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## COVER STORY

18<sup>th</sup> March 2015 (Volume 12 Issue 11)

# The grass is always greener? Environmental Sukuk take the stage

The UAE could issue the world's first 'green Sukuk' as early as next month, as the Gulf takes the lead in the renewable energy race with two potential issuances this quarter. Drawing on the confluence of socially responsible investing (SRI) and Shariah principles, the move represents yet another step towards mainstream market influence for Islamic finance. LAUREN MCAUGHTRY looks at what we can expect from this new facet of the SRI trend.

Promoted by the Clean Energy Business Council, the Dubai Supreme Council of Energy, the Gulf Bond & Sukuk Association and the Climate Bonds Initiative (an international investor-focused NGO focused on mobilizing the US\$100 trillion global bond market for climate change solutions), with National Bank of Abu Dhabi and Latham & Watkins also on board, the upcoming green deal is expected to be benchmark-sized and could kickstart a whole new market that has the potential to reach into trillions of dollars.

Last year was the biggest on record for the green bond market, with US\$36.6 billion issued — triple that of 2013, with growth

driven by corporate and municipal bonds (see Chart 1). As of July 2014, climate-themed bonds were estimated to total approximately US\$502.6 billion globally — a significant jump from US\$174 billion in 2012. In its report, 'Sizing the climate economy', HSBC estimated that nearly US\$10 trillion in cumulative capital investments could be moved towards low-carbon energy between 2010-20; while the UN Principles for Responsible Investment already hold over 1,300 signatories representing over US\$45 trillion in assets under management (up from just US\$4 trillion in 2006). The World Bank, which last year issued its first socially responsible Sukuk with a US\$500 million deal for the International Finance Facility for Immunization, has already issued almost US\$7 billion in 67 green bond transactions across 17 currencies.

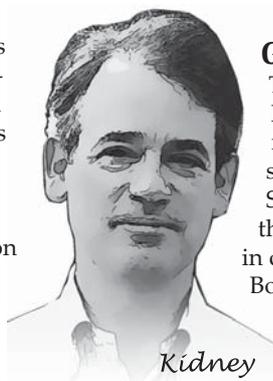
### Gaining traction

The potential for a green Sukuk has long been discussed and in recent months has gained serious traction, with a Green Sukuk Working Group set up in the UAE to design a transaction in compliance with the Climate Bond Standards created by the Climate Bonds Initiative. In January last year, 13 financial institutions also united to

launch the Green Bond Principles, a voluntary set of guidelines for 'green' projects including standards for the use of proceeds, evaluation, management and reporting performance indicators. With increasing numbers of asset managers (such as Arabesque, SEDCO Capital and Saturna) looking towards socially responsible investing as a key investment differentiator generating positive returns, the demand is clearly there while the supply has so far lagged. But with the advent of the expected green Sukuk from the UAE, all this could change. So what is the real potential for the sector, and what could it achieve going forward?

### Attracting interest

"The tempo has certainly increased. It takes a while for people to get used to the idea and its benefits. But the growth of the global green bonds market, which has tripled in the last two years, has got everyone thinking," explained Sean Kidney, CEO of the Climate Bonds Initiative, to IFN. "We have interest around the world in green products that are investment grade and financially competitive — not just in Europe or the US." India has already seen one green bond with three more in the works, while South Africa, the Gulf and Indonesia are also all expecting to enter the market



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

Hadith narrated by Bukhari



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## DEALS

**Telekom Malaysia** looking at either US dollar or euro for debut Sukuk depending on pricing

**Sharjah Islamic Bank** sells US\$500 million Sukuk at a final price of 110bps over midswaps

The UAE to debut green-energy Sukuk in the next few months

**PETRONAS** sets price guidance for Sukuk tranche

**Emirates Airline** mandates eight banks for upcoming **UK Export Finance-guaranteed Sukuk**

**Qatar International Islamic Bank** receives shareholder approval for QAR3 billion (US\$823.4 million) capital-boosting Sukuk

**Masraf Al Rayan** to debut benchmark Sukuk before end of April

**Asia Brands** issues unrated Islamic medium-term notes of up to RM200 million (US\$54.02 million) in nominal value

## NEWS

**International Islamic Trade Finance Corporation and Egyptian General Petroleum Corporation** sign US\$3 billion petrol agreement

**Abu Dhabi Islamic Bank** shortlisted for **Citigroup's** Egyptian retail business

**NBP Aitemaad** targets 100 Islamic banking branches by 2015

Malaysian Islamic banking assets grew by 12% in 2014, making up 25.6% of the country's total banking system assets

**RAM Ratings** optimistic that the Malaysian Islamic

banking industry will see consolidation of players despite recent merger fallout

**International Bank of Azerbaijan** conducts negotiations with customers of IBA-Moscow on Islamic financing services on the 13<sup>th</sup> March

**KFH Research** closes down

**Islamic Financial Services Board** to conduct seminar on financial inclusion through Islamic finance at the end of March in Jakarta

**Threadneedle Investments** acquires 2% stake in **Gatehouse Bank**

Research shows 50% of asset managers in the UK are ready to offer Islamic agriculture investments

Irish government acknowledges Islamic finance as potential lucrative area for development in its five-year strategy

Tatarstan focusing on expanding ties with Iran through East Azerbaijan Province

**Morgan Lewis** to use Singapore as base for further expansion in the Southeast Asian region and to integrate Islamic finance practice in Dubai

**IDB** approves more than US\$718 million for new infrastructure development projects in member countries

**Moody's** revises structured finance rating methodologies to incorporate new counterparty risk assessment

**Qatar Islamic Bank** expands network with new branch in Medina Centrale City

## ASSET MANAGEMENT

**Itqan Capital** distributes 3.5% cash dividends for REIF-II

## TAKAFUL

Nigeria establishes advisory council for Takaful insurance

**Dar Al Takaful** targets SMEs with new product

## RATINGS

**Fitch** revises ratings on seven Qatari banks; upgrades issuer default ratings of Islamic banks

**Islamic International Rating Agency** maintains Turkey's ratings

**Malaysia Marine and Heavy Engineering Holdings's** Sukuk program receives final rating of 'AA-IS'

**MARC** assigns ratings to Islamic facilities issued by **TSH Resources's** subsidiaries

**Moody's** confirms **PETRONAS's** US\$1.25 billion Sukuk rating at 'A1'

## MOVES

**Bank Negara Malaysia** appoints two external members to its Monetary Policy Committee

**CIMB** makes key appointments across its regional offices

**Prime Bank** names **Touhidul Alam Khan** as deputy managing director

**Yusuf Al Rawahi** joins **Ahlibank** as deputy general manager

**AAOIFI** names former minister as chairman of board of trustees

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## The grass is always greener? Environmental Sukuk take the stage

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this year — with interest from Indonesia especially ramping up as it works to develop its Islamic finance, and activity expected before the end of the year.

**“ It looks like Dubai might pip them to the post — although I would expect a Malaysian green Sukuk out by the end of the year ”**

“And the idea of the Islamic bond market itself has grown in the last few years,” pointed out Kidney. “This is just a new differentiator addressing new issues and giving it a new flavor with new credentials.”

### A whole new race

Although Malaysia was an early leader in the socially responsible Sukuk surge, with guidelines for sustainable and socially responsible investment Sukuk published by the Securities Commission Malaysia in August 2014 and an announcement in November of an expected SRI Sukuk issuance from sovereign wealth fund Khazanah in 2015, little has so far emerged. “This discussion started in Malaysia, but we haven’t seen an issuance. It’s only a matter of time but doesn’t look like it will happen imminently, which is surprising,” said Kidney. “It looks like Dubai might pip them to the post — although I would expect a Malaysian green Sukuk out by the end of the year.”

In contrast the Gulf and especially the UAE have been working hard towards positive results. The Dubai government has stated its goal of financing clean energy and efficiency goals through Sukuk, giving it a policy imperative and incentive to issue, while further afield firms such as Saudi’s ACWA Power have also stated their intentions to finance renewable energy projects through Sukuk. An issuance — whether

Chart 1: Green bond issuance has exploded

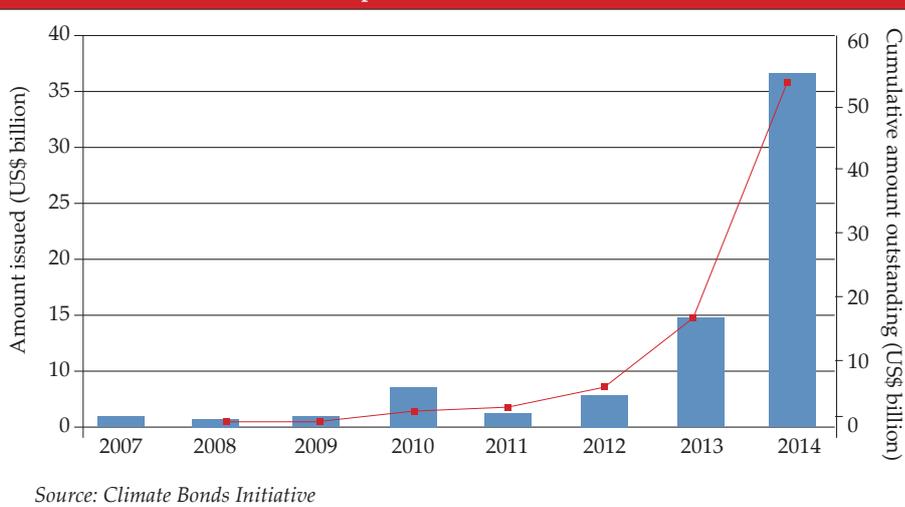
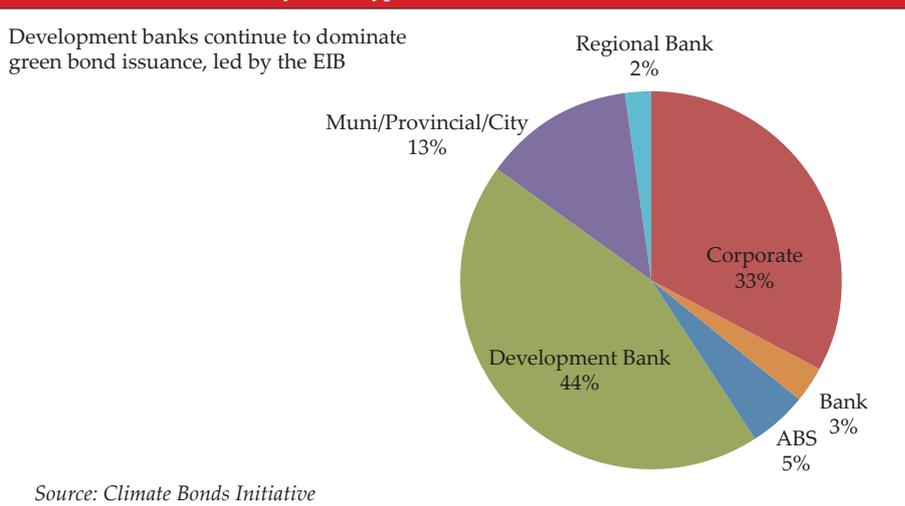


Chart 2: 2014 Green bonds by issuer type



corporate or sovereign — would have a considerable impact in kickstarting the sector and encouraging others to follow. “I have reason to believe it will be a fairly substantial size — enough to get the market moving,” Kidney informed IFN. “And it will be a high grade issuer, which is what you need to kick off the market and get it noticed. It looks like we are going to get that — the proof is in the pudding, but I am very hopeful at the moment.”

