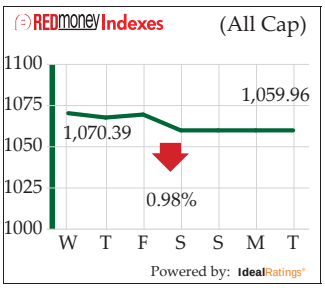
IFN Islamic Finance news

The World's Leading Islamic Finance News Provider



COVER STORY

11th March 2015 (*Volume 12 Issue 10*)

Falling oil prices: A blessing in disguise?

Oil price volatility was the big news of 2014, and despite a minor recovery the ongoing market turbulence continues to be a key trend for the current year – affecting everything from international relations to intra-bank trading. But what impact is this really having on the Islamic financial markets? LAUREN MCAUGHTRY talks to the market to assess the influence of this instability on everything from issuance to institutions – and discovers that the picture may not be as black as it's painted…

"Oil prices have recently rallied from lows hit in January, with Brent oil up at US$58 per barrel while WTI is trading at US$50 per barrel," Omar Bassal, the head of asset management at Saudi-based Mohammed Alsubeaei & Sons Investment Company (MASIC), told IFN this week. According to data from NASDAQ as of the 9th March, WTI rallied in February from a low of around US$44 up to US$49.95 (see Chart 2) while Brent Crude was up to US$58.23 (see Chart 3).

However, growth concerns still exist due to the sustained volatility and tumbling prices from a sustained high the previous year, leading to fears of stalled developments and stretched investment. Yet others have a different attitude to the situation. "The Gulf countries have been rolling around in US$100 oil barrels

for the last few years and that has made them a bit insensitive to having to borrow or raise financing," suggested Khalid Howladar, the global head of Islamic finance for Moody's Investor Services. "Now that low oil is driving weakened public financing, and a different approach to how they spend or raise money, I think this could boost the capital market."

Growth concerns

The fall in energy prices across the board has undeniably hit Gulf countries where it hurts, no matter how softly the blow has been cushioned by comfortable reserves and large liquidity pools. Amin Nasser, the senior vice-president for upstream operations at Saudi Aramco, warned at a press conference this week that: "Challenges during down cycles are more complicated today than before... At this moment the global industry is poised to potentially cancel about US$1 trillion in capital funding," suggesting that this figure could include both delayed as well as cancelled projects. "What we've heard from the industry is that there is US$1 trillion of planned projects that will be dropped or deferred over the next couple of years because of what's happening," he later confirmed to reporters.


Khalid

This halt on investment has hurt a number of the smaller oil producing nations as well as see plummeting returns and profit warnings across international energy firms. Most recently, UK utilities firm Centrica issued a profit warning as well as slashed production forecasts, leading to a fall in share price of almost 15%. Premier Oil, Tullow Oil and BG Group all saw shares tumble last month, while Petrofac saw almost a quarter of its value disappear in Q4 2014 and in wider ripple effects, tertiary firms such as engineering and automotive giants like General Electric and Rolls Royce are also

continued on page 3

Volume 12 Issue 10

DEALS

Government of Malaysia issues Islamic treasury bills

IDB opens book for global Sukuk

Ras Al Khaimah to tap Sukuk market with a benchmark issuance in April

Telekom Malaysia to establish multicurrency Sukuk program worth US$750 million

Sharjah Islamic Bank begins Sukuk roadshow in Asia and Europe

National Shipping Company of Saudi Arabia to auction 10-year Sukuk by end of this month

Hong Kong to tap Sukuk market again this year with a benchmark issuance

Oman Telecommunications Company considering Sukuk issuance; to decide on the 22nd March

Treet Corporation to issue PKR539.51 million (US$5.29 million) in perpetual Sukuk

Kinsteel Group restructures; will not be making payment on Islamic facility due today

Indonesia sells IDR21.97 trillion (US$1.67 trillion)-worth of retail Sukuk

BNI Syariah considering to issue up to IDR750 billion (US$57 million) in Sukuk before June 2015

NEWS

Bank of Khartoum looks to open a wholesale banking branch in Bahrain

Kenya sets up committee for country's 10-year capital markets master plan which includes Sukuk

Morocco likely to welcome its first Islamic bank in the final quarter

ISFIN extends base in the African sub-continent by forming partnership with **Eduardo Vera Cruz Advogados**

Vakifbank and **Ziraat Bank** to launch Islamic units this year

Malaysia retains position as the largest Sukuk market in the world, accounting for 66% of global issuances

RAM expects Malaysian banking system to remain healthy amid challenging economic conditions this year

Maybank projects strong growth in retail SME financing this year

RHB Islamic partners with **Malaysia Technology Development Corporation** to support SMEs

PIDM revises premium framework for enhanced assessment of banks' risk profiles

Securities Commission to develop blueprint for Malaysia's Islamic fund and wealth management sector

ASSET MANAGEMENT

PMB Investment launches its first Sukuk fund

Sedco Capital eyes Luxembourg feeder fund

TAKAFUL

Qatar Islamic Insurance Company gains QAR8.28 million (US$2.27 million) in net profit from sale of land

Arabian Scandinavian Insurance Co begins offering Takaful products following operational transformation

Reinsurers' underwriting margins in the GCC face pressure as competition intensifies, says **Moody's**

RATINGS

MARC withdraws rating on **Weststar Capital**'s Sukuk following early redemption

Saudi Electricity Company's outstanding Sukuk issues receive 'AA-' rating

Sharjah Islamic Bank receives '(P)A3' rating for US$3 billion Sukuk program

Islamic International Rating Agency assigns 'AA+' rating to K-Electric's PKR22 billion (US$213.36 million) Sukuk

Moody's assigns '(P)A1' rating to **PETRONAS**'s proposed Sukuk

Islamic International Rating Agency reaffirms **Bank of Khartoum** at 'AA-/A-1'

Fitch assigns Qatar an issuer default rating of 'AA' with a stable outlook

MARC suspends 'AA-IS' rating on Jimah East Power's Sukuk Murabahah Program due to delay

MOVES

RHB Banking Group identifies candidate for group managing director position; to seek regulatory approval

Saif Sulaiman Al Yarubi resigns as chief operating officer of **Alizz Islamic Bank**

Ashok Ramamurthy steps down from **AmBank Group**; joins **ANZ** in Australia

Falling oil prices: A blessing in disguise?

Continued from page 1

suffering.

In the Gulf, with its focus on infrastructure and project finance, this has translated into concerns over delay and a step up in competition between banks to attract the best deals. "Many entities, including governments are looking at project pipelines and viabilities in light of the lower oil price. We have seen some oil and gas projects cancelled or postponed in recent months and there are some infrastructure projects being prioritized over others," explained Hani Ibrahim, the head of asset management at QInvest. "However, much of the infrastructure work is continuing as it is being undertaken with a long-term view in mind or for a specific purpose such as the 2020 Expo or 2022 World Cup. The slight rationalization and prioritization of projects, combined with the still high level of bank liquidity, means that there may be stronger competition in the short-term between banks (including Islamic banks) to secure good deals."

Banking sector vulnerability

This has led to some stress being placed on the banking sector, especially in smaller oil producing nations and emerging markets. Nigeria has felt a significant impact from the struggling prices due to its considerable exposure to the oil industry – while Brunei has also suffered due to both its dependence on oil and gas and its economic exposure through second tier employment and contractors. "We foresee manageable credit losses in Brunei for 2015 to around 0.9-1%, as our base-case scenario excludes major layoffs and cuts in capital expenditures in the government and oil sectors," Mohamed Damak, the global head of Islamic finance at S&P, told Reuters last week. "[And] we cannot rule out negative effects on Nigerian banks' asset quality indicators as the decline in oil price depletes [their] buffers… Our economists forecast a drop in real GDP growth from 6.3% in 2014 to 5% in 2015," he said.

And it seems inevitable that the wider Gulf region will also be affected, with oil and gas production accounting for almost half the economic output and around 75% of exports of the GCC; leading to analyst fears over the effect of the slowdown on both trade balances and the financial sector. "Islamic banks are being affected in a similar way to conventional banks. They are well entrenched in the real economy and when we start to see a decline in the overall economic growth, it is likely that their asset quality indicators and profitability will come under pressure," commented Mohamed of S&P to IFN this week. "At this stage, we do not expect a major increase in cost of risk or nonperforming loans and we expect the overall risks to remain in check."

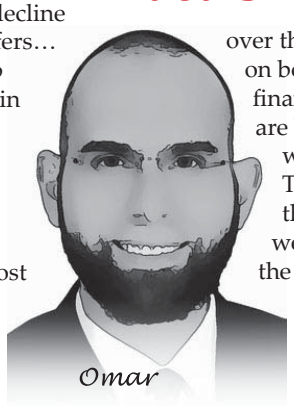
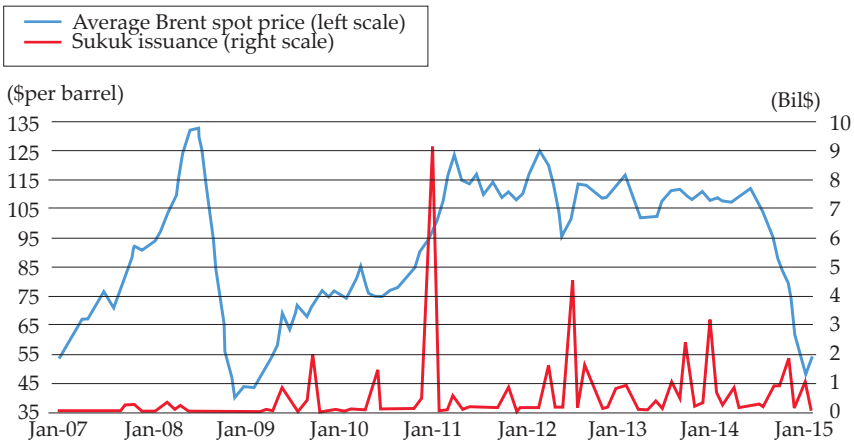


Chart 1: Sovereign Sukuk issuance and oil prices



**Including issues by central bank. GCC-Gulf Cooperation Council. Source: Zawya*

> ***"The slight rationalization and prioritization of projects, combined with the still high level of bank liquidity, means that there may be stronger competition in the short-term between banks (including Islamic banks) to secure good deals"***

Sukuk slump?

Across the wider GCC market we have certainly seen a slump in Sukuk issuance, which has been directly linked to the oil price decline. However, with the US$1 billion perpetual issuance from Dubai Islamic Bank at the start of the year (the first from a Gulf institution since November 2014) it looks as if the market could be picking up again. The IDB this week successfully priced a US$1 billion issuance at an attractive 1.83% profit rate; while Abu Dhabi Islamic Bank (ADIB) last month announced plans to issue capital raising subordinated Sukuk in Malaysia and Sharjah Islamic Bank has already mandated banks ahead of its proposed benchmark US dollar Sukuk this month.

With increasing numbers of Islamic banks tapping the capital market, it is clear that the sector is focused on boosting capital reserves – and does not seem to have been immediately or overtly impacted by the falling oil prices.

"We expect no significant impact on the structures used by GCC banks. Nevertheless, the drop in oil price and the likely drop in business volumes may

continued on page 4

Falling oil prices: A blessing in disguise?

Continued from page 3

result in lower issuance of Tier 1 capital instruments, Sukuk and a lower overall volume of bank issuance," Mohamed told IFN. "For most sovereign issuers, we think that the volume of Sukuk issuance is likely to decline or remain static in comparison with last year. We expect issuance to continue to be driven primarily by investment projects rather than deficit financing."

Sustained optimism

"Oil price volatility has not impacted financing from banks," believes Omar. "The volatility in oil prices has impacted asset prices (i.e. stock prices). This has made banks more cautious toward lending against shares or concentrated holdings of shares."

S&P in a recent report confirmed that in terms of the sovereign market: "Prevailing market sentiment suggests that overall Sukuk issuance goes hand in hand with oil prices, which, independent of seasonal factors, is why Sukuk issuance from November 2014 has been so subdued. However, in our opinion, the factors behind GCC sovereign Sukuk issuance are much more nuanced, and we believe that oil prices have had only little bearing. Government-related entities' (GREs) financing activity, the availability of large government assets, and healthy liquidity in the banking sector all limit the linkage between changes in oil prices and the potential for sovereign Sukuk issuance."

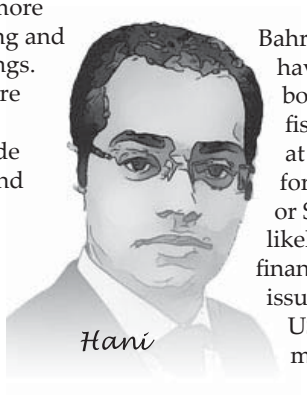
A blessing in disguise?

In fact, the current market situation could even be a benefit for Islamic finance. "Oil prices are a big deal in the Middle East region and globally, and obviously a lot of Islamic finance is based in Gulf countries," pointed out Khalid. "One consequence of lower oil prices is that governments are not as liquid as they were before – so they will be more likely to raise external financing and increase government borrowings. And because these countries are increasingly favoring Islamic finance, I think this will provide a boost for the regional debt and Sukuk markets."

Playing the field

The extent and duration of the oil price fall will inevitably have a greater impact on those nations where expenditure responses or reserves are not available to cover the potential fiscal deficits resulting from the loss in oil revenues – and are thus more likely to tap the capital markets. "GCC governments are not likely to tolerate a persistent annual reduction of state assets, in our view," stated Mohamed to IFN.

"The countries most affected in the GCC are Bahrain and Oman due to their high fiscal dependence on oil and/or high oil breakeven price in their budgets. The countries/Emirates in the strongest position are Kuwait, Qatar and Abu Dhabi. We think that GCC banking systems may be affected if governments start to cut their investments, as government investments in the GCC remain among the main generators of economic growth and opportunities for banking systems. On a positive note, we think that the projects of strategic initiatives such as Dubai Expo 2020 and the World Cup in Qatar 2022 are likely to remain insulated."



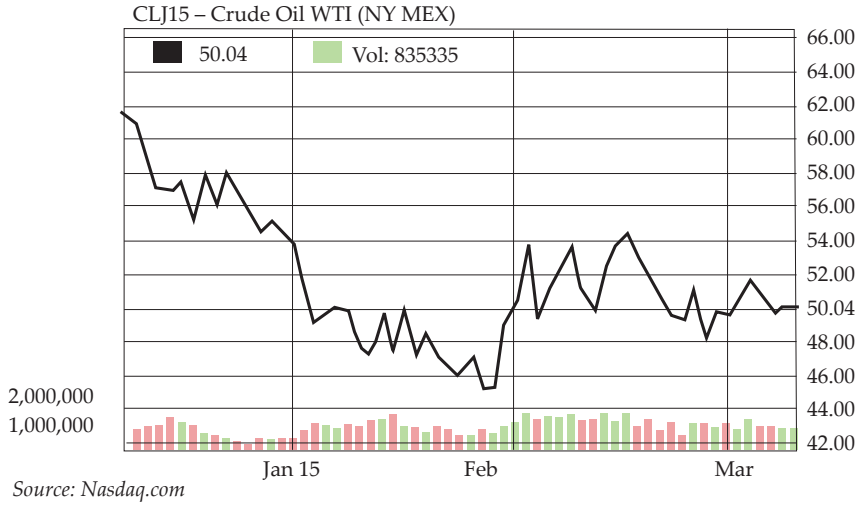
Bahrain and Oman certainly have weaker fiscal positions, both in terms of projected fiscal deficits and net assets at their disposal – and thus for these two countries, debt or Sukuk issuance are more likely as a source of deficit financing. Bahrain has already issued Sukuk exceeding US$1.1 billion in 2015, up more than 50% on 2014 annual issuance. "The tightening fiscal positions of regional governments may also spur GRE debt issuance that can facilitate off-balance sheet financing," said Mohamed. In fact, Bahrain is perhaps the most likely to issue, given that it is the only GCC government in a net debt position and has seen a fiscal deficit for three years in a row. Already one of the most frequent sovereign issuers, its high break-even barrel price (around US$125) is likely to push this trend to continue. Oman also has a high break-even price of around US$106 per barrel (as of 2014) and Mohamed believes the country "could be more likely to enter capital markets or turn to Sukuk issuance to maintain its investment program, rather than solely running down its more limited stock of assets".

In contrast, both Qatar and Saudi Arabia have run fiscal surpluses over the past three years (13.4% and 6.7% of GDP, respectively) and have thus been slower to develop a culture of debt financing for fiscal management purposes due to their strong net asset positions. S&P rates Qatar's general government net asset position at 118% of GDP in 2015, Saudi Arabia's at 135%, and Abu Dhabi's at nearly 300%. "We expect that most oil exporting GCC sovereigns' liquid assets will remain available to assist with potential deficit financing," predicts Mohamed.

In Qatar, the situation remains positive. "We have seen little if any impact of

continued on page 5

Chart 2

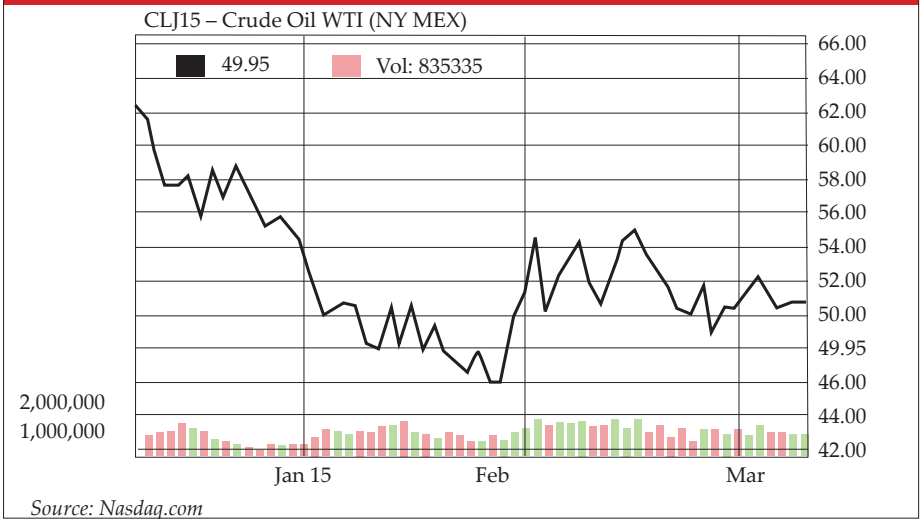


Source: Nasdaq.com

Falling oil prices: A blessing in disguise?

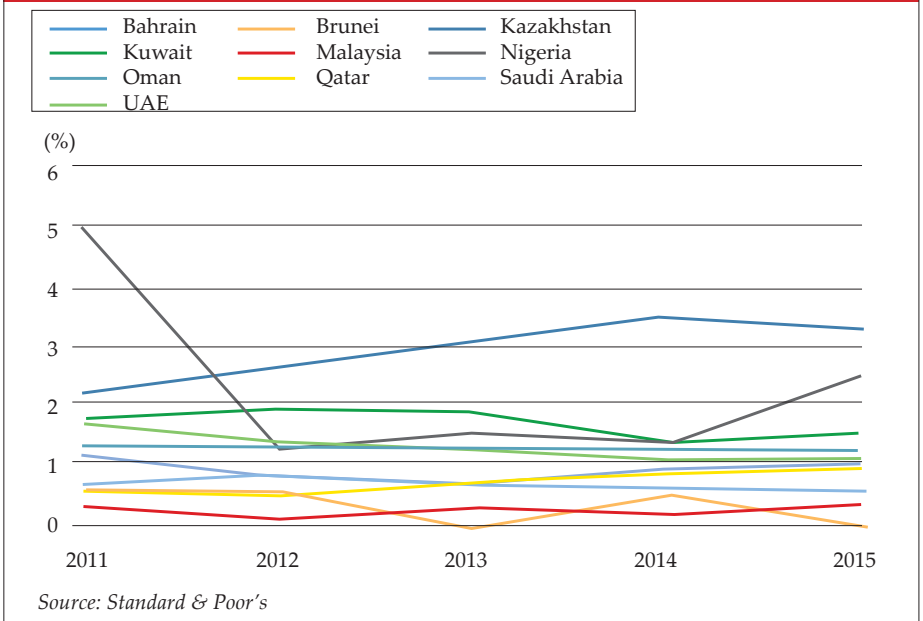
Continued from page 4

Chart 3



Source: Nasdaq.com

Chart 4: Credit loss estimates



Source: Standard & Poor's

the lower oil price," commented Hani. "Investors' and clients' view on the oil and gas sector has adjusted in light of the market. Beyond that, we continue to see bank liquidity with a slight focus towards the stronger credits as well as investor appetite to invest on a cross-border basis."

And despite doubts over the estimated reserves and concerns over the recent change in power, Saudi Arabia continues to be on one of the strongest positions in the region. "The amount of reserves in Saudi Arabia—estimated to be around 267 billion barrels — does not pose a major problem for Saudi Arabia in the near future," explained Omar to IFN. "The larger challenge is the continuing increase in crude oil demand domestically; every barrel of oil consumed domestically is a barrel not exported for revenues. Solutions to this near-term challenge include measures to curb local demand growth (e.g., cutting back on subsidies) and measures to introduce alternative energy (e.g., solar power) which displaces oil used for power generation."

New opportunities

And the volatile climate is providing new prospects for investors willing to take risks in order to leverage opportunity. "Saudi Arabia is often seen solely in the lens of oil. But the reality is the macroeconomic fundamentals remain positive: Saudi has favorable demographics (with 50% of the population below the age of 25), a stable currency (tied to the US dollar), strong foreign reserves (in excess of $700 billion), no debt and a stable political and legal environment," continued Omar. "Investors can find attractive opportunities in mispriced markets overlooked because of the negative sentiment surrounding oil."

Firms in the Kingdom have so far seen little impact from the falling oil prices, except in overall asset price declines. "The government of Saudi Arabia has significant experience dealing with oil price bull markets and oil price bear markets," pointed out Omar. "Remember the interpretation of the dream recounted in the Qur'an by Prophet Joseph (peace be upon him)—that seven fat years would be followed by seven lean years and therefore one should save in the fat years. Because Saudi Arabia saved in the good years when oil prices were above US$100 per barrel, it can afford to spend in the lean ones."

Other nations are also viewing Islamic finance as a potential savior for their energy struggles. The Central Bank of Nigeria recently introduced new governance guidelines for Islamic banking, for example, in a deliberate attempt to attract Islamic funds and shore up local banks facing a capital crunch over the declining oil prices.

An ongoing project

On the demand side, high oil prices have historically strengthened investment potential due to their contribution to additional financial sector liquidity; while on the supply side high commodity prices exacerbate the development of hydrocarbon and infrastructure-related projects. This trend also has a close correlation with Islamic finance, which naturally lends itself to project finance. "With regard to project finance Sukuk, we see a confidence effect at play that reinforces the relationship between oil prices and this type of issuance," stated

continued on page 6

Falling oil prices: A blessing in disguise?

