkey	BB+	Negative	S&P
16	Bangladesh	BB-	Stable	S&P
17	Nigeria	BB-	Negative	S&P
18	Tunisia	BB	Negative	Dagong
19	Kenya	B+	Stable	S&P
20	Jordan	B+	Stable	Dagong
21	Bosnia and Herzegovina	B	Stable	S&P
22	Egypt	B-	Stable	S&P
23	Lebanon	B-	Stable	S&P
24	Pakistan	B-	Stable	S&P
25	Yemen	CCC		S&P
26	Sudan	C	Stable	S&P
27	South Sudan	CC	Stable	Dagong
28	Ethiopia	CCC	Stable	Dagong
29	Iran			S&P
30	Iraq			S&P
31	Libya			S&P
32	Niger			S&P
33	Syria			S&P
34	Brunei			S&P
35	Afghanistan	AA	Stable	S&P

A Development Bank of Kazakhstan five-year issue for RM240 million (US$67 million) bears a coupon rate of 5.5%. The issue was rated 'BBB+' and was heavily subscribed by Kazakh investors and Malaysian investors.

A Bank Saudi Fransi five-year issue, rated 'AA3' for US$750 million offers a coupon rate of 2.94%. An Indonesian sovereign seven-year issue for US$1 billion bears a coupon rate of 4%. The issue has been rated by Dagong as 'BBB-'. The issue was oversubscribed with the majority of investors coming from the Middle East, Asia, Indonesia and a minority interest from Europe and the US. Interestingly enough, the bookrunners on some of these issues are Citi, SCB, HSBC – typically foreign banks. Often enough, you will find local bookrunners such as CIMB, RHB, Mashreq Bank and Dubai Islamic Bank. I wonder how much skill is required to convince Khazanah or EPF in Malaysia

continued...

Continued

to invest US$100 million in a Sukuk issued by Kazakhastan or Indonesia. Makes me wonder why the mandates are not given more frequently to fully-fledged local Islamic banks. A local placement takes nothing more than a phone call.

> ***"A calculated approach to establishing a risk-free rate, possibly the coupon on dollar-denominated sovereign issuances by Qatar may be seen as the risk-free rate for sovereign Sukuk if not Kuwait"***

From the minimal data I have provided several conclusions can be drawn. Keeping in mind the borrowing costs of countries like Pakistan, Yemen and Bangladesh, an average cost of borrowing from international markets may be established to be around 6%. Not all fund managers are happy with the negative returns offered by the US and the UK issuances and many investors dabble in high-risk paper. These investors know fully well that these developing countries, third world countries, emerging markets and frontier markets will first settle their international debt before paying any other bills as they simply cannot afford to default. Many of these countries have far lower debt to GDP rations than the US or Japan. I think Islamic issuance no longer needs to be defensive or apologetic; they are in fact prime paper with very liquid markets.

Furthermore, the Islamic capital markets are maturing in talent yet much of the work is still being outsourced to rating agencies and banks outside the Islamic financial universe. RAM Ratings is a leading rating company; however, a more comprehensive rating infrastructure is required to cover the Muslim world in general. Secondly, Islamic issuances need no longer 'be packaged' for the US, the UK and European investors as their interest in Sukuk issuances is fleeting at best. There are enough cash-rich institutions within the Islamic world to subscribe to Dubai issuances, Bahrain issuances, Turkish issuances or Pakistani paper. Thirdly, a risk-free rate for dollar issuances must be tabulated so that issuances can be judged not only on the coupon rate they offer but also the risk they pose and thus the premium for that risk.

In our CAPM example, a premium called country risk premium needs to be added and once this has been established our equation will look something like this: $E(r) = Rf + \beta(Rm - Rf)$ + country risk premium. Political risk can be imputed into these computations and thus whether an Islamic country is experiencing conflict or not, it at least is not ignored by the international capital markets. Let us not forget that there is yet to be a case of a Muslim country defaulting, quite unlike the default of Argentina on bonds and international loans, not once but twice.

A calculated approach to establishing a risk-free rate, possibly the coupon on dollar-denominated sovereign issuances by Qatar may be seen as the risk-free rate for sovereign Sukuk if not Kuwait. These economies are, however, largely dependent on the sale of oil and gas and do not have a manufacturing base to boast about. More natural economies are seen in Turkey and Saudi Arabia. However, I leave these questions to the financial pundits of the Islamic financial services industry.

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

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A practical guide for robust Shariah governance of the Islamic banking industry

Islamic banks have witnessed strong growth over the past four decades. This growth has been fuelled by consumer demand for Shariah compliant financial products in different parts of the globe. These products mainly differ from those offered by conventional banks in that they comply with the teachings of Shariah that concern the financial domain. Islamic transactional jurisprudence thus serves as a rich resource that establishes the foundational basis of Shariah compliant financial transactions and enables innovation in this arena.

Some of the benefits that Islamic finance brings to the economy include developing a strong association between the financial sector and real goods and services, minimizing uncertainty in transactions as well as speculatory behavior, and linking entitlement to profits with liability for assets. As interest and a handful of activities (eg. gambling) are prohibited by Shariah, Islamic finance neither contains any element of interest nor is it used as a means for funding these prohibited activities. Instead, profit is earned in connection with an underlying asset that is financed using Shariah compliant contracts.

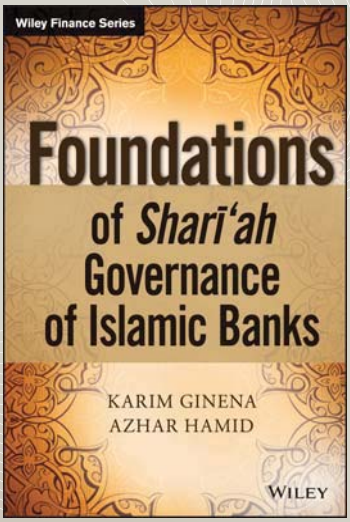
Despite the tremendous growth of this industry and consumer demand for it, scholarship on the Shariah dimension of Islamic finance remains quite limited. This has led to inadequate understanding of the topic and hindered standardization efforts of Shariah practices. Even with the rise of literature on Islamic finance, some of the most fundamental questions relating to Shariah compliance mechanisms employed by Islamic banks remain unanswered. Furthermore, debate in the market on the extent of Shariah compliance of Islamic banks, their products, and activities has piqued stakeholders' interest.

In 'Foundations of Shariah Governance of Islamic Banks', Karim Ginena and Azhar Hamid explore the depths of Shariah governance to unravel its mysterious dimensions, and equip academics and practitioners with a solid understanding of the subject, which has become a serious challenge and thus deserves dedicated attention.

The authors make a strong case for the need to contain the Shariah risk that Islamic banks experience, and present a compelling argument for how this should be done. Karim and Azhar propose a robust Shariah governance model that comprehensively tackles this risk, and helps improve the extent of Shariah compliance of market players. The authors detail the internal, external, and institutional arrangements needed to promote responsible Shariah governance, and critically analyze current laws, regulations, and industry practices on the topic.

Through an effective treatment of each of these elements, and the way that they interact with one another, the book offers a fresh take on how robust Shariah governance of Islamic banks can be successfully accomplished. It is a comprehensive resource for academics, regulators, directors, lawyers, auditors, consultants, employees, and customers of Islamic banks interested in learning more about these challenges.

This essential reading persuasively extends the discourse on the subject and addresses critical Shariah issues that have policy implications for decision-makers in jurisdictions aiming to attract the fast-growing Islamic finance industry or increase their market share.



Foundations of Sharī'ah Governance of Islamic Banks

Authors: Karim Ginena and Azhar Hamid
Publisher: John Wiley & Sons
ISBN: 978-1-118-46077-1
Page: 408 pages
Price: US$100

Book Endorsements

Shaykh Yusuf DeLorenzo, Sharīah board member of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)

"An important academic and practical related addition to the new discipline. Tools such as risk assessment grid and audit checklists are particularly helpful. This book serves as a useful implementation guide and takes a fresh approach compared to the current boring, descriptive texts."

Habib Ahmed, Professor of Islamic Finance, Durham University Business School

"Sharīah compliance lies in the heart of Islamic finance and is what makes it unique. The book provides a comprehensive treatment of the Sharīah governance issues covering basic Sharīah principles applied in Islamic finance and the processes through which these are operationalized in practice. The volume is a valuable source of information for anyone who would like to study diverse aspects of processes and practices related to Sharīah governance in contemporary Islamic financial industry."

"In this ground-breaking work, Karim Ginena and Azhar Hamid have accomplished what others have only hinted at and, by doing so, have rendered a valuable service to the growing Islamic financial services industry. With scholarly attention to detail, and a fine understanding of the global context in which Islamic finance operates, the authors have provided a roadmap for governance that should find wide appreciation in corporate and regulatory circles worldwide."