Once the first issuance is launched, we can expect to see a flurry of activity come to market. “A number of entities with capital market experience are seriously considering, or even planning to launch,” confirmed Michael Grifferty, CEO of the Gulf Bond and Sukuk Association, to IFN. “The first will be a great

accomplishment, but remember that each of the early issues will be unique and so there will be room for a number of ‘firsts’.”

### Scale and purpose

In terms of the style of financial products there is also enormous potential, especially as this type of renewability asset becomes more popular. These assets are very safe, over long periods of up to 30-40 years — and therefore ideal for low-risk Sukuk instruments; therefore this kind of structure is likely to become much more pervasive as a way of refinancing assets and allowing developers to recycle their capital into new projects, especially as renewable energy products gain scale and traction

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## The grass is always greener? Environmental Sukuk take the stage

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over the coming years. This is likely to stimulate issuance by corporate issuers, while institutional investors are also likely to be keen on these as low-risk products, resulting in a huge appetite overall.

**“ Until the sector gains scale and traction their role will necessarily be limited, compared to the potential influence that sovereigns could have in developing the market ”**

Growth in the green bond market last year was driven by corporates, and this could also hold true for the green Sukuk trend. “In corporate terms, the desire to do good while doing well and do well while doing good is becoming increasingly pervasive,” confirmed Kidney. “Can you contribute to society whilst also getting a competitive return and meeting your fiduciary obligations? If the answer is yes, then pension funds and insurance funds and even retail investors will see this as a very exciting prospect; and I think we will see a lot more purpose-related capital.”

On top of that, as you get liquidity in the market, this opens up enormous opportunities for innovation. This is likely to drive private sector firms towards raising money on the bond market in order to make a social contribution to justify their existence beyond just paying a standard coupon. “We see some firms, some banks now that do this specifically for staff retention,” said Kidney. “We will start seeing this across the financial markets, and this will attract both socially responsible investors and people who are



seeking good returns and diversification. Purpose is a key differentiating theme here.”

### Sovereign support

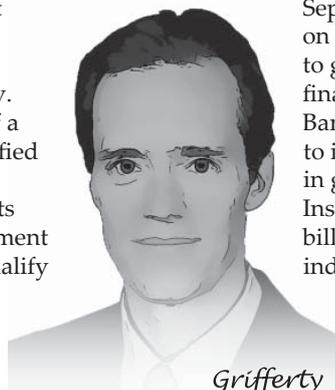
Last year, private firms issued around a third of all green bonds — including the largest ever green bond in the world from GDF Suez, a US\$3.5 billion issuance in May 2014 linked to renewable energy and energy efficiency projects. However, until the sector gains scale and traction their role will necessarily be limited, compared to the potential influence that sovereigns could have in developing the market.

“It would be difficult to hazard a guess based on a small number of deals in the pipeline. Finding qualifying projects with suitable cash flows that also achieve sufficient scale for a capital market issue can be challenging, although not impossible. You can imagine dedicated green project deals that could come in at US\$100 million or even less,” warned Grifferty. In comparison if a sovereign identified some major components of its capital improvement program that qualify under the green criteria, it could fund them based

on its sovereign credit, which could be an easier path. “Sovereign support for this segment... would be incredibly important. There is no substitute for the sovereign role in establishing scale for a new market,” he emphasized. However, in the GCC, this role is often delegated to a quasi-sovereign or a GRE — could this be the case for green Sukuk as well? “When you look at the types of investments that are needed in both the hydrocarbon importers and exporters, there is an uncanny confluence of interests between the investments sorely needed in the MENA region and the kinds of projects suitable for green Sukuk,” he suggested.

### Supply and demand

There is no question that demand for these types of products is growing exponentially. Investors representing over US\$2 trillion in assets under management (including Zurich Insurance Group, Barclays and Aviva) last September issued an investor statement on green bonds which committed to growing the global market in the financing of climate change solutions. Barclays also recently confirmed plans to invest GBP1 billion (US\$1.48 billion) in green bonds by 2016; while Zurich Insurance Group intends to invest US\$2 billion in green bonds. Two insurance industry associations, the International Cooperative and Mutual Insurance Federation and the International



Grifferty

continued on page 5

## The grass is always greener? Environmental Sukuk take the stage

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Chart 3: Top 10 green bond issuers

EIB	US\$5.6 billion
KfW	US\$3.5 billion
GDF Suez	US\$3.4 billion
World Bank	US\$3.1 billion
Toyota	US\$1.75 billion
AfD	US\$1.3 billion
Iberdrola	US\$1 billion
Unibail-Rodamco	US\$1 billion
Ile de France	US\$829 million
Hera SPA	US\$680 million

Source: Climate Bonds Initiative

Insurance Society (according to Latham & Watkins) have also stated that their members will double climate investments to US\$84 billion by the end of 2015 and multiply their green investment ten-fold by 2020.

**“There is a very good chance we could see a green Sukuk market of between US\$10-20 billion by 2018”**

And the conditions are combining to create the correct conditions for issuance. “The GCC sovereigns and their key companies enjoy access to the international capital markets, both conventional and Islamic. They have substantial capital investment programs and intentions to redraw their energy mix and reduce the carbon footprint. Add on that several are aiming for leadership as financial centers, prominently including Islamic finance,” agreed Grifferty. “Hence, the conditions are right, and there is every reason to believe a well structured green Sukuk with good cash flows and a good sponsor will be well received by the range of Sukuk investors in the region and out — provided too that its properly priced.”

It must be remembered that while the potential is strong, there is not yet a dedicated SRI investor base for Sukuk

and its history and track record are still relatively short so while the potential is there, the performance has not yet been proven. A dedicated investor community can develop only once there is a product to develop around — so issuance is crucial. However, as Grifferty remarked: “There is a lot of potential for green Sukuk as a kind of wedge for Islamic finance to help it get a full viewing from the very large and active global ethical investment community.”

And it looks as if supply is finally moving to meet this demand. “Our ambition by 2050 is that the whole US\$100 trillion bond market is green,” said Kidney. “But at this stage we are looking at a US\$1 trillion green bond market by 2020. That is spectacular growth, and I think there is a very good chance we could see a green Sukuk market of between US\$10-20 billion by 2018 — just under 10% of the total expected US\$300 billion green issuance.”

### Huge potential

Looked at objectively, the potential for issuance across both the Gulf and Asia is vast and almost unlimited. Anyone doing renewable energy investments, light transport, green buildings and more could theoretically issue. And there are a lot of high-rated corporates, sovereigns and GREs doing just that.

Abu Dhabi has announced a target of 7% of its energy capacity obtained from renewable sources by 2020. In January 2015, the Masdar Institute of Science and Technology released a UAE Wind Atlas, similar to its previous Solar Atlas, to support investment in renewable projects. The King Abdullah City for

Atomic and Renewable Energy in Saudi intends to generate 54,000 megawatts from renewable energy projects by 2032. The Dubai Integrated Energy 2030 Strategy expects solar energy to account for 5% of the emirate’s total energy usage by 2030. With massive announcements in renewable energy coming from all quarters — Saudi Arabia, Qatar, Jordan and the UAE to name just a few — and all of these projects theoretically eligible for financing through green Sukuk, the possibilities seem endless.

“It would seem to be a simple marketing ploy to consider financing those in the green market, and to be frank I think they will. That should be a reminder to people that there is a huge demand out there and a real shortage of issuance in the green bond market,” asserted Kidney. “I am very hopeful that we will see this in the green Sukuk market as well. Opportunity, opportunity, opportunity!” ☺

### New green bonds criteria for bio-energy investments

The Bioenergy Technical Working Group yesterday, the 17<sup>th</sup> March, published their proposed eligibility criteria for bio-energy projects that qualify under the Climate Bonds Standard. Assigned to formulate criteria to provide clear and straightforward guidance for investors keen on bio-energy project(s), the working group will submit its recommendation to the Climate Bond Standards Board for approval after a 60-day public consultation period.

As outlined by the proposed criteria, bio-energy projects seeking a certification need to be certified under one of the following standards: Roundtable for Sustainable Biomaterial, Roundtable Responsible Soy, Roundtable for Sustainable Palm Oil, Bonsucro and Forest Stewardship Council. Above that, at least 60% reduction in emissions comparing with local baselines must be demonstrated for biofuel projects and at least 70% for solid biomass projects.

## 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.

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 (SMBC) 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.

Mitsubishi UFJ and SMBC are familiar names in the industry who have over the years built a strong Islamic finance repertoire, while newer player Mizuho is catching up with its peers as it channels greater efforts into strengthening 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. It would definitely be exciting to see what these players could bring to the table.☺

The original version of this article, dated the 11<sup>th</sup> March, contained some inaccuracies. These have since been updated to reflect new information received.

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2015



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- **Regulators Roundtable: Indonesia's Blueprint for Islamic Finance Development**
  - Advancing from a sub-segment of Indonesia's banking landscape to effectively competing with conventional banks: What needs to be done by Islamic banks and regulatory bodies?
  - Strengthening Islamic finance services industry regulation, governance and supervision through a centralized model
  - Recent regulatory and taxation changes relevant to Islamic finance in Indonesia, and what they really mean for investors
- **Deal Dialogue: Indosat - Indonesia's First Shelf-Registered Sukuk Issuance**
- **The Islamic Investment Landscape: Market Trends and Strategies for 2015**
  - Risk vs. Opportunity: Understanding the risks and impact on the Islamic asset management industry
  - The changing face of the institutional investment market: Discussing investment strategies and product trends for 2015
  - Capitalizing on key advantages in the real estate and property sector
- **Attracting Inward Investment and Cross Border Collaboration**
  - Recent regulatory changes: Key issues and concerns facing foreign investors
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  - ASEAN Banking Integration Framework: Encouraging bilateral and multilateral trade and cross-border investment

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## IFN Global Trendswatch

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

- Sweden re-militarizes strategic Baltic island of Gotland as tensions with Russia rise in the region.
- India increases foreign investor stake in insurance firms from 26% to 49% — could this be a Takaful opportunity?
- Japanese equities hit 15-year high on the back of strengthening US dollar and Abe's monetary easing program — as Japanese banks take increasing steps towards the Islamic market.
- The UK makes landmark decision to join China's World Bank rival the Asian Infrastructure Bank, in a deal criticized by the US but which could change up the power stakes in Asia Pacific and significantly boost development prospects across the region.
- Global carbon emissions did not rise in 2014 for the first time in 40 years, says the International Energy Agency. Green Sukuk and climate bonds are key in the fight against climate change — where next for the trend and is it really making a difference?
- US dollar strength is hitting the country where it hurts and driving up cost of exports, giving Fed rate-setters cause for concern, says the FT.
- Egypt reveals plans for new administrative capital outside Cairo, funded by a public-private partnership between the government and GCC investors. How much of this will be Shariah compliant funding? (☺)



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- Asset Allocation Strategies and Cross Border Distribution
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## Indonesia ramps up Sukuk effort

With a dedicated Islamic capital market development plan in place, Indonesia's Financial Services Authority (OJK) is resolute in uplifting the Republic's Sukuk market to greater heights. VINEETA TAN discusses Indonesia's Shariah finance strategy with the regulator.

### Natural progression

One thing to note about OJK's plan is that the authority is making corporate Sukuk a key priority this year. Speaking to IFN, OJK's deputy commissioner I for banking supervision, Dr Mulya Siregar, said: "We are hoping to boost the Shariah capital market through corporate Sukuk because the market potential is significant."