Continued from page 5

Mohamed. "If higher revenues reinforce a sovereign's fiscal and external position, then the sovereign's ability to continue financing complementary infrastructure expenditure should also strengthen, making related projects more attractive investment opportunities."

So will this significantly impact GCC sovereign infrastructure projects? Apparently, not so far. "We see no meaningful link between oil price changes and GCC sovereign Sukuk issuance," claims S&P (see Chart 1). "As with conventional capital market issuance, the size and frequency of GCC sovereign Sukuk issuance grew alongside oil prices (from 2009-14), albeit at a much more subdued rate. A simple correlation coefficient between Brent spot prices and monthly Sukuk issuance volume shows a relationship of just 0.16 for Middle East sovereign issuers." However, it is important to note that the development and depth of debt capital markets is also an important consideration when interpreting this data. For instance, Sukuk issuance has grown rapidly but from a small and shallow base, which in part explains the volatility in this type of issuance.

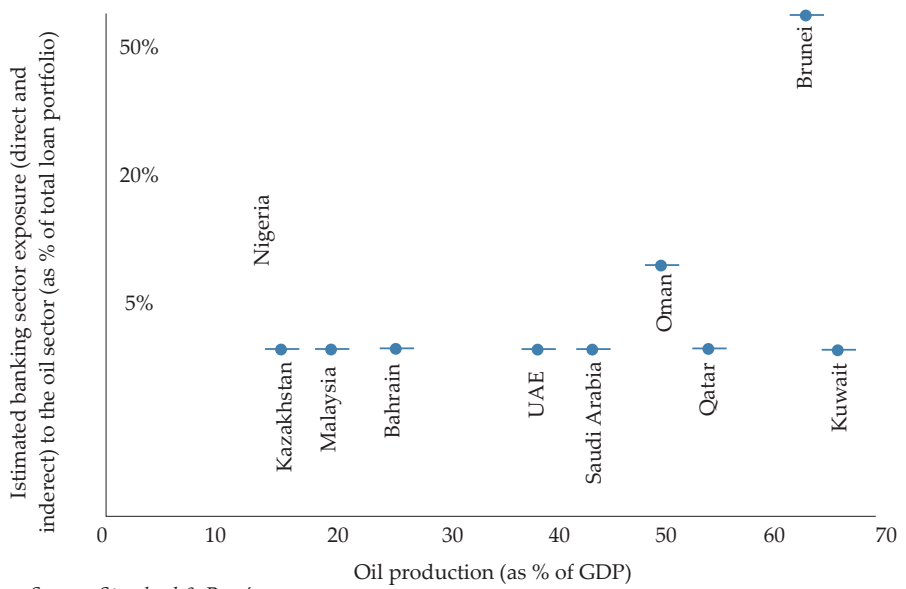
However need will inevitably drive activity, with governments looking to a wider range of options the deeper their deficit becomes. "We think that the size of fiscal deficits and their duration, which will be a function of both oil prices and policy response, will have a bearing on sovereigns' financing mix," confirmed Mohamed. "The larger the deficits are or the longer they persist could increase the likelihood of financing through a range of instruments."

On the corporate side the situation could also see a growth trend, with the potential to benefit from the current climate. "Usually what fosters the growth of capital markets is when people need cash," pointed out Khalid. "Now that things are changing and requirements are altering, this low oil should help stimulate the growth of Sukuk and the local GCC debt capital markets."

Looking to the future

So what can we expect from the rest of 2015? Most players are keen to see prices stabilize, to provide a more sustained growth environment. Abdul Kadir

Chart 5: Oil and gas production to GDP versus banking system exposure to these sectors (2014)



Source: Standard & Poor's

Hussain, chief executive at Mashreq Capital, the investment unit of Mashreq bank, recently told Reuters that: "We will need stability in oil prices for spreads to start tightening again. But there is still strong liquidity in the market and the widening in this region has been much more disciplined than in other regions."

However, others have a different view. "We expect oil prices to trade flat to lower in the future," predicts Omar. "The supply/demand imbalance has not been resolved and some firms are storing oil to profit from differences between spot and futures prices. But this storage capacity has almost reached its limit and therefore we expect crude oil prices to continue to fall."

S&P estimates an average oil price of $55 per barrel in 2015, down from an average $99 per barrel in 2014 – which is likely to result in fiscal deficits for most GCC sovereigns in 2015. "On the one hand, these likely deficits could incentivize sovereign issuance and provide an opportunity for governments to take advantage of what remains a relatively liquid financial system while maintaining their assets," stated S&P. "On the other, the small size of these deficits relative to available fiscal assets - and GCC countries' limited culture of financing deficits through debt issuance - offset this potential. In general, we do not view the emergence of relatively small and potentially short-lived fiscal deficits alone as a precursor of increased debt issuance. Similarly, as lower oil prices feed through to lower corporate profitability, we expect that liquidity in the regional banking system will decrease - as will the need for central banks to mop up any excess."

"The impact on GCC countries will be slower economic growth and higher budget deficits vs. previous years. The impact on the banking system will be a higher cost of risk and lower liquidity and profitability," Mohamed concluded to IFN.

As it currently stands, the situation looks tenuously positive. However, a sustained decline will have an inevitable impact. "The banks in the GCC are still very liquid and keen to grow their assets as a result, albeit in a more selective manner. If lower oil prices are sustained for the medium to long-term we expect there will naturally be some impact on the financing markets," confirmed Hani. "If the oil price remains relatively low for a sustained period of time the impact on surpluses and liquidity will lead to a tightening of the climate for investment which will have an impact on Islamic finance, including bank financing and the capital markets."

IFN Awards 2014 in Kuala Lumpur attracts Islamic finance industry's top leaders

Islamic Finance news Awards

Celebrating a sterling year for Islamic finance and rewarding market leaders who worked tirelessly to stimulate, support and serve the industry, IFN gathered the industry's elite for an evening of recognition at Shangri La, Kuala Lumpur on the 9th March. This event follows the phenomenally successful IFN Awards 2014 dinner in Dubai last week.

> ***"The quality and quantity of the candidates made it one of the hardest choices ever for our advisory board"***

Handing out 33 awards from IFN's illustrious series of accolades (the IFN Deal of the Year, IFN Best Banks and IFN Service Providers), the evening was graced by over 200 of the industry's best players and most ardent supporters including: British High Commissioner to Malaysia, Vicki Treadell; the director of Islamic financing from the Indonesian Ministry of Finance, Suminto; Indonesian Financial Services Authority (OJK) deputy commissioner for banking supervision, Dr Mulya Siregar; minister and deputy chief of mission from the Embassy of Japan in Malaysia, Yoshinori Kodama; chairman of BNP Paribas Malaysia, Abdullah Mat Noh; CEO of CIMB Islamic, Badlisyah Abdul Ghani; CEO of HSBC Amanah Malaysia, Rafe Haneef; CEO of Etiqa Takaful, Ahmad Rizlan Azman; president and CEO of Bank of Tokyo Misubishi UFJ (Malaysia), Naoki Nishida; president and CEO of EXIM Bank of Malaysia, Adissadikin Ali; president and CEO of INCEIF, Daud Vicary Abdullah; deputy CEO of Maybank Investment, Fad'l Mohamed; IDB's regional head, Kunrat Wirasubrata; and Gatehouse Bank's chief representative for Malaysia, Richard Thomas, among many other distinguished guests.

Honoring the movers and shakers of the Islamic finance industry for the last decade, the IFN Awards for 2014 achieved record-breaking responses in every category. "Our iconic Deals of the Year Awards were an exceptionally strong field this year, and the quality and quantity of the candidates made it one of the hardest choices ever for our advisory board," noted Andrew Morgan, the managing director and publisher of REDmoney Group, parent company of IFN, in his welcoming speech.

"Our Best Banks Poll received a record number of votes – 20,603 – a huge jump from last year and testament to the optimism felt by the industry in 2014. With the banks themselves taking an unusually proactive approach to get their clients voting, we salute the dedication and determination that Islamic banks

have shown over the past 12 months in developing the market," said Morgan.

The IFN Service Providers Poll also saw an overwhelming response with a 66% surge in votes as compared to 2013, a positive indication to the growing support for the sector as a whole. IFN also took the game-changing decision to transform the format of its IFN Asset Management Poll and IFN Law Poll to create instead the IFN Islamic Investor Awards and the IFN Law Awards, judged on a submissions basis by an expert panel instead of online voting, to focus on focus on the primary issues of innovation, originality, performance and progress.

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.

- Draghi claims EU economy has turned a corner as a result of the quantitative easing program from the European Central Bank, with growth projections of 1.5% for 2015 going up to 1.9% and 2.1% over the next two years — before the program has even officially launched.

- Stress tests from the US Federal Reserve suggest that US banks could stand to lose up to US$500 billion in the event of another financial crisis. Thirty-one banks were tested, with the results finding that players such as JPMorgan, Goldman Sachs and Morgan Stanley could see around 40% capital ratio loss in "seriously adverse conditions".

- US airlines including Delta, American and United are demanding action from the US government against Gulf airlines including Emirates, Etihad and Qatar for the alleged support and subsidies they receive from the UAE and Qatar governments, which the airlines claim violate the open skies agreement between the US and GCC region.

- US secretary of state John Kerry reassured Gulf states in a visit to Riyadh this week, claiming that the US will not seek to make a deal with Iran. "Let me underscore: we are not seeking a grand bargain. Nothing will be different the day after this agreement, if we were to reach one, with respect to all of the other issues that challenge us in this region."

- Japan and China vie for influence in the fast-growing ASEAN region, with both countries investing in rail networks across Thailand and the wider region.

- Chinese markets up on second rate cut in three months — economic repercussions globally as consumption increases, with indexes around the region seeing knock-on improvement.

Feeling the peer pressure: Taiwan

Islamic finance could perhaps be an unlikely and foreign concept in Taiwan, however circumstantial evidence has thus far shown that the country bears untapped opportunities for Shariah compliant investments. On the back of its historical trade relations with the MENA region, its need to develop financial markets, as well as Cagamas' expressed interest to involve Taiwan in its 2015 foreign currency Sukuk, NABILAH ANNUAR explores the extrinsic values the country has to offer.

Boasting its best quarter in almost two years, the third quarter of 2014 (according to Wall Street Journal) was boosted by Taiwan's electronic exports and tourism. Despite challenging economic conditions, the state continues to enjoy positive growth across its financial and investment landscape. Over the last year, the industry has seen significant Islamic finance activities in Greater China. Industry experts believe that Taiwanese financial policymakers are well aware of these developments including the success of Hong Kong's debut Sukuk issuance, where 47% was subscribed by Asian investors as well as Ningxia's plans to tap the Sukuk market this year.

Speaking to IFN, Jeffrey Kirk, the corporate and commercial partner of Appleby Hong Kong and Appleby Global's practice group leader for Islamic finance, said: "My view would be quietly

optimistic. I believe that it is possible and probable that this sector will develop in Taiwan, particularly if Taiwan and Taipei, in particular, is seeking to develop its financial services markets. Diversity of financial products is a pre-requisite to developing a leading financial market." Following Shanghai-Hong Kong Stock Connect collaboration last year, exchanges in neighboring jurisdictions including Taiwan are exploring new means to drive up volumes. Having expressed the need to develop its financial market, Islamic money is could be a likely avenue on the cards.

Taiwan has strong historical trade relationships with MENA states. Its stock exchange has established exchange traded funds with both the Abu Dhabi and Dubai securities markets. One of the notable ventures is Mubadala Development Company's (Abu Dhabi sovereign wealth fund) tie-up with Taiwanese construction goliath Farglory Group to develop a US$1 billion luxury residential project on the Al Maryah Island in Abu Dhabi. Additionally, the state's strong and developed technologies sector is according to Kirk, an area that would appeal to investors who may want to invest into that sector through Islamic finance products.

On the capital market side, Malaysia's national mortgage provider Cagamas plans to target new investors particularly from Taiwan, Japan, the Middle East and the greater part of Europe for its first foreign currency denominated Sukuk this year. According to a report by Reuters, the transaction would be a part of the corporation's US$2.5 billion multi-currency Sukuk program set up last November, following the issuance of its conventional bonds in yuan, Hong Kong dollars and US dollars that year. "Coupled with the Sukuk issuances in Hong Kong last year and possibly in Ningxia this year, these may prove strong motivators to the Taiwanese to grow Islamic finance in their financial markets," opined Kirk. The financial infrastructure needs of the country, coupled with lucrative investment opportunities in its technology sector offer ample scope for Shariah compliant investments and capital market transactions in Taiwan.

Exciting Islamic finance opportunities ahead for Japan

As Japan's Financial Services Agency (FSA) mulls easing rules to better support Japanese financial institutions in offering Shariah compliant products, VINEETA TAN observes that this has motivated Japanese players to think beyond the horizon towards further expansion.

> ***"2015 is shaping up to be another interesting year full of opportunities for Japan and Islamic finance. The question is, will these institutions, have sufficient capabilities to keep up with the growing opportunities?"***

While the FSA is reportedly seeking feedback on its potential move to enable the provision of Islamic financial products in its home market (according to Reuters), Nikkei Asian Review reports that the biggest Japanese Islamic finance players are looking outwards to Dubai for expansion; a prudent strategy considering that they have successfully established presence in Malaysia, a key Islamic financial market. Mitsubishi UFJ Financial Group is hoping to offer Shariah compliant deposit and financing services at its Dubai branch, subject to local regulatory approval; while Sumitomo Mitsui Banking Corporation reportedly has similar plans for its Dubai and Singaporean units. Mizuho Financial Group on the other hand is thought to be likely to leverage its existing London branch (the bank's largest office in the Europe, Middle East and Africa region) to make it its operational hub for Islamic finance in the Middle East.

However, unlike Mitsubishi UFJ which has over the years built a strong Islamic finance repertoire, newer players such as Mizuho and Sumitomo are clearly disadvantaged in this area – and it is perhaps a better strategy to focus on strengthening their existing Shariah operations before moving on to another market. Such is the mindset of Mizuho which is channelling greater efforts in boosting its Islamic finance operations in Malaysia to better compete in the international markets. IFN has learned that Mizuho is planning to expand its product suite with eyes on Mudarabah deposit instruments and Sukuk. With businesses being driven by the corporate sector, the addition of these new products would certainly boost the bank's Shariah appeal and diversify its Islamic financing portfolio which is currently limited to Murabahah and Ijarah products.

As discussed earlier last month in our IFN Analysis: 'Japan: Revving its Islamic finance gears' (Vol 12 Issue 05), 2014 was indeed a landmark year for Japanese entities in the Shariah compliant finance space as we saw a surge in activities and stronger involvement not only from the three Japanese megabanks but also, from other Japanese players. And with the potential new regulations in place and stronger commitment from market participants, 2015 is shaping up to be another interesting year full of opportunities for Japan and Islamic finance. The question is, will these institutions, have sufficient capabilities (e.g. Shariah finance talents) to keep up with the growing opportunities?

IFN Weekly Poll: Following the issuance of Central Bank of Nigeria's guidelines on the establishment of an advisory body for Islamic banking in country, will we see more Islamic finance activities in the country this year?

One of the significant developments in the industry over the past month is Central Bank of Nigeria's guidelines for the establishment of an advisory body that will oversee Islamic banking in the republic. This week IFN asks the industry of the potential effect of this lauded development. NABILAH ANNUAR reports.

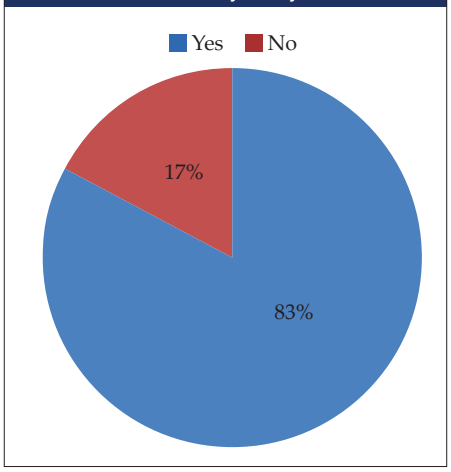
The Central Bank of Nigeria (CBN) in February issued guidelines for the regulation and supervision of institutions offering non-interest financial services. The country joins others who have opted for a centralized approach to governing Islamic finance. Known as Financial Regulation Advisory Council 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. FRACE will be tasked with ensuring all banking products that are designated as Islamic adhere to the principles of Shariah.

Following this significant development, one cannot help but ask if this would spur a flurry of Islamic finance activities in the country. Conveying a tone of optimism that has been portrayed throughout the year thus far, the industry opined (83%) that the market would see more Shariah compliant activities in the country after laying down the governance code for FRACE.

Although it has been said that the country lacks awareness and exposure to Islamic financial products, the establishment of these new guidelines prove otherwise. Financial institutions that offer Islamic banking products in Nigeria are already required to have their own boards of Shariah finance experts, who are limited to serving in one institution at a time. FRACE will be guided by the principles of Shariah governance issued by the Malaysia-based Islamic Financial Services Board.

Testament to Nigeria's potential, Osun State, an inland state in the southwestern part of the country issued a NGN10 billion (US$49.96 million) Sukuk in October 2013. Just last year, the Nigerian Stock Exchange listed Lotus Halal's maiden Islamic equity exchange traded fund worth NGN620 million (US$3.1 million). The non-interest finance company said the Lotus Halal Equity ETF was targeted at ethical investors and the forces of demand and supply would determine the daily price movement. With notable developments on both the capital market and asset management side, it is highly likely that the centralized approach that the CBN took would encourage and facilitate more Shariah compliant activities in the country.

Following the issuance of Central Bank of Nigeria's guidelines on the establishment of an advisory body for Islamic banking in country, will we see more Islamic finance activities in the country this year?



Luxembourg beyond its inaugural Sukuk

As Luxembourg forges ahead to establish itself as the leading Islamic finance hub for Europe, the Grand Duchy is assertively working on creating stronger relationships with key Islamic markets, particularly the UAE as demonstrated by its recent visit to Dubai. Speaking to Luxembourg's finance minister, VINEETA TAN navigates the country's Islamic finance game plan for 2015.

Headed by the Crown Prince of Luxembourg, Prince Guillaume, and accompanied by Crown Princess Stephanie, the recent financial delegation to Dubai was led by finance minister Pierre Gramegna with the objective of fostering closer ties with the leading financial center of the Middle Eastern region, with Islamic finance top on the agenda.

> ***"While mainly known for its impressive asset management capabilities and as the world's largest Islamic funds domicile in Europe, Luxembourg is also driving the proposition that it is well-positioned to drive growth in all segments of the industry"***

"This visit follows closely on our visit to the UAE in October last year, during which we signed an MoU on Islamic finance and banking with the minister of finance of the UAE, as well as updating our double tax treaty with the UAE," explained Gramegna to IFN.

"The purpose of this visit is to cement our relationship by the presence of the Crown Prince and Crown Princess of Luxembourg and to further work on some of the topics foreseen in the MoU."

Balanced growth

The development of Islamic finance in Europe, while steady, is relatively slow as compared to its Middle Eastern and Southeast Asian counterparts; however, there has been significantly more traction in the European continent in recent times, with Luxembourg (and the UK) at the helm of this growth. While mainly known for its impressive asset management capabilities and as the world's largest Islamic funds domicile in Europe (with over 100 Shariah investment funds created in the Grand Duchy itself), Luxembourg is also driving the proposition that it is well-positioned to drive growth in all segments of the industry. This is evident by the government's inaugural sovereign Sukuk issuance last year; and also a push by industry players for a fully-fledged Islamic bank in Luxembourg (Eurisbank).

Sukuk

The Grand Duchy had phenomenal success with its debut Sukuk and while the country is contemplating a second issuance, as a 'AAA' sovereign the sovereign has relatively limited financing needs. IFN has learned that Luxembourg is considering different options with regard to a possible issuance, which would not happen this year, but perhaps next year. However no final decision on this (specifically with regard to volume, conditions, etc) has been made yet.

Islamic banking

Although Islamic banking institutions are not present in continental Europe, however the latent potential is significant as the potential customer base of the region is approximately 20 million Muslims — and Luxembourg could be pivotal in facilitating the industry in tapping this market. Gragmena confirms this: "With a Luxembourg universal banking license and a European passport, an Islamic bank established in Luxembourg could develop its activities on a purely cross-border basis or by establishing branches in the target countries out of their Luxembourg subsidiary."

Rising cross-border activities

As Luxembourg (both at the government and industry level) assume a more active role in the Islamic finance scene and with its firm commitment to building a strong relationship with the UAE (as well as other jurisdictions), market players could expect to witness the growing internationalization of Islamic finance in the near future.

BLME: Achieving greater momentum

The UK may be on the Islamic finance radar, but its Islamic banking sector remains small. With only six fully-fledged Islamic banks in the market (including Abu Dhabi Islamic Bank's representative office), most players struggle to achieve profitability; which makes the case of profit-making BLME Holdings an interesting one. VINEETA TAN speaks to CEO Humphrey Percy to discuss the bank's performance and growth plans.

BLME's latest financial results were certainly cause for cheer as the bank revealed vast improvements in all areas, including a yearly profit of GBP6.7 million (US$10.4 million) for 2014. While the figure may seem small, however this achievement translated into a phenomenal 55% year-on-year growth rate, a commendable accomplishment for a young bank in a nascent industry. Other milestones include a 40% increase in net fee income, an improved cost to income ratio (72.3% from 76.5%) and solid capital adequacy ratio in excess of current and impending Basel III standards.

"BLME is a relatively small and new bank, but is steadily gaining market share in the UK market," commented Percy, who further expounded: "Our business model is working well and this gives us the necessary flexibility to adapt to future changes in market conditions, thereby providing us with the ability to deploy our risk capital effectively — a competitive advantage."

The bank in the past year has also been actively seeking to expand its network and capabilities, diversifying its exposure profile and reducing the average size of its credit exposure. In 2014, its corporate banking division established a strategic leasing partnership with Marubeni Corporation, a major achievement in the leasing segment for the UK bank as it intends to bolster its leasing and real estate business in the UK this year. It also formed a financing partnership with a new Shariah player in the UK market, Renaissance Asset Finance, which targets the SME sector. With it being mandated as co-lead manager for IDB's global Sukuk offering (two US$1.5 billion five-year tranches) last year, BLME certainly raised its global profile.

Forming new relationships and achieving new milestones, while largely driven by the bank's prudent strategy, are also reflective of the promising growth of the domestic market. "We expect the UK's Islamic finance industry to continue growing and gain more importance as a preferred alternative choice for

investors," said Percy. And this continued growth augurs well not only for BLME but also the rest of the UK Islamic banking fraternity.

So what's in store for the UK bank this year? With offices in London and Dubai, BLME is making the expansion of its asset management operation in Dubai a key priority, along with growing its domestic leasing business. And with a strong performance from 2014, it is fair to say that the bank is off to a good start in 2015 and is poised to build on a strong new business pipeline, with eyes on new strategic business relationships as the bank strives to maintain its hold as Europe's largest Islamic bank.

Turkiye Finans eyes international market

VINEETA TAN takes a look at Turkiye Finans Katilim Bankasi's international expansion strategy and evaluates its significance.