DEALS

Indonesia auctions retail Sukuk

INDONESIA: The Indonesian government in an announcement on the Ministry of Finance's website revealed that it will auction a three-year Sukuk of up to IDR5 billion (US$389,499) through its SPV Indonesian SBSN Issuer Company on the 11th March 2015. According to the statement, the target investors for the Sukuk are 'individual, Indonesian citizens', to be sold at an indicative fixed coupon rate of 8.25% per year.

QIB plans capital-raising Sukuk

QATAR: Shareholders of Qatar Islamic Bank (QIB) have given their assent to raise up to QAR5 billion (US$1.37 billion) via Sukuk, according to Qatari news portal The Peninsula. The bank's extraordinary general assembly approved the issuance of unlisted Sukuk that shall be eligible for inclusion as Addition Tier 1 Capital in accordance with Basel III. The issuance could reportedly be issued in a phased manner during the course of the year, depending on the need for capital. It would be a paper with long-term maturity and non-convertible into shares, ensuring that the existing shareholders' ownership remains undiluted.

CBB's monthly Sukuk Salam sold

BAHRAIN: The Central Bank of Bahrain (CBB) in a statement announced the completion of its monthly issue of the Sukuk Salam. The BHD36 million (US$94.9 million) issue, which carries a maturity of 91 days, was oversubscribed by 235%. The expected return on the issue, which begins on the 25th February 2015 and matures on the 27th May 2015, is 72bps.

DEAL TRACKER Full Deal Tracker on page 25

EXPECTED DATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENT DATE
TBA	Qatar Islamic Bank	QAR5 billion	Sukuk	23rd February 2015
11th March 2015	Government of Indonesia	IDR5 billion	Sukuk	23rd February 2015
TBA	Al Baraka Bank	TBA	Sukuk	17th February 2015
18th February 2015	Turkish Treasury	TRL1.8 billion	Sukuk Ijarah	17th February 2015
TBA	Government of Malaysia	TBA	Sukuk	16th February 2015

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  - Strengthening Islamic finance services industry regulation, governance and supervision through a centralized model
  - Recent regulatory and taxation changes relevant to Islamic finance in Indonesia, and what they really mean for investors
- Deal Dialogue: Indosat - Indonesia's First Shelf-Registered Sukuk Issuance
- The Islamic Investment Landscape: Market Trends and Strategies for 2015
  - Risk vs. Opportunity: Understanding the risks and impact on the Islamic asset management industry
  - The changing face of the institutional investment market: Discussing investment strategies and product trends for 2015
  - Capitalizing on key advantages in the real estate and property sector
- Attracting Inward Investment and Cross Border Collaboration
  - Recent regulatory changes: Key issues and concerns facing foreign investors
  - Investment mandates and options for Takaful funds: effectively managing investment risk and maximizing returns
  - ASEAN Banking Integration Framework: Encouraging bilateral and multilateral trade and cross-border investment

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AFRICAS

Cameroon welcomes first Islamic banking window

CAMEROON: Cameroon's Afriland First Bank on the 20th February launched its Islamic finance operations, the bank announced on its website. After over a decade of Hajj and Umrah facilitation, the bank has begun offering Murabahah, Musharakah, Mudarabah and Ijarah products.

Nigeria issues governance guidelines

NIGERIA: Central Bank of Nigeria has issued guidelines for the regulation and supervision of institutions offering non-interest financial services, paving the way for the creation of an Islamic banking and finance advisory body. Known as Financial Regulation Advisory Council of Experts (FRACE), the advisory organ will consist of five members, appointed on a part-time basis for a term of two years renewable subject to satisfactory performance.

AMERICAS

RAQABA begins activities in the US

US: The UK's RAQABA for Islamic Financial Consultations has entered the US market by issuing the first Shariah audit report in the US for American Finance House (LARIBA), according to a press release. RAQABA is also due to issue another Shariah audit report on the implementation of the contracts and transactions for the year ended the 31st December 2015.

ISFIN's new Bolivian partner

BOLIVIA: ISFIN in a press release announced its partnership with Guevara & Gutiérrez making the latter its exclusive representative for Bolivia. The collaboration is aimed at opening new opportunities to welcome Islamic investments in Bolivia and advise Bolivian clients about Islamic markets.

ASIA

Morocco to create Shariah board

MOROCCO: A royal decree ruled that a Shariah board called Shariah Committee for Participative Finances will be established to oversee Morocco's emerging Islamic finance industry, according to Reuters. The committee will consist of 10 Islamic scholars and a minimum of five financial experts.

Indonesia rebrands Directorate General of Debt Management

INDONESIA: Indonesia's Minister of Finance has launched a Directorate General of Financing and Risk Management Ministry of Finance, which was previously known as Directorate General of Debt Management, according to a press release.

Asia Plantation Capital gains Shariah approval

MALAYSIA: Asia Plantation Capital, owner and operator of commercial plantation and farming businesses across Asia Pacific and around the world, has attained Shariah compliance approval for its products from IBFIM, the advisory body for Shariah compliance on all matters pertaining to Islamic banking in Malaysia. Asia Plantation Capital is part of the Asia Plantation Capital Group of associated companies and its focus is on multicultural and diverse plantation projects geared to the domestic and commercial demands of the countries in which it operates.

Indonesia considers new Sukuk collateral

INDONESIA: The Indonesian government intends to widen the scope of the underlying assets used for its Sukuk issuances, according to The Jakarta Post. The government is reportedly studying the utilization of state-owned goods and services as underlying assets for Sukuk issuances. Typically using infrastructure projects as collateral, the government is currently reviewing the possibility of utilizing the procurement of goods and services such as tables, chairs, computers and cars for the same purpose.

IBA secures Islamic financing facility

AZERBAIJAN: International Bank of Azerbaijan (IBA) has secured a US$150 million Islamic one-year receivable-backed syndicated financing facility, arranged by Warba Bank, which also provided a US$20 million stake in the transaction, reported Azernews. Other participants include: JPMorgan, Citigroup, Barwa Bank, Al Hilal Bank, Noor Bank and Dubai Islamic Bank.

Danajamin seeks to diversify Sukuk issuer base

MALAYSIA: Credit guarantor Danajamin Nasional is looking to introduce partial guarantees and temporary credit guarantees to attract a more diverse range of Sukuk and bond issuers, reported Reuters, quoting Danajamin's CEO Mohamed Nazri Omar.

Russia sets eyes on Islamic banking legal framework

RUSSIA: Russia's lower house of parliament may review the law to accommodate Shariah compliant banking in the next two months, reported Bloomberg. Quoting Anatoly Aksakov, a deputy in the assembly and president of the Association of Regional Banks of Russia, the country aims to establish a legislative framework for Islamic banking in the second half of 2015.

GLOBAL

Turkey-IDB ties

GLOBAL: According to a press release, a Turkish delegation which included the country's deputy prime minister, minister of finance and the IDB governor for the country, visited the IDB headquarters whereby the two sides discussed ways to support and elevate the ongoing partnership between the IDB Group and the Republic of Turkey.

MIDDLE EAST

Noor Trade expands

UAE: Noor Trade, the Shariah compliant banking service for SMEs from Noor Bank, has opened its third branch at the Noor Takaful Building, on Dubai's Sheikh Zayed Road, reported CPI Financial. The branch will enable Noor Trade to serve SMEs operating in commercial zones such as Al Quoz and the adjoining business centers.

Bank Albilad finances school project

SAUDI ARABIA: Shariah compliant Bank Albilad has signed an agreement with Waad Holding Company to finance the construction of the company's academy schools project in Jeddah city, reported news portal AME Info. At an amount of SAR150 million (US$39.96 million), the project reportedly represents one of the largest deals in the sector.

GFH raises paid-up capital

BAHRAIN: Gulf Finance House (GFH) has increased its paid-up capital through the issuance of 229.56 million shares, announced the Bahrain Bourse. The firm's paid-up capital now stands at US$1.49 billion from US$1.43 billion.

ASSET MANAGEMENT

QE lists funds

QATAR: Qatar Exchange (QE) is currently waiting for the necessary approval from the relevant authorities to list the first of four funds on the exchange, reported The Peninsula Qatar. The approval process to list the second fund is also underway, while the remaining two proposed funds are currently being studied. One of the four funds is Al Rayan Islamic, while another one will be invested primarily in bonds and other debt instruments.