Explaining that the country has been gaining greater success with its regular sovereign Sukuk issuance and seen phenomenal demand from individual investors for retail Islamic securities, Dr Mulya said the next natural step is to encourage corporates to issue Sukuk.

According to OJK data, 33 companies tapped the Sukuk market bringing the cumulative value of corporate Sukuk issuance (as at the 6<sup>th</sup> February) to IDR12.9 trillion (US\$1.03 billion). Based on the outstanding value of corporate Sukuk for that period – IDR7.1 trillion (US\$568 million) – corporate Sukuk command a mere 3.2% of the total Shariah securities market. The sovereign's recent retail Sukuk sale raised IDR21.97 trillion (US\$1.76 billion) from individual investors.

### Balanced growth

Home to the world's largest Muslim population, Indonesia's Islamic financial landscape has predominantly been skewed towards the retail banking sector, leaving much room for its Sukuk market to grow. While the Southeast Asian nation has the demographic advantage, the scope and growth of its Islamic banking and finance industry lag behind neighboring Malaysia (See Chart 1 and Chart 2).

Nonetheless, the country is progressively working towards achieving a more holistic growth across the Shariah finance industry with regulation enhancement as a key theme in its efforts. The OJK this year declared 2015 as the Shariah capital market year for the Republic

Chart 1: Total Islamic banking assets volume in Indonesia and Malaysia (in US\$) as at the end of 2013

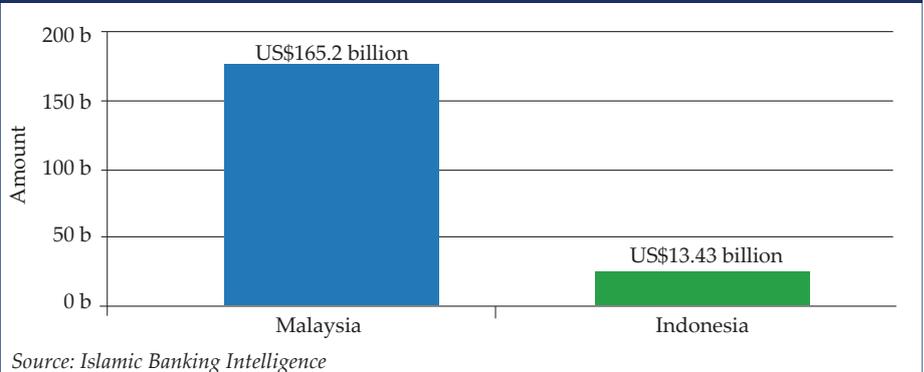


Chart 2: Five-year trend of Islamic banking assets growth in Indonesia and Malaysia



**“ We are exploring ways to utilize the widespread Islamic banking network to support the development of the Shariah capital market ”**

during which the authority will launch initiatives to accelerate the development of its Islamic capital markets.

Focusing on three core components, the OJK's ambitious Shariah capital market plan includes the designing of new regulations on Shariah capital market experts and enhancing existing regulations to better support the issuance

of Islamic securities; the formulation of a five-year framework for the Islamic capital markets; and raising public awareness on Shariah compliant financial products.

Expounding an optimistic sentiment for the country's proposed Islamic megabank, Dr Mulya affirms that the OJK intends to leverage Indonesia's retail banking strength to boost its Islamic capital market capabilities. "We intend to integrate all segments of the Islamic finance industry including banking, non-banking, [and] capital markets. And we are exploring ways to utilize the widespread Islamic banking network to support the development of the Shariah capital market," explained Dr Mulya. (f)

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## A new benchmark for Shariah compliant REITs of Asia Pacific

**San Francisco-based IdealRatings on the 11<sup>th</sup> March launched the world's first Shariah compliant Asia Pacific real estate investment trusts (REITs) index. VINEETA TAN has the exclusive.**

Known as the IdealRatings Asia Pacific REITs Index, the index will cover REITs in the Asia Pacific region, with the view of expanding coverage to include the entire global REITs universe in the future.

REITs have in recent years gained increasing favor among Shariah-seeking investors as the community attempts to diversify away from traditional investments such as oil and gas, while securing steady dividend-paying investments — criteria of which are met by REITs.

Mohamed Donia, CEO of IdealRatings, confirms the potential for Shariah compliant REITs. "We are always looking

to increase various asset classes for investment managers and we foresee a major growth in this asset class as fund managers begin to include the REITs sector in their portfolio."

The Asia Pacific region has been highlighted by IdealRatings as a particularly appealing market as the region's property and real estate sector continues to be a solid receiver of Shariah funds. The creation of a comprehensive Shariah REITs index which will enable fund managers to benchmark the performance of relevant funds and track the performance of the sector, is therefore a welcomed move by the industry as a step forward in the development of the Islamic finance market.

CEO of independent asset manager B&I Capital, Charles Issac, agrees: "The Shariah compliant REIT sector is still in its infancy with a very promising

future so index initiatives like this will encourage further asset allocation and broadening of the investment universe." Isaac confirms that his firm will be using the new index as a benchmark to compare performance of the segment.

Calculated in US dollars with REITs from various jurisdictions including Australia, Japan and Singapore, the market cap-weighted, free-float index will be re-balanced every three months with Shariah screening to be performed on a quarterly basis as well. Apart from complying with IdealRatings's methodology for REITs, real estate operation and properties business classification activities, the REIT must also derive half of its income from the Asia Pacific region to be included in the index.<sup>(3)</sup>

## Gulf Finance of Saudi Arabia: Big plans ahead

**Gulf Finance Corporation (GFC) in Saudi Arabia (Gulf Finance KSA) may be young but the SME financier is rising in prominence. Equipped with a new operating license, the firm's CEO David Hunt reveals to VINEETA TAN major growth plans across different areas as the Shariah compliant player looks to expanding its geographical footprint and elevating its standing in the Saudi financial market.**

Wholly owned by the UAE's SHUAA Capital, Gulf Finance KSA was established in 2012 on the back of Gulf Finance Corporation's 15-year-strong experience in the SME and microbusiness financing segment in the UAE. Gulf Finance KSA received its new license from the Saudi Arabian Monetary Authority (SAMA) last month, officially transitioning from an installment company under the Ministry of Commerce to a regulated fully-fledged finance company.

Viewing the granting of the new license as a solid recognition of the firm's success in Saudi Arabia, Hunt said: "[Receiving the license] is important because it will enable us to continue to do business in Saudi Arabia, providing Shariah compliant financing and support to the



country's SMEs." Hunt further explained that the new permit authorizes GFC to introduce new products — which is precisely what the financier plans to do.

Offering Ijarah products at the moment, GFC is exploring the possibility of expanding its product suite to include Murabahah financing facilities. In addition to that, the firm will be growing its branch network beginning with a new unit in Al Khobar, slated for the second half of 2015 with an eye to expanding to the southern part of the Kingdom as well.

"We believe that the demand for Islamic finance will only grow. Our plan is to continue to expand operations in the Kingdom in order to meet this demand. This will be done through the opening of new branches and launching more products down the line," explained Hunt.

While Gulf Finance KSA may have a relatively short history in Saudi Arabia, the firm's growth is commendable and ambition bold. Aside from expanding its product line and physical presence, Hunt revealed to IFN that Gulf Finance KSA may consider undertaking an IPO on the Saudi stock market in the next three to five years' time. With the vision of becoming a leading provider of Shariah compliant asset finance in Saudi Arabia, it seems that Gulf Finance KSA is steadfast in achieving its goal with eyes firmly on the prize.<sup>(3)</sup>





## IFN Weekly Poll: Do oil prices have an effect on Sukuk issuance?

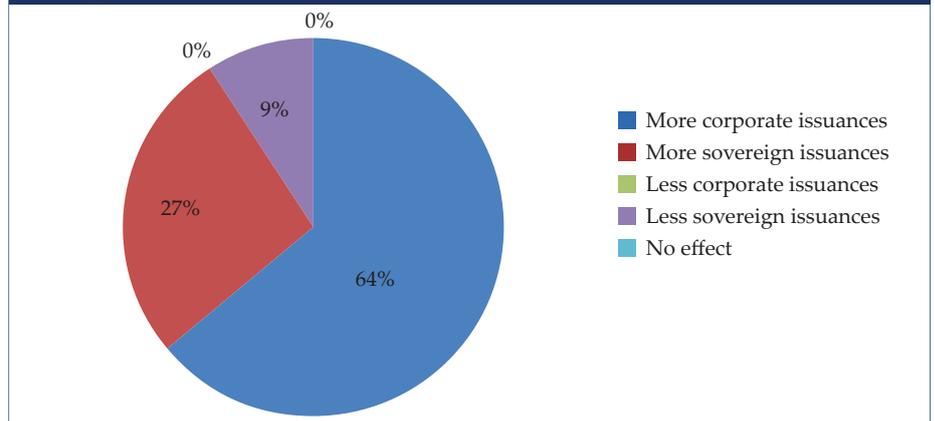
A much debated area among market observers, IFN this week takes a look at the connection between plunging oil prices and Sukuk offerings. The question that most are asking is — now that oil prices are low and markets are uncertain, will we see more companies turning to Sukuk? NABILAH ANNUAR addresses this conundrum.

At the beginning of January 2015, according to data by NASDAQ, crude oil brent was recorded at about US\$62 per barrel. Prices started plummeting mid-January to below US\$50 per barrel and started climbing up again all through February. In the first week of March, markets saw a dip from a high of above US\$62 to what is now approximately US\$57 per barrel. It is an undeniable fact that the persisting volatility in oil prices affects all kinds of businesses around the world. This effect would most likely cause at least a fraction of the market to turn to Sukuk.

The poll results portray varied opinions. Respondents are given the option to vote on whether it would increase or decrease corporate and sovereign issuance, or if there is no such correlation between the two: 64% opine that this volatility would result in an increase in corporate Sukuk issuance; 27% believe that it would result in more offerings from sovereigns; 9% are of the view that the fluctuation would cause fewer sovereigns to come to the market; while none believed that it would cause less corporate issuance or that there was no connection between the two.

Contrary to popular belief, particularly in the GCC, S&P in a recent report relayed that although it expects lower oil prices to lead to fiscal deficits in some countries in the GCC (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE), net asset positions of most governments will likely remain strong enough to enable their financing. Where this is not the case, the ratings agency sees some potential for increased Sukuk issuance; however, the rationale behind choosing Sukuk over conventional capital market instruments is a decision for each individual

Do oil prices have an effect on Sukuk issuance?



**“ Before answering the question, one would need to take a step back: approximately 60% of yearly Sukuk issuances are done in/out of Malaysia where issuers hail from various industries, etc ”**

government. The financing activities of government-related entities, the availability of large government assets, and healthy liquidity in the banking sector are said to limit the linkage between changes in oil prices and the potential for sovereign Sukuk issuance.

Commenting on the topic, Mohamad Safri Shahul Hamid, the senior managing director and deputy CEO of CIMB Islamic, said: “Before answering the question, one would need to take a step back: approximately 60% of yearly

Sukuk issuances are done in/out of Malaysia where issuers hail from various industries, etc. The massive drop in oil price since last year has had a neutral impact on the growth of the Sukuk market thus far. We witnessed one of the best years for [the] global Sukuk market in 2014; based on what we are seeing and hearing, 2015 will be an equally exciting year for the market as well.” The drop in oil prices, according to Safri, will result in entities related to oil-businesses, including but not limited to oil companies and oil exporting nations, to explore options which may include tapping the Sukuk market and scaling back on planned expenditures.