Turkiye Finans will be expanding its footprint onto a global platform, as the Turkish participation bank plans to open a new branch in Bahrain following its successful procurement of a license from the Central Bank of Bahrain (CBB). This new development from one of Islamic finance's brightest emerging market is significant as it not only reflects the growth of Turkish players but lends strength to Bahrain as a Shariah compliant finance and banking stalwart following its proverbial fall from grace due to political and social upheaval several years back.

"There [is] a historical trading and financial relationship between [the] Arabian Gulf and Turkey due to the economical growth in those two regions," explained Ahmed Al Bassam, the director of licensing and policy at the CBB, in a media statement. Adding that the addition of Turkish banks in the Kingdom would facilitate bilateral trade and investments between the two regions, Ahmed welcomed Turkiye Finans's decision to leverage Bahrain as a platform to reach the Middle Eastern market.

Although Shariah compliant finance has a shorter history in Turkey as compared to veteran Bahrain, the Turkish participation banking and finance sector has taken off on a trajectory of rapid double-digit growth; recording a 37% surge in total asset in 2013 or 5.5% of the Republic's total banking market share, according to latest figures provided by Participation Banks Association of Turkey. Despite the controversial and high-profile political imbroglio involving Bank Asya and the Turkish government, this segment is nonetheless expected to continue to grow and command a larger share buoyed by the performance of existing players, increasing activity in the Sukuk market as well as the likely entry of three state lenders (Ziraat Bank, Vakifbank and Halkbank) into the participation banking scene.

The Bahrain branch may be the bank's first unit in a foreign country; however, Turkiye Finans already has considerable experience dealing with international markets. Last year, the bank made history becoming the first Turkish bank to establish a ringgit Sukuk program in Malaysia, which proceeded to win the IFN Turkey Deal of the Year Award (See IFN Awards Guide 2015: 'Turkiye Finans's Malaysian Sukuk debut'). Keeping an eye on existing and new potential investors, the bank in Bahrain will focus on financial institutions, government agencies, corporate customers and high-net-worth individuals.

Sovereign Sukuk: Asia and the UAE

Quite a number of interesting developments transpired last week in the global Sukuk space. There were corporate Sukuk announcements from Oman, Saudi Arabia, Malaysia and Pakistan. On the sovereign side, we have Malaysia, Hong Kong and the emirate of Ras Al Khaimah looking to tap the Sukuk market. NABILAH ANNUAR provides an overview of this exciting progress.

Asia

Following the success of the government's debut Sukuk in September last year, Hong Kong is reportedly planning to issue a second Sukuk worth approximately US$500 million - 1 billion, according to news portal Global Capital. Eyeing a tenor of three to five years, the government is considering an asset-light Wakalah structure, evidenced by its request for proposals submitted earlier this month. Malaysia on the 6th March issued RM100 million (US$27.54 million) in Islamic treasury bills, due to mature on the 4th March 2016.

The Indonesian government 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. To be sold at an indicative fixed coupon rate of 8.25% per year, the instrument is targeted at individual Indonesian investors. 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 also (according to Bloomberg) planning to tap the international Islamic bond market for the first time in almost four years, instructing banks to submit proposals for a US dollar-denominated debt offering. Other countries that have come forth with Sukuk plans include Bangladesh, Ningxia Hui Autonomous Region, Turkey and Kazakhstan. IFN's Bangladesh correspondent Md Shamsuzzaman 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 has said that it plans to issue Sukuk worth TRY1.5 billion (US$609.87 million). 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.

Middle East

The emirate of Ras Al Khaimah plans to tap the Sukuk market this year, having invited banks to pitch for arranger roles for a potential US dollar-denominated benchmark issuance, reported Reuters. The deal is expected to materialize before the end of April.

To address in part the Sultanate's 2015 budget deficit of OMR2.5 billion (US$6.47 billion) due to the fall in oil prices, Oman has targeted to make the debut of its first Sovereign Sukuk by mid-2015. Reports have suggested that the OMR200 million (US$517.6 million) offering could be made with maturities of five or seven years and is believed to adopt an Ijarah structure, with the underlying asset being a selected public project with a readily available income stream of the right proportions. To be issued through the central bank for the local market, the paper is also expected to boost Oman's Islamic banking industry, giving it a pricing benchmark and a liquidity management tool. Similarly, Jordan also expects to raise JOD564 million (US$794.03 million) in Sukuk this year 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.

Africa

Together with the Islamic Corporation for the Development of the Private Sector (ICD), the Niger government plans to auction XOF150 billion (US$248.27 million) in Sukuk, implemented in two equal phases within the next five years. Proceeds therefrom will be used to fund the Republic's development project pipeline. While South Africa has no plans to issue a US dollar-denominated Sukuk in 2015 the country, which is also planning to offer domestic South African-rand denominated Sukuk, may, however, consider an issuance next year. Tunisia revised its plans expecting to debut its Sukuk offering in the second half of 2015 allowing the parliament time to amend a law concerning the sale. The Republic mandated four banks including Citigroup, Natixis and Standard Chartered for the proposed US$500 million US-dollar denominated issuance.

With a final decision to be made, UMOA-Titres, the region's development planning agency, reported that Ivory Coast has plans to tap the international Sukuk market with an estimated offering of XOF200 billion (US$342.32 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 the parliament for approval.

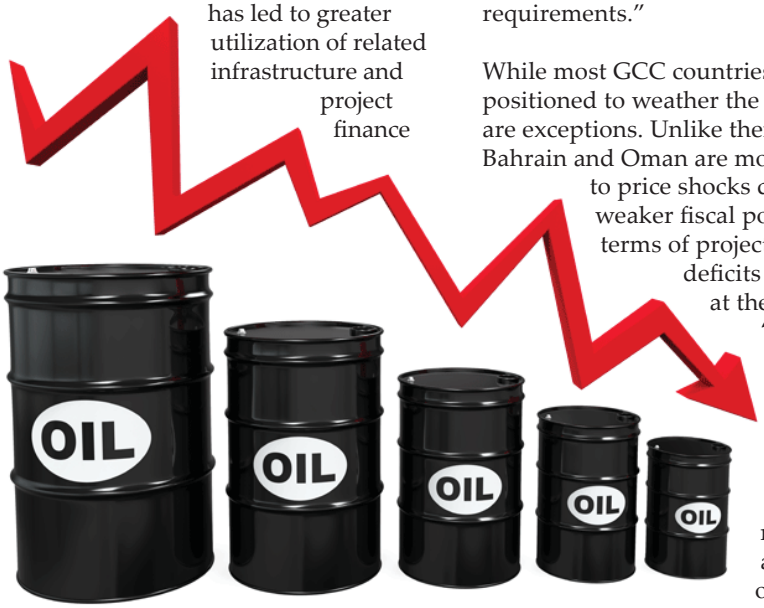
Europe

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.

Bahrain and Oman look to Sukuk amid tumbling oil prices

Oil price volatility continues to be a hotly discussed topic globally as world economies brace themselves for a period of projected stubbornly low prices. While broader visceral market sentiments and market trends may suggest that governments are likely to resort to the Islamic capital markets to raise funding to compensate the fall in oil revenues — leading to a potential rise in sovereign Sukuk activities this year — S&P thinks that the "upside for sovereign Sukuk issuance in countries in the GCC is limited in 2015". VINEETA TAN reports.

Higher oil prices have traditionally provided GCC countries the leverage to initiate public infrastructure developments as a result of higher fiscal revenues, and this has led to greater utilization of related infrastructure and project finance Sukuk. New projects have also been used to underpin Sukuk issuances, which in turn, drummed up Sukuk demand from the region's financial community which is flush with liquidity fed by higher oil prices.



"It seems logical to assume that a positive relationship exists between oil price and GCC sovereign Sukuk issuance. But the empirical evidence suggests that there is no meaningful relationship between the two," explained Benjamin Young, a sovereign analyst at S&P, to IFN. "We anticipate that the fiscal deficits will emerge as a result of lower oil prices and that these will need to be financed. However, many sovereigns in the region have built up large stocks of fiscal assets that can be used to meet the related financing requirements."

While most GCC countries are well-positioned to weather the storm, there are exceptions. Unlike their peers, Bahrain and Oman are more exposed to price shocks due to their weaker fiscal positions, in terms of projected fiscal deficits and net assets at their disposable. "We believe that in these two countries, debt or Sukuk issuance are more likely as a source of deficit financing than for other GCC members," noted S&P in a recent report.

> ***"Unlike their peers, Bahrain and Oman are more exposed to price shocks due to their weaker fiscal positions, in terms of projected fiscal deficits and net assets at their disposable"***

Bahrain is a longstanding Sukuk issuer with successful monthly programs and the Kingdom has evidently revved up its issuances amid the current oil price fiasco. This year alone, Bahrain has issued over US$1.1 billion-worth of Islamic debt, over 50% higher than its 2014 annual offering according to S&P. Oman on the other hand has yet to tap the sovereign Sukuk market. However that is set to change as the Sultanate according to Reuters will debut its maiden sovereign Islamic paper mid-2015, in a bid to plug a budget deficit caused by the plunge of oil prices, in line with expectations.

Sri Lanka: Good things to come

Rising from the rubbles of a long bloody war, Sri Lanka has persevered through difficult circumstances and transformed itself into an increasingly attractive investment destination. On the back of post-war growth (7.5% GDP expansion in 2014 according to Asian Development Bank), Sri Lanka's Islamic finance and banking sector is also on a positive trajectory. VINEETA TAN reviews the republic's Shariah finance activities over the past 12 months.

Banking

Amãna Bank remains the only fully-fledged Islamic bank in Sri Lanka, among a host of Shariah banking windows offered by conventional institutions. In 2014, the bank achieved its best performance yet as it realized its first profitable quarter (August-December 2014) and as a result, minimized losses for the year (See Table 1). Along with Lanka Orix Finance, Amãna Bank in October was confirmed as partner bank for the launch of DFCC Vardhana Bank's new remittance service, Lanka Money Transfer.

Last year, MCSL Financial Services (jointly owned by Bank of Ceylon and Merchant Bank of Sri Lanka) launched their own Islamic financial services, known as Al-Wafa. Richard Pieris Finance's Shariah compliant arm was also granted approval by the Central Bank of Sri Lanka for the launch of its first Wakalah investment. After two years since the introduction of its Islamic banking brand, National Development Bank in 2014 organized a soft re-launch of its Shariah compliant unit, NBD Shareek.

Takaful

With regards to Section 53 of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011 which required composite insurance operators to split their life and non-life insurance business into two separate legal entities, the Insurance Board of Sri Lanka decided to bring forward the deadline for compliance to the 1st January 2015. In light of that, Amãna Takaful at the beginning of this year segregated its operations into two separate business entities by transferring all life insurance policies to Amãna Takaful Life. The operator also expanded its branch network with a new unit in Muthur in November, bringing total number of branches nationwide to 27.

Asset management

Approximately 10% of the country's unit trust funds are Shariah compliant (as at the end of the first quarter of 2014). In October 2014, Sri Lanka welcomed another Islamic addition: the Amana Candor Shariah Income Fund, a joint initiative between Amana Capital (as technical partner) and Candor Asset Management (See IFN Report Vol 11 Issue 42: 'Building on Sri Lanka's growth story — Amana Candor Shariah Income Fund'). The fund invests in Mudarabah securities issued by Sri Lankan financial institutions with an investment grade or higher.

Others

Other notable developments in the Shariah compliant banking sector is the creation of an Islamic banking committee within the Sri Lanka Banks Association (SLBA) (See IFN Vol 11 Issue 07: SLBA forms dedicated committee of Islamic banking). Chaired by the managing director and CEO of Amãna Bank, Faizal Salieh, the committee seeks to address the needs of the Islamic finance industry to bring about a level playing field.

SLBA also proposed to the central bank to introduce a Shariah compliant alternative to the conventional treasure bill to broaden the availability of Islamic liquidity management tools for market players.

Table 1: 2014 financial performance of Amãna Bank

	Amount (in LKR)	Year-on-year growth (%)
Pre-tax profit (Q4)	88.5 million	-
Net loss	80.3 million from 438 million	-
Total assets	34.9 billion	49
Net financing income	1.21 billion	68
Total operating income	1.67 billion	57

Source: Figures submitted to IFN by Amãna Bank

Table 2: Financial performance of Amãna Takaful (in LKR)

	As at the 30th September 2014	As at the 31st December 2013	Change
Net profit	24.84 million	18.23 million	36%
Total assets	2.82 billion	2.65 billion	6.42%

Source: Amãna Takaful's financial statement ended the 30th September 2014

Table 3: Sri Lankan index performance

Benchmark performance	Year-to-date (from the 31st December 2014-31st January 2015)	12 months (as at the 31st December 2014)
CSE All Share Index	-1.63%	22.44%
S&P Sri Lanka 20	-3.1%	25.29%

Source: The Unit Trust Association of Sri Lanka

Table 4: Performance of Sri Lankan Shariah compliant unit trusts

Fund	Total fund size (LKR million)	NAV/unit (LKR)	From the 31st December 2014-31st January 2015	12 months (as at the 31st December 2014)
Crescent I Fund	27.36	12.94	0.99%	22.61%
NAMAL Sharia Fund	0.43	9.08	-4.79	21.18%
Amana Candor Shariah Balanced Fund	195.9	11.43	-1.12%	13.6%
Comtrust ADL Mudarabah Fund	217.82	10.53	0.43%	7.48%
Amana Candor Shariah Income Fund	103.8	10.11	0.38%	NA

Source: The Unit Trust Association of Sri Lanka

Leasing: A continuous preference in the Islamic finance scene

A well-received product by both Shariah compliant and conventional entities, Islamic leasing has gained increasing popularity and visibility in recent months. The Islamic Corporation for the Development of the Private Sector (ICD) has carried out numerous initiatives in this area in several countries following its pledge to focus on leasing last year. Additionally, more and more Islamic leasing transactions are taking place in aviation financing. NABILAH ANNUAR provides a succinct coverage of recent activities in the Shariah compliant leasing arena.

ICD initiatives

The ICD this month entered into an agreement with the African Export-Import Bank for the expansion of financial products and the exchange of information to develop the private sector in the continent. Both the parties will also cooperate in structuring Sukuk opportunities, co-invest in Islamic leasing companies and support African financial institutions through raising of capital. Tunisia's El Wifack also recently signed an advisory services contract and term sheet with the ICD to facilitate the leasing company's conversion into a fully-fledged Islamic bank. India's Infrastructure Leasing & Financial Services (IL&FS) made a commitment to the Shariah compliant financial industry by officially signing an agreement with the ICD paving the way for mutual collaboration between the two entities in the area of project evaluations, project finance, advisory services and asset management in ICD member countries. The cooperation agreement will essentially see the ICD and IL&FS joining hands in evaluating and structuring infrastructure opportunities, as well as achieving financial closure of projects.

Aviation financing

Ibdar Bank in February announced the successful distribution of a 10% dividend for the year ended 2014 to investors in Aircraft Leasing Investment Company, an entity that was structured around a transaction concluded with Emirates Airlines. It consisted of the acquisition of a Boeing 777-200ER aircraft from the airline and an agreement whereby it has been leased back to Emirates. The bank which in January confirmed to IFN that it is currently in talks with other regional carriers [in Africa and GCC] seeking to expand their fleet. The Ethiopian Airlines US$100 million Ijarah financing deal was said to be part of Ibdar Bank's strategy to enter the aircraft leasing space and as they seek to develop attractive new products within this market segment for investors. Similarly, the International Airfinance Corporation is currently working to conclude aircraft acquisitions to develop its leasing portfolio as it moves towards anchoring itself in the Middle East.

Leasing funds and institutions

Gulf Finance Corporation (GFC), a wholly-owned subsidiary of SHUAA Capital and a provider of Shariah compliant finance to SMEs in Saudi Arabia, last month obtained a new operating license from the Saudi Arabian Monetary Agency (SAMA) to officially practice in three finance activities: financial leasing, financing productive assets and SME financing, in line with SAMA's new laws and regulations. In efforts to boost its asset-management business in the UAE, Bank of London and The Middle East (BLME) is studying the launch of its first leasing fund, which would be primarily aimed at Middle East financial institutions.

EIIB-Rasmala, a venture between London-based European Islamic Investment Bank (EIIB) and Dubai's Rasmala Group, has revealed new business and strategic plans for 2015 which are designed to allow EIIB-Rasmala assume a stronger position in the area of asset management. Among products in the pipeline for the company include the launch of two new leasing funds next year, adding on to the Rasmala Leasing Fund and Rasmala Trade Finance Fund, which were introduced this year. For Europe, the group plans to raise approximately US$250 million to invest in a broad mix of real estate deals in the UK, in addition to raising some US$1 billion to fund the expansion of its leasing and alternative business.

Dubai-based Rasameel Investment Bank (subsidiary of Kuwait's Rasameel Structured Finance Company) and equipment leasing provider Ejarah Global last September contracted an agreement to jointly develop a suite of facilities in compliance with Islamic law, collectively known as Ejarah Investment Program, over the next three years. Worth up to US$500 million, the program will see the development and launching of a series of Sukuk fully backed by commercial equipment and machinery on lease to high credit quality corporate and public sector entities in North America, the UK, Europe and Australasia; with the offerings to be denominated in US dollars, Australian dollars, Canadian dollars and Euros — representing an internationally diversified liquidity management strategy for the Islamic investment market. The company seeks to deliver a wide range of attractive Shariah compliant fixed income products from each of its international leasing markets, through the said program.

Orix Leasing Pakistan (OLPL) also in September entered into a non-binding MoU, subject to due diligence, with Standard Chartered Bank (Pakistan) to acquire the latter's 86.45% stake in Standard Chartered Leasing, 100% stake in Standard Chartered Services of Pakistan and 20% stake in Standard Chartered Modaraba. Abu Dhabi Islamic Bank Egypt (ADIB Egypt) in the same month announced it is in the process of buying 1.36 million shares of Adiles Leasing, at EGP5.56 (US$0.70) per share. BLME last August provided a GBP35 million (US$58.5 million) financing line to a newly-established leasing company, Renaissance Asset Finance (Renaissance). Aimed at UK's small ticket market, Renaissance was launched to provide asset financing services to SMEs, as well as high net worth individuals (HNWIs). Renaissance will help businesses and individuals release capital tied up in their assets through a range of flexible products and services including; hire purchase, lease purchase, finance lease, sale and lease back.

Turkish Treasury's TRY1.8 billion (US$716.09 million) Sukuk

The Turkish Treasury 2015 successfully made a TRY1.8 billion (US$716.09 million) Sukuk issuance on the 18th February 2015. Holding a tenor of two years, the paper carries a coupon rate of 3.9% and was issued for budgetary purposes. Speaking to Taskin Temiz, the director general for public finance at the treasury, NABILAH ANNUAR provides a detailed account of the transaction.

> ***"By putting two lease certificate issuances in our Financing Program every year, it is declared that Turkish Treasury will continue [the] lease certificate issuances"***

The paper was structured according to the principles of Ijarah, a sale and lease-back concept. According to Temiz, the underlying reason for choosing this particular structure was the wide acceptance and understanding of investors of an Ijarah transaction. Like its previous issuances, the proceeds from the Sukuk sale will be utilized for the country's budget financing as enumerated in the 2015 Treasury Financing Program which was released in October 2014.

"This was our sixth issuance in [the] local market, we did not face any challenges," said Temiz. "We have had our legal framework since June 2012. So we do not have any difficulties and also all other institutions, banks and investors that [are] involved in [the] local markets are familiar with this type of lease certificate issuance." Achieving widespread participation from both Islamic and conventional banks in Turkey, the Sukuk also attracted higher demand than the announced sale amount. Although only open for Turkish local banks, both domestic and foreign investors were able to subscribe to the issuance through these banks.

Highlighting its importance to the global Islamic finance industry, Temiz further explained: "The issuance was part of 2015 Treasury Financing Program which was released in October 2014. By putting two lease certificate issuances in our Financing Program every year, it is declared that Turkish Treasury will continue [the] lease certificate issuances." The Sukuk was a standalone lira-denominated issuance offered to the local market, and was not rated as domestic issuances are typically not assigned ratings. According to the treasury, lease certificates remain the only Shariah compliant financial product issued by the Turkish Treasury.

Turkish Treasury Sukuk Ijarah

TRY1.8 billion (US$716.09 million)

18th February 2015

Issuer	Hazine Müsteşarlığı Varlık Kiralama Anonim Şirketi
Obligor	Turkish Republic Prime Ministry Undersecretariat of Treasury
Issuance price	TRY100 (US$39.78)
Purpose of issuance	Budget finance
Tenor	Two years
Coupon rate/return	3.9% (six months)
Currency	Turkish lira
Maturity date	15th February 2017
Lead manager(s)	Direct sale
Governing law	Turkish law
Listing	Borsa İstanbul
Underlying assets	Public buildings and land
Structure	Sukuk Ijarah
Tradability	Yes
Investor breakdown	Banks (especially Turkish participation banks)
Face value/ minimum investment	TRY100 (US$39.78)

www.daralsharia.com

This Fatwa is brought to you exclusively by IFN in collaboration with Dar Al Sharia Legal & Financial Consultancy-Dubai. The Fatwa appearing in this space was obtained by Dar Al Sharia for issues faced by their clients and the documents stated in the Fatwa were developed at Dar Al Sharia. This Fatwa was compiled by Dr Muhiuddin Ghazi.

Query:

An Islamic bank has launched a product based on Salam in order to provide cash finance for its retail and corporate customers.

As per the product structure, the customer will sell to the Islamic bank a certain quantity of a described commodity in consideration of the price paid by the Islamic bank on an upfront basis immediately upon signing the Salam sale agreement. The delivery of the goods will be on a staggered basis on defined future dates.

In order to address all possible scenarios related to the product, the Islamic bank has requested to know the Shariah compliant solution if the customer seeks from the bank an early settlement of its obligation under Salam financing facility.

Pronouncement:

In a Salam sale transaction, the price is paid on spot and the delivery of the sold goods is made on a deferred basis. Upon signing the Salam contract by both parties, the seller (which is the customer in this case) becomes obligated to deliver a certain quantity of goods based on a delivery schedule.

In case the customer wishes to settle its obligation of delivering the entire quantity of remaining goods ahead of schedule, it may do so; and the bank may reject the delivery, subject to the bank having a valid reason not to accept premature delivery. The bank may insist upon the customer adhering to the agreed delivery schedule.

Although the bank probably has purchased the goods from the customer under the Salam contract with a lower than market price at the time of executing the sale contract (which is Shariah compliant practice under Salam), the customer has no right to seek any discount in quantity due to early delivery of Salam goods and must deliver the full outstanding quantity of goods sold by it to the bank.

Notwithstanding the above, the bank, on its sole discretion, may reward the customer in cash or kind upon early completion of customer's obligation. However, the reward must be spontaneous since it shall not be Shariah compliant for an Islamic bank to bind itself to such future reward by any type of agreement or promise in advance.

The bank may also agree to accept the substituted goods if the original goods are not available in the situation of early delivery by the customer. However, the substitution shall be agreed between the parties only at the time of arrival of the situation and cannot be made part of the Salam contract.