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RESULTS

Bank Internasional Indonesia

INDONESIA: Bank Internasional Indonesia reported an operating profit before provision of IDR2.87 trillion (US$229.6 million) for the financial year ended the 31st December 2014 compared with IDR2.9 trillion (US$232 million) a year earlier, Bernama reported. The results for the year were contributed by higher provisioning from a few corporate customers in several industries, which were heavily affected by market conditions and increasing cost of funds, pressuring the net interest margin in 2014.

Qatar Islamic Insurance Co

QATAR: Qatar Islamic Insurance reported a net profit of QAR73.4 million (US$20.15 million) in 2014, against QAR70.9 million (US$19.47 million) the year before, according to a bourse announcement. Earnings per share totaled QAR4.89 (US$1.34) last year, a slight increase from QAR4.73 (US$1.3) in 2013.

MNRB Holdings

MALAYSIA: MNRB Holdings's Takaful unit, Takaful Ikhlas registered a 3.6% revenue increase to RM653.1 million (US$182.05 million) in 2014 as compared to the year before, driven by the growth of its General and Family Takaful portfolios. MNRB's re-Takaful unit, however, realized a net loss of RM15.1 million (US$4.21 million), an improved performance from 2013 when it recorded a net loss of RM28.1 million (US$7.83 million).

Al Baraka Banking Group

BAHRAIN: Shariah compliant Al Baraka Banking Group revealed in a press release a 7% increase in net income for 2014 from the year before, to stand at US$275 million. Total assets grew 12% year-on-year to US$23.5 billion at the end of 2014.

Alkhabeer Capital

SAUDI ARABIA: Alkhabeer Capital's board of directors has recommended to the General Assembly to distribute cash dividends of SAR40.7 million (US$10.84 million) for the 2014 fiscal year, equivalent to 5% of the share par value of SAR0.5 (US$0.13) per share, according to a press release. In 2014, the asset management firm generated net revenues of SAR57.3 million (US$15.26 million), marking a 32% year-on-year increase.

Gulf International Bank

BAHRAIN: Gulf International Bank, the parent of Shariah compliant meem, reported a net income of US$85.6 million for the 12 months ended the 31st December 2014, against 2013's figure of US$121.5 million. The decrease in net income was attributed to the increase in operating expenses which included the launching of meem early this year. As at the end of last year, the bank's consolidated total assets stood at US$21.3 billion.

TAKAFUL

Solidarity General Takaful inks deal with Copart

BAHRAIN: Solidarity General Takaful has forged a partnership with online vehicle auction firm, Copart Bahrain, reported Gulf Daily News. This arrangement is expected to simplify the disposal process of salvage vehicles via an international marketing platform linking buyers and sellers.

Takaful coverage benefits favored by PTPTN borrowers

MALAYSIA: Since its inception in 1997 until the 31st January 2015, the National Higher Education Fund Corporation (PTPTN) has extended Takaful coverage totaling RM79.14 million (US$22.06 million) to over 5,000 users of the fund, reported Bernama.

Oman approves Takaful law draft

OMAN: Oman's State Council has approved the draft Takaful Insurance Law, reported The Times of Oman.

RATINGS

Oman's bond rating downgraded

OMAN: Moody's has in a statement affirmed Oman's 'A1' government bond rating and changed the rating outlook from stable to negative. The rating affirmation is supported by Oman's intrinsic economic and fiscal strengths and the government's sizable asset buffers which Moody's believe will not be significantly undermined over the next year or two in their base case oil price scenario. On the other hand, the negative rating outlook is driven by uncertainty surrounding the effectiveness of the government's policy response to a multi-year period of low oil prices which exert downward pressures on economic growth, government finances and the external payments position, especially if oil prices were to fall below Moody's base case scenario.

Bank Islam's ratings affirmed

MALAYSIA: Capital Intelligence in a press release announced the affirmation of Bank Islam Malaysia's financial strength rating at 'BBB' while its long-term and short-term foreign currency ratings are affirmed at 'BBB+' and 'A2' respectively.

GIB's outlook revised

BAHRAIN: Gulf International Bank (GIB) has had its outlook revised to stable from positive by S&P, which concurrently affirmed the bank's 'BBB+/A-2' long and short-term counterparty ratings. The rating action is premised upon the less supportive economic environment of the GCC.

MOVES

Al Rayan Bank

UK: Al Rayan Bank, formerly known as Islamic Bank of Britain, in a press release announced the appointment of **Robert Sharpe** as its new chairman. The appointment follows the bank's acquisition by Masraf Al Rayan and formal shareholder approval (in 2014) for the bank to change its name and brand in line with its new parent company.

Deloitte Global

GLOBAL: **Punit Renjen**, currently Deloitte US member firm chairman of the board, has been appointed to lead Deloitte Touche Tohmatsu (Deloitte Global)'s operations as its new CEO, effective the 1st June 2015, according to a press release.

MANAGING COUNTERPARTY CREDIT RISK, BASEL III & RECENT REGULATORY ISSUES
29th – 30th April 2015, Dubai
Course Highlights:
• Counterparty Credit Risk – Exposure at Default ('EAD') in Trading Books
• Basel II Counterparty Credit Risk (CCR) Capital Framework – Credit Risk Capital Calculation Methods Analyzed and Compared
• Counterparty Credit Risk – Key Areas of Basel 2.5 and Basel III Reforms
• Evolving Counterparty Credit Risk Implications of the Basel Committee 'Fundamental Revision of the Trading Book' Proposals
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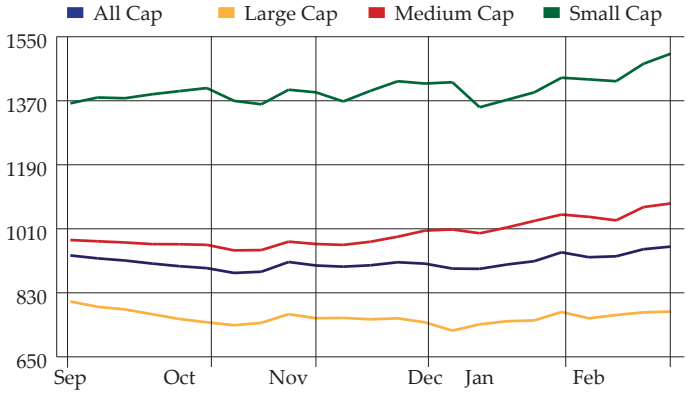
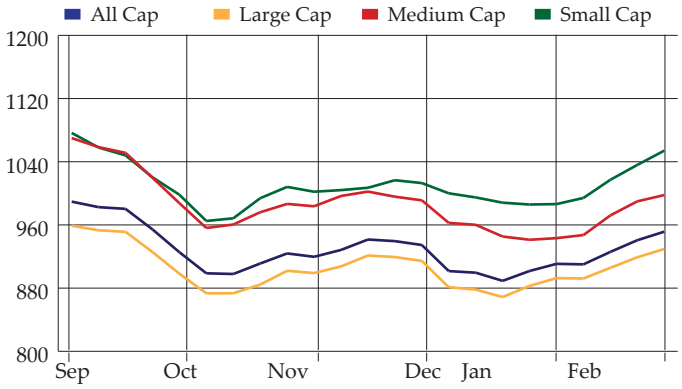
Expected date	Company's name	Size	Structure	Announcement Date
TBA	Qatar Islamic Bank	QAR5 billion	Sukuk	23rd February 2015
11th March 2015	Government of Indonesia	IDR5 billion	Sukuk	23rd February 2015
TBA	Al Baraka Bank	TBA	Sukuk	17th February 2015
18th February 2015	Turkish Treasury	TRL1.8 billion	Sukuk Ijarah	17th February 2015
TBA	Government of Malaysia	TBA	Sukuk	16th February 2015
2016	Government of South Africa	TBA	Sukuk	13th February 2015
3rd quarter 2015	SGI-Mitabu	AU$150 million	Sukuk	13th February 2015
TBA	Petroliam Nasional (Petronas)	US$ 7 billion	Sukuk	12th February 2015
TBA	Abu Dhabi Islamic Bank	TBA	Sukuk	11th February 2015
TBA	Qatar International Islamic Bank	QAR3 billion	Sukuk	10th February 2015
10th February 2015	Government of Indonesia	IDR2 trillion	Sukuk	5th February 2015
TBA	BNI Syariah	IDR500 billion	Sukuk	3rd February 2015
TBA	K-Electric	PKR22 billion	Sukuk	3rd February 2015
6th February 2015	Bank Negara Malaysia	US$100 million	Islamic Treasury Bills	2nd February 2015
TBA	Emirates Airline	US$1 billion	Sukuk	30th January 2015
TBA	Qatar Islamic Bank	QAR2 billion	Sukuk	19th January 2015
1st quarter 2015	Bank Islami Pakistan	PKR3.5 billion	Sukuk	15th January 2015
TBA	Pakistan Mobile Communications (Mobilink)	PKR6.9 billion	Sukuk	14th January 2015
2015	International Bank of Azerbaijan	TBA	Sukuk	13th January 2015
3rd quarter 2015	Government of Tunisia	US$500 million	Sukuk	13th January 2015
Feb-15	Government of Jordan	TBA	Sukuk	6th January 2014
TBA	Turkiye Finans	TRY71 million	Sukuk	5th January
TBA	Turkiye Finans	TRY143 million	Sukuk	5th January
2015	Government of Indonesia	IDR7.14 trillion	Sukuk	15th December 2014
TBA	UniTapah	RM600 million	Sukuk	9th December 2014
Apr-15	Government of Indonesia	IDR20 trillion	Sukuk	4th December 2014
H2 2015	Government of Indonesia	TBA	Sukuk	3rd December 2014
2015-16	Government of Kenya	TBA	Sukuk	2nd December 2014
TBA	KPJ Healthcare	RM1.5 billion	Sukuk	28th November 2014
TBA	ICD	US$1.2 billion	Sukuk	27th November 2014
Q2 2015	Khazanah Nasional	TBA	Sukuk	26th November 2014
2nd December 2014	Indosat	IDR2.5 trillion	Sukuk + conventional	13th November 2014
18th November 2014	Government of Turkey	TRY1.84 billion	Sukuk	30th September 2014
2014	Adira Dinamika Multi Finance	IDR1.5 trillion	Sukuk	2nd July 2014
2014	Bank Islam Malaysia	Up to RM1 billion	Sukuk	2nd June 2014
2H 2014	Felda Global Ventures Holdings	US$1 billion	Exchangable Sukuk	22nd May 2014
Nov-14	1MDB	RM8.4 billion	Sukuk	9th October 2014
Nov-14	Government of Tunisia	US$140 million	Sukuk	7th February 2014
Q1 2015	Meethaq	Up to OMR500 million	Sukuk	5th May 2014
pre-2015	Government of Indonesia	IDR6.4 trillion	Sukuk	18th August 2014
2015	International Finance Corp	TBA	Sukuk	17th June 2014
Q1 2015	Government of Oman	OMR300-400 million	Sukuk	27th October 2014
Q1 2015	Etisalat	US$500 million	Sukuk	13th October 2014
Q2 2015	Export-Import Bank of Malaysia	US$200-300 million	Sukuk	12th November 2014
2016	Government of the Philippines	TBA	Sukuk	26th May 2014
TBA	Turkiye Finans Katilim Bankasi	TRY71 million	Sukuk	25th November 2014
TBA	Point Zone	RM1.5 billion	Sukuk	21st November 2014
TBA	Northport	RM1.5 billion	Sukuk	20th November 2014
TBA	Malaysia Building Society	RM700 million	Sukuk	19th November 2014
TBA	Fleetcorp	Up to TRY150 million	Sukuk	7th November 2014
TBA	DRB-Hicom	Up to RM2 billion	Sukuk Musharakah	4th November 2014
TBA	AirAsia	Up to RM1 billion	Sukuk	31st October 2014