Though there is a lack of positive sentiment on sovereign issuance, as reserves for oil-dependent countries are said to be sufficient, perhaps the industry could expect to see more offerings from corporates which are substantially affected by this volatility.<sup>(f)</sup>

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## Turkey's G20 chairmanship creates opportunities for global Islamic banking community

VINEETA TAN explores the significance of Turkey's G20 chairmanship to the Islamic finance industry.

Shariah compliant banking is poised to gain more prominence on the global stage as it is likely to be a topic of discussion during this year's G20 summit in November. The IDB has confirmed that it is coordinating with several G20 governments including Saudi Arabia, Indonesia and Turkey to include Islamic banking on the agenda of the upcoming summit.

To be hosted by the Republic of Turkey in Antalya, the 10<sup>th</sup> G20 summit will gather world leaders, finance and economic decision-makers from 20 major global economies. The presidency of Turkey of the G20 is instrumental as it is the first time the international event is being chaired by a Muslim-majority nation

which not only have close ties to the Arab world but significant involvement in the Islamic finance and banking industry.

Welcoming Turkey's chairmanship of the G20, IDB president Dr Ahmad Mohamed Ali noted that this will pave the way for the voices of Arab and Turkish investors to be heard in achieving G20 aspirations towards balanced growth culminating in the creation of employment opportunities and sustainable development, according to a statement on the bank's website. Speaking at a recent economic forum, Dr Ahmad emphasized the importance for the League of Arab States to leverage from Turkey's strategic involvement as chairman of the G20 to promote Arab-Turkish partnership.

To that end, the IDB president has proposed and extended support to the

creation of a joint working group to design and develop a vision for Arab-Turkish cooperation for the next five years covering all economic segments. The proposed working group will comprise of the Turkish Ministry of Development, the Union of Arab Banks and the Association of Turkish Banks.

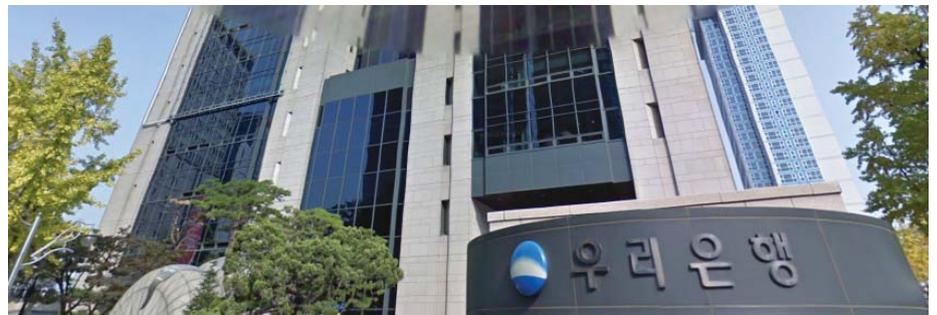
Expecting the presence of global leaders including those of established Islamic finance markets such as Saudi Arabia, Malaysia, the UK and Indonesia as well as emerging Islamic finance economies such as South Africa and Azerbaijan along with economies like Argentina, Australia, Germany, India and South Korea, the G20 could prove to be a valuable international platform for meaningful growth of the Islamic banking and finance sector.<sup>(2)</sup>

## South Korea — making inroads into Islamic finance

In a previous IFN report, IFN observed that there has been an increasing gravitation towards Islamic finance exhibited by South Korea as the Asian tiger, despite its deep ties with the GCC, faces the growing challenge of attracting business without Shariah compliant financial instruments (See IFN Report Vol 11 Issue 33: 'South Korea & Islamic finance — Strategy re-think required'). VINEETA TAN notes that the trend is gaining momentum as this week the market welcomes a promising partnership between Korea's largest bank, Woori Bank, and Qatar's pioneering fully-fledged Islamic bank, Qatar Islamic Bank (QIB).

Aimed at both existing and future Qatari and South Korean entities in Qatar and/or South Korea, the agreement will see a stronger relationship between QIB and Woori Bank so as to facilitate bilateral trade finance and corporate businesses.

"We are pleased to have partnered ourselves with Woori Bank, one of the leading banks in South Korea, and look forward to expanding our relationships with the South Korean market and Korean companies working in Qatar which has shown significant growth and development in the last several years," said Bassel Gamal, Group CEO of QIB,



in a statement to the media. Bassel added: "We believe that such cooperation between our institutions should facilitate engagements and exploit new financing opportunities." Hitting US\$30 billion last year, trade exchange between the two nations has been steadily increasing evident by the 15% growth in value from 2013.

According to QIB, South Korea is a leading importer of Qatar-supplied liquefied natural gas, with 30% of the republic's energy demand being met by oil and gas products provided by the Middle Eastern state. Qatar on the other hand imports electronics and automobiles from South Korea. It is this upward trajectory of trade growth between the two countries that has motivated QIB and Woori Bank to form ties — an arrangement which was

successful due no less to the significant role of the Korea Trade-Investment Promotion Organization of South Korea.

"We hope that this MoU will serve as a starting point for mutual development and believe it will provide opportunities for Woori Bank and QIB in the upcoming era of increased trading between the two nations," expressed Lee Dong-gun, the deputy CEO of Woori Bank, in a press release.

South Korea may lack the legal infrastructure (and political will) for the development of Islamic finance; however, it seems that domestic market players are nonetheless keen to leverage the Shariah compliant platform to maintain and enhance their relationship with the Middle Eastern liquidity pool — and this bodes well for the Islamic finance industry.<sup>(3)</sup>

## Sovereign Sukuk: A potential shift towards green energy

An interesting development in the past week is the UAE government's prospective foray into green energy Sukuk, a move that could mark a historical milestone in the Islamic finance industry. In Asia, industry heavyweight Malaysia is reportedly looking to raise US\$2 billion in Sukuk, having selected banks for the issue. Constantly keeping up with the sovereign Sukuk market, NABILAH ANNUAR provides a concise review of its developments.

### Middle East

The UAE is expected to issue the world's first Sukuk aimed at financing green energy projects this year, possibly as early as April, according to The National. London-based Climate Bonds Initiative (CBI) highlighted that they are looking to roll out up to two issuances in the UAE in April. The country's Clean Energy Business Council (CEBC) has been in discussions with the Dubai Supreme Council of Energy about the issuance of green Sukuk. Furthermore, Latham & Watkins also confirmed in the report that it is working with the CEBC, the Gulf Sukuk and Bond Association and the CBI to promote green Sukuk.

Expected to materialize before the end of April, 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. Addressing 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 via its central bank by mid-2015. Believed to adopt an Ijarah structure, the issuance is expected to be worth OMR200 million (US\$517.6 million) with maturities of five or seven years and the underlying asset being a selected public project with a readily available income stream of the right proportions. Similarly, Jordan also expects to raise JOD564 million (US\$794.03 million) in Sukuk this year to narrow the country's budget deficit (estimated to narrow 24% to JOD688 million (US\$968.6 million) this year). 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.

### Asia

The Malaysian government is 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. Industry reports have suggested that the government has mandated CIMB Group Holdings, HSBC Holdings and Standard Chartered Bank for the estimated five-year, US\$2 billion issuance.

Other countries that have come forth with Sukuk plans include Bangladesh, Hong Kong, Indonesia, 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. 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 to US\$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. Indonesia 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 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. 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\$570.67 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 30<sup>th</sup> June 2015, after the republic

completes its global capital market transaction portfolio.

### Africa

Together with the Islamic Corporation for the Development of the Private Sector (ICD), the Niger government plans to auction XOF150 billion (US\$240.54 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\$320.72 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.☺

# Country analysis: Offshore centers

Offshore financial centers feature prominently in the international financial landscape and in recent years have seen themselves become the talk of the Islamic investment community. VINEETA TAN provides an overview of key Islamic developments in selected offshore centers.

## Luxembourg

Luxembourg remains to be a popular Shariah investment destination. In 2014, the Grand Duchy was awarded the IFN Best Fund Domicile. According to the CSSF, total net assets of undertakings for collective investment (UCI) and specialized investment funds reached EUR3.28 trillion (US\$3.75 trillion) as at the 31<sup>st</sup> January 2015. Over the last one year, volume of net assets grew 24.89%.

## Labuan IBFC

Malaysia's Labuan International Business Financial Center (Labuan IBFC), regulated by Labuan Financial Services Authority (Labuan FSA), continues to actively push for the development of Islamic finance. In early February, Labuan FSA issued guidelines on the establishment of Labuan international Waqf foundation, which came into effect the 1<sup>st</sup> March. The new framework follows the center's Shariah resolution on Labuan captive Takaful in December 2014, which allowed for the Takaful operation business model based on Tabarru and stipulated rules for re-Takaful arrangements.

Ranking	Jurisdiction
1	US
2	UK
3	Germany
4	Japan
5	France
6	Cayman Islands
7	Luxembourg
8	Netherlands
9	Ireland

Source: Jan Fichtner via academia.edu based on 2011 data

The regulator earlier last year also decided that licensed Labuan Islamic entities are no longer permitted to appoint members of the Labuan FSA Shariah Supervisory Council (SSC) as their internal Shariah advisors to avoid conflict of interest between internal Shariah advisory boards and the SSC.

Chart 1: The real size and intensity of offshore financial centers



	Q1	Q2	Quarter-on-quarter change (%)
Total deposits	256.7	215.8	(15.9)
Total financing	770.5	797.5	3.5

Source: Labuan FSA (figures in US\$ million)

	Q1	Q2	Year-on-year change (%)
Gross contributions	31.14	35.76	(67.4)
Malaysian	20.45	28.59	138
Others	10.69	7.17	(92.7)

Source: Labuan FSA (figures in US\$ million)

Nonetheless, Labuan entities would still be able to appoint SSC members for a second Shariah endorsement of its products/services. In addition to that, Labuan FSA in January 2014 revised its framework on mutual funds across the conventional and Islamic landscape so as to provide clearer guidelines on the application procedures, operational and regulatory requirements for Labuan mutual funds.

According to latest statistics (second quarter of 2014) provided by the regulator, Labuan has 20 approved Islamic private funds worth US\$2.83

billion and no Shariah compliant public funds.

## Jersey

According to market figures, along with Luxembourg and Ireland, Jersey and Cayman account for over 20% of incorporations of Shariah compliant funds (See IFN Guide 2015: 'The use of offshore entities in Islamic finance – current trends'). In October 2014, family-owned fiduciary business Minerva launched its dedicated Islamic Service Offering (See IFN Report Vol 11 Issue 43: 'From Jersey to the world – Minerva').

# Infrastructure financing: A palpable interest in Islamic finance

In the pursuit of progress and advancement, infrastructural development remains at the core of every nation. Civilizations continue to upgrade basic necessities to sustain and enhance societal living conditions. In line with the tenets of Shariah, Islamic finance has always been a main player in contributing towards these fundamental provisions. NABILAH ANNUAR provides an overview of Islamic financial transactions that have materialized over the past year in infrastructural funding.

## Asia

In August last year, Malaysia's national infrastructure financing entity DanaInfra Nasional issued the third installment of its retail Sukuk worth RM100 million (US\$27.11 million). Earlier in May, Islami Bank Bangladesh, a partner organization of the IDB provided BDT10 billion (US\$125.34 million) for the construction of the Padma bridge project.