The substitution shall be carried out with mutual consent by the bank and customer and shall be restricted to commodities only: i.e., there shall be no involvement of cash being offered by the customer towards discharging of its remaining delivery obligations. Also, the quantity of the new commodity should be equal to the outstanding financial commitment of the seller under the Salam contract.

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

SECP — A new vision under new leadership

PAKISTAN

By Muhammad Shoaib Ibrahim

Under the new leadership of Zafar Hijazi, the Securities and Exchange Commission of Pakistan (SECP) has become very active in the promotion of Islamic finance within the financial and non-financial markets. Zafar is the new chairman of SECP. He is a chartered accountant by profession and carries rich and broad-based regulatory experience in the corporate sector and capital markets. Zafar has also served as a commissioner in the SECP in the past and during this period he had a distinguished track record and headed various divisions.

At present, SECP is actively engaged in further strengthening and developing Islamic finance within the relevant segments of non-bank finance companies and the capital market. Recently, a separate Islamic Finance Department (IFD) has been established within the SECP. As per mandate, IFD will carry out the functions of Shariah regulation and compliance, product development, market awareness, Shariah securities market development and international liaison and networking. The said division has been put under the supervision of Bilal Rasul, as the director and head of department. Bilal has vast experience in Islamic finance and in the past he was also the registrar of Mudarabah companies and attended various local and international conferences on Islamic finance as a speaker and official representative of SECP.

According to the scope of work, the IFD will act as a coordinator between the SECP's operational departments with the primary objective of regulating and promoting Islamic finance and Shariah compliance in the capital market. The SECP controls diversified sectors of the economy and is entrusted with regulating a wide spectrum of Shariah-oriented companies and funds ranging from Mudarabahs, Takaful and Islamic mutual funds along with the Islamic capital market.

Recently, the SECP has also published long-awaited rules for the issuance of Sukuk, as part of efforts to strengthen governance and broaden their approach to investors. The Shariah board under the SECP was also dissolved for reshaping in line with the new mandate of IFD.

> ***"It is expected that the initiatives of SECP, particularly the establishment of a separate specialized department of Islamic finance, will greatly support the expansion and development of the Islamic finance industry"***

Conventional insurance companies have also started establishing Takaful windows within their structure in order to tap the large Takaful business within the Pakistani market. The grant of authorization for commencing Takaful window operations was subject to the fulfillment of requirements of all Shariah-related compliances and procedures. It is expected that by allowing Takaful window operations, it will support the expansion of the market base of the Takaful industry and also enable conventional operators of the said industry to benefit from their expertise, market reputation and customer loyalty.

It is expected that the initiatives of SECP, particularly the establishment of a separate specialized department of Islamic finance, will greatly support the expansion and development of the Islamic finance industry within the niche market of the country which has huge potential for growth at a massive level.

Muhammad Shoaib Ibrahim is CEO and the managing director of First Habib Modaraba. He can be contacted at shoaib@habibmodaraba.com.

IFN Country Correspondents

AFGHANISTAN: Dr Alam Khan Hamdard
president, Afghanistan Islamic Finance and Consulting Co
AUSTRALIA: Chaaban Omran,
Principal, Crescent Professional Services
BAHRAIN: Dr Hatim El-Tahir
director of Islamic Finance Knowledge Center, Deloitte & Touche
BANGLADESH: Md Shamsuzzaman
executive vice president, Islami Bank Bangladesh
BELGIUM: Prof Laurent Marliere
CEO, ISFIN
BERMUDA: Belaid A Jheengoor
director of asset management, PwC
BRAZIL: Fábio Figueira,
partner, Veirano Advogados
BRUNEI: Dr Aimi Zulhazmi, Islamic finance consultant, Draznine Advisory
CANADA: Jeffrey S Graham
partner, Borden Ladner Gervais
EGYPT: Dr Walid Hegazy
managing partner, Hegazy & Associates
FRANCE: Kader Merbouh
co head of the executive master of the Islamic finance, Paris-Dauphine University
HONG KONG: Amirali Bakirali Nasir
Chairman, The Law Society of Hong Kong working party on Islamic finance
INDIA: H Jayesh
founder partner, Juris Corp
INDONESIA: Farouk A Alwyni
CEO of Alwyni International Capital and the chairman of Centre for Islamic Studies in Finance Economics and Development
IRAN: Majid Pireh
Islamic finance expert, Securities & Exchange Organization of Iran
IRAQ: Khaled Saqqaf
partner and head of Jordan & Iraq offices, Al Tamimi & Co
JAPAN: Kaoru Haraguchi
founding attorney, Haraguchi International Law Office
KENYA: Mona K Doshi,
senior partner, Anjarwalla & Khanna Advocates
KOREA: Yong-Jae Chang
partner, Lee & Ko
KUWAIT: Alex Saleh
partner, Al Tamimi & Co
LEBANON: Johnny El Hachem
partner – corporate, Bin Shabib & Associates
LUXEMBOURG: Said Qaceme
senior manager of Advisory & Consulting, Deloitte Tax & Consulting
MALAYSIA: Abdullah Abdul Rahman
partner, Cheang & Ariff
MALDIVES: Aishath Muneeza
deputy minister, Ministry of Islamic Affairs, Maldives
MALTA: Reuben Buttigieg
president, Malta Institute of Management
MAURITIUS: Sameer K Tegally
associate, Conyers Dill & Pearman
MOROCCO: Ahmed Tahiri Jouti
managing consultant, Al Maali Consulting Group
NEW ZEALAND: Dr Mustafa Farouk
counsel member for Islamic financial institutions, The Federation of Islamic Associations of New Zealand (FIANZ)
NIGERIA: Auwalu Ado; Shariah auditor, Jaiz Bank
OMAN: Riza Ismail; senior associate, Trowers & Hamlins
PAKISTAN: Muhammad Shoaib Ibrahim
managing director & CEO, First Habib Modaraba
PHILIPPINES: Rafael A Morales
managing partner, SyCip Salazar Hernandez & Gatmaitan
QATAR: Amjad Hussain
partner, K&L Gates
RUSSIA: Roustam Vakhitov
managing partner, International Tax Associates
SAUDI ARABIA: Nabil Issa
partner, King & Spalding
SENEGAL: Abdoulaye Mbow
Islamic finance advisor, Africa Islamic Finance Corporation
SOUTH AFRICA: Amman Muhammad
CEO, First National Bank-Islamic Finance
SINGAPORE: Yeo Wico
partner, Allen & Gledhill
SRI LANKA: Imruz Kamil
head of Islamic banking, Richard Pieris Arpico Finance
SWITZERLAND: Khadra Abdullahi
associate, Investment banking, Faisal Private Bank
SYRIA: Gabriel Oussi,
general manager, Oussi Law Firm
TANZANIA: Khalfan Abdullahi
head of product development and Shariah compliance, Amana Bank
THAILAND: Shah Fahad
vice-president and head of strategic marketing and product development, Islamic Bank of Thailand
TURKEY: Ali Ceylan
partner, Baspinar & Partners
UK: Fara Mohammad
director of Islamic finance, Foot Anstey
US: Joshua Brockwell
investment communications director, Azzad Asset Management
YEMEN: Moneer Saif; head of Islamic banking, CAC Bank

IFN Correspondents are experts in their respective fields and are selected by Islamic Finance *news* to contribute designated short country reports. For more information about becoming an IFN Correspondent please contact sasikala.thiagaraja@redmoneygroup.com

Towards developing a global Islamic economy

UAE

By Rima Mrad

Following the developments in the Islamic finance sector in the UAE in the last quarter of 2014, a number of major announcements have been issued in the beginning of 2015 confirming the UAE's commitment to foster the expansion of this sector and the increasing confidence by international investors in the future of this industry.

Dubai Islamic Economy Development Center

The Dubai Islamic Economy Development Center (DIEDC) signed an agreement with Thomson Reuters, a provider of information for businesses and professionals, to develop a global Islamic economy portal. According to DIEDC and Thomson Reuters, the portal should serve as a pioneering initiative for the Islamic digital economy and a global reference for the emerging Islamic economy sector. The portal is mainly tailored to provide support for institutions and retail users and will cover different practice areas such as finance, tourism, pharmaceuticals, cosmetics, fashion, media/recreation, health care, and education.

Global Islamic Economy Summit Roundtable Series

Dubai Chamber of Commerce and Industry partnered with DIEDC and Thomson Reuters to organize the Global Islamic Economy Summit Roundtable Series II. This summit focused on the importance of leadership for the development of the Islamic economy and was held at the DIFC Conference Center.

The main sessions that took place during the conference covered controversial topics such as: Islamic finance and its role in the Islamic economy; building out the Islamic economy beyond Islamic finance; and the next 10 years: Elevating the Islamic economy onto the development agenda in the Muslim world.

Gulf Finance Corporation

Gulf Finance Corporation, a wholly-owned subsidiary of Shuaa Capital and a leading provider of finance solutions to SMEs in the UAE, obtained a new license from SAMA in Saudi Arabia and issued a number of press releases confirming commitment to expand its healthcare and medical financing offerings including services like term loans, finance leases, and working capital finance.

New Sukuk issuing

It has been announced that Emirates Airlines, the world's biggest airline by international passenger traffic, plans to sell US$1 billion of Shariah compliant notes this quarter to secure finance to expand its A380 fleet.

Rima Mrad is a partner at Bin Shabib & Associates. She can be contacted at rima.mrad@bsa.ae.

Egyptian investment conference highly anticipated

EGYPT

By Dr Walid Hegazy

The Egyptian market has been in a state of great suspense and anticipation of the outcome of the investment conference in Sharm El Sheikh set to take place in mid-March.

> ***"A number of Islamic financial institutions in Egypt, including a Gulf-based bank, have been working on the feasibility studies for some of those projects and opportunities"***

Many large infrastructure projects and investment opportunities are expected to be announced during the conference. A number of Islamic financial institutions in Egypt, including a Gulf-based bank, have been working on the feasibility studies for some of those projects and opportunities. Islamic finance will undoubtedly take part in financing such projects. Around 70% of the announced projects are energy related, which is not surprising given the dire need for investments in this sector in Egypt.

Dr Walid Hegazy is the managing partner of law firm Hegazy & Associates in association with Crowell & Moring. He can be contacted at whegazy@hegazylaw.com.

Qatar: Financial sector holds up

QATAR

By Amjad Hussain

The governor of the Qatar Central Bank (QCB) recently stated that the global dip in oil prices has not had an adverse impact on the financial services sector in Qatar. Instead, the sector grew by around 5% in the second half of 2014 and the growth in Islamic banking was seen as a key contributor to this.

There has also been an increase in lending to the private sector, which has protected the banking sector from potential uncertainty around major projects. Though, given the amount of infrastructure development that is required to meet the commitments for the FIFA World Cup 2022 and Qatar National Vision 2030, it is unlikely that there will be any significant decline in government projects for Islamic banks to participate in. The optimism expressed by the QCB governor is shared by Qatar National Bank, which predicted growth rates for the bank of 7% this year, 7.5% for 2016 and 7.9% for 2017.

> ***"It is unlikely that there will be any significant decline in government projects for Islamic banks to participate in"***

Qatar Islamic Bank has announced that shareholder approval has been obtained for a plan to raise up to US$1.37 billion through a series of Sukuk; up to US$550 million of which would be aimed at enhancing its Basel III Tier I capital requirements. This is expected to stimulate the local Sukuk market, which has been rather passive in recent months. Also, more recently, QIB's UK subsidiary has opened its new offices in the affluent Mayfair district of London. The aim of this branch is to attract more high-net-worth clients and to help support the

growing investment flows between Qatar and the UK.

Islamic banks have started to report their 2014 results and there seems to be some cheer in the marketplace. Of particular note is that QInvest has reported significant growth in its revenue, which increased by a remarkable 134% to QAR299 million (US$82.04 million) last year. Its debt capital markets business continued to generate global mandates and completed Sukuk transactions with a total value of US$3.5 billion, acting for government and non-government participants.

Barwa Bank has been active internationally too. It has been mandated by Emirates Airline for a possible Sukuk issuance rumored to be in the US$1 billion range and has participated in the US$150 million loan for International Bank of Azerbaijan.

Finally, it is understood that Qatar International Islamic Bank is also seeking shareholder approval to raise up to US$825 million to boost its capital in compliance with Basel III. The extra capital will also help to fund future growth and expansion plans for the bank.

Amjad Hussain is a partner at law firm K&L Gates's corporate and finance practices. He can be contacted at Amjad.Hussain@klgates.com.

IFN Sector Correspondents

CROSS-BORDER FINANCING
Fara Mohammad, Director Of Islamic Finance, Foot Anstey

DEBT CAPITAL MARKETS:
Muhammad Shoaib Ibrahim, managing director & CEO, First Habib Modaraba

DERIVATIVES
Suhaimi Zainul - Abidin, treasurer for Gulf-Asia Shariah Compliant Investment Association and advisor to 5Pillars

LAW (EUROPE):
Ayhan Baltaci, attorney at law, Bereket & Baltaci Law Firm

LAW (MIDDLE EAST)
Bishr Shiblaq, head of Dubai office, Arendt & Medernach

LEASING:
Prof Shahinaz Rashad Abdellatif, executive director, Financial Services Institute, Egyptian Financial Supervisory Authority.

MERGERS & ACQUISITIONS
Jamal Hijres, CEO, Cappinova Investment Bank

MICROFINANCE (ASIA):
Dr Mahmood Ahmed, executive vice president and director training, Islami Bank Training and Research Academy

MICROFINANCE (AFRICA):
Mansour Ndiaye, director of microfinance, Assistance and Consulting for Development

PRIVATE BANKING & WEALTH MANAGEMENT:
Thomas Woods, product development, wealth management, The Islamic Bank of Asia

PRIVATE EQUITY & VENTURE CAPITAL:
Arshad Ahmed, partner, Elixir Capital

PROJECT & INFRASTRUCTURE FINANCE
Anthony Coleby, head of corporate commercial department, Said Al Shahry Law Office (SASLO)

REAL ESTATE
Philip Churchill, founder partner, 90 North Real Estate Partners

REAL ESTATE (MIDDLE EAST):
Yahya Abdulla, head of capital markets — Middle East, Cushman & Wakefield

REGULATORY ISSUES (ASIA)
Intan Syah Ichsan , chief operating officer, Samuel Aset Manajemen

REGULATORY ISSUES (MIDDLE EAST):
Mohammad Abdullah Malik Dewaya, head of Shariah compliance and audit, Maisarah Islamic Banking Services

RETAIL BANKING:
Chowdhury Shahed Akbar, Officer, Southeast Bank, Bangladesh.

RISK MANAGEMENT:
Hylmun Izhar, economist, Islamic Research and Training Institute, Islamic Development Bank Country

SECURITIES & SECURITIZATION:
Nidhi Bothra, executive vice president, Vinod Kothari Consultants

STOCK BROKING & TRADING:
Athif Shukri, research analyst, Adl Capital

STRUCTURED FINANCE:
John Dewar, partner and head of Islamic finance, Milbank, Tweed, Hadley & McCloy

SUKUK
Anthony Coleby, head of corporate commercial department, Said Al Shahry Law Office (SASLO)

SYNDICATED FINANCE
Elina Khayrullina, investor relations manager, AK BARS Bank

TAKAFUL & RE-TAKAFUL:
Dr Sutan Emir Hidayat, assistant professor and academic advisor for Islamic finance, University College of Bahrain

TAKAFUL & RE-TAKAFUL (AFRICA):
Uwaiz Jassat, acting head of Islamic banking, Absa Islamic Banking

TAKAFUL & RE-TAKAFUL (EUROPE):
Ezzedine Ghlamallah, director, Solutions Insurance and Islamic Finance in France (SAAFI)

TRADE FINANCE
Anthony Coleby, head of corporate commercial department, Said Al Shahry Law Office (SASLO)

TREASURY PRODUCTS:
Nafith ALHersh Nazzal, certified financial & investment advisor

IFN Correspondents are experts in their respective fields and are selected by Islamic Finance *news* to contribute designated short sector reports. For more information about becoming an IFN Correspondent, please contact sasikala.thiagaraja@redmoneygroup.com

Central Bank of Nigeria adopts centralized system of Shariah advisory body

NIGERIA

By Auwalu Ado

In line with Section 9.1 of the Central Bank of Nigeria (CBN) Guidelines for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services in the country, the CBN last month issued guidelines to guide the operations of its Financial Regulations and Advisory Council of Experts (FRACE), a Shariah advisory body set up by the CBN to advise the apex bank as well as other regulators in the country on Shariah-related issues. The guidelines issued by the CBN put Nigeria among countries using a centralized system of Shariah governance.

The guidelines in Section 9.0 put the FRACE as a centralized body in the country regarding Shariah advisory. According to this section all decisions of the individual bank's Shariah committee which is called the Advisory Committee of Experts (ACE) regarding products and services validation are subject to ratification by the CBN FRACE. Additionally, the section provided that in situations of divergence of opinion on a matter between an individual ACE and the FRACE, the opinion of the FRACE shall prevail. Section 6.1/ii of the newly issued guidelines added more central responsibilities to the FRACE as other regulators in the country will be referring Shariah issues to it. These included Nigeria Deposit Insurance Corporation, the Securities and Exchange Commission, the National Insurance Commission, the National Pension Commission and the Debt Management Office.

Membership of the FRACE is restricted to only individuals and not institutions or organizations; and such individuals must be knowledgeable in Islamic law, speaks Arabic and the English language and have some exposure to modern business and finance, especially Islamic finance. One more important aspect of the guidelines as issued by the Central Bank is the restriction put in place on members of the FRACE; as no member is allowed to be a member of the ACE and shall neither be a member of the board of directors of any non-interest financial institution (NIFI) which is under the supervisory purview of the CBN.

These guidelines issued by the CBN is an indication of the apex bank's efforts and commitment toward ensuring Shariah compliance of all products and services offered by NIFIs in the country. It will therefore go a long way in fostering growth in this emerging sector of the economy. Finally, it will help promote uniformity of products and services being offered by NIFIs in Nigeria.

Auwalu Ado is the Shariah auditor at Jaiz Bank. He can be contacted at auwalu.ado@jaizbankplc.com.

In numbers: Islamic banking in Bangladesh

As one of the earliest Islamic banking player in the region, Bangladesh has the advantage of experience and demographics. However has the South Asian republic lived up to its Shariah banking potential? DR ROMZIE ROSMAN and MEZBAH UDDIN AHMED explore the issue using hard facts and figures.

BANGLADESH

By Dr Romzie Rosman and Mezbah Uddin Ahmed

Islami Bank Bangladesh (IBBL), the first Islamic bank in South and Southeast Asia, commenced its operation in March 1983, three months before the first Islamic bank in Malaysia (Bank Islam, July 1983), nine years before the first Islamic bank in Indonesia (Bank Muamalat, 1992), and 19 years before the first Islamic bank in Pakistan (Meezan Bank, 2002). At present, in Bangladesh, out of 56 scheduled banks, eight are fully-fledged Islamic banks, eight conventional banks have Islamic banking branches, and seven conventional banks have Islamic banking windows. Out of a total of 8,948 bank branches, 900 are Islamic, that is, one in every 10 bank branches provides Islamic banking services.

> ***"As at the end of September 2014, the Islamic banking industry accounts for more than a one-fifth share of the total banking sector deposits and investments"***

As at the end of September 2014, the Islamic banking industry accounts for more than a one-fifth share of the total banking sector deposits and investments.

The Islamic banking market share in Bangladesh is largely dominated by IBBL, mainly due to its early start, greater market reach, and better market reputation.

continued...

Table 1: Islamic banks, branches and windows in Bangladesh

	Bank	Commencement of Islamic banking	No. of Islamic banking branches/windows
Fully-fledged Islamic banks	Islami Bank Bangladesh	1983	286
	ICB Islamic Bank	1987	33
	Social Islami Bank	1995	95
	Al-Arafah Islami Bank	1995	118
	Shahjalal Islami Bank	2001	92
	EXIM Bank	2004	84
	First Security Islami Bank	2009	128
	Union Bank	2013	20
Islamic banking branches of conventional banks	Prime Bank	1995	5
	The City bank	2003	1
	Dhaka Bank	2003	2
	Premier Bank	2003	2
	Southeast Bank	2003	5
	Jamuna Bank	2003	2
	Bank Alfalah	2003	1
	AB Bank	2004	1
Islamic banking windows of conventional banks	Standard Chartered Bank	2004	1
	Trust Bank	2008	5
	Bank Asia	2008	5
	Standard Bank	2009	2
	Sonali Bank	2010	5
	Agrani Bank	2010	5
	Pubali Bank	2010	2
		Total	**900**

Table 2: Total Islamic deposits (in BDT billion)

	Mar '13	June '13	Sept '13	Dec '13	Mar '14	June '14	Sept '14
Fully-fledged Islamic banks	1,007	1,046	1,082	1,134	1,195	1,267	1,311
Islamic banking branches of conventional banks	57	53	54	48	50	48	51
Islamic banking windows of conventional banks	16	17	18	19	21	21	22
Total Islamic banking deposits	1,080	1,116	1,154	1,201	1,266	1,336	1,384
Share of fully-fledged Islamic banks to total	93.24%	93.73%	93.76%	94.42%	94.39%	94.84%	94.73%

Continued

Total Islamic banking deposits of 39.2% and 38.5% of the total Islamic banking investments are IBBL's. Islamic banking branches and windows of the conventional banks are the slow movers, and are the lowest contributors in growth of Islamic banking deposits and investments.

Islamic banking deposits are almost exclusively based on Mudarabah contracts, and investments are greatly based on Murabahah contracts as shown in Chart 3.

> ***"Despite an early start, Bangladesh has yet to establish two essential pillars of modern-day Islamic banking governance: (i) an Islamic banking or financial services Act, and (ii) a central Shariah supervisory board"***

A significant 28% of the Islamic banking investments are in the micro, small and medium enterprises. The total workforce of the Islamic banking sector is 26,526, as of September 2014. Islamic banks' deposits and advances are growing at a significantly higher rate than the conventional banks.

Bangladesh Bank, the central bank of the country, granted preferential provision to Islamic banks and the Islamic banking segment of conventional banks in terms of the required statutory liquidity ratio (SLR) by allowing them to maintain a 5.5% daily of their average total demand and time liabilities, whereas for conventional banks the required level is 13% daily.

continued...