SHARIAH INDEXES

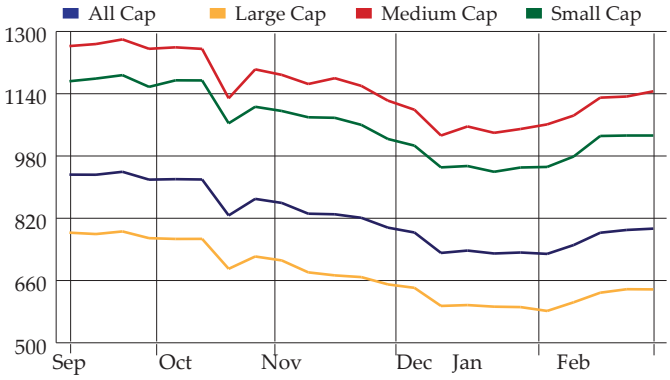
REDmoney Asia ex. Japan *6 Months*



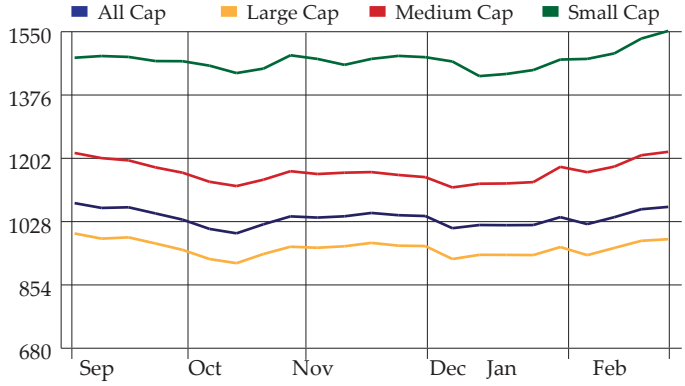
REDmoney Europe *6 Months*



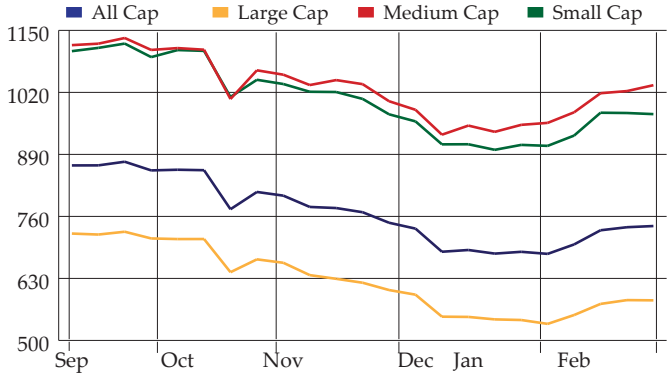
REDmoney GCC *6 Months*



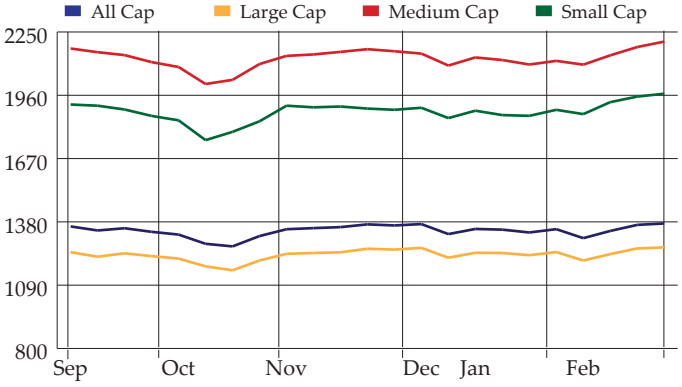
REDmoney Global *6 Months*



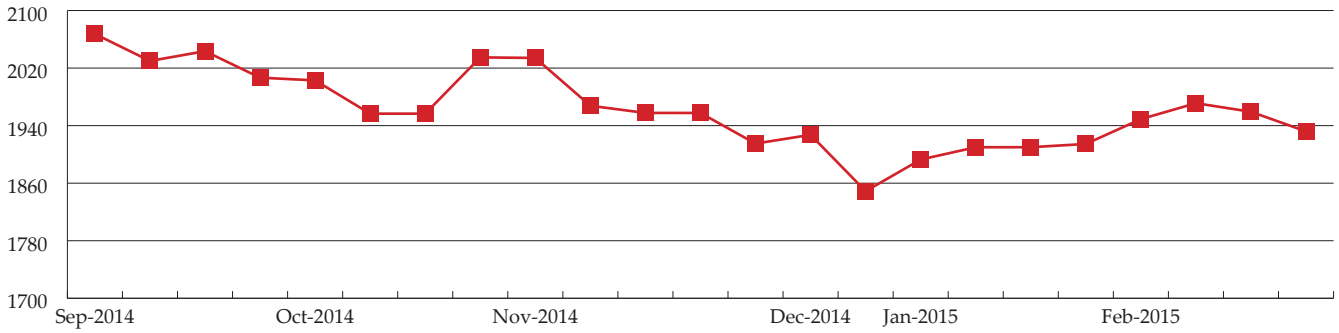
REDmoney MENA *6 Months*



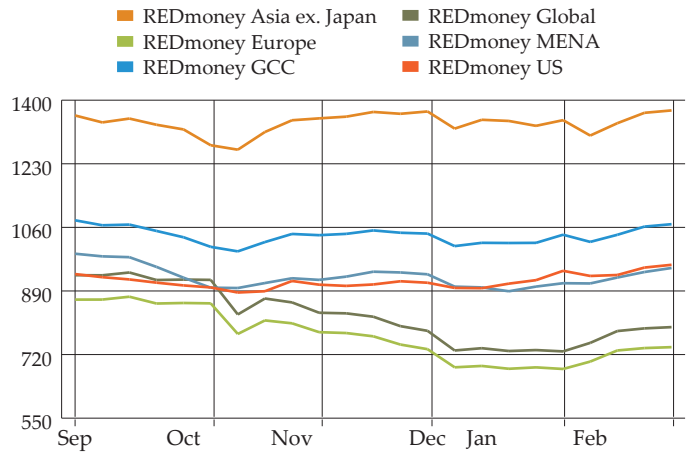
REDmoney US *6 Months*



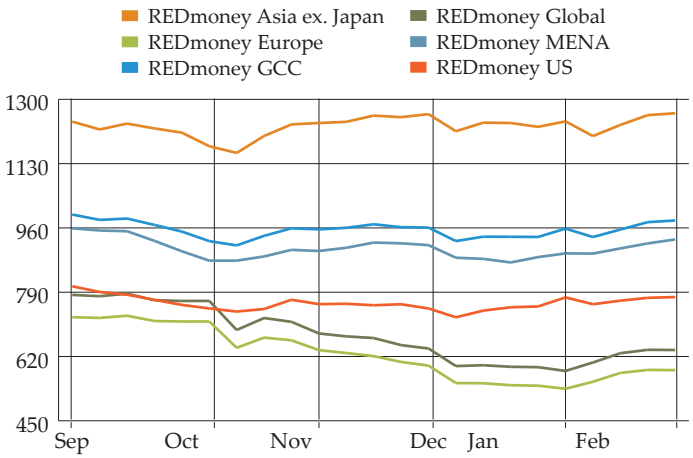
SAMI Halal Food Participation (All Cap) *6 months*



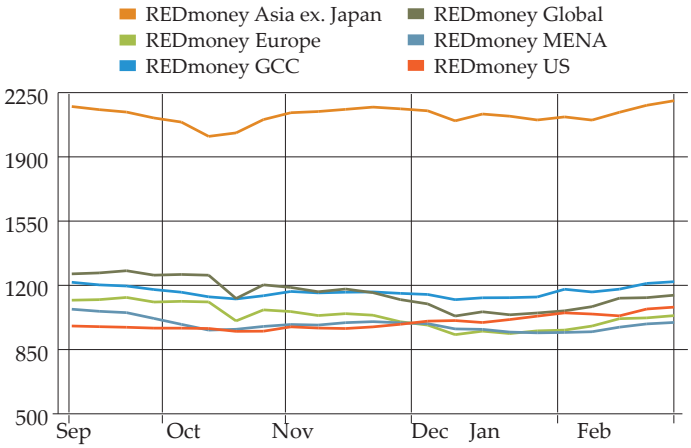
REDmoney Global Shariah Index Series (All Cap) *6 Months*



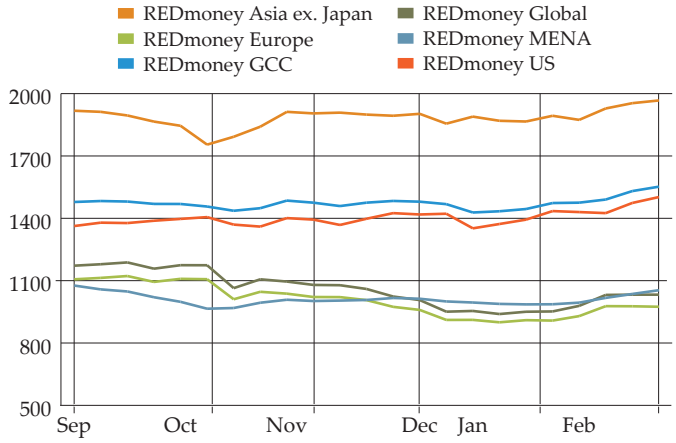
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



REDmoney Global Shariah Index Series (Medium Cap) *6 Months*



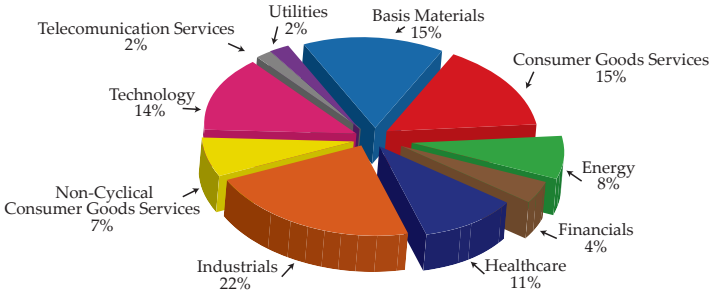
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



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.



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 in Jeddah, Saudi Arabia.

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.

IdealRatings™ is the leading provider of Shariah investment decision support tools to investors globally, including asset managers, brokers, index providers, and banks to empower them to develop, manage and monitor Shariah investment products and Shariah compliant funds. IdealRatings is headquartered in San Francisco, California. For more information about IdealRatings visit: www.idealratings.com