## Africa

Kenya in December 2014 set a target to issue its debut Sukuk in the next financial year as the parliament is currently considering a recommendation by its finance committee to double the government's external debt ceiling to US\$28 billion to fund the construction of a new railway, port, roads and power plants.

## Americas

Last month, Brazilian property developer Ritz Property and construction company G5, through its partnership (Ritz-G5), announced that it now offers an Islamic investment avenue in its Natal-based premium residential project, Majestic Village. The Brazilian premium residential project is the first independent investment product to be eligible for Shariah compliant funding. Majestic Village is a 75-hectare serviced land plot condominium development in Parnamirim, an up-and-coming residential area in Natal. The project is designed to appeal to the domestic market and Brazil's rising middle and upper class population of over 90 million.

## Middle East

With an estimated US\$375 billion-worth of infrastructure projects in the pipeline (according to EC Harris), Saudi Arabia has made quite a number of financing deals in the past year. Bank Albilad last month signed an agreement with Waad Holding Company to finance the construction of the company's academy

schools project in Jeddah city. At an amount of SAR150 million (US\$39.96 million), the project reportedly represents one of the largest deals in the sector.

In November 2014, Saudi Kayan Petrochemical Company, an affiliate of Saudi Basic Industries Corp (SABIC), signed two Islamic financing deals with National Commercial Bank and Samba Financial Group totalling SAR2.63 billion (US\$700.82 million) to fund an increase in working capital, as well as the completion of factories under construction. In August, Uyoun Al-Raed Commercial Company procured a SAR1.97 billion (US\$525.22 million) Murabahah financing package for the construction of the Mall of Arabia. Similarly, Emaar Economic City obtained a SAR2 billion (US\$533.17 million) Murabahah financing facility from Saudi British Bank to fund residential and infrastructure projects in King Abdullah Economic City.

In Qatar, a Shariah compliant financing facility of over QAR3.65 billion (US\$1 billion) for Qatar's Gold Line Metro Rail project was concluded last December. The transaction (completed for a joint venture comprising Greece-based Aktor, India's Larsen and Toubro, YapiMerkezliInsaatVeSanayi of Turkey, SezaiTurkesFeyziAkkaya Marine Construction (STFA) of Turkey, and Al Jaber Engineering of Qatar), is the largest infrastructure syndication in the state. In Oman, Ahlibank's Al Hilal Islamic Banking Services provided Muttawar Omani Company with a financing facility of over OMR20 million (US\$51.81 million) for the construction of its Lamar Basher project, a high-end mix use residential and commercial project.

## IDB

The IDB is no stranger to the global community. As a multinational organization, it has funded countless projects worldwide. Recently in January

it approved US\$189.4 million in new financings for development projects in several member countries and a number of Muslim communities in non-member countries. The grant included: (1) US\$136 million to Cote d'Ivoire's road and transport sector for the construction of a 130-kilometer road connecting the capital Yamoussoukro to the city of Tiebissou and (2) US\$16.5 million to Djibouti for the Regional Submarine Telecommunications Project.

Last year, it allocated EUR200 million (US\$211.59 million) to the development of rural wastewater works in Iran. In Suriname it contributed US\$60 million to the construction of the Academic Medical Hospital of Suriname. In Morocco, Islamic financing for a power project near the port of Safi, was agreed in October with part of the US\$2.6 billion financing provided via a structured Islamic tranche from the IDB.

Last August, IDB announced the approval of US\$987 million in funds for economic and social development projects in member countries including Oman, Uzbekistan, Lebanon and Yemen. The bank distributed US\$198 million to Egypt for the development of Assiut Oil Refinery and US\$226.8 million for Sharm El Sheikh International Airport, while projects in Uganda received US\$10 million in funding.

IDB also signed agreements worth US\$100 million with the government of Sudan, to fund the construction of an electricity carrier line between Babanousa and Adliya and for the Delta Toker agricultural project. Earlier in April, the IDB provided US\$141.45 million to be put towards the development of health, education and water supply infrastructures, including construction of reservoirs, schools and the purchase of new school equipment in Kaduna State, Nigeria.☺

*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:

The following query has been raised in order to get Shariah guidance.

**Can an Islamic bank obtain cash deposit as security for a customer's financial obligation towards the bank under various financing facilities extended by the bank to the customer?**

## Pronouncement:

An Islamic bank can obtain different types of collaterals and securities in order to protect its right towards a customer's financial obligations in terms of various financing facilities extended by the bank to the customer. The following are some of the examples:

- Title to the underlying asset or commodity in a trading transaction
- Assignment of Takaful proceeds of the underlying asset or commodity
- Assignment of proceeds under life Takaful of the customer
- Third party guarantee, and
- Personal and corporate guarantee.

In relation to lien on a customer's account where adequate funds are available, it is important to note that the principle governing lien in Shariah does not allow the Islamic bank to enjoy a benefit from the funds under lien without any consideration in favor of the customer against such benefit.

Therefore, such lien is permissible in Shariah where the bank as a beneficiary does not use the funds under lien for its own benefit and merely considers the same as security against certain facilities allowed by the bank to the customer.

In the case of an investment deposit account where the customer's funds are utilized by the Islamic bank as Mudarib and the actual profit is required to be distributed between the Islamic bank and the customer as per the pre-agreed ratio, the Islamic bank does not get any extra financial benefit after getting the investment deposit amount under its lien. Therefore, the Islamic bank is allowed by Shariah to get the investment deposit account under lien against certain financing facilities.

In the case of the bank getting the investment deposit account under its lien, the Islamic bank can block the account partially or entirely, as per its requirement, until the settlement of relevant dues by the customer. The profit on investment of those funds by the bank may become part of the lien if so required by the bank. However, the profit amount shall be the absolute right of the customer pursuant to release of the lien by the bank.

Contrary to an investment deposit account, the funds kept under a current account are meant as a loan from the customer to the bank and payable by the bank on the customer's demand at any time. Such funds are utilized by the bank for its own benefit, without any consideration being paid to the customer. Thus, it is not permissible for an Islamic bank to put the current account funds of a customer under its lien against some facilities granted to the customer.

However, the lien is permissible if the Islamic bank and the customer agree to convert the current account funds into an investment deposit account for the required lien period.



**Dr Hussain Hamed Hassan**

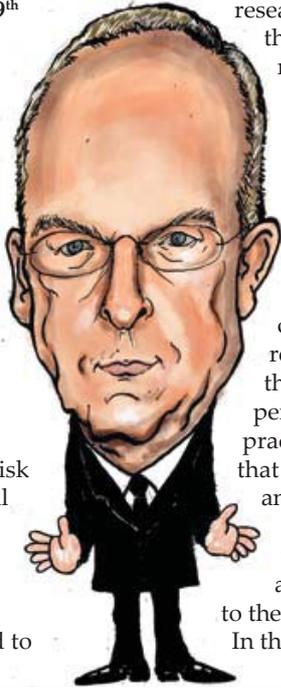
Chairman of the DIB Shariah Board,

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

## Daud speaks

In moving Islamic finance to the next level, a closer cooperation between academia and industry will be required, in my view. You have often heard me both write and speak on the subject of EPL (education, perception and liquidity) but you may not have heard Andrew Sheng comment frequently on the fact that we have “19<sup>th</sup> century institutions, with a 20<sup>th</sup> century mindset, tackling 21<sup>st</sup> century problems!”. Something has to change and the need is becoming very urgent.

When all is said and done, we need to break out of the current pattern of linear progression in Islamic finance and start to use the tools at our disposal to effect change, through the application of risk sharing techniques, financial inclusion and addressing the challenges of the ever-increasing income divide between the ‘haves and the have-nots’. We need to



demonstrate that we are indeed truly different.

Research will be absolutely vital to achieve this efficiently and effectively. However, this research must be done in close collaboration with the industry.

Indeed, industry must sponsor the research and ensure that they set the goals and desired outcomes required. We need to marry the brilliant minds that exist among academia and research students, with the needs and direction of the industry. The research needs to be very focused and up to the mark. In addition to that there needs to be active engagement and communication between the researchers and the industry; this is not just about the research per se, but also about the very practical and very real challenges that the industry faces. Arguments and the demonstration effect need to be well formulated, well thought through, and articulated in a way that speaks to the listening of the audience. In that way, politicians’ heads

**“ We need to break out of the current pattern of linear progression in Islamic finance and start to use the tools at our disposal to effect change ”**

may be turned and regulators may be encouraged to adapt and change to the pressing needs of the 21<sup>st</sup> century.

Investment, application and support from the industry will be absolutely vital for academic institutions to succeed. Together we achieve more – TEAM.

There is much to do and not a moment to lose!☺

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## Afghanistan: Making good progress



### AFGHANISTAN

By Dr Alam Khan Hamdard

Afghanistan International Bank (AIB), one of the largest banks in Afghanistan, launched an Islamic banking window operation in January this year. According to Dr Zulfiqar Ali Khan, the chief of Islamic banking at AIB, the window will offer a wide range of Islamic banking products both in liability as well as the assets side of the bank.

Al-Maali, a Dubai-based Islamic banking consulting group in cooperation with Afghanistan Islamic Finance Company,

signed two separate agreements with Afghan Chamber of Commerce and Central Bank of Afghanistan for the launching of an Islamic finance public awareness campaign and the introduction of the Islamic capital market in Afghanistan.

Afghan president Ashraf Ghani Ahmadzai announced that Islamic banking will be given priority to stabilize and develop the economy of Afghanistan in his new government.<sup>(2)</sup>

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## Hong Kong: Raising the bar



### HONG KONG

By Amirali Nasir

The global Islamic finance business has passed the US\$1 trillion benchmark and continues to show strong global growth. Hong Kong's milestone government Sukuk has not only added to that global growth but raised the bar for quality. It shows Hong Kong's commitment to quality be it in the major areas or niche market.

The government's recent high credit-rated US\$1 billion five-year Sukuk has set a strong benchmark in terms of quality and value. Like Hong Kong's tall buildings, foundations are laid deep and strong to support the building above. This is Hong Kong's international financial brand of quality, security, fairness and freedom in business. It is no wonder that the government Sukuk was rated 'AAA'.

Demand for Islamic products remains high but the demand is even higher for quality high-rated products in the Middle East and around the world. Pricing is also important as competitive Islamic products are attractive to investors seeking Islamic products.

Tax changes allow for exemption of tax on the returns from Islamic investments and the new Inland Revenue practice notes provides useful guidance to issuers eager to structure products suited to

the needs of investors in the Middle East, Malaysia, Indonesia, Pakistan and India. The Hong Kong-Shanghai connect would allow investors in the People's Republic of China access to Hong Kong products.

Any investment manager eager to manage risk will see value in spreading risk over products that are structured under a different value system. The Asian financial crises saw Malaysian Islamic banks shielded from downfall because they were obligated to adopt a different value system in structuring and investing.

The key questions now are whether issuers will see value in issuing Sukuk in Hong Kong, whether a possible raise in interest rates will affect Sukuk issuances and whether the lack of local investors will prevent the development of the Islamic finance market in Hong Kong.

The Special Administrative Region is a high quality international financial market which sees investment companies from around the world investing in the market; it only requires familiarity with the system vis-a-vis Islamic finance for investors to gain confidence in Hong Kong's Islamic finance capabilities.<sup>(2)</sup>

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## Inflation-protected Sukuk Musharakah



IRAN

By Majid Pireh

Sukuk Musharakah in Iran is widely used as a Shariah-compatible instrument for financing many projects. Iran has a good legal and operational background for issuing Sukuk Musharakah. In 1994, the municipality of Tehran embarked on the issuance of Sukuk Musharakah of US\$28 million-worth with a four-year maturity period. While many investors are familiar with Sukuk Musharakah, the inflation rate in some previous years somehow made it a non-attractive instrument as the profit rates did not satisfy investors. For this, a new model came on the stage that protected investors against the inflation rate and it is called 'Inflation-protected Sukuk Musharakah'.