Table 3: Total Islamic investments (in BDT billion)

	Mar '13	June '13	Sept '13	Dec '13	Mar '14	June '14	Sept '14
Fully-fledged Islamic banks	898	908	940	982	1,023	1,085	1,115
Islamic banking branches of conventional banks	40	39	39	40	38	38	39
Islamic banking windows of conventional banks	11	11	12	14	15	16	17
Total Islamic banking investments	949	958	991	1,036	1,076	1,139	1,171
Share of fully-fledged Islamic banks to total	94.63%	94.78%	94.85%	94.79%	95.07%	95.26%	95.22%

Chart 1: Share of Islamic banking industry in Bangladesh as of September 2014

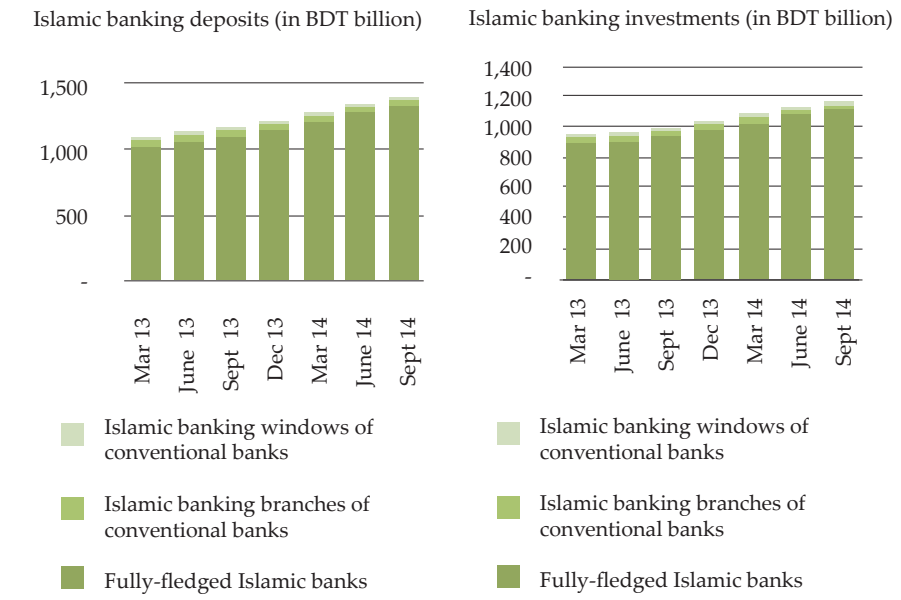
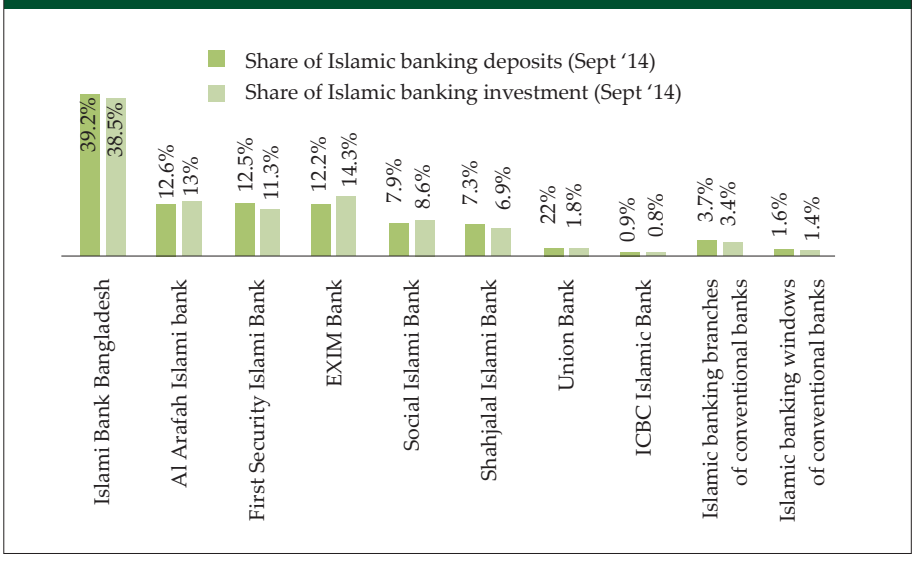


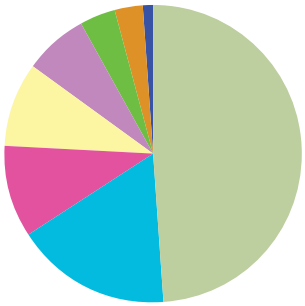
Chart 2: Islamic banking market share of Bangladesh banks



Continued

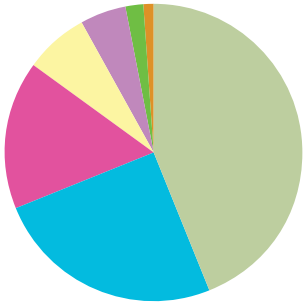
Chart 3: Islamic banking deposits and investments by type of contract

Islamic banking deposits by type of contract (Sept 14)



- Mudarabah term deposit 49%
- Mudarabah saving deposit 17%
- Special scheme deposits 10%
- Mudarabah special saving (pension profit/deposits) 9%
- Other deposits 7%
- Al Wadiah current account deposits 4%
- Mudarabah special notice deposits 3%
- Mudarabah saving bond 1%
- Mudarabah Hajj deposit 0%
- cash Waqf deposits 0%
- Qard-e-Hassan deposit 0%

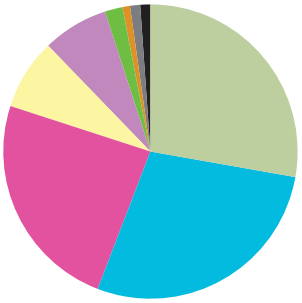
Islamic banking investment by type of contract (Sept 14)



- Bai-Murabahah 44%
- Bai-Muajjal 25%
- Hire purchase under Shirkatul Mielk (HPSM) 16%
- Ijarah & Ijarah-bil-Bai 7%
- Qard with security 2%
- Musharakah 1%
- Bai-Istisnah 0.2%
- Mudarabah 0.1%

Chart 4: Islamic banking investments by sectors

Islamic banking investment by sectors (Sept 14)



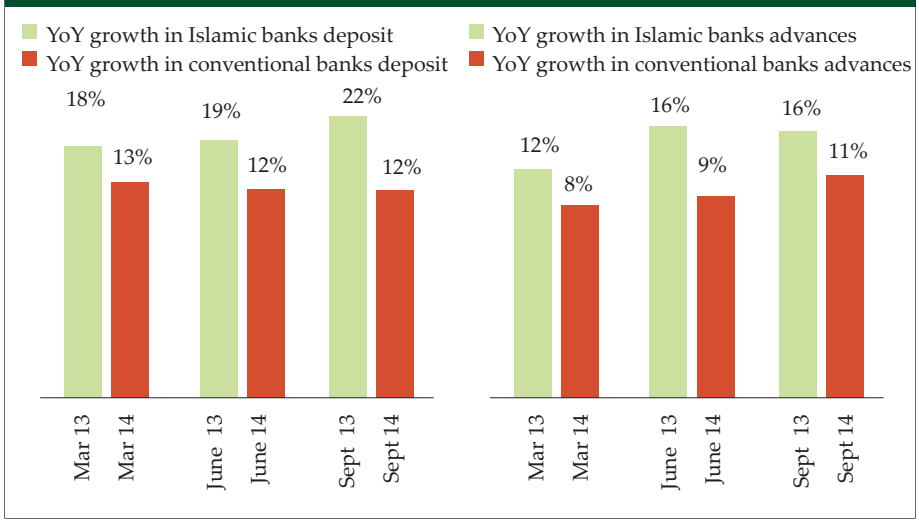
- Trade & business 28%
- Micro, small and medium enterprises 28%
- Industry 24%
- Real estate 8%
- Others 7%
- Transportation 2%
- Agriculture 1%
- Electricity, gas and water supply 1%
- Poverty alleviation 1%

Nevertheless, despite an early start, Bangladesh has yet to establish two essential pillars of modern-day Islamic banking governance: (i) an Islamic banking or financial services Act, and (ii) a central Shariah supervisory board with regulatory authority to regulate and supervise the Shariah compliance of Islamic banking services.

Data source: Bangladesh Bank Publications and bank annual reports.

Dr Romzie Rosman is a researcher at the Islamic Shariah Research Academy for Islamic Finance (ISRA) and Mezbah Uddin Ahmed is a member of the Association of Chartered Certified Accountants. They can be contacted at romzie@isra.my and mezbahahmed@accamail.com respectively.

Chart 5: A comparison of year-on-year growth between Islamic and conventional banks



Forget about Sukuk, it's time to talk about Salaf bonds!

It would have been unimaginable a few years ago to talk about negative bond yields much less witness this phenomenon happening right before our eyes. The reality is that today we are seeing an increasing number of bonds in Europe and Japan falling into negative yield territory. In light of this development, TARIQ ALRIFAI proposes an alternative Shariah compliant structure which he argues has more appeal than negative yield bonds.

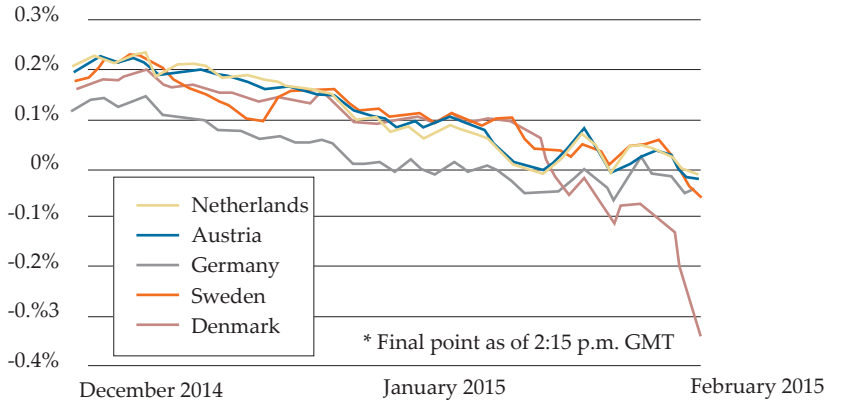
SUKUK SALAF

By Tariq Alrifai

The Wall Street Journal estimates that there are currently US$1.7 trillion in bonds trading with negative yields and the number is growing daily. For this we can thank central banks for their quantitative easing (QE) and other money-printing programs as they continue with their failed attempts at stimulating global growth. This, by the way, has gone on for six years and shows no sign of changing in the near future. What does this mean for the bond market? It means that yields are going lower and more will fall deeper into negative territory.

Chart: Borrowers' market

Five-year government bonds of Germany, Austria, Netherland, Sweden and Denmark are yielding less than zero.



Souce: Tradeweb via Thomson Reuters

The Wall Street Journal

What does it mean to have a negative yield and who would buy such an instrument?

Bonds that have a negative yield simply mean that investors have to pay for the right to own them. If they hold the bond to maturity they will get back less than they invested.

Investors are lining up to buy these bonds. Recent government issues in Europe have been oversubscribed. Some corporate issues, such as Nestle, have also seen their yields go negative. There are three main reasons investors are piling into these bonds as follows.

First, the world is headed for deflation on a global scale, despite all the central banks' efforts. This can be witnessed by falling commodity prices and the fact that many countries in the European Union are already in deflationary territory or barely showing positive inflation as is the case in the UK. A recent article on CNBC.com stated that inflation in the UK has reached its lowest level since records began. Investors fearing deflationary pressures will grow are piling into these bonds because they will profit from holding on to them as deflation takes hold. It is also important to note that in a deflationary environment the weakest issuers tend to default first and then go up the ratings chain. Therefore, negative-yielding bonds tend to be from the highest-quality issuers and will only exacerbate the trend to negative territory as investors flee to safety.

The second reason for buying these bonds is to hedge against other currencies. Investors buying into negative-yielding euro bonds might hope to gain if the euro appreciates against other currencies.

The third reason is the result of the European Central Bank (ECB)'s recent announcement to launch a QE program. Investors believe that it will only make the current bonds rise in value giving them a return. As the supply of bonds eligible for the ECB's QE program (that is, the highest quality) dwindles, the values of these bonds are expected to rise giving investors a gain after they sell.

On the flipside, these actions by the central bank are hurting more people and institutions than they are helping. For example, insurance companies and pension funds stand to lose as they need fixed income to pay out to their clients. Savers are also punished because there are no more safe havens for their hard-earned income.

> ***"Negative-yielding bonds tend to be from the highest-quality issuers and will only exacerbate the trend to negative territory as investors flee to safety"***

What solutions does Islamic finance have to help?

Sukuk have been a driving force over the

continued...

Continued

past decade in globalizing Islamic finance and bringing much needed fixed income solutions to Islamic investors. The phenomenal growth of the Sukuk market has been well-documented and reported on in recent years. However, falling yields and a rush of cash out of emerging markets where the Sukuk market's prime issuers are based will slow the growth in the coming years. This trend presents an opportunity to develop a new financial instrument: Qard Hassan bonds, or simply interest-free bonds. A Qard Hassan is a benevolent loan given usually for charity with repayment of the principal on demand by the lender. I am told that there is a better term of an Islamic interest-free loan, which is Salaf. Salaf differs from Qard in that it is an interest-free loan with repayment over a specified period and not on demand. The word Hassan means benevolent and is typically meant for charity. Therefore, it will be more appropriate to call this new instrument Salaf bonds.

The benefit of Salaf bonds from an Islamic perspective is that it is a money loan and does not need to be tied to any asset. This makes it much less complex than Sukuk. There are also no interest payments or complex structure to monitor and collect rent/lease payments. The Salaf can be used for any Shariah compliant purpose and be based solely on the credit quality of the issuer. The principal must be fully repaid with no discount (no negative yield) and no premium. From a conventional perspective, these bonds can be more attractive than negative-yielding bonds for two main reasons. First, they will never have a negative yield and second, they will have no market volatility risk.

> ***"Investors from other parts of the world will be lining up to get a guaranteed zero return by top-rated issuers, which would have been unthinkable a few years ago"***

This can be a downside for investors hoping to gain on the fluctuation in bond prices.

However, it's worth noting that the three main reasons investors are buying negative-yielding bonds today make holding Salaf bonds attractive as well. First, in a deflationary environment, a return of your investment is more important than seeking a return on your investment. As long as the issuers of Salaf bonds are of the highest quality, investors holding them stand to gain more than holding on to negative yielding bonds. Second, Salaf bond investors can also benefit from appreciating currencies. Euro investors can gain from holding on to the US dollar Salaf bonds if the dollar appreciates against the euro. Third, investors need not worry about supply and demand of these bonds affecting their prices. Shariah requires that money and loans such as Qard Hassan and Salaf do not trade at a premium or discount.

Who can issue Salaf bonds?

Any government or company can issue Salaf bonds provided their business is deemed to be Shariah compliant, such as companies in energy, healthcare, manufacturing and technology. Conventional banks, insurance companies, hotels and gaming companies will not be able to issue Salaf bonds.

In a deflationary environment, Salaf bonds become attractive to members of the Organization of the Petroleum Exporting Countries (OPEC). Falling oil prices mean OPEC members will need to tap into debt markets to fund their expected budget gaps. Salaf bonds provide them with a Shariah compliant solution that can be attractive to conventional and Islamic investors alike. Oil exporters such as Kuwait, Qatar, Saudi Arabia and the UAE have high credit ratings and can easily issue in US dollars broadening the appeal for their bonds on a global scale. Investors in the Middle East may not like these bonds as they are accustomed to earning a return on their investments. This, however, will not matter as investors from other parts of the world will be lining up to get a guaranteed zero return by top-rated issuers, which would have been unthinkable a few years ago.

Tariq Alrifai is currently the head of investor relations at Kuwait Finance House in Kuwait and the author of the upcoming book called 'Islamic finance and the new financial system'. He can be contacted at talrifai@failaka.com.

Solutions to SME challenges from an Islamic finance perspective

Small and medium enterprises (SMEs) have a significant role in employment creation and national productivity especially in the case of developing countries. In this article NUMAIR CASSIM highlights the constraints faced by SMEs especially in developing countries to actively contribute towards national development and discusses solutions which the Islamic finance industry could offer to overcome such constraints.

SME

By Numair Cassim

The reasons why SMEs play a crucial role in the economies of developing countries can be summarized as follows:

- SMEs are employers of a significant proportion of the labor force within developing economies.
- SMEs are an essential part of the rural economy as they are widely dispersed in rural areas.
- SMEs present entrepreneurs enormous opportunities to develop their entrepreneurial and business skills.

However, in order to grow and contribute more significantly to the economy, SMEs face certain restrictions. One of the main restrictions faced by SMEs is the lack of finance. Islamic financing products could help solve this problem through product structures such as Murabahah and diminishing Musharakah; these product structures allow Islamic banks to lend either on a short-term or long-term basis depending on the requirements of the SME customer and in turn enable the SMEs to support economic growth within the country. Islamic banking also has the potential of involving banks more directly with the SME sector via requiring them to abide by prudential rules, adopting more rigorous ethical values and practicing socially responsible lending.

The challenges

The SME segment is strategically important to most Islamic banks which believe that if it is managed well, the segment can be extremely rewarding. Despite the huge opportunity that is available, Islamic banks especially in developing countries have not reached their full potential in terms of SME financing. Problems which confine access of SMEs to Islamic finance are unique to each country, but there are several common factors as follows that underscore such problems:

- Although Islamic banks now offer SME suites, in most cases their customer service procedures are quite cumbersome and not aligned towards SME banking. Such inefficiencies could escalate the transaction costs thus having a negative impact on the margins which the banks operate and may also hamper the attractiveness of the Islamic finance-based SME solutions.
- In general, SMEs have relatively smaller requirements that entail low revenue and high administrative costs for banks, thereby affecting their profitability. The operating costs-to-amounts advanced ratios of small businesses are high, which makes the task of creating a viable and profitable business model for the SME sector a challenging one for banks.
- Generally, most banks are reluctant to extend credit to SMEs, largely due to the non-availability of authentic financial statements, business plans, project feasibility studies and tax records.
- There is a dearth of skilled professionals who are well-versed in Shariah compliant product structures. Although this problem exists in several areas, it is more acute in rural areas.
- Certain Islamic finance institutions do not possess the skills or methodologies to evaluate SMEs. As such, they measure SMEs with the same criteria applied to corporates.
- Several SMEs lack sound executive competencies to manage businesses effectively. This leads to an inefficient operating structure and weak financial reporting.
- Lack of customer awareness about the SME related financing options provided by Islamic banks, which creates a perceived supply-side inadequacy.
- Lack of quality sectoral data on SMEs in developing countries makes it difficult for banks to assess credit risks involved in lending to such sectors.
- Non-performing advances (NPA) ratios of SMEs are high compared to better managed corporates, thereby prompting financial institutions to reassess their SME advances portfolio and divert funds to other safer options. Efforts to spot indications of impairment early and directly engage with borrowers to mitigate losses are also insufficient.
- Adverse economic conditions in developing countries and unfavorable domestic business environments including effects of natural calamities have affected the willingness of banks to lend to SMEs.
- Most potential SME customers are widely dispersed, but smaller Islamic banks do not have adequate physical presence to serve such widely dispersed clientele.
- Despite a sound regulatory process in certain developing countries, the recovery processes are cumbersome and in some instances legal procedures take years to resolve a case.

The solutions

The existence or non-existence of the factors previously identified can play an important role in influencing the path of the SME market. Islamic banks with the necessary assistance from the regulators in their respective countries will have to effectively balance these factors if the Islamic SME banking sector is to reach its full potential and in doing so serve the segments of the SME sector that are not currently serviced by the Islamic banks. Some of the measures which can be undertaken by Islamic banks to address the problems previously identified are as follows:

- Start-up and growing Islamic banks would need to implement a long-term strategy to implement and sustain a road map for SME banking; this initiative could be time-consuming, resource-intensive and may require

continued...

Continued

a collective organization-wide effort. There is no "one size fits all" solution that can be applied, as the business environment and operational characteristics of each bank are dissimilar. Banks would have to conduct a systematic self-evaluation, prioritize the steps that need to be implemented, create a road map, define goals and formulate an implementation plan.

- A dedicated Islamic SME banking strategy and business model is crucial: Banks would need to adopt specific market segmentation methodologies to be able to better understand the market dynamics, identify the business opportunity, build appropriate solutions and set up the necessary operating models.
- Islamic banks in developing countries could also lobby the governments to create a more conducive environment for Islamic SME lending. However this obviously depends on the priority the respective government assigns to promote Islamic banking within the country. Where such priority has already been assigned, measures which governments could undertake to promote the SME sector through Islamic finance would include:
  - Acting as a strategic partner for Islamic banks to spot the prospective SMEs. As SMEs are widely dispersed, the government, particularly the local government, can help the banks to identify the location of SMEs.
  - To survive in an SME market, the banks which serve them must reduce their operational costs. If governments can provide reliable databases on SMEs, it will help the banks to reduce their operational costs. The problem presents an excellent opportunity to develop a nationwide comprehensive database on SMEs, which would bridge information gaps and lead to an increased supply of finance to the SME sector.
  - Governments could initiate a drive on a national scale to train SMEs on efficient management of businesses with the assistance related experts. This would increase the viability of SMEs in the long run and make them more conducive for bank lending.
  - In assessing the potential and credit worthiness of SMEs, the government could work together with industry experts and rating agencies to create tailor-made credit scoring models for SME rating. Such ratings would allow the banks to promptly assess the risks of the business and provide the necessary financing products with fast turnaround times without overlooking prudent banking principles. This will enable the Islamic banks to provide financing solutions for SMEs that are more suitable to their needs. Such measures will also to an extent address problems related to non-availability of authentic financial statements, business plans, project feasibility studies and tax records.
- To address customers' lack of awareness about Islamic finance-based SME propositions, Islamic banks can separately brand and market Islamic finance solutions for SMEs. Additionally separate business units/divisions with specialized SME strategies could also be formed.
- Islamic banks could broaden product and service offerings and in doing so they could consider offering SMEs the equivalent of conventional overdraft facilities (offered by conventional banks) and also consider providing fee-based services such as payroll management, payments, collections, and trade finance solutions.
- A majority of SMEs do not have sufficient knowledge in finance and management including analytical skills relating to financial modeling, future planning and forecasting as well as information on regulatory requirements that impact their functioning. This knowledge scarcity prevents SMEs from becoming larger and more sustainable enterprises. Islamic banks could provide SMEs with advisory services targeting previuosly mentioned knowledge gaps to aid and facilitate growth. However, this initiative is likely to yield results only in the long term.
- In order to address the shortage of employees knowledgeable on various Shariah compliant products, Islamic financial institutions need to incorporate focused practical based training programs into their training calendars.
- Most Islamic financial institutions rely on traditional banking tools to identify and target viable SMEs. Islamic financial institutions need to incorporate appropriate and innovative credit evaluation techniques such as behavioral scoring and intensive statistical analysis and build stronger early warning systems as well as collections structures. These initiatives will enable Islamic banks to target and manage SMEs better, reduce risk exposure and price products more effectively.
- Several SMEs face difficulty in applying for credit facilities due to the volume of documentation required and the long approval processes. Islamic banks must understand that the financial requirements of SMEs are urgent compared to those of large-scale corporate enterprises. As such, these institutions should take measures to streamline SME-related processes, ensure faster transaction times and focus on building relationships with SMEs.