REDmoney Global Shariah Index Series

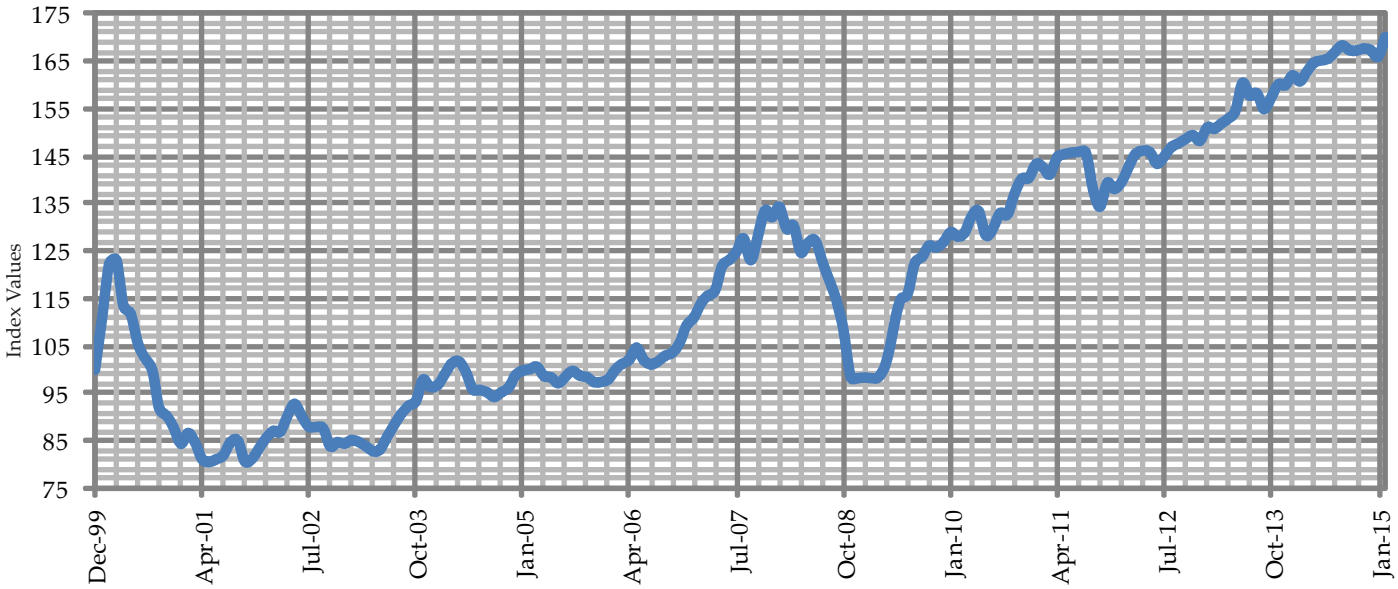
REDmoney Indexes IdealRatings®

For further information regarding REDmoney Indexes contact:

Andrew Morgan
Managing Director, REDmoney Group

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

Eurekahedge Asia Pacific Islamic Fund Index



Top 10 Monthly Returns for Developed Markets Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	AmPrecious Metals	AmInvestment Management	18.21	Malaysia
2	Deutsche Noor Precious Metals Securities - Class A	DWS Noor Islamic Funds	10.08	Ireland
3	CIMB Islamic Greater China Equity	CIMB-Principal Asset Management	9.03	Malaysia
4	ETFS Physical Silver	ETFS Metal Securities	5.91	Jersey
5	ETFS Physical Gold	ETFS Metal Securities	5.05	Jersey
6	ETFS Physical PM Basket	ETFS Metal Securities	3.36	Jersey
7	Oasis Crescent Global Property Equity	Oasis Global Management Company (Ireland)	3.25	Ireland
8	QInvest JOHCM Sharia'a	J O Hambro Capital Management	1.89	Cayman Islands
9	RHB-OSK Muhibbah Income	RHB Asset Management	1.89	Malaysia
10	AmOasis Global Islamic Equity	AmInvestment Management	1.47	Malaysia
	Eurekahedge Islamic Fund Index		**0.66**	