The Shariah board of the Securities and Exchange Organization (SEO) during some discussions in two meetings approved some specific structures for



inflation-protected Sukuk Musharakah. In this model, the originator is a partner with investors and provides some shares in the underlying project. In some predetermined maturities such as monthly or quarterly periods, the originator pays investors some provisional rates on the basis of a Qard contract. These payments will settle at final maturity on the basis of real profit/loss from the underlying project.

Here, the provisional amounts the investors receive will be the inflation

rate plus a specific percentage rate. For example, if the inflation rate at the specific period is 10% and the extra profit rate is 3%, then the provisional rate shall be (10% + 3% = 13%).

In the operational model, the investors may refer to the originator itself or the market maker for receiving the provisional amounts if they desire to exit the partnership. The details shall clearly come in the documents that specific information dissemination entities shall publish.

Currently, this model is only approved by the Shariah board of the SEO and is not implemented in the market yet; hopefully in the future I will be able to let IFN readers know that inflation-protected Sukuk Musharakah is tradable in the Iranian Islamic capital market! (2)

*Majid Pireh is a senior Islamic finance expert at the Securities and Exchange Organization of the Islamic Republic of Iran. He can be contacted at m.pireh@seo.ir.*

## Islamic finance provides silver lining in the current economic challenge



BRUNEI

By Dr Aimi Zulhazmi

With the decline in oil prices, the Negara Brunei Darussalam (Brunei) government has forecasted its financial budget for the fiscal year 2015/2016 to be in a deficit of BND2.28 billion (US\$1.61 billion). The projected income from oil and gas is estimated to be around BND3.21 billion (US\$2.27 billion) and from the non-oil and gas sector BND905.12 million (US\$640.61 million). The government also warned of a bigger deficit should the oil price continues to move south this year; as such, prudence is highly desirable.

Nonetheless, the government is shifting the focus to spur the growth of SMEs as well as businesses in the non-oil and gas sector. For example, companies with an annual revenue of less than BND1 million (US\$707,759) in 2015, will be fully exempted from corporate tax. Moreover, Islamic finance continues to dominate growth in the Bruneian banking and insurance industry.

“ **The authority would like to see two or three new banks entering the country's Islamic finance industry** ”

According to an industry report published by the Oxford Business Group, several factors underlined the significant growth. First, Islamic banks are more aggressive than most of Brunei's conventional banks, as illustrated by Islamic banks making up more than half of domestic loans. With a strong focus on domestic lending, the Islamic banks in Brunei being government-linked institutions have the mandate to support domestic business. Second, the largest Islamic bank, Bank Islam Brunei

Darussalam, which controls about three-quarters of Islamic banking by assets; handles most of the public employee payroll accounts. This is helped by the regulation embedded in 2010, where banks are forbidden from making consumer loans to people that do not receive their primary income with the lending bank.

The report also highlighted that Islamic banks continue to be almost as profitable as conventional banks due to a larger volume of high-earning loans, where the average return on equity of Islamic banks was 9.2% in the first nine months of 2013, compared to 10.9% for conventional banks. With the healthy growth recorded by the Islamic finance industry, even during the economic period of oil price decline, it is not surprising to learn that the authority would like to see two or three new banks entering the country's Islamic finance industry. (2)

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## Developments in the registration of movables for secured lenders in the Kingdom of Saudi Arabia



**SAUDI ARABIA**

By *Nabil A Issa*

The process of registering security interests for secured lenders in the Kingdom of Saudi Arabia is a presently evolving regime. Licensed financial institutions are currently utilizing the Unified Center for Lien Registration (the UCLR) to register security over movables in the Kingdom. The implementation of this registration mechanism remains in the developmental and adjustment stage.

The Saudi Commercial Pledge Law governs the taking of security over movable assets. The Implementing Regulations of the Saudi Commercial Pledge Law, as amended thereof, mandate the establishment of, and outline the legal framework for, the UCLR under the control of the Ministry of Commerce and Industry. The Ministry of Commerce and Industry subsequently entered into an agreement with the Saudi Arabian General Investment Authority (SAGIA), and the UCLR was established in 2011 under the aegis of SAGIA, but only recently started registering pledges.

Only certain assets may be registered at the UCLR. The pledged asset must be:

1. owned and disposable by the pledgor
2. in existence, and not a future asset
3. tradable, and
4. readily and clearly identifiable.

Under the Saudi Commercial Pledge Law and the Implementing Regulations, a creditor may be granted a pledge over movable assets in connection with a commercial debt.

All applicable registration forms are currently available at the UCLR, but the procedural registration process remains in the evolutionary phase. The practical and logistical steps which are required have shifted over time and appear to still be evolving.

While some procedures are being developed, a number of steps have become clearly delineated. In order to submit a UCLR registration package on

behalf of a client, an Arabic language authorization letter must be signed by one of the parties to the UCLR registration application form, authorizing specifically named individuals to submit the application. Such an authorization letter must be authenticated at the Saudi Arabian Chamber of Commerce. The UCLR registration application form is available in English and Arabic. However, there have been many cases of English language UCLR registration application forms being submitted and subsequently rejected. It is therefore recommended to use the Arabic language UCLR registration application form (including a collateral description which is fully drafted in Arabic), and submitting such a UCLR registration application form to the Saudi Arabian Chamber of Commerce for authentication. With regard to any document submitted to the Saudi Arabian Chamber of Commerce, the signatories to such a document must of course be pre-registered with the Saudi Arabian Chamber of Commerce as the authorized signatories on behalf of the relevant party.

An area where there remains significant uncertainty is whether the underlying pledge agreements must be translated into Arabic and authenticated at the Saudi Arabian Chamber of Commerce. This has, at times, been required by the UCLR. It is unclear whether the UCLR will require this step for every registration application, as such a directive would have significant implications.

The procedural requirements for registering security with the UCLR remain challenging, but as the established system becomes more utilized, institutional pressure will force the development of transparent guidelines. The UCLR has the potential to be, and is currently working toward becoming, a valuable asset for secured lenders in Saudi Arabia. ☺

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# PETRONAS Global Sukuk

Standard & Poor's Rating Services (S&P) has recently assigned a preliminary rating to a landmark Sukuk transaction issued by PETRONAS Global Sukuk, a special purpose company incorporated in Labuan, and sponsored by Petroliam National (PETRONAS), the national integrated oil and gas company of Malaysia. The transaction was rated at the foreign currency rating of its sponsor because it was issued in US dollar and complies with the five conditions of S&P's Sukuk rating criteria. MOHAMED DAMAK gives an overview of PETRONAS Global Sukuk.



## PETRONAS GLOBAL SUKUK

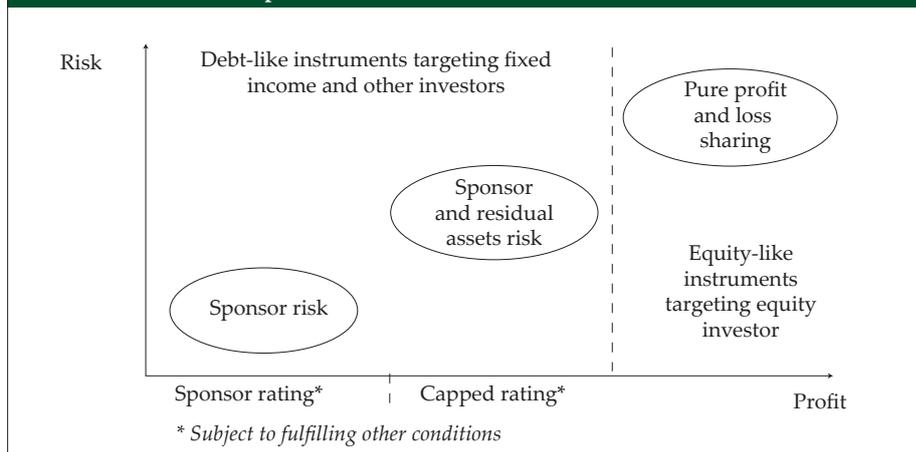
By Mohamed Damak

In January 2015, S&P published its updated methodology for rating Sukuk. In this update, S&P not only enhanced the transparency of its methodology by stating the five conditions required for Sukuk to achieve the same rating as their sponsor, but also identified instances where investors could be exposed to residual risks related to the underlying assets.

To date, Sukuk have been structured and sold as investment products where investors have the perception that the risk being taken is solely the risk of the sponsor. In reality, however, some Sukuk may have exposed investors to some risks that do not exist in conventional instruments. These risks have not been uncovered so far due to the limited number of defaults in the Sukuk market. The Sukuk market as a whole is still a young and untested sector of the global capital market.

S&P's role in this market is to provide investors and issuers with its independent and objective credit opinions based on transparent methodology and rigorous analytical approach. S&P understands that some of these risks relate to the principle of profit and loss sharing in Islamic finance, which requires participants in a transaction to share not only the profits but also the potential losses. We understand that Shariah scholars over the past few years have requested a more stringent application of this principle. Indeed, the structures that are used today are different from the structures that were used a decade ago when the sponsor used to provide an unconditional guarantee on the performance of the Sukuk. Nevertheless, a higher profit/loss sharing could restrain the targeted investors' base by excluding some fixed income investors, and increase financing costs compared with conventional products.

Chart 1: Sukuk risk and profit



In our view, PETRONAS's Sukuk is structured with the necessary layers of protection to insulate investors from residual risks related to the underlying assets. Under the current terms and conditions of the Sukuk, the issuer will enter into a Wakalah agreement with PETRONAS. The first leg of this agreement will be an Ijarah (for at least 33% of the issued amount) and the second leg will be a Murabahah (for at most 67% of the amount). Under the Ijarah, PETRONAS Global Sukuk will acquire beneficiary interests in several units of a refinery, located in the Malacca region of Malaysia, from PETRONAS Penapisan (Melaka) (not rated), a wholly-owned subsidiary of PETRONAS. The underlying assets for the Murabahah will be made of Shariah compliant commodities.

Periodic distributions of the Sukuk will be covered through leasing charges, to be paid by PETRONAS in its capacity of lessee, of the Ijarah assets. The principal of the transaction will be covered through the buy-back of the leasing assets at their acquisition price deflated by US\$1 million, which will be compensated by a US\$1 million Murabahah mark up; and the buy-back of the Murabahah assets at their acquisition price. Under the Ijarah leg, a total loss event is possible. However, PETRONAS has provided sufficient contractual obligations to cover

any shortfall, which may arise under a total loss scenario, between insurance proceeds and the acquisition price of the assets. In our opinion, Sukukholders will not be exposed to residual asset risks but instead to the creditworthiness of PETRONAS, the sponsor of the transaction.

The obligations of PETRONAS under the Sukuk terms and conditions are irrevocable and unconditional. Moreover, they are expected to rank at the same level as other unsubordinated obligations of PETRONAS. The sponsor will also provide for the coverage of the costs related to the transaction for the benefit of the issuer.