Conclusion

Most SMEs seek finance to meet their working capital requirements and rely largely on informal sources for funds. There are several impediments for SMEs in having access to bank finance. Islamic banks while offering deposit products as well as financing products to consumer and corporate segments, should also consider offering SMEs tailor-made banking solutions. In doing so, specific measures should be taken to attract 'new to bank' SME customers through faster and cheaper banking solutions. Initiatives that Islamic financial institutions need to take to penetrate the SME sector are similar to what several conventional banks are already doing and these include customizing their product offerings, investing in a well-trained workforce, streamlining processes and expanding their presence in SME clusters. Additionally, Islamic banks could also consider offering the SME sector fee-based services, such as payroll management and branchless banking and thereby seeking to become bankers of choice to the SMEs.

Numair Cassim is the senior manager of internal audit at Amana Bank, Sri Lanka. He can be contacted at numair@amana.lk.

Implementation: the second round

Kazakhstan is a Muslim country, located in the heart of Eurasia and one of the Central Asian states, with a 70-year history under the Soviet Union. With a total Muslim population of 70 million, EDIGE ALPYSBAY writes that the country possesses great potential for Islamic finance.

KAZAKHSTAN

By Edige Alpysbay

A leading state in the region in terms of economic development and political stability, its strategic location between China, Russia and the Caspian Sea provides a huge advantage. Ninth in the world, according to the United Nations Statistic Division in terms of size of territory, Kazakhstan's enormous natural resources and petrochemicals attract investors from all over the world.

Islamic finance was officially implemented in Kazakhstan in 2009 with the adoption of a special Islamic banking law signed by president Nursultan Nazarbayev. This initiative paved the way for Abu Dhabi-based Al Hilal Bank to receive the first ever Islamic banking license in the same year. Though the society was still not familiar with the Islamic banking concept at that time, the Kazakhstan government was quite active in the idea of implementing Islamic finance.

The reason behind this initiative by the government was the world financial crisis and the deficit of capital coming from the west. The strategy was to develop the necessary infrastructure for Islamic finance so as to be able to attract capital from the Islamic capital markets. This strategy by the government has succeeded in some level with the signing of big contracts with investors and financial institutions for infrastructural projects in Kazakhstan.

But the missing point was the long-term strategy for step-by-step implementation of Islamic financial instruments for the general population that has hampered the spread of Islamic finance awareness. Despite that, some consulting companies, insurance companies, trust funds and even Hajj funds are still operating in addition to the establishment of the Islamic Finance Development Association to promote the implementation process of Islamic finance.

The demand for pure Islamic instruments is increasing every year in Kazakhstan, but the legislation adopted in 2009 only includes the banking sector and not others, which causes difficulties for the functioning of fully-fledged activities by Takaful operators and Islamic microfinancing institutions.

The five-year US$75 million Sukuk issued in Malaysian ringgit by the Development Bank of Kazakhstan in 2012 was another milestone in the development of Islamic finance in Kazakhstan. The process in this Sukuk issuance has identified many practical problems of implementation that was proposed to the central bank, the National Bank of Kazakhstan, and its success has reanimated the general interest to Islamic finance not only in Kazakhstan, but in the region as well.

> ***"The legislation adopted in 2009 only includes the banking sector and not others, which causes difficulties for the functioning of fully-fledged activities by Takaful operators and Islamic microfinancing institutions"***

The following are some good signs in 2014 for the development of the Islamic finance market in Kazakhstan:

- The National Bank of Kazakhstan has submitted a new legislation proposal to the parliament for Takaful and Ijarah.
- A few local banks are interested in obtaining an Islamic banking license and Zaman Bank might obtain one in 2015. Two reasons behind this interest are because — (i) the shareholders or the top management of these banks are practicing Muslims and are looking for ways to work with Shariah compliant instruments, and (ii) these banks are looking for new niches and are willing to position themselves in the Islamic finance market as they are "feeling" the potential.
- The first Islamic leasing company, Kazakhstan Ijarah Company with the Islamic Corporation for the Development of the Private Sector as one of its shareholders, has been in operation since last year.
- Increasing interest from local investors in Islamic financial instruments.
- The National Bank of Kazakhstan is in the process of launching an Islamic finance center within one of the local universities in Almaty which will be a good platform to train academicians as well as organize open seminars and corporate trainings in Islamic finance.

In conclusion, the implementation and development of Islamic finance in Kazakhstan is now experiencing its second round and it looks like this time it is much more serious and well planned. The main point to note is that there is a critical mass of professional investors, financial institutions, corporates and the proactive National Bank of Kazakhstan, who are interested in the implementation and development of the Islamic finance industry in Kazakhstan.

Edige Alpysbay is the managing director of Amanie Advisors. He can be contacted at edige@amanieadvisors.com.

DEALS

Malaysia issues Islamic treasury bills

MALAYSIA: The government of Malaysia, in an announcement on its central bank's website, issued RM100 million (US$27.54 million) in Islamic treasury bills on the 6th March 2015. The facility will mature on the 4th March 2016.

IDB announces initial price thoughts for US dollar Sukuk

GLOBAL: The IDB has opened books after setting initial price thoughts for its senior unsecured five-year benchmark dollar-denominated Sukuk issue at around 10bps over midswaps, reported Reuters. The bank mandated CIMB, Dubai Islamic Bank, GIB Capital, HSBC, Natixis, NCB Capital, National Bank of Abu Dhabi, RHB Islamic Bank and Standard Chartered to arrange roadshows in the Middle East and Asia which are reported to continue until Thursday.

Ras Al Khaimah plans Sukuk

UAE: The emirate of Ras Al Khaimah plans to tap the Sukuk market this year having invited banks to pitch for arranger roles for a potential US dollar-denominated benchmark issuance, reported Reuters. The deal is expected to materialize before the end of April.

TM receives greenlight for Sukuk

MALAYSIA: Telekom Malaysia (TM) in an announcement to Bursa Malaysia has conveyed that Tulip Maple, its wholly-owned subsidiary, has received the approval from the Securities Commission Malaysia for the proposed establishment of a US$750 million multicurrency Sukuk program. The program is expected to provide TM with the flexibility to manage its fund-raising requirements and to have an alternative access to debt funding, in addition to conventional bank borrowings. Proceeds from the issuance which are subsequently received by TM will be utilized by TM for capital expenditure and business operating requirements or, as the case may be, as set forth in the pricing supplement for the relevant series, where such utilization will be Shariah compliant.

SIB plans US dollar Sukuk

UAE: Sharjah Islamic Bank (SIB) in a public announcement confirmed that it was to conduct a series of Sukuk investor meetings in Asia and Europe starting on the 5th March 2015. To be arranged by Abu Dhabi Islamic Bank, Al Hilal Bank, Dubai Islamic Bank, Emirates NBD Capital, HSBC, KFH Investment and Standard Chartered Bank, a benchmark RegS US dollar-denominated Sukuk offering may follow, depending on market conditions.

Bahri plans debut Sukuk

SAUDI ARABIA: National Shipping Company of Saudi Arabia (Bahri) intends to sell a 10-year Sukuk worth SAR3.9 billion (US$1.04 billion) by the end of March to repay debt and for general business purposes, according to Reuters. Said to be the company's debut Sukuk issue, the firm has mandated HSBC Saudi Arabia, JPMorgan and Samba Capital to arrange the transaction.

Hong Kong looks at sophomore Sukuk

HONG KONG: Following the success of the government's debut Sukuk in September last year, Hong Kong is reportedly planning to issue a second Sukuk worth approximately US$500 million-billion, according to news portal Global Capital. Eyeing a tenor of three to five years, the government is considering an asset-light Wakalah structure, evident by its request for proposals submitted earlier this month.

OTC seeks approval for Sukuk

OMAN: Oman Telecommunications Company (OTC) according to a bourse filing will conduct an extraordinary general meeting on the 22nd March 2015 to approve a Sukuk issuance, among other things. Details of the proposed instrument were not disclosed in the announcement.

Treet Corporations enters Sukuk market

PAKISTAN: Treet Corporation, Pakistani razor and blade manufacturer, has announced on the Karachi Stock Exchange that it intends to issue capital-boosting Sukuk. The company plans to raise PKR539.51 million (US$5.29 million) in perpetual and convertible instruments of redeemable capital with an objective to in the form of perpetual and convertible instruments of redeemable capital.

Non-payment from Kinsteel

MALAYSIA: Kinsteel Group did not make a payment on its Murabahah medium-term notes worth up to RM100 million (US$27.13 million) due the 9th March as the company is undergoing a restructuring exercise under the purview of Corporate Debt Restructuring Committee where a standstill is in place, according to a central bank announcement.

Indonesia issues retail Sukuk

INDONESIA: The Indonesian finance ministry has issued IDR21.97 trillion (US$1.67 billion)-worth of retail Sukuk, according to an announcement by the ministry on the 9th March. Maturing on the 11th March 2018, the facility carries a coupon rate of 8.25%.

BNI Syariah considers Sukuk

INDONESIA: BNI Syariah, a subsidiary of Bank Negara Indonesia is looking to tap the capital market to raise between IDR500-750 billion (US$38-57 million) before June 2015, according to local daily The Jakarta Post. Said to be its first ever Sukuk issuance, proceeds from the deal would be used to finance its long-term financing portfolio, dominated by mortgages.

DEAL TRACKER Full Deal Tracker on page 45

EXPECTED DATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENT DATE
Before June 2015	BNI Syariah	IDR500-750 billion	Sukuk	10th march 2015
TBA	Treet Corporation	PKR539.51 million	Sukuk	9th March 2015
2015	Government of Hong Kong	US$500 million-1 billion	Sukuk	9th March 2015
Before end of April	Emirate of Ras Al Khaimah	TBA	Sukuk	5th March 2015

AFRICAS

Bank of Khartoum expands

SUDAN: Bank of Khartoum, the country's largest Shariah compliant private bank, plans to open a wholesale banking branch in Bahrain, its first in the Gulf, reported Reuters. The bank has applied for a branch licence and is hoping to finalize the process of obtaining it in the coming weeks.

Kenya sets up capital markets steering committee

KENYA: National Treasury Cabinet secretary Henry Rotich has completed selecting members for the committee that oversees the implementation of the country's 10-year capital markets master plan concluding in 2023. Rotich will chair the nine-member steering committee, which will serve for a term of five years dating January 2015. The targeted areas of the master plan include infrastructure finance, asset management, financial derivatives and Islamic finance instruments such as Sukuk.

Morocco's first Islamic bank

MOROCCO: Dar Assafaa, an affiliate of the country's largest lender AttijariWafa Bank, will become the nation's first wholly Shariah compliant financial institution when the central bank approves its switch, according to Bloomberg. The Islamic bank is reportedly expected to commence operations in September or October. Morocco introduced a law in January to regulate Islamic financial products and allow local and foreign banks to set up units that comply with Shariah.

ISFIN makes new connections

ANGOLA: ISFIN has teamed up with Eduardo Vera Cruz Advogados as its exclusive representative for Angola. The cooperation is expected to open new opportunities for Islamic investments in Angola as well as to provide advice to Angolan clients on Islamic markets.

ASIA

Turkish Islamic banking units coming soon

TURKEY: Vakıfbank has received regulatory approval from the country's Banking Regulation and Supervision Agency to establish an Islamic banking division, reported local news portal Anadolu Agency. Following the approval, the bank is allowed to set up a stand-alone Islamic unit capitalized at US$300 million and has been given nine months to establish it according to Turkish law.

Separately, the news agency reported that state-owned financier Ziraat Bank is expecting to launch its Shariah compliant Islamic unit, Ziraat Participation Bank on the 29th May 2015. Ziraat Participation Bank plans to open 20 branches by the end of 2015, with US$300 million in capital.

Malaysia's healthy Islamic capital market

MALAYSIA: The country has affirmed its top position in the global Islamic capital market, having grown at an average of 12% per annum over the last five years to RM1.59 trillion (US$454.29 billion) in 2014, accounting for 58% of the capital market, according to the Securities Commission.

By the end of 2014, 74% of Malaysian listed companies were classified as Shariah compliant with a market capitalization of more than RM1 trillion (US$285.71 billion). The country remains the largest Sukuk market in the world, accounting for 66% of global issuances. Islamic assets under management grew to RM111 billion (US$31.71 billion) from RM98 billion (US$28 billion) in 2013, reflecting the industry's ability to develop under Malaysia's facilitative Islamic capital market environment.

Malaysian banks healthy

MALAYSIA: Despite a moderating domestic economy, RAM Ratings expects Malaysia to register a 5.3% GDP growth this year, sufficient to support the health of the local banking system. For the segment, the rating agency projects for loan growth to ease to 7%; asset quality to remain sound; capitalization to remain strong; and profits to experience some pressure, with increasing funding and compliance costs.

Maybank propels SME industry

MALAYSIA: Maybank has recorded a strong growth in retail financing for small and medium enterprises (SME), posting a 43% increase to RM7.5 billion (US$2.05 billion) in 2014, reported Bernama. Expecting the momentum to sustain throughout 2015, Islamic SME financing for the bank saw a 77% rise to RM3.4 billion (US$929.51 million) last year.

RHB Islamic partners with MTDC

MALAYSIA: RHB Islamic has signed a collaboration agreement with venture capital solutions provider Malaysia Technology Development Corporation (MTDC) through which the Islamic bank will become the custodian of a RM150 million (US$40.7 million) fund entrusted by the government via Unit Peneraju Agenda Bumiputera, reported national news agency, Bernama.

Expected to raise at least RM300 million (US$81.4 million), the fund will be placed in the bank's commodity Murabahah deposit-i account. According to MTDC CEO, Norhalim Yunus, MTDC will provide a maximum financing of RM15 million (US$4.07 million) while RHB Islamic will supplement financing to the same tune or more.

PIDM's new assessment method

MALAYSIA: Perbadanan Insurans Deposit Malaysia (PIDM) has in a press release announced the issuance of its revised Guidelines on the Differential Premium Systems (DPS) framework for the Deposit Insurance System. The revised DPS framework, effective from assessment year 2015, will supersede the last enhancement in 2011. PIDM member banks will now be assessed in a matrix comprising 'capital buffer' and 'financial performance and condition'; in which the latter will be based on three major criteria, namely profitability, asset profile and funding profile (a newly introduced criterion). This new criteria is intended to assess a member bank's ability to fund the business from stable funding sources and the stability of the bank's customer deposits.

The DPS framework is a risk-based system to provide financial incentives for member banks to achieve sound risk management as well as to ensure fairness among member banks.

SC further develops Islamic finance

MALAYSIA: In a bid to achieve greater regulatory efficiency, the Securities Commission (SC) in a statement affirmed that it will undertake a review of primary market regulations regarding capital-raising, disclosure and retail fund approvals. To accelerate the internationalization of the Islamic capital market, the SC will also develop a blueprint to enhance Malaysia's Islamic fund and wealth management value proposition which will be released by the end of the year.

EUROPE

QIB-UK's new headquarters

UK: QIB-UK, a subsidiary of Qatar Islamic Bank, has inaugurated its new headquarters at Grosvenor Street in Mayfair, to better serve its high-net-worth clients from a centrally-located headquarters.

GLOBAL

IDB contributes US$63 billion

GLOBAL: IDB Group chairman Dr Ahmad Mohamed Ali confirmed in a media statement that IDB through the International Islamic Trade Finance Corporation (ITFC) has extended US$27 billion of financing to foreign trade operations, building on the US$29.4 billion of IDB financing for promotion of intra-trade prior to the creation of ITFC in 2008.

Islamic Corporation for the Development of the Private Sector on the other hand has offered over US$3 billion in financing to almost 300 private sector development projects, with the bank's total contribution to the private sector reaching US$3.5 billion for 45 development projects. Through its insurance arm, the Islamic Corporation for the Insurance of Investment and Export Credit, over US$23 billion-worth of investments and export credits have been insured.

The UAE and Luxembourg's concerted efforts

GLOBAL: The Ministry of Finance of the UAE hosted the first UAE-Luxembourg Council for Islamic Finance Cooperation meeting in Dubai on the 4th March, according to a press release. The meeting highlighted the UAE's commitment to activating the role of the UAE-Luxembourg Council for Islamic Finance Cooperation, which will provide all the necessary support to investor companies and individuals in the UAE and Luxembourg, to develop and expand their business in the Islamic banking and finance sector. Both countries are linked by a memorandum of understanding (MoU) focused on strengthening relations through exchanging best Islamic finance practices, encouraging the development of industry standards for Islamic banking and financial services and developing new products. The MoU also stipulates that the UAE and Luxembourg will work together to promote sound governance and enhance synergies in the field of Islamic banking and finance.

GCC maintains currency pegs

GLOBAL: GCC countries are not expected to change their currency pegs to the US dollar, despite the weak outlook on oil prices, as the pegs support economic stability in the region, according to Monica Malik, the chief economist of Abu Dhabi Commercial Bank, quoted Gulf News.

MIDDLE EAST

New program from BIBF

BAHRAIN: Central Bank of Bahrain's Waqf Fund through Bahrain Institute of Banking and Finance (BIBF) and New York-based Dinar Standard has launched the Islamic Finance and Muslim Lifestyle Convergence Training Program which will commence this May, according to a press release.

KFH's new strategy

KUWAIT: Kuwait Finance House (KFH) has in a press released announced the launch of its new deposits campaign themed 'Variety of solutions for prosperous future' underlining KFH 's investment deposits in terms of variety of tenures, rates, investment ratios, and flexible distribution.

Alkhabeer plans listing

SAUDI ARABIA: Islamic investment and advisory firm, Alkhabeer Capital plans to expand its discretionary management business and apply for a listing on the Saudi stock exchange later this year, reported Reuters. The firm is currently preparing the application which is to be submitted before the end of this year. Alkhabeer also seeks to open an office in the Dubai International Financial Center with a planned overseas expansion in Morocco and the larger Africa in the next three to five years.

GFH clarifies media reports

BAHRAIN: Gulf Finance House (GFH) in an announcement to the Bahrain Bourse denied issuing any offer to acquire Bahrain Life Stock Company, as inaccurately published in Bahraini media on the 26th and 27th February.

Separately GFH announced that it has won the legal case against Prescott Energy pertaining the bank's investment in Prescott Oil Fund. The Bahrain Chamber for Dispute Resolution awarded its judgment in favor of GFH on the case amounting US$3 million plus 3% interest starting the 4th June 2013.

Aafaq launches new initiative

UAE: In line with Dubai ruler Sheikh Mohammed Rashid Al Maktoum's Arab Innovation Center for Education initiative, Aafaq Islamic Finance according to a press release has launched the 'Seek Knowledge' initiative. The program comprises four elements: the launching of the Center for Studies and Research in collaboration with local and regional organizations, specializing in Islamic economy; the offering of several on-the-job opportunities within Aafaq in collaboration with state universities; the launching of a specialized center in training and career rehabilitation in the area of Islamic finance, economic, management and information technology; as well as the creation of a school promoting creativity and innovation.

BIM launches in May

BAHRAIN: Sheikh Khalifa Ebrahim Al Khalifa, CEO of the Bahrain Bourse (BHB), told IFN that it seeks to launch the Bahrain Investment Market (BIM) in May 2015. BHB this year received the consultation papers on the BIM with replies and comments from local market constituents. "We have amalgamated and studied all responses to implement and issue the final BIM rules. It is a high risk market/right reward market. The challenges are relative to the outcome of the project. However, we see no issue at the moment," affirmed Khalifa.

In a bid to enhance the productivity and sustainable growth of Bahrain and regional businesses (see IFN Report Vol 12 Issue 09: 'BIM — the first of its kind on the Middle East'), the platform caters for both Shariah compliant and non-Shariah compliant companies. Following its establishment, Shariah shareholding companies will have the ability to raise capital in an Islamic manner.

Barwa Real Estate completes sale

QATAR: Barwa Real Estate Group in an announcement on the Qatar Exchange confirmed the completion of a transaction with Qatari Diar. The agreement included selling Barwa Real Estate Group's shares (37.34%) in Shariah compliant Barwa Bank for QAR7.62 billion (US$2.08 billion) as well as shares in Barwa Commercial Avenue, Barwa Al Sadd & Barwa City, and some other assets.

Warba Bank's new service

KUWAIT: Warba Bank has launched the 'Murabahah Express' service providing special services to customers in the personal finance sector. The service assists customers in owning the products that they would like to buy in accordance to Shariah law and personal finance regulation. On behalf of the customer, Warba Bank will sell the goods and products to one of the local certified merchants and deposit the total sum of sales into the account of the customer within minutes.

Saudi Investment Bank increases capital

SAUDI ARABIA: Saudi Investment Bank in an announcement on Tadawul conveyed that its extraordinary general meeting has approved the capital increase via bonus shares. The additional shares have been deposited into the investor's portfolios.

ASSET MANAGEMENT

PMB launches Sukuk fund

MALAYSIA: PMB Investment has launched its first Sukuk fund known as the PMB Wholesale Sukuk Fund, according to a media statement. The launch and subscription of the RM70 million (US$19.17 million) new fund reportedly boosted the fund size of PMB Investment to RM1.11 billion (US$304.01 million).

The fund will invest at least 70% in ringgit-denominated Sukuk while the rest shall be invested in money market instruments, deposits and/or other permitted investments allowed by Shariah.

Separately, the firm also declared income distributions for three of its funds: PMB Shariah Growth Fund (PMB SGF) for the financial year ended the 28th February 2015; and monthly income distributions for two money market funds, PMB Shariah Wholesale Income Fund 1 (PMB SWIF1) and PMB Shariah Cash Management Fund (PMB SCMF).

PMB SGF declared a five Malaysian sen (US$0.01) net income distribution in the form of units, representing a yield of 3.82% over the fund's net asset value a year ago. PMB SWIF1 declared an income distribution of 0.27 Malaysian sen (US$0.00074), in the form of units for February, while for PMB SCMF, it declared an income distribution of 0.1 Malaysian sen (US$0.00027), in the form of units for February.

Sedco plans feeder fund

SAUDI ARABIA: Sedco Capital seeks to launch a Luxembourg feeder fund for its Gulf money market fund and is exploring ways to offer a Saudi-specific product to international investors, reported Reuters. The move is part of Sedco's strategy to source two-thirds of its assets under management from outside Saudi Arabia in four to five years.

RESULTS

Emirates Islamic

UAE: Emirates Islamic in a press release revealed a 161% surge in 2014 net profit to AED364 million (US$99.08 million) against the previous year. Non-performing ratio for the year improved by 6% to 10%.

Ithmaar Bank

BAHRAIN: Islamic financier Ithmaar Bank announced in a press release an improvement in financial performance for the 2014 fiscal year, as the bank made a lower net loss of US$8.8 million last year, as compared to US$79.3 million in 2013. The improvement is attributed to sustainable revenue growth across most income streams buoyed by the bank's decision to convert subsidiary Faysal Bank Pakistan's remaining conventional operations to fully Islamic banking, divestment of non-core assets and cost rationalization measures across the group. The bank's total assets were up 6.18% to US$7.86 billion as at the 31st December 2014.

Standard Chartered

GLOBAL: According to the annual report of Standard Chartered, the parent company of Standard Chartered Saadiq, the bank made lower pre-tax profit in 2014 at US$5.19 billion, down 25% from the year before. Operating income declined 2% to US$18.23 billion while customer advances slipped 3% to US$289 billion. Customer deposits were up 6% to US$414 billion.