Based on funds which have reported January 2015 returns as at the 23rd February 2015

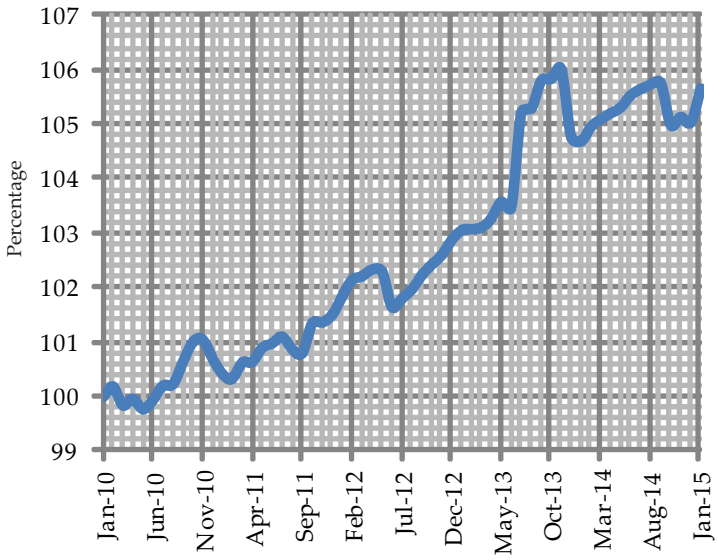
Top 10 Monthly Returns for Emerging Markets Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Pakistan International Element Islamic Asset Allocation	Arif Habib Investment Management	10.68	Pakistan
2	Al-Ameen Shariah Stock	UBL Fund Managers	9.95	Pakistan
3	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	9.61	Pakistan
4	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	9.35	Pakistan
5	Atlas Islamic Stock	Atlas Asset Management	9.29	Pakistan
6	Meezan Islamic	Al Meezan Investment Management	8.30	Pakistan
7	Al Meezan Mutual	Al Meezan Investment Management	7.97	Pakistan
8	JS Islamic	JS Investments	7.41	Pakistan
9	RHB-OSK Dana Islam	RHB Asset Management	6.90	Malaysia
10	Taurus Ethical B	Taurus Asset Management	6.85	India
	Eurekahedge Islamic Fund Index		**2.17**	

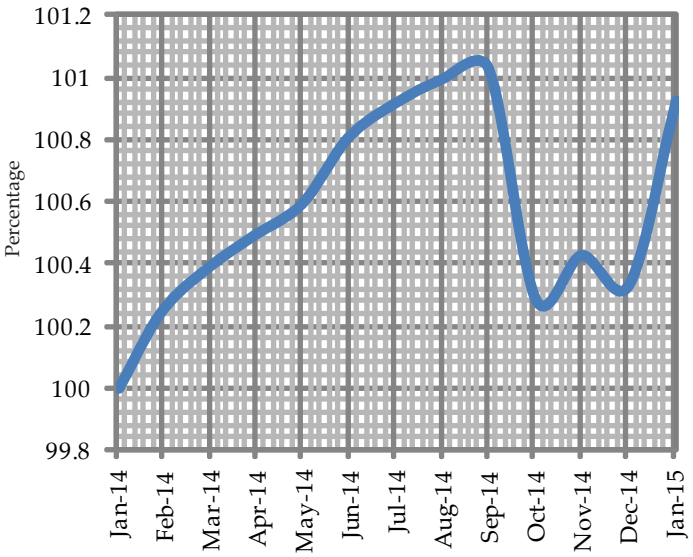
Based on funds which have reported January 2015 returns as at the 23rd February 2015

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.

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	2.25	Pakistan
2	PNM Amanah Syariah	PNM Investment Management	1.66	Indonesia
3	Atlas Pension Islamic - Money Market Sub	Atlas Asset Management	1.46	Pakistan
4	TA Dana Optimix	TA Investment Management	1.27	Malaysia
5	PB Islamic Cash Plus	Public Mutual	0.75	Malaysia
6	PB Islamic Cash Management	Public Mutual	0.74	Malaysia
7	Public Islamic Money Market	Public Mutual	0.72	Malaysia
8	TA Islamic CashPlus	TA Investment Management	0.71	Malaysia
9	KAF Dana al-Iddikhar	KAF Investment Funds	0.60	Malaysia
10	Kenanga I-Enhanced Cash	ING Funds	0.54	Malaysia
	Eurekahedge Islamic Fund Index		**0.64**	

Based on 96.55% of funds which have reported January 2015 returns as at the 23rd February 2015

Top 5 Islamic Commodity Funds by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	AmPrecious Metals	AmInvestment Management	12.59	Malaysia
2	Deutsche Noor Precious Metals Securities - Class A	DWS Noor Islamic Funds	10.51	Ireland
3	ETFS Physical Gold	ETFS Metal Securities	8.14	Jersey
4	ETFS Physical PM Basket	ETFS Metal Securities	4.64	Jersey
5	ETFS Physical Silver	ETFS Metal Securities	4.31	Jersey
	Eurekahedge Islamic Fund Index		**5.48**	

Based on funds which have reported January 2015 returns as at the 23rd February 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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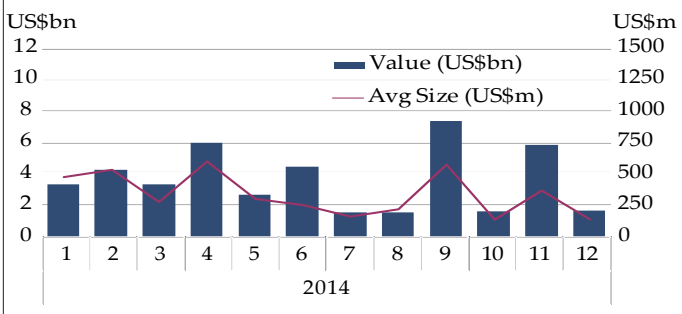
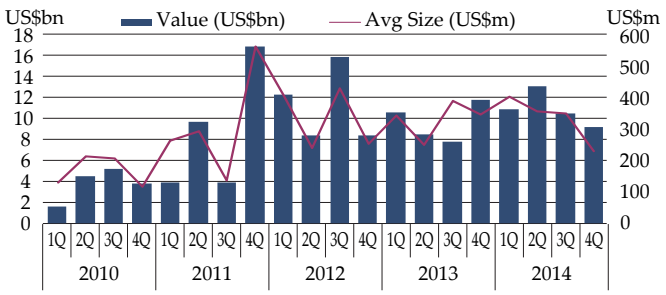
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
28th Jan 2015	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	139	Maybank, CIMB Group
22nd Jan 2015	Danga Capital	Malaysia	Sukuk	Domestic market public issue	445	RHB Capital
14th Jan 2015	Dubai Islamic Bank	UAE	Sukuk	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
19th Dec 2014	DRB-HICOM	Malaysia	Sukuk	Domestic market private placement	206	CIMB Group
19th Dec 2014	Northport (Malaysia)	Malaysia	Sukuk	Domestic market public issue	101	Maybank, Affin Investment Bank
15th Dec 2014	Malaysia Airports Holdings	Malaysia	Sukuk	Domestic market public issue	286	HSBC, Maybank, CIMB Group
12th Dec 2014	Unitapah	Malaysia	Sukuk	Domestic market public issue	146	Kenanga Investment Bank
11th Dec 2014	Suria KLCC	Malaysia	Sukuk	Domestic market public issue	172	CIMB Group
9th Dec 2014	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	287	Maybank, CIMB Group
8th Dec 2014	Malaysia Building Society	Malaysia	Sukuk	Domestic market public issue	201	RHB Capital, DRB-HICOM, AmInvestment Bank
5th Dec 2014	Jana Kapital	Malaysia	Sukuk	Domestic market public issue	270	RHB Capital
25th Nov 2014	Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup
25th 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
18th Nov 2014	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	HSBC, CIMB Group, Citigroup
17th 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
17th Nov 2014	Mumtalakat Sukuk Holding	Bahrain	Sukuk	Euro market public issue	600	Standard Chartered Bank, Deutsche Bank, BNP Paribas, Mitsubishi UFJ Financial Group
17th Nov 2014	Advanced Petrochemicals	Saudi Arabia	Sukuk	Domestic market private placement	267	HSBC, Riyad Bank
14th Nov 2014	Tan Chong Motor Holdings	Malaysia	Sukuk	Domestic market public issue	225	CIMB Group, AmInvestment Bank
13th Nov 2014	Imtiaz Sukuk II	Malaysia	Sukuk	Domestic market public issue	150	Maybank, CIMB Group
11th Nov 2014	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	720	RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group, AmInvestment Bank