The preliminary rating on the PETRONAS Sukuk is based on draft documentation. Should final documentation differ substantially from the draft version, S&P could change its rating on the Sukuk. S&P neither structures Sukuk transactions nor provides opinions with regards to compliance of the proposed transaction with Shariah nor provides any recommendation to buy, hold or sell the Sukuk. ☺

Mohamed Damak is the global head of Islamic finance at Standard & Poor's Ratings Services. He can be contacted at mohamed.damak@standardandpoors.com.

# Much ado about Islamic finance

Much has been written about Islamic finance since the 2008 global financial crisis. Many practitioners and academics felt Islamic finance offered the solutions to the problems of the global financial system. HUSSAIN KURESHI however observes otherwise.



## ISLAMIC FINANCE

By Hussain Kureshi

**Taken in by the much advertised wonders of Islamic finance, I took a voluntary separation scheme from my employers and moved with kith and kin to complete a Master's degree in Islamic finance.**

My findings were, however, far different than the claims. Islam as a religion encourages trade, and discourages lending. Islam also encourages various market participants to share in the risks inherent in an economic system and discourages situations where one party to a contract is not exposed to risks whereas a counterparty is exposed to risks. Thus, the borrower-lender relationship is interpreted as inequitable as a lender is paid (principal plus interest), whether the borrower's underlying asset or economic enterprise earns the money to pay the installment or not.

What I found intriguing is how principles of lending and debt were to be integrated into the fabric of a banking system based upon Islamic principles. Rewarding capital or investment was only one of the issues. How could capital be mobilized from customers, and how could the returns generated from mobilizing these funds be shared by the bank and the capital providers?

The conventional banking model offers a simple solution. Shareholders provide the necessary capital to set up the infrastructure of a bank. A certain amount of capital is placed in statutory reserves and with regulators, and the remainder is invested in liquid financial assets to maintain a liquidity reserve. The capital's main purpose is to act as a buffer for unexpected losses. Funds are mobilized using the concept of deposits where banks mobilize funds from individuals, households, corporations and governments. These funds are then lent to borrowers. The magic of the banking model, or the concept of deposits is that the customer who provides the funds experiences no impact

on his or her balances when the monies placed in the bank are used to fund an asset. Inherently, modern banking is a system of money creation. Depositors are rewarded with a pre-agreed interest rate, and deposits are guaranteed by shareholders' capital. Returns generated by the investing depositor's funds are shared between the bank and capital providers.

**“ It seems strange that a financial system based upon concepts of asset ownership should meet the requirements and standards of a system based upon rules based upon credit and debt ”**

Islamic banking is no different (at least in practice). Funds are mobilized using contracts of safekeeping (Wadiah), agency (Wakalah), lending (Qard) and profit-sharing placements (Mudarabah). Customers are communicated an indicative rate of return or referred to an Islamic bank's historical payouts on current and savings accounts in the form of gift payouts or Hibah. Lending is circumvented by not offering loans but by selling assets on a deferred credit basis, or by leasing assets to customers. Nevertheless, Islamic banking, like conventional banking, is a credit-based system and all the fundamentals of credit analysis applies to Islamic banking.

Islamic banks are hesitant to take an equity share or stake in the businesses of their borrowers, primarily because their depositors are not keen to lose their principal amounts. Even in a contract of diminishing Musharakah, where Islamic banks 'co-own' a house with a customer, and the customer slowly buys out the share of the bank in the house and in the interim period pays rent to the bank for staying in the house, the Islamic bank does not record the ownership of the house on its balance sheet as this would incur huge capital charges under a Basel regime.

It seems strange that a financial system based upon concepts of asset ownership should meet the requirements and standards of a system based upon rules based upon credit and debt. The modern financial system offers greater rights to lenders than it does to equity holders as the claims of the latter are ultimately residual. Lenders enjoy considerable rights especially in priority of payments and in fact certain investors prefer to be lenders rather than equity holders in companies.

I found it all the more confusing that a Sukuk which is meant to be an 'ownership certificate' can be treated as a fixed income, debt instrument offering investors rights of either equity holders or lenders.

Nevertheless, what is most interesting in certain Islamic banking liability products is that customers actually do not deposit money into a bank. In contracts of commodity Murabahah, customers actually buy a commodity (on an exchange) for a spot market price and then sell the same to a bank for a deferred credit price. The bank in turn sells the commodity back to the exchange at spot market prices. Thus, the bank actually gets the money from the exchange's account held with the bank, and not the customer directly. If the same structure is used for an asset product, the facility disbursement stage actually is executed by the customer and the

*continued...*

*Continued*

commodity broker.

In the sequence of sale and purchase however, certain rather interesting opportunities of product development emerge. A customer may buy a commodity or asset in one currency and sell it to the bank in another. This could mean depositing in US dollars and getting returns in euros. The deferred price in the second leg of the transaction can be calculated using a floating profit rate, or developing a pre-agreed pricing mechanism such that a customer actually enjoys rights of a call option holder and the bank enjoys certain rights of a put option holder. This contract would be Bai Istijrar.

The discussion of Islamic finance is far from over, however, as a certain approach to product development is needed such that new and innovative products including hedging structures are offered to customers. Islamic finance should also be open to hybrid instruments that have features in common with debt and equity, but the rights of the instrument holders should be clearly specified.

If Islamic finance is in any way meant to cater to the needs of Muslims, one must also face certain realities. Close to 600 million Muslims live in Bangladesh, Pakistan and Indonesia. About 60% of the populations are linked to agriculture. Yet Islamic finance has not developed products that help farmers hedge their risks, or commodity brokers to hedge their risks so as to help bring goods to market. Another 20% are involved in cottage industries and own small and medium enterprises. Yet there is a lack of focus on these sectors as again Islamic banks follow the same dictum of conventional banks when assessing the risks of financing in this sector.

It is hard to come up with data for probability of default, as very few companies in these sectors actually maintain financial statements or audited books for any length of time to come up with viable conclusions. How can Islamic banks steer away from the conventional methodologies to make this rather large population segment bankable? This need not be seen as an exercise in charity giving. I recall on a trip to Chitral, Pakistan where a small community of

the Kalash tribe reside (descendants of Greek origin; there is a Greek embassy in the beautiful mountains as proof), I bumped into a credit officer from the First MicroFinance Bank, another bank which functions primarily on ideological (followers of Prince Karim Agha Khan) and religious grounds in Pakistan. This credit officer braved a two-hour journey which many would deem treacherous to the mountains, to merely have potential borrowers sign charge documents for loans of US\$100 or equivalent to about PKR10,000. Considerable effort for small sums. The focus of the First MicroFinance Bank was not the price of capital, but to whom capital was to be made available. Projects like fish farms and handicrafts shops were financed so that the people of Kalash could become financially mobile.

**“ Islamic finance cannot remain a capital markets baby for it to be meaningful to a majority of Muslims who actually do not even invest in capital markets instruments ”**

If Islamic finance is going to make headlines with Sukuk issuances alone, let's look at some facts. Many of these Sukuk are structured by the debt capital markets departments of foreign banks with a contribution from the Shariah advisors on the structuring of sale and buy back or sale and lease back structures if not commodity Murabahah. Much of the book running is done by the usual suspects such as Deutsche, Citi, JPMorgan, etc. Very little in terms of revenue is trickling to Islamic financial

institutions and very few jobs are being created in this industry. Add to this the role of shared services and Islamic banking windows hardly can hire more than 200 people.

Islamic finance cannot remain a capital markets baby for it to be meaningful to a majority of Muslims who actually do not even invest in capital markets instruments. The focus needs to shift to countries like Pakistan, Bangladesh, and Indonesia to develop a brick and mortar infrastructure across the depth and breadth of these countries to bring the vast populations into the banking folds. Brick and mortar branches create jobs and financial mobility which itself becomes a self-fulfilling prophecy. When countries like Egypt, Syria, and Yemen become stable, one can hope for a greater role for Islamic banks.

Even in the Takaful industry to date shipments of oil from Muslim countries are covered by conventional insurance policies instead of by Takaful. It is alarming to understand that with more than one billion of a population and close to US\$3 trillion of what is known as a Halal industry, Takaful operators of various countries cannot combine their capital to make a multinational mega Takaful company. At least the Kaabah should be covered by a Takaful policy.

Another danger facing Islamic finance is a sense of localization. If Islamic finance becomes a political flag waived by governments or becomes a political tool to promote certain agendas then it will never come to market as a purely commercial product. Nor can its potential be truly gauged. If Muslim countries begin to treat their particular 'brand' of Islamic banking as the unique brand, then standardization of products would be unachievable.

I certainly hope that as Malaysia contributed to this effort of a cross-border financial system and as Dubai makes efforts to become a hub for inter-Islamic trade, we can see greater integration of markets and peoples across the Muslim world in the coming years.☺

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# Islamic finance in Ukraine: A new reality

While the country is going through difficult times of reforms and transition, Islamic finance appears to have become an interesting and promising industry with significant potential for further development. In the absence of prohibitive local restrictions and state authorities demonstrating flexibility, Islamic finance has good prospects for development in Ukraine. ROUSTAM VAKHITOV and NARIMAN KIMSANOV analyze recent developments in Ukraine.



## UKRAINE

By Roustam Vakhitov & Nariman Kimsanov

Until recently, Ukraine was not regarded as a country with a particularly high potential for Islamic finance.

Nevertheless, recent developments suggest that this industry may be developing rapidly in Ukraine and there are several reasons for this:

- 1) An increase of the Islamic population in 'mainland' Ukraine.
- 2) A search for new markets for agricultural export.
- 3) A need for external financing for infrastructural and other reforms.

**“ Ukrainian central and local governments appear to be flexible enough to consider necessary changes to legislation to facilitate Islamic finance ”**

## Increase of the indigenous Islamic population

Following developments in Crimea in early 2014, a significant number of Crimean Tatars moved to Kiev and Ukrainian regions near Crimea. Nowadays, there are much more businesses with Islamic origins in Kiev than ever. These businesses are much more open to discussing and implementing Shariah compliant solutions.



## New markets

The military conflict in eastern Ukraine and a decrease of economic ties with Russia forced many Ukrainian companies to search for new markets. Considering the consistent growth of the Muslim population across the world, Halal certification is becoming more popular among export-oriented businesses. Likewise, such businesses are more interested in Islamic trade financing solutions.

## Need for external financing

Comprehensive reforms, refocusing from Russia to other markets and renovation of existing, mainly Soviet-time infrastructure require significant foreign financing. While the IMF and comparable entities are regarded as primary sources of financing for ongoing reforms and infrastructural renovation, Ukrainian central and local governments appear to be flexible enough to consider necessary changes to legislation to facilitate Islamic finance.

Two Islamic finance seminars, conducted in Kiev in mid-2014 and in early 2015 gathered significant attention of local financial establishments, Islamic businesses, government-related agencies and export-oriented businesses. Large insurance and financial management companies are already looking to create Shariah compliant solutions in the field of insurance and private pensions.

## Preview of 2015

Ukraine is yet to see its first Islamic finance deals. However, equity or profit-sharing investments, as well as long-term leases, fit well into the domestic tax and legal framework.

Therefore effectively, there are no obstacles for structuring Islamic finance investments in Ukraine under domestic legislation, although some changes in domestic law might facilitate development of Islamic finance further.

The major question is how to attract foreign investors to invest in Ukraine. Considering the four to five times depreciation of local currency against the euro over the year, the purchase price of local assets appears to be attractive.