United Arab Bank

UAE: United Arab Bank, which offers Islamic banking services, announced a net profit of AED605 million (US$164.68 million) for the 2014 financial year, marking a 10% growth from the year before. The bank has agreed on a 10% of paid-up share capital cash dividend, or AED114.6 million (US$31.19 million).

NBQ

UAE: National Bank of Umm Al-Qaiwain (NBQ), which offers Islamic banking services, made a profit of AED312.82 million (US$85.15 million) in 2014, according to its latest financial report. Total assets stood at AED13.23 billion (US$3.6 billion).

Barwa Real Estate

QATAR: Barwa Real Estate Company in a bourse filing reported a net profit of QAR2.8 billion (US$768.25 million) for the year ended the 31st December 2014, up from QAR1.4 billion (US$384.13 million) in 2013.

TAKAFUL

QIIC divests asset

QATAR: Qatar Islamic Insurance Company (QIIC) in a notice to the bourse announced that it has sold a land located in the Lusail Thuaileb area, generating a net profit of QAR8.28 million (US$2.27 million).

Ascana begins offering Takaful products

UAE: Arabian Scandinavian Insurance Co (Ascana Insurance) in a press release confirmed that it has converted its operations into a Shariah compliant one, to practice its business on a cooperative basis. The operator will transform subscriptions of all customers to the Takaful insurance system without any alteration to their rights and is willing to make the necessary adjustments should any customers refuse subscription to the Takaful system.

Softening of reinsurance rates

GLOBAL: Moody's in a recent report has conveyed that the overcapacity in the GCC's reinsurance market, which has led to further softening of reinsurance rates, will continue to add pressure to Gulf reinsurers' financial profiles. The ratings agency expects these trends to continue in the coming years, absent significant deteriorations in underwriting loss ratios.

RATINGS

Weststar Capital's Sukuk rating withdrawn

MALAYSIA: MARC in a press release has withdrawn its 'AA-IS' rating on Weststar Capital's RM900 million (US$247.87 million) Sukuk Mudarabah program. The rating withdrawal follows the early redemption and subsequent cancellation of the program on the 27th February 2015 as confirmed by the facility agent.

SEC's Sukuk ratings affirmed at 'AA-'

SAUDI ARABIA: It has been announced in a press release that Saudi Electricity Company (SEC)'s outstanding Sukuk facilities, issued via Saudi Electricity Global Sukuk Company, Saudi Electricity Global Sukuk Company 2 and Saudi Electricity Global Sukuk Company 3, have been affirmed at 'AA-' by Fitch. The rating agency concurrently assigned SEC a long-term issuer default rating and a senior unsecured rating of 'AA-'.

Moody's rates SIB's Sukuk

UAE: Moody's has afforded a provisional '(P)A3' senior unsecured (foreign and local currency) medium-term notes rating to Sharjah Islamic Bank (SIB)'s US$3 billion trust certificates issuance program, to be issued via SIB Sukuk Company III. The rating carries a stable outlook.

K-Electric's Sukuk assigned rating

PAKISTAN: The Islamic International Rating Agency in a press release assigned a preliminary rating of 'AA+' on the national scale to K-Electric's proposed Sukuk worth up to PKR22 billion (US$213.36 million). The primary purpose of the issue is repayment of certain existing long-term loans amounting to PKR18 billion (US$174.56 million) and the balance proceeds will be utilized for the power producer's ongoing cash needs.

PETRONAS's Sukuk rated

MALAYSIA: Moody's in a press release assigned a provisional '(P)A1' rating to the proposed Sukuk Wakalah transaction of PETRONAS that would be issued through the SPV, PETRONAS Global Sukuk. Concurrently, the ratings agency affirmed the 'A1' issuer rating and senior unsecured rating of PETRONAS, with a stable outlook. Separately, Fitch afforded the Islamic facility a preliminary 'A-' rating.

According to Reuters, the firm on the 5th March began roadshows to raise up to US$17 billion (RM62 billion) from conventional and Sukuk (US$2 billion).

Bank of Khartoum's ratings reaffirmed

SUDAN: The Islamic International Rating Agency (IIRA) informed IFN that it has reaffirmed the national scale credit ratings of Bank of Khartoum at 'AA-/A-1'with a stable outlook.

'AA' for Qatar

QATAR: Fitch in a statement confirmed Qatar's long-term foreign and local currency issuer default ratings (IDRs) at 'AA'; with a stable outlook. Fitch also assigned the country a short-term foreign currency IDR of 'F1+' and country ceiling of 'AA+'. According to the firm, Qatar's very strong external balance sheet is a key support to the ratings and provides significant resilience to the fall in oil prices that has occurred since mid-2014.

JEP's Sukuk rating suspended

MALAYSIA: MARC in a statement announced that it has suspended its 'AA-IS' rating on Jimah East Power (JEP)'s Sukuk Murabahah program of up to RM8.4 billion (US$2.28 billion). Since assigning the rating on the Sukuk on the 28th October 2014, the long delay to the issuance of the Sukuk and the original scheduled financial close of JEP's proposed development of 2x1,000MW ultra-supercritical coal-fired power plant in Negeri Sembilan (Project 3B) has prompted the suspension.

The rating agency will continue to monitor the developments on JEP and may reinstate the rating upon assessment of updated information on Project 3B from project sponsors. Alternatively, the rating could be withdrawn within the next 90 days if no such information is forthcoming.

MOVES

RHB Banking Group

MALAYSIA: RHB Banking Group, parent to RHB Islamic Bank, in a press release confirmed that it has identified a successor to **Kellee Kam**, its group managing director who has tendered his resignation effective the 4th May, and will seek central bank approval. An announcement as to the identity of the successor will be announced upon receipt of Bank Negara Malaysia's approval.

Alizz Islamic Bank

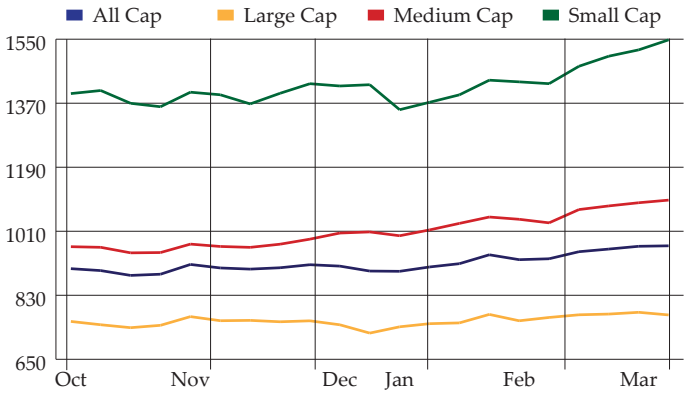
OMAN: Alizz Islamic Bank in a statement to the Muscat Securities Market announced the resignation of **Saif Sulaiman Al Yarubi**, chief operating officer of the bank. The resignation has been accepted and the bank will take appropriate action to find a suitable replacement at the earliest.

AmBank Group

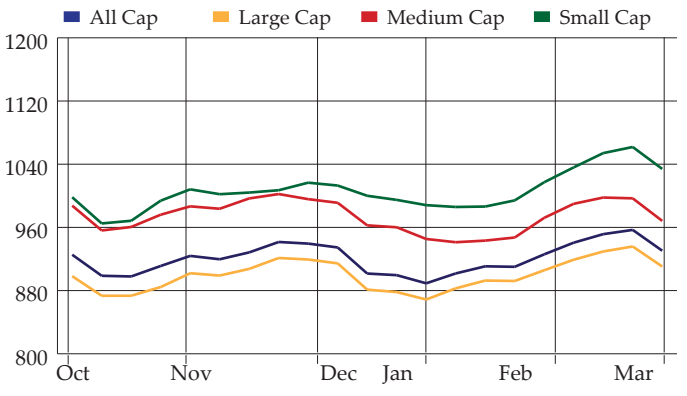
MALAYSIA: The board of directors of AMMB Holdings (AmBank Group), parent company of AmIslamic Bank, in an announcement to Bursa Malaysia has clarified that online media reports linking the planned departure of **Ashok Ramamurthy**, the group managing director of AmBank Group, with the controversial 1Malaysia Development are inaccurate. It was clarified that Ramamurthy decided to return to his family in Melbourne, Australia and will resume his career with Australia and New Zealand Banking Group (ANZ) there.

Expected date	Company's name	Size	Structure	Announcement Date
Before June 2015	BNI Syariah	IDR500-750 billion	Sukuk	10th march 2015
TBA	Treet Corporation	PKR539.51 million	Sukuk	9th March 2015
2015	Government of Hong Kong	US$500 million-1 billion	Sukuk	9th March 2015
Before end of April	Emirate of Ras Al Khaimah	TBA	Sukuk	5th March 2015
End of March	National Shipping Company of Saudi Arabia	SAR3.9 billion	Sukuk	5th March 2015
TBA	Sharjah Islamic Bank	TBA	Sukuk	4th March 2015
TBA	Tulip Maple	US$750 million	Sukuk	4th March 2015
6th March 2015	Government of Malaysia	RM100 million	Islamic Treasury Bills	4th March 2015
Mid-2015	Central Bank of Oman	OMR200 million	Sukuk	2nd March 2015
TBA	Khazanah Nasional	RM1 billion	Sukuk	27th February 2015
2015	Gulf Finance House	US$230 million	Sukuk	26th February 2015
2015	Garuda Indonesia	US$500 million	Sukuk	25th February 2015
TBA	IDB	TBA	Sukuk	25th February 2015
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 2015
TBA	Turkiye Finans	TRY71 million	Sukuk	5th January 2015
TBA	Turkiye Finans	TRY143 million	Sukuk	5th January 2015
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

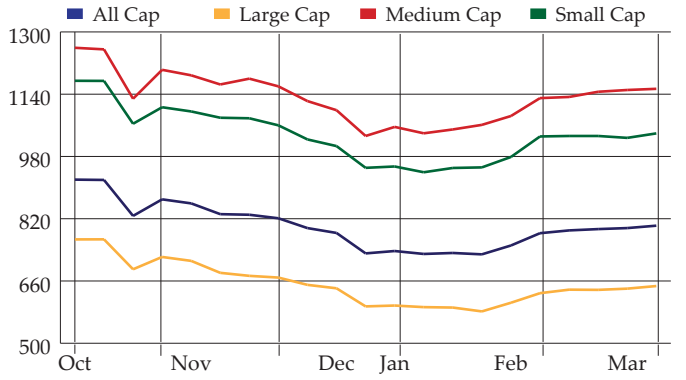
REDmoney Asia ex. Japan *6 Months*



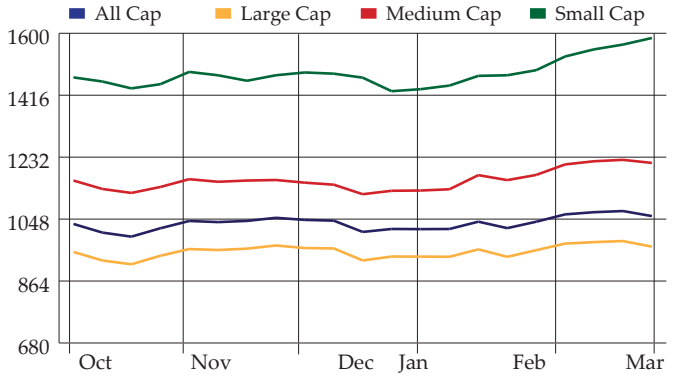
REDmoney Europe *6 Months*



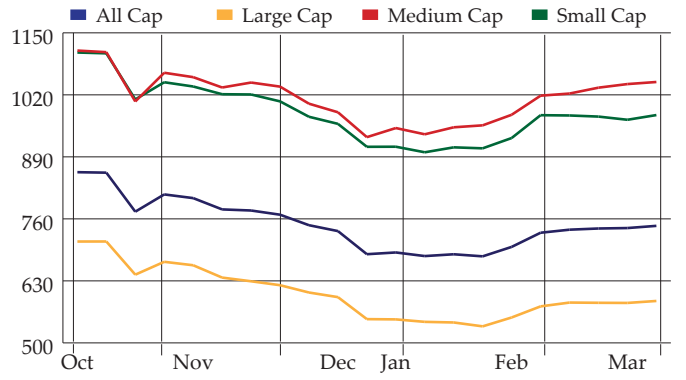
REDmoney GCC *6 Months*



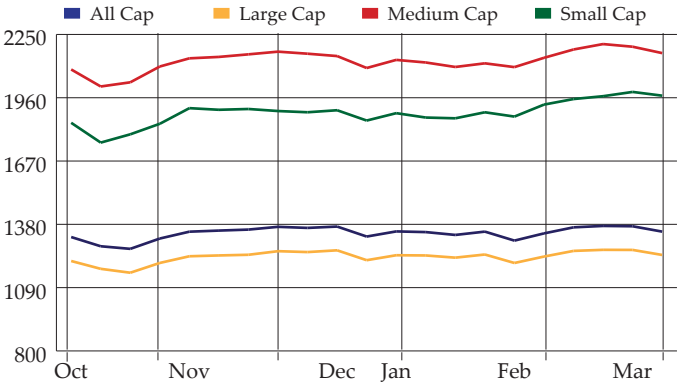
REDmoney Global *6 Months*



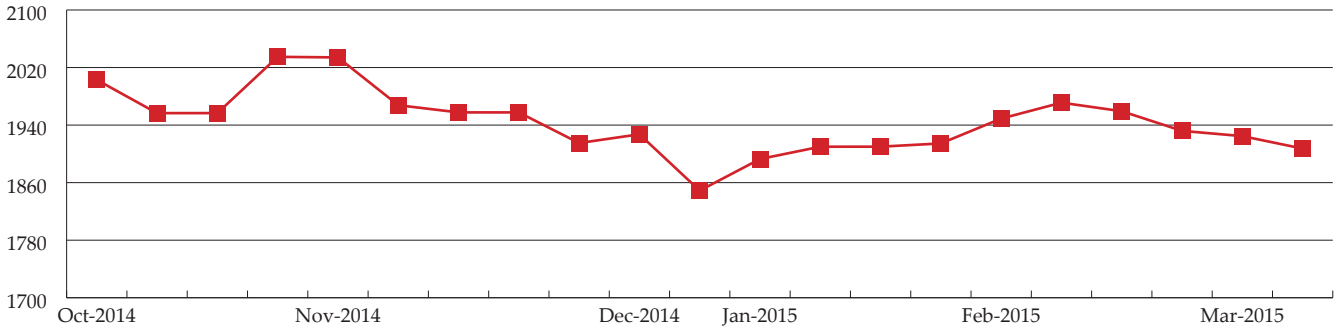
REDmoney MENA *6 Months*



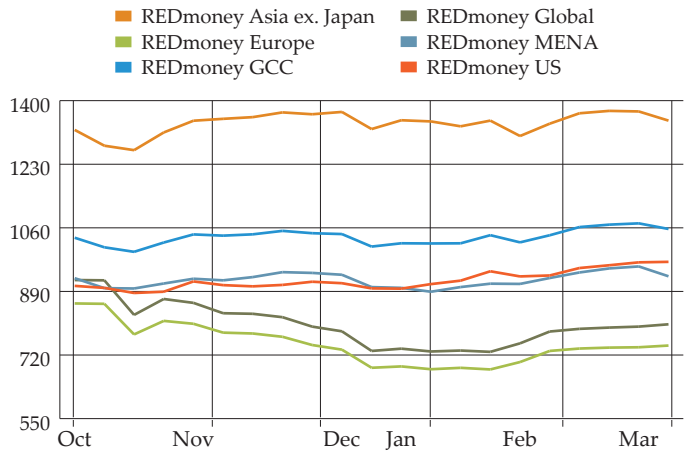
REDmoney US *6 Months*



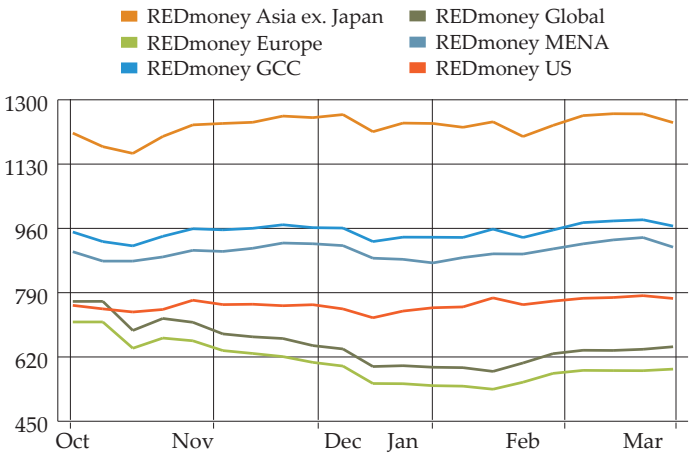
SAMI Halal Food Participation (All Cap) *6 months*



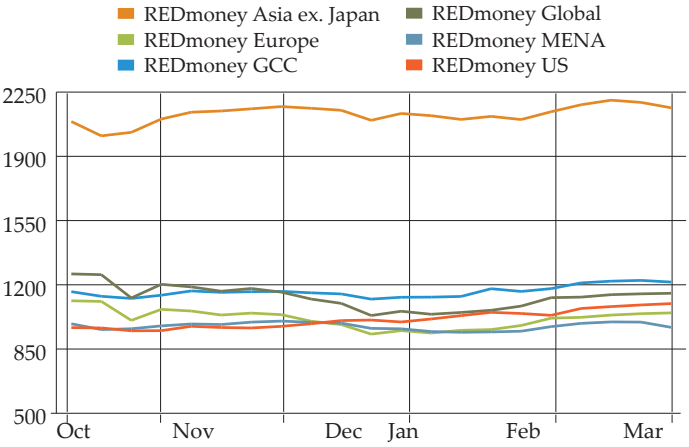
REDmoney Global Shariah Index Series (All Cap) *6 Months*



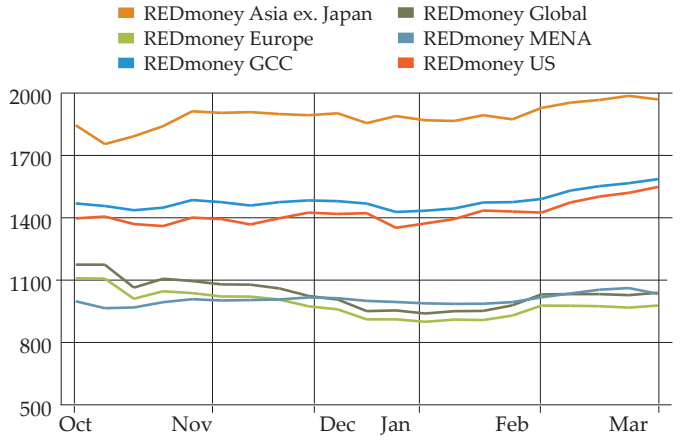
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



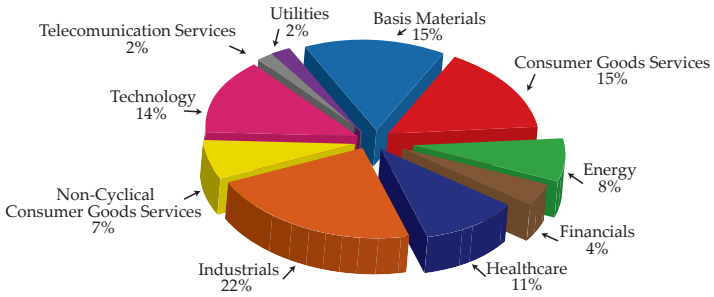
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



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

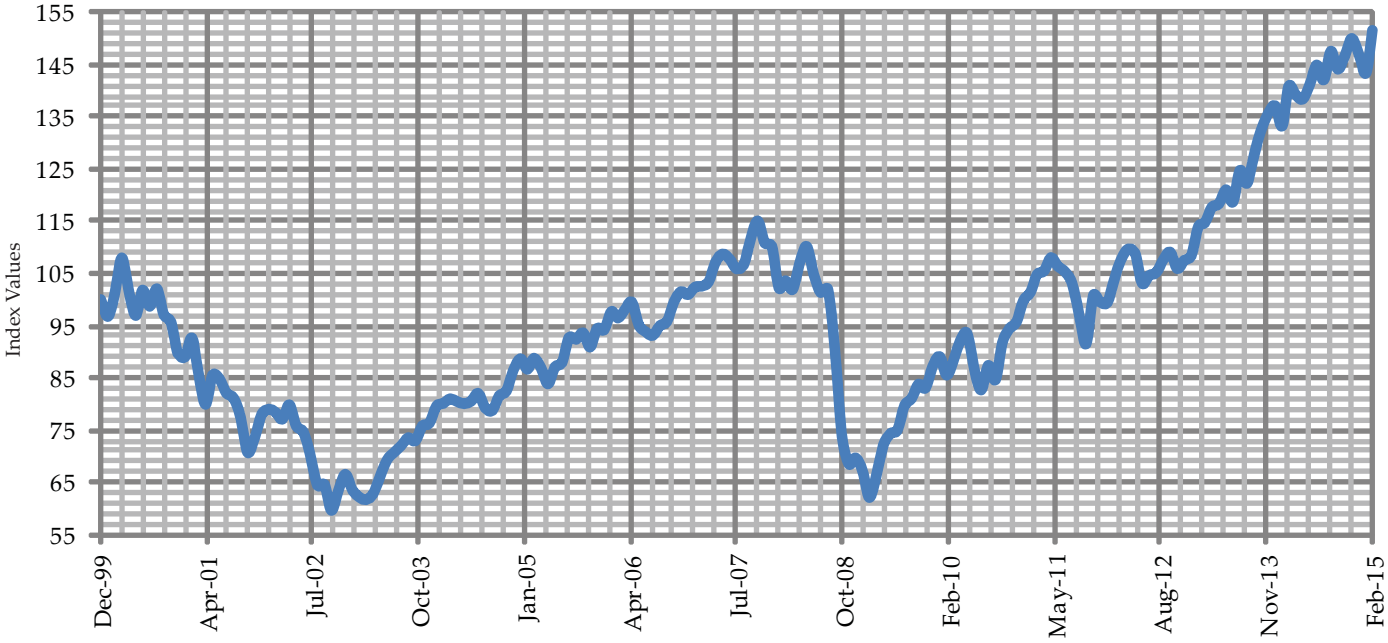
REDmoney Indexes IdealRatings®

For further information regarding REDmoney Indexes contact:

Andrew Morgan
Managing Director, REDmoney Group

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

Eurekahedge North America Islamic Fund Index



Top 10 Monthly Returns for ALL Islamic Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	AlAhli Small Cap Trading Equity	The National Commercial Bank	7.23	Saudi Arabia
2	Amana Growth	Saturna Capital	6.76	US
3	Al-Saffa Saudi Equity Trading	Banque Saudi Fransi	6.10	Saudi Arabia
4	The Iman	Allied Asset Advisors	5.34	US
5	Amana Income	Saturna Capital	5.07	US
6	Riyad Gulf	Riyad Bank	4.93	Saudi Arabia
7	Al Danah GCC Equity Trading	Banque Saudi Fransi	4.61	Saudi Arabia
8	AlAhli Global Natural Resource	NCB Capital Company	4.60	Saudi Arabia
9	Al Rajhi Global Equity	UBS	4.55	Saudi Arabia
10	RHB-OSK Dana Islam	RHB Asset Management	4.39	Malaysia
	Eurekahedge Islamic Fund Index		**1.26**	