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter



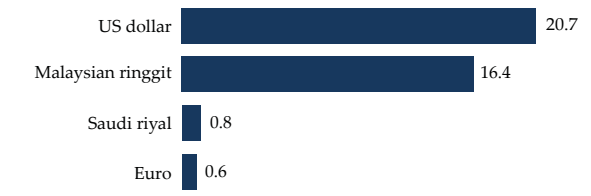
Top 30 Issuers of Global Sukuk *12 Months*

	Issuer	Nationality	Instrument	Market	US$(mln)	Iss(%)	Managers
1	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	3,381	8.6	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, First Gulf Bank, RHB Capital, Natixis, CIMB Group, Commerzbank Group, Deutsche Bank, Maybank, Gulf International Bank, Natixis
2	Saudi Electricity	Saudi Arabia	Sukuk	Euro market public issue	2,500	6.4	JPMorgan, Deutsche Bank, HSBC
3	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	2,337	6.0	HSBC, RHB Capital, Maybank, CIMB Group, AmInvestment Bank, Standard Chartered Bank, Affin Investment Bank, Bank Islam Malaysia
4	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	1,500	3.8	Standard Chartered Bank, HSBC, CIMB Group, Emirates NBD
5	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	1,500	3.8	Maybank, CIMB Group
6	Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	2.6	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup
6	Hong Kong Sukuk 2014	Hong Kong	Sukuk	Euro market public issue	1,000	2.6	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, CIMB Group
6	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	2.6	HSBC, CIMB Group, Citigroup
6	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	1,000	2.6	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD, Noor Bank, Al Hilal Bank
10	Bank Pembangunan Malaysia	Malaysia	Sukuk	Domestic market public issue	948	2.4	HSBC, CIMB Group
11	Rantau Abang Capital	Malaysia	Sukuk	Domestic market public issue	781	2.0	RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group, Standard Chartered Bank, HSBC
12	Sharjah Sukuk	UAE	Sukuk	Euro market public issue	750	1.9	Standard Chartered Bank, HSBC, Kuwait Finance House, National Bank of Abu Dhabi, Sharjah Islamic Bank
12	Government of Dubai	UAE	Sukuk	Euro market public issue	750	1.9	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Emirates NBD
12	Emaar Malls Group	UAE	Sukuk	Euro market public issue	750	1.9	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
15	ICD	UAE	Sukuk	Euro market public issue	700	1.8	Standard Chartered Bank, HSBC, Dubai Islamic Bank, Citigroup, Emirates NBD
15	Dubai International Financial Centre	UAE	Sukuk	Euro market public issue	700	1.8	Standard Chartered Bank, Dubai Islamic Bank, Emirates NBD, Noor Bank
17	DAMAC Real Estate Development	UAE	Sukuk	Euro market public issue	650	1.7	Deutsche Bank, National Bank of Abu Dhabi, Barclays, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Citigroup, Emirates NBD
18	Syarikat Prasarana Negara	Malaysia	Sukuk	Domestic market public issue	610	1.6	RHB Capital, Maybank, Kenanga Investment Bank, CIMB Group
19	TDIC Finance	UAE	Sukuk	Domestic market private placement	600	1.5	National Bank of Abu Dhabi
20	Mumtalakat Sukuk Holding	Bahrain	Sukuk	Euro market public issue	594	1.5	Standard Chartered Bank, Deutsche Bank, BNP Paribas, Mitsubishi UFJ Financial Group
21	Saudi Telecom	Saudi Arabia	Sukuk	Domestic market public issue	533	1.4	Saudi National Commercial Bank, Standard Chartered Bank, JPMorgan
22	ZAR Sovereign Capital Fund	South Africa	Sukuk	Euro market public issue	500	1.3	BNP Paribas, Industrial & Commercial Bank of China - ICBC, Kuwait Finance House
22	Turkiye Finans Katilim Bankasi	Turkey	Sukuk	Euro market public issue	500	1.3	HSBC, Citigroup, Emirates NBD, QInvest
22	Kuveyt Turk Katilim Bankasi	Turkey	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank, HSBC, Kuwait Finance House, Citigroup, Emirates NBD
22	JANY Sukuk	US	Sukuk	Euro market public issue	500	1.3	Saudi National Commercial Bank, Goldman Sachs, National Bank of Abu Dhabi, Abu Dhabi Islamic Bank, Emirates NBD, QInvest
22	IFFIm Sukuk	United Kingdom	Sukuk	Euro market public issue	500	1.3	Saudi National Commercial Bank, Standard Chartered Bank, National Bank of Abu Dhabi, CIMB Group, Barwa Bank
22	Flydubai	UAE	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Emirates NBD, Noor Bank, Credit Agricole
22	Al Hilal Bank	UAE	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Citigroup, Emirates NBD, Al Hilal Bank
29	Aman Sukuk	Malaysia	Sukuk	Domestic market public issue	491	1.3	RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group, AmInvestment Bank
30	Midciti Sukuk	Malaysia	Sukuk	Domestic market public issue	476	1.2	Maybank, CIMB Group, AmInvestment Bank
					39,217	**100**	

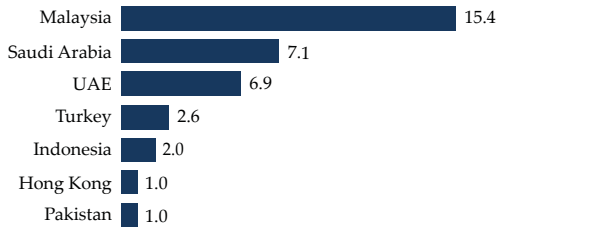
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	CIMB Group	5,625	48	14.3
2	HSBC	4,686	30	12.0
3	Maybank	4,254	37	10.9
4	Standard Chartered Bank	3,362	24	8.6
5	RHB Capital	3,139	43	8.0
6	National Bank of Abu Dhabi	2,196	14	5.6
7	AmInvestment Bank	2,002	27	5.1
8	Emirates NBD	1,726	14	4.4
9	Deutsche Bank	1,541	6	3.9
10	Citigroup	1,125	7	2.9
11	Dubai Islamic Bank	1,072	8	2.7
12	JPMorgan	1,011	2	2.6
13	Natixis	735	3	1.9
14	Kuwait Finance House	518	4	1.3
15	Kenanga Investment Bank	450	3	1.2
16	BNP Paribas	442	3	1.1
17	Noor Bank	440	4	1.1
18	First Gulf Bank	422	3	1.1
19	Bank Islam Malaysia	389	4	1.0
20	Saudi National Commercial Bank	361	3	0.9
21	QInvest	345	4	0.9
22	Al Hilal Bank	326	4	0.8
23	Sharjah Islamic Bank	275	2	0.7
24	Abu Dhabi Islamic Bank	244	3	0.6
25	Hong Leong Financial Group	219	7	0.6
26	Barwa Bank	217	3	0.6
27	Affin Investment Bank	198	6	0.5
28	Commerzbank Group	188	1	0.5
29	Industrial & Commercial Bank of China	167	1	0.4
29	Gulf International Bank	167	1	0.4
31	Mitsubishi UFJ Financial Group	149	1	0.4
32	Riyad Bank	133	1	0.3
33	Goldman Sachs	133	2	0.3
34	UOB	111	3	0.3
	Total	**39,217**	**128**	**100.0**

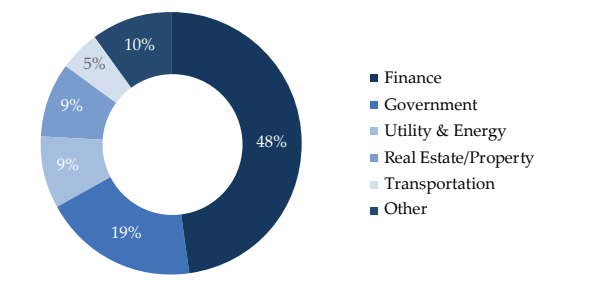
Sukuk Volume by Currency US$ (billion) *12 Months*



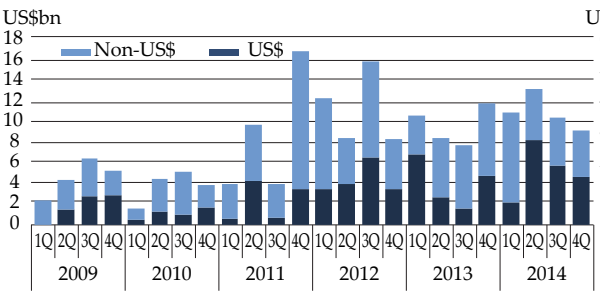
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



Global Sukuk Volume by Sector *12 Months*



Global Sukuk Volume - US$ Analysis



Top Islamic Finance Related Project Finance Mandated Lead Arrangers *12 Months*

	Mandated Lead Arranger	US$ (million)	No	%
1	National Commercial Bank	2,909	4	25.9
2	HSBC	648	2	5.8
3	Samba Capital & Investment Management	604	3	5.4
4	Riyad Bank	588	3	5.2
5	Banque Saudi Fransi	574	3	5.1
6	Al Rajhi Capital	486	3	4.3
7	National Bank of Kuwait	290	1	2.6
8	First Gulf Bank	281	2	2.5
8	Union National Bank	281	2	2.5
10	Attijariwafa Bank	267	1	2.4
10	BMCE Bank	267	1	2.4

Top Islamic Finance Related Project Financing Legal Advisors Ranking *12 Months*

	Legal Advisor	US$ (million)	No	%
1	Allen & Overy	6,538	6	38.3
2	Baker & McKenzie	3,220	3	18.8
3	Clifford Chance	1,790	5	10.5
4	Linklaters	1,631	2	9.5
5	Salans FMC SNR Denton Group	1,280	2	7.5
6	Chadbourne & Parke	660	1	3.9
7	White & Case	650	1	3.8
8	Latham & Watkins	433	2	2.5
9	Norton Rose Fulbright	354	1	2.1
9	Pekin & Pekin	354	1	2.1

Top Islamic Finance Related Financing Mandated Lead Arrangers Ranking *12 Months*

	Mandated Lead Arranger	US$ (mln)	No	%
1	Abu Dhabi Islamic Bank	1,253	9	11.5
2	First Gulf Bank	916	9	8.4
3	National Bank of Abu Dhabi	893	5	8.2
4	Mashreqbank	644	4	5.9
5	Samba Capital	613	2	5.6
6	Abu Dhabi Commercial Bank	575	5	5.3
7	Dubai Islamic Bank	558	5	5.1
8	HSBC	483	3	4.4
9	Banque Saudi Fransi	433	2	4.0
10	Noor Islamic Bank	395	3	3.6
11	Emirates NBD	362	6	3.3
12	Al Hilal Bank	338	5	3.1
13	SG Corporate & Investment Banking	267	2	2.5
13	Credit Agricole	267	2	2.5
15	Standard Chartered Bank	253	5	2.3
16	Alinma Bank	220	1	2.0
16	Al Rajhi Capital	220	1	2.0
18	Union National Bank	208	4	1.9
19	Deutsche Bank	187	1	1.7
20	Saudi National Commercial Bank	171	1	1.6
20	Saudi Investment Bank	171	1	1.6
20	Riyad Bank	171	1	1.6
23	Commercial Bank of Dubai	167	2	1.5
24	Ahli United Bank	145	2	1.3
25	Arab Banking Corporation	139	3	1.3
26	Barwa Bank	139	3	1.3
27	Commercial Bank International	134	2	1.2
28	National Bank of Kuwait	87	1	0.8
28	Kuwait International Bank	87	1	0.8
30	Mitsubishi UFJ Financial Group	80	2	0.7

Top Islamic Finance Related Financing Mandated Lead Arrangers *12 Months*

	Bookrunner	US$ (mln)	No	%
1	Samba Capital	1,327	1	35.5
2	Abu Dhabi Islamic Bank	1,201	5	32.1
3	Barwa Bank	405	2	10.8
4	Standard Chartered Bank	171	4	4.6
5	Emirates NBD	141	3	3.8
6	Arab Banking Corporation	126	2	3.4
7	Noor Islamic Bank	100	2	2.7
8	Abu Dhabi Commercial Bank	70	1	1.9
9	United Bank	30	1	0.8
9	Al Hilal Bank	30	1	0.8
11	Taiwan Business Bank	20	1	0.5

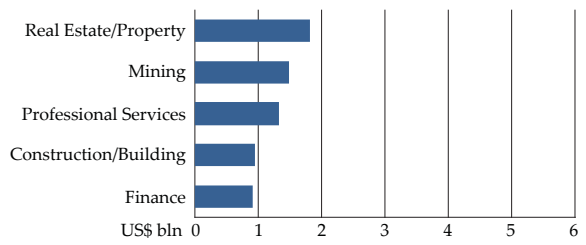
Top Islamic Finance Related Financing Deal List *12 Months*

Credit Date	Borrower	Nationality	US$ (mln)
30th Jun 2014	Ma'aden Waad al-Shamal Phosphate	Saudi Arabia	2,350
21st May 2014	Emaar Malls Group	UAE	1,500
19th Nov 2014	Saudi BinLaden Group	Saudi Arabia	1,327
7th May 2014	Emirates Steel Industries	UAE	1,300
8th Sep 2014	Atlantis The Palm	UAE	1,100
26th Feb 2014	Mobily	Saudi Arabia	761
24th Dec 2014	National Central Cooling - Tabreed	UAE	706
7th Dec 2014	Utilities Development Company	Kuwait	624
20th Jan 2015	Al-Waha Petrochemical	Saudi Arabia	523
31st Jul 2014	Emirates Airlines	UAE	425

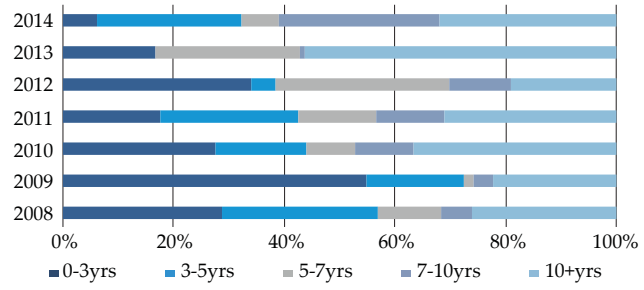
Top Islamic Finance Related Financing by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	UAE	4,885	13	44.9
2	Saudi Arabia	4,228	5	38.8
3	Turkey	573	2	5.3
4	Qatar	350	1	3.2
5	India	272	1	2.5
6	Kuwait	261	1	2.4
7	Sri Lanka	150	1	1.4
8	Indonesia	90	1	0.8
9	Taiwan	80	1	0.7

Top Islamic Finance Related Financing by Sector *12 Months*



Global Islamic Financing - Years to Maturity (YTD Comparison)



Are your deals listed here?
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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1st	IFN Investor Forum	Dubai, UAE
2nd	IFN US Investor Forum	Dubai, UAE
22nd	IFN Indonesia Forum	Jakarta, Indonesia
MAY 2015		
3rd	IFN Qatar Forum	Doha, Qatar
25th – 26th	IFN Asia Forum	Kuala Lumpur, Malaysia
JUNE 2015		
10th	IFN Europe Forum	Luxembourg
SEPTEMBER 2015		
13th	IFN Issuer Forum	Dubai, UAE
18th	IFN Iran Forum	Tehran, Iran
OCTOBER 2015		
5th	IFN Kuwait Forum	Kuwait City
27th	IFN Egypt Forum	Cairo, Egypt
NOVEMBER 2015		
17th	IFN Turkey Forum	Istanbul, Turkey
30th	IFN Saudi Arabia Forum	Riyadh, Saudi Arabia

REDmoney training

MARCH 2015		
9th –10th	Fixed Income Products & Bond Markets	Kuala Lumpur, Malaysia
9th –11th	Islamic Finance Qualification(IFQ)	Kuala Lumpur, Malaysia
11th –13th	Understanding & Applying Structured Products	Kuala Lumpur, Malaysia
15th –17th	Structuring Sukuk & Islamic Capital Markets Products	Dubai, UAE
17th –19th	Islamic Treasury & Risk Management Products	Riyadh, Saudi Arabia
22nd –23rd	Anti-Money Laundering & Compliance	Dubai, UAE
22nd –24th	Understanding, Developing & Marketing Takaful Products	Dubai, UAE
26th –27th	Shariah Issues for Takaful: Trends, Legislation & Governance	Kuala Lumpur, Malaysia
25th –26th	IFT: Structuring Islamic Legal Documentation	Kuala Lumpur, Malaysia
26th –27th	IFT: Shariah Issues for Takaful: Trends, Legislation & Governance	Kuala Lumpur, Malaysia
29th –31st	Islamic Law of Business Transactions & Sharia`a Governance	Dubai, UAE

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