Based on 62.55% of funds which have reported February 2015 returns as at the 9th March 2015

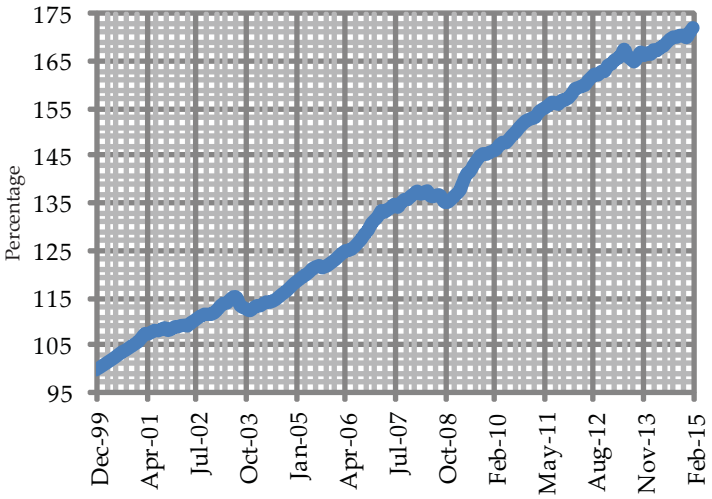
Top 10 Monthly Returns for Global Islamic Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	AlAhli Small Cap Trading Equity	The National Commercial Bank	7.23	Saudi Arabia
2	AlAhli Global Natural Resource	NCB Capital Company	4.60	Saudi Arabia
3	Al Rajhi Global Equity	UBS	4.55	Saudi Arabia
4	HSBC Amanah Global Equity Index	HSBC Amanah Central Shariah Committee	4.19	Saudi Arabia
5	AlAhli Healthcare Trading Equity	The National Commercial Bank	3.65	Saudi Arabia
6	Al Shamekh Islamic Portfolio	Riyad Bank	3.64	Saudi Arabia
7	AlAhli Global Trading Equity	The National Commercial Bank	3.46	Saudi Arabia
8	AlManarah High Growth Portfolio	The National Commercial Bank	3.16	Saudi Arabia
9	Pacific Dana Dividen	Pacific Mutual Fund	3.02	Malaysia
10	Al Shuja'a Islamic Portfolio	Riyad Bank	2.92	Saudi Arabia
	Eurekahedge Islamic Fund Index		**1.62**	

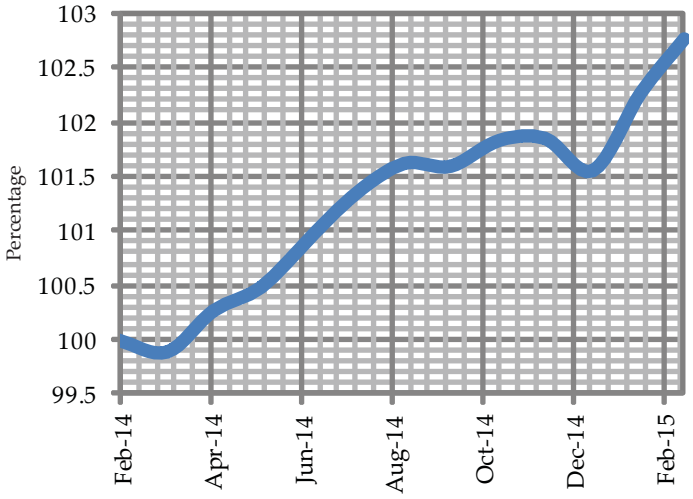
Based on 44.23% of funds which have reported February 2015 returns as at the 9th March 2015

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 Fixed Income Index over the last 5 years



Eurekahedge Islamic Fund Fixed Income Index over the last 1 year



Top 10 Islamic Fixed Income Funds by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	2.23	Pakistan
2	Atlas Pension Islamic - Debt Sub	Atlas Asset Management	2.11	Pakistan
3	MAA Takaful Shariah Flexi	MAA Takaful	2.00	Malaysia
4	Meezan Islamic Income	Al Meezan Investment Management	1.78	Pakistan
5	Public Islamic Enhanced Bond	Public Mutual	1.46	Malaysia
6	Libra AsnitaBond	Libra Invest	1.13	Malaysia
7	CIMB Islamic Enhanced Sukuk	CIMB-Principal Asset Management	1.01	Malaysia
8	AmBon Islam	AmInvestment Management	0.95	Malaysia
9	MAA Takaful Shariah Income	MAA Takaful	0.88	Malaysia
10	PB Islamic Bond	Public Mutual	0.86	Malaysia
	Eurekahedge Islamic Fund Index		**0.90**	

Based on 76.92% of funds which have reported February 2015 returns as at the 9th March 2015

Top 10 Annualized Sortino Ratio for ALL Islamic Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	15.17	Pakistan
2	Atlas Pension Islamic - Debt Sub	Atlas Asset Management	13.77	Pakistan
3	Commodity Trading - SAR	Riyad Bank	5.75	Saudi Arabia
4	Public Islamic Income	Public Mutual	4.10	Malaysia
5	Public Islamic Bond	Public Mutual	3.30	Malaysia
6	PB Islamic Bond	Public Mutual	3.29	Malaysia
7	Public Islamic Select Enterprises	Public Mutual	2.73	Malaysia
8	Public Islamic Select Bond	Public Mutual	2.47	Malaysia
9	Atlas Pension Islamic - Money Market Sub	Atlas Asset Management	2.40	Pakistan
10	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	1.55	Pakistan
	Eurekahedge Islamic Fund Index		**0.21**	

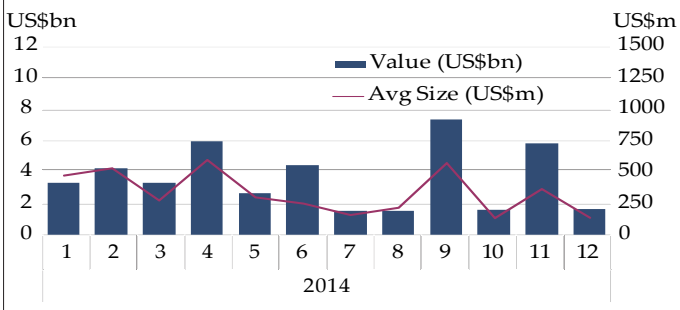
Based on 62.55% of funds which have reported February 2015 returns as at the 9th March 2015
Based on reporting funds with at least 12 months of returns till February 2015 as at 9th March 2015

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

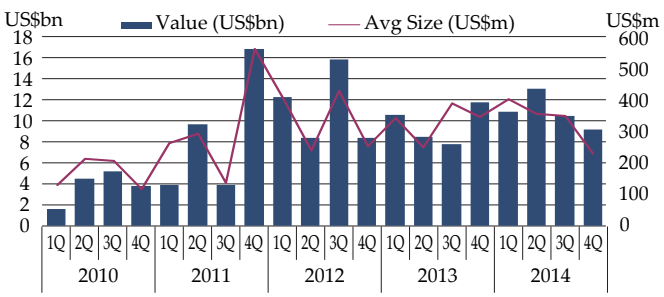
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
5th Mar 2015	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	1,000	Saudi National Commercial Bank, Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, RHB Capital, Dubai Islamic Bank, Gulf International Bank, Natixis, CIMB Group
2nd Mar 2015	AmIslamic Bank	Malaysia	Sukuk	Domestic market public issue	332	AmInvestment Bank
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, Al Hilal Bank, Noor 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 Murabahah	Domestic market public issue	201	RHB Capital, DRB-HICOM, AmInvestment Bank
5th Dec 2014	Jana Kapital	Malaysia	Sukuk Murabahah	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, Credit Agricole, Noor Bank
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

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter



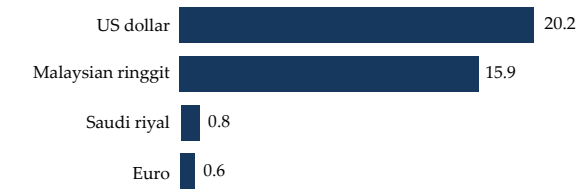
Top 30 Issuers of Global Sukuk *12 Months*

	Issuer	Nationality	Instrument	Market	US$(mln)	Iss(%)	Managers
1	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	2,881	7.6	Standard Chartered Bank, Deutsche Bank, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Maybank, Gulf International Bank, Natixis, CIMB Group, Saudi National Commercial Bank, RHB Capital, Dubai Islamic Bank
2	Saudi Electricity Company	Saudi Arabia	Sukuk	Euro market public issue	2,500	6.6	JPMorgan, Deutsche Bank, HSBC
3	DanaInfra Nasional	Malaysia	Sukuk Murabahah	Domestic market public issue	2,337	6.1	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 Wakalah	Euro market public issue	1,500	3.9	Standard Chartered Bank, HSBC, CIMB Group, Emirates NBD
5	National Higher Education Fund	Malaysia	Sukuk Murabahah	Domestic market public issue	1,500	3.9	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 Ijarah	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 Mudarabah	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, Al Hilal Bank, Noor Bank
10	Bank Pembangunan Malaysia	Malaysia	Sukuk Murabahah	Domestic market public issue	948	2.5	HSBC, CIMB Group
11	Rantau Abang Capital	Malaysia	Sukuk Musharakah	Domestic market public issue	781	2.1	RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group, Standard Chartered Bank, HSBC
12	Sharjah Sukuk	UAE	Sukuk Ijarah	Euro market public issue	750	2.0	Standard Chartered Bank, HSBC, Kuwait Finance House, National Bank of Abu Dhabi, Sharjah Islamic Bank
12	Government of Dubai	UAE	Sukuk Ijarah	Euro market public issue	750	2.0	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Emirates NBD
12	Emaar Malls Group	UAE	Sukuk Wakalah	Euro market public issue	750	2.0	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, Al Hilal Bank, Noor 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 Wakalah	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	TDIC Finance	UAE	Sukuk	Domestic market private placement	600	1.6	National Bank of Abu Dhabi
19	Mumtalakat Sukuk Holding	Bahrain	Sukuk	Euro market public issue	594	1.6	Standard Chartered Bank, Deutsche Bank, BNP Paribas, Mitsubishi UFJ Financial Group
20	Saudi Telecom	Saudi Arabia	Sukuk	Domestic market public issue	533	1.4	Saudi National Commercial Bank, Standard Chartered Bank, JPMorgan
21	ZAR Sovereign Capital Fund	South Africa	Sukuk	Euro market public issue	500	1.3	BNP Paribas, Industrial & Commercial Bank of China, Kuwait Finance House
21	Turkiye Finans Katilim Bankasi	Turkey	Sukuk	Euro market public issue	500	1.3	HSBC, Citigroup, Emirates NBD, QInvest
21	Kuveyt Turk Katilim Bankasi	Turkey	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank, HSBC, Kuwait Finance House, Citigroup, Emirates NBD
21	JANY Sukuk	US	Sukuk Murabahah / Wakalah	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
21	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
21	Flydubai	UAE	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Emirates NBD, Credit Agricole, Noor Bank
21	Al Hilal Bank	UAE	Sukuk Mudarabah	Euro market public issue	500	1.3	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Citigroup, Emirates NBD, Al Hilal Bank
28	Aman Sukuk	Malaysia	Sukuk Musharakah	Domestic market public issue	491	1.3	RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group, AmInvestment Bank
29	Midciti Sukuk	Malaysia	Sukuk Murabahah	Domestic market public issue	476	1.3	Maybank, CIMB Group, AmInvestment Bank
30	Bumi Armada Capital Malaysia	Malaysia	Sukuk Murabahah	Domestic market public issue	474	1.2	RHB Capital, Maybank, CIMB Group, AmInvestment Bank
					38,168	**100**	

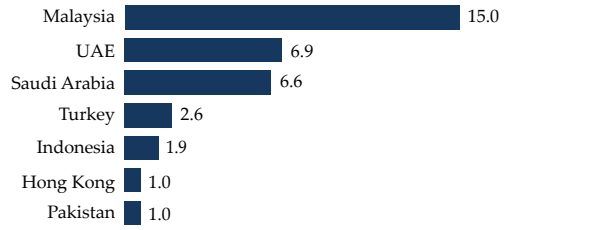
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	CIMB Group	5,409	48	14.2
2	HSBC	4,549	29	11.9
3	Maybank	4,025	35	10.6
4	Standard Chartered Bank	3,286	24	8.6
5	RHB Capital	2,911	42	7.6
6	AmInvestment Bank	2,249	27	5.9
7	National Bank of Abu Dhabi	2,119	14	5.6
8	Emirates NBD	1,726	14	4.5
9	Deutsche Bank	1,541	6	4.0
10	Dubai Islamic Bank	1,184	9	3.1
11	Citigroup	1,125	7	3.0
12	JPMorgan	1,011	2	2.7
13	Natixis	658	3	1.7
14	Kuwait Finance House	518	4	1.4
15	Saudi National Commercial Bank	472	4	1.2
16	BNP Paribas	442	3	1.2
17	Noor Bank	440	4	1.2
18	Bank Islam Malaysia	389	4	1.0
19	QInvest	345	4	0.9
20	Al Hilal Bank	326	4	0.9
21	Kenanga Investment Bank	298	2	0.8
22	Gulf International Bank	278	2	0.7
23	Sharjah Islamic Bank	275	2	0.7
24	Abu Dhabi Islamic Bank	244	3	0.6
25	First Gulf Bank	235	2	0.6
26	Hong Leong Financial Group	234	8	0.6
27	Barwa Bank	217	3	0.6
28	Affin Investment Bank	198	6	0.5
29	Industrial & Commercial Bank of China	167	1	0.4
30	Mitsubishi UFJ Financial Group	149	1	0.4
31	Riyad Bank	133	1	0.4
32	Goldman Sachs	133	2	0.4
33	Barclays	93	1	0.2
34	Nomura	88	1	0.2
	Total	**38,168**	**127**	**100.0**

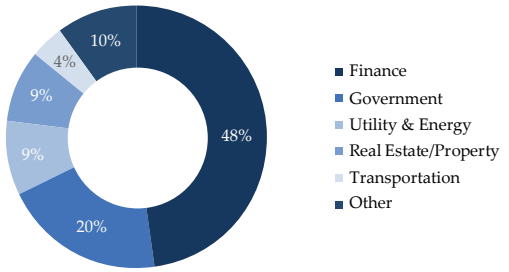
Sukuk Volume by Currency US$ (billion) *12 Months*



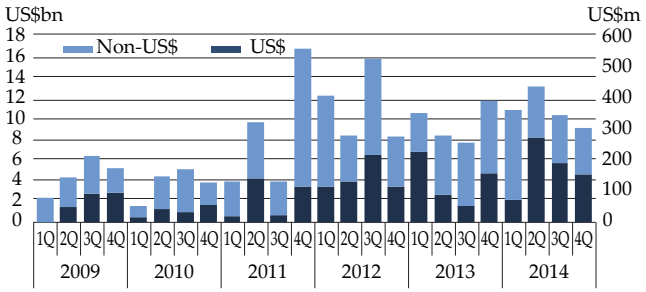
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



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	1,295	8	13.0
2	First Gulf Bank	902	8	9.0
3	National Bank of Abu Dhabi	880	4	8.8
4	Mashreqbank	644	4	6.4
5	Dubai Islamic Bank	625	5	6.3
6	Samba Capital	613	2	6.1
7	Abu Dhabi Commercial Bank	561	4	5.6
8	HSBC	483	3	4.8
9	Noor Bank	475	3	4.8
10	Banque Saudi Fransi	433	2	4.3
11	Al Hilal Bank	381	4	3.8
12	Emirates NBD	362	6	3.6
13	Standard Chartered Bank	228	4	2.3
14	Alinma Bank	220	1	2.2
14	Al Rajhi Capital	220	1	2.2
16	Union National Bank	194	3	1.9
17	Saudi National Commercial Bank	171	1	1.7
17	Saudi Investment Bank	171	1	1.7
17	Riyad Bank	171	1	1.7
20	Commercial Bank of Dubai	167	2	1.7
21	Ahli United Bank	145	2	1.5
22	Barwa Bank	139	3	1.4
23	Commercial Bank International	134	2	1.3
24	Arab Banking Corporation	126	2	1.3
25	National Bank of Kuwait	87	1	0.9
25	Kuwait International Bank	87	1	0.9
27	Bank Islam Brunei Darussalam	58	1	0.6
28	Warba Bank	15	1	0.2
28	Bank Pan Indonesia	15	1	0.2

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

	Bookrunner	US$ (mln)	No	%
1	Samba Capital	1,327	1	36.7
2	Abu Dhabi Islamic Bank	1,171	4	32.4
3	Barwa Bank	405	2	11.2
4	Noor Bank	175	2	4.9
5	Standard Chartered Bank	141	3	3.9
5	Emirates NBD	141	3	3.9
7	Arab Banking Corporation	126	2	3.5
8	Abu Dhabi Commercial Bank	70	1	1.9
9	Warba Bank	15	1	0.4
9	Bank Pan Indonesia	15	1	0.4
9	First Gulf Bank	15	1	0.4
9	Dubai Islamic Bank	15	1	0.4

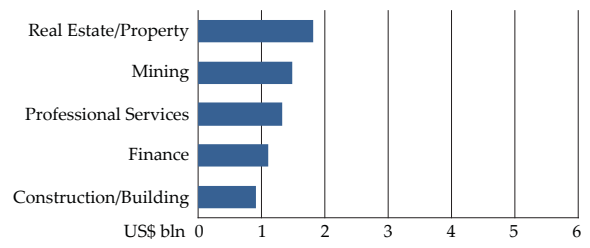
Top Islamic Finance Related Financing Deal List *12 Months*

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
24th Dec 2014	National Central Cooling - Tabreed	UAE	706
7th Dec 2014	Utilities Development	Kuwait	624
20th Jan 2015	Al-Waha Petrochemical	Saudi Arabia	523
31st Jul 2014	Emirates Airlines	UAE	425
10th Nov 2014	Zakher Marine International	UAE	420

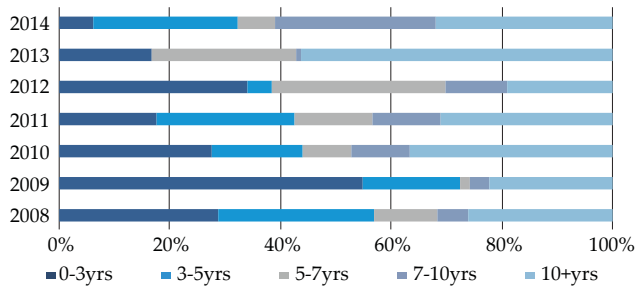
Top Islamic Finance Related Financing by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	United Arab Emirates	4,990	14	49.9
2	Saudi Arabia	3,467	4	34.7
3	Turkey	573	2	5.7
4	Qatar	350	1	3.5
5	India	272	1	2.7
6	Kuwait	261	1	2.6
7	Indonesia	90	1	0.9

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)
Email: shireen.farhana@dealogic.com Tel: +852 2804 1223

dealogic

REDmoney events

APRIL 2015		
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
13th	IFN Iran Forum	Dubai, UAE
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	Jeddah, Saudi Arabia

REDmoney training

MARCH 2015		
15th –17th	Structuring Sukuk & Islamic Capital Markets Products	Dubai, UAE
19nd –20rd	Shariah Audit for Islamic Investment & Capital Market Instruments	Kuala Lumpur, Malaysia
22nd –23rd	International Best Practices & Regional Standards in Regulation, Corporate Governance, AML, Sanctions & Compliance	Dubai, UAE
22nd –24th	Understanding, Developing & Marketing Takaful Products	Dubai, UAE
25th –26th	IFT: Structuring Islamic Legal Documentation	Kuala Lumpur, Malaysia
26th –27th	Shariah Issues for Takaful: Trends, Legislation & Governance	Kuala Lumpur, Malaysia
29th –31st	Islamic Law of Business Transactions & Sharia`a Governance	Dubai, UAE
APRIL 2015		
15th –16th	Islamic Accounting Principles April	Dubai, UAE
19th –20th	Shariah Compliance & Audit for Islamic Banks	Dubai, UAE
20th –22nd	IFT: Structuring Sukuk & Islamic Capital Markets Products	Kuala Lumpur, Malaysia

Islamic Finance news

Group Managing Editor Lauren Mcaughtry lauren.mcaughtry@REDmoneygroup.com

Associate Publisher Sandra Spencer sandra.spencer@REDmoneygroup.com Tel: +9714 427 3624

Contributions Editor Sasikala Thiagaraja sasikala@REDmoneygroup.com

Features Editor Nabilah Annuar nabilah.annuar@REDmoneygroup.com

News Editor Vineeta Tan vineeta.tan@REDmoneygroup.com

Senior Copy Editor Kenny Ng kenny.ng@REDmoneygroup.com

Head of Production Hasnani Aspari hasnani.aspari@REDmoneygroup.com

Senior Production Manager Norzabidi Abdullah zabidi.abdullah@REDmoneygroup.com

Senior Graphic Designer Eumir Shazwan Kamal Bahrin eumir.shazwan@REDmoneygroup.com

Senior Production Designer Mohamad Rozman Besiri rozman.besiri@REDmoneygroup.com

Business Development Manager Steve Stubbs steve.stubbs@REDmoneygroup.com Tel: +603 2162 7800 x 55

Subscriptions Manager Faizan Haider faizan.haider@REDmoneygroup.com Tel: +603 2162 7800 x 24

Subscriptions Manager Ifran Tarmizi ifran.tarmizi@REDmoneygroup.com Tel: +603 2162 7800 x 63

Head of Subscriptions EMEA Mithun N Gangolli (*Dubai office*) mithun.gangolli@REDmoneygroup.com Tel: +971 4 427 3638

Finance Director Faizah Hassan faizah.hassan@REDmoneygroup.com

Deputy Publisher & Director Geraldine Chan (*Dubai office*) geraldine.chan@REDmoneygroup.com

Managing Director Andrew Tebbutt andrew.tebbutt@REDmoneygroup.com

Managing Director & Publisher Andrew Morgan andrew.morgan@REDmoneygroup.com

Published By: REDmoney

MALAYSIA
Suite 22-06, 22nd Floor
Menara Tan & Tan
207, Jalan Tun Razak
50400 Kuala Lumpur, Malaysia
Tel: +603 2162 7800
Fax: +603 2162 7810

UAE
PO Box 126732, 3rd Floor,
X2 Tower, Jumeirah Lake
Tower (JLT), Jumeirah Bay,
Dubai, UAE
Tel: +971 4 427 36 23
Fax: +971 4 431 4614

COMPANY INDEX