At the same time, the local government is yet to assure foreign investors that it will ensure the protection of their investments into the country. At present, the government appears to be willing to build up a transparent and predictable investment regime and if it succeeds, we may see Islamic finance investment, most likely in the agricultural sector, in the rather near future.☺

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# S&P Dow Jones Quarterly Islamic Market Review



## DOW JONES QUARTERLY REVIEW

By Michael Orzano

- Islamic indices outperform conventional benchmarks through first two months of 2015
- Asia and Europe lead global equity markets higher; US markets lag, but remain positive
- MENA equity markets recover from late 2014 swoon

All major S&P Dow Jones Shariah compliant benchmarks outperformed their conventional counterparts through the first two months of 2015 as financials – which are underrepresented in Islamic indices – have been a sector laggard, and information technology and health care – which tend to be overweight in Islamic indices – have outperformed the broader market.

Through the end of February, the S&P Global BMI Shariah and Dow Jones Islamic Market World gained 4.2% and

**Table 1: S&P Global BMI sector performance (2015 Feb YTD)**

Healthcare	6.9%
Materials	6.2%
Consumer Discretionary	5.7%
Telecom Services	5.1%
Consumer staples	4.8%
Information technology	4.4%
Industrials	3.7%
Financials	1.4%
Energy	-0.2%
Utilities	-2.6%
S&P global BMI	3.7%

Source: S&P Dow Jones Indices. Data as of the 27<sup>th</sup> February 2015. Calculations are based on price return index levels in US dollar.

**Table 2: Comparative price returns (2015 Feb YTD)**

S&P global BMI	4.2%	3.7%	0.6%
DJIM World	4.1%	3.7%	0.3%
S&P 500	3.1%	2.2%	0.9%
DJIM Asia Pacific	6.4%	5.8%	0.6%
DJIM Europe	6.2%	6.2%	0%
DJIM Emerging Markets	3.7%	3.2%	0.5%
S&P Pan Arab Composite	8%	6.5%	1.5%

Source: S&P Dow Jones Indices. Data as of the 27<sup>th</sup> February 2015. Calculations are based on price return index levels in US dollar.

4.1% respectively, outperforming their conventional global benchmarks by 60bps and 30bps each. After substantially lagging the US in 2014, Asia-Pacific and European equity markets led developed markets for the first two months of the year and more than doubled the returns of the S&P 500. The Dow Jones Islamic Market Asia Pacific Index gained 6.4% supported by particular strength in Japan. Meanwhile, the Dow Jones Islamic Market Europe rose 6.2% in US dollar terms despite continued strengthening of the US dollar/euro exchange rate.

After plummeting more than 25% in the fourth quarter of 2014, the S&P Pan Arab Composite Shariah gained 8% through the end of February. MENA equity markets were supported by strength in the Saudi Arabia, which gained about 10% year-to-date through the 27<sup>th</sup> of February. (F)

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## UNDERSTANDING, DEVELOPING & MARKETING TAKAFUL PRODUCTS

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## DEALS

### Telekom Malaysia not opting for ringgit Sukuk

**MALAYSIA:** Malaysia's national telecommunications company, Telekom Malaysia, will select between a US dollar-denominated issuance or a euro-denominated issuance for its debut Sukuk, depending on pricing, according to Bloomberg. The firm seeks to raise US\$750 million from the Sukuk as part of a debt program to fund capital requirements. <sup>(f)</sup>

### SIB prices Sukuk

**UAE:** Sharjah Islamic Bank (SIB) has priced its US\$500 million five-year Sukuk, reported Reuters. According to the newswire, the paper was priced at a spread of 110bps over midswaps with a profit rate of 2.84%. Receiving approximately US\$3 billion-worth of orders, the Sukuk was sold after a series of investor meetings in Asia and Europe. Abu Dhabi Islamic Bank, Al Hilal Bank, Dubai Islamic Bank, Emirates NBD, HSBC, KFH Investment and Standard Chartered were the arrangers for the deal. <sup>(f)</sup>

### UAE to debut green-energy Sukuk

**UAE:** The UAE is expected to issue the world's first Sukuk aimed at financing green energy projects this year, possibly as early as April, reported local news portal, The National. London-based Climate Bonds Initiative (CBI) highlighted that they are looking to roll out up to two issuances in the UAE in April. The country's Clean Energy Business Council (CEBC) has been in

discussions with the Dubai Supreme Council of Energy about the issuance of green Sukuk. Furthermore, Latham & Watkins also confirmed in the report that it is working with the CEBC, the Gulf Sukuk and Bond Association and the CBI to promote green Sukuk. <sup>(f)</sup>

### PETRONAS sets Sukuk price guidance

**MALAYSIA:** PETRONAS has set price guidance levels for its five-year Sukuk Wakalah offered at a yield of around 135bps over US Treasuries, according to Bloomberg. The tranche is a part of its US dollar bonds program.

Bank of America Merrill Lynch, CIMB, Citigroup, JPMorgan and Morgan Stanley are the active joint bookrunners, along with Deutsche Bank, HSBC, Maybank and MUFG as passive bookrunners. <sup>(f)</sup>

### Emirates Airline names banks to arrange Sukuk

**UAE:** Emirates Airline has selected eight banks to arrange a Sukuk that will be guaranteed by Britain's export credit agency, UK Export Finance, reported Reuters. These banks are: Citigroup, HSBC, JPMorgan and National Bank of Abu Dhabi as the joint structuring agents, with Abu Dhabi Islamic Bank, Dubai Islamic Bank, Emirates NBD and Standard Chartered also acting as joint lead managers. <sup>(f)</sup>

### QIIB gets approval for Sukuk

**QATAR:** Qatar International Islamic Bank (QIIB) has received the approval from its general assembly to raise up to QAR3 billion (US\$823.4 million) through

a capital-boosting Sukuk which will not be convertible into ordinary shares, reported The Peninsula Qatar. The Sukuk shall be eligible for inclusion as Addition Tier 1 Capital in accordance with Basel III, in compliance with Qatar Central Bank's regulations. Proceeds from the Sukuk are suggested to fund the bank's new projects and expansion plans. According to the report, Abdulbasit Ahmed Al Shaibei, QIIB's CEO said that the bank would first issue QAR1 billion (US\$274.47 million) and gradually raise more as and when the bank requires it. <sup>(f)</sup>

### Masraf Al Rayan eyes Sukuk

**QATAR:** Masraf Al Rayan is looking to tap the Sukuk market this year with a benchmark issuance, according to Reuters. The bank has reportedly invited bankers to pitch for arranger roles for the potential US dollar-denominated offering, expecting to raise funds before the 30<sup>th</sup> April 2015. <sup>(f)</sup>

### Anakku makes first issuance under Sukuk program

**MALAYSIA:** Asia Brands in an announcement to Bursa Malaysia conveyed that Anakku, its subsidiary, has made the first issuance of RM100 million (US\$27.01 million) in nominal value under the Sukuk program. The program allocates a tenor of up to 15 years from the date of the first issue of the Sukuk. Proceeds from the issuance will be utilized for Shariah compliant purposes only, which among others, will be to finance investment activities, capital expenditure, working capital requirements, and other general corporate purposes of the issuer and/or its related companies. <sup>(f)</sup>

DEAL TRACKER				Full Deal Tracker on page 31
EXPECTED DATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENT DATE
Apr-15	Masraf Al Rayan	TBA	Sukuk	17 <sup>th</sup> March 2015
TBA	Emirates Airline	TBA	Sukuk	16 <sup>th</sup> March 2015
As early as April 2015	Government of UAE	TBA	Green energy Sukuk	12 <sup>th</sup> March 2015
Before June 2015	BNI Syariah	IDR500-750 billion	Sukuk	10 <sup>th</sup> march 2015
TBA	Treet Corporation	PKR539.51 million	Sukuk	9 <sup>th</sup> March 2015
2015	Government of Hong Kong	US\$500 million-1 billion	Sukuk	9 <sup>th</sup> March 2015
Before end of April	Emirate of Ras Al Khaimah	TBA	Sukuk	5 <sup>th</sup> March 2015
End of March	National Shipping Company of Saudi Arabia	SAR3.9 billion	Sukuk	5 <sup>th</sup> March 2015
TBA	Sharjah Islamic Bank	TBA	Sukuk	4 <sup>th</sup> March 2015

## AFRICAS

### ITFC finances Egypt's petroleum industry

**EGYPT:** The International Islamic Trade Finance Corporation (ITFC) and the Egyptian General Petroleum Corporation have signed a US\$3 billion agreement with Egypt agreeing to import petroleum

products from the country over the next three years. <sup>(f)</sup>

### ADIB eyes Citi's Egypt business

**EGYPT:** Abu Dhabi Islamic Bank (ADIB) has been shortlisted as a buyer for Citigroup (Citi)'s Egypt retail business, reported The National. The bank, along

with Mashreq and Emirates NBD are reportedly bidding to buy Citi's Egypt consumer banking network. Citi has been leaving countries where it no longer has a competitive edge, while UAE lenders are expanding into nearby emerging markets to boost earnings amid slower growth at home. <sup>(f)</sup>

## ASIA

### NBP Aitemaad plans expansion

**PAKISTAN:** National Bank of Pakistan's Islamic banking unit, NBP Aitemaad, plans to convert 15 of its parent's conventional branches every quarter, with an objective of having 100 Aitemaad branches by the end of 2015, according to the Pakistan Observer. The bank has been expanding its Islamic banking operations since its inception in 2013 by opening new branches and converting existing branches. <sup>(f)</sup>

### Malaysia's Islamic market share

**MALAYSIA:** According to Bank Negara Malaysia (BNM)'s annual report, Islamic banking assets in 2014 grew by 12% and now account for 25.6% of the country's total banking system assets. Foreign currency assets increased to RM27.7 billion (US\$7.47 billion), reflecting the growing importance of cross-border transactions in Islamic finance, said the central bank.

In terms of insurance and Takaful, reforms to promote competition, address pricing distortions and improve value to policyholders continued to be a priority for the central bank. BNM conveyed that the reforms would contribute towards the long-term sustainability of

the industry, while encouraging more Malaysians to secure the insurance and Takaful protection that they need. Major components of the reforms were the Life Insurance and Family Takaful Framework and the New Motor Cover Framework. <sup>(f)</sup>

### Consolidation still discussed in Malaysia

**MALAYSIA:** RAM Ratings in a statement to IFN said that it still sees consolidation potential for the Malaysian Islamic banking industry as the smaller players scale up in order to remain competitive. "We believe the creation of an Islamic bank with greater financial clout and reach is still on the agenda," observes Wong Yin Ching, co-head of financial institution ratings. According to the rating agency, although the plan to form an enlarged Islamic entity involving CIMB Islamic Bank, RHB Islamic Bank and Malaysian Building Society fell through this year, industry consolidation continues to be widely discussed. <sup>(f)</sup>

### IBA meets potential Russian customers

**AZERBAIJAN:** International Bank of Azerbaijan (IBA) conducted negotiations with the customers of IBA-Moscow Bank on Islamic financing services on the 13<sup>th</sup> March 2015, reported local news portal ABC.AZ. The bank has reportedly made all necessary preparatory work to open an Islamic window in its Russian

subsidiary, IBA-Moscow. The bank has identified Islamic instruments which meet the requirements of Russian legislation (leasing, purchasing of equipment and real estate), and the circle of potential partners among customers of the IBA-Moscow. It has also formed the circle of potential investors (mainly private investment funds from Dubai). IBA-Moscow is set to provide US\$20-30 million-worth of Islamic financing facilities to its customers and has enough reserves to provide such financing without violating existing covenants. If needed, the bank can use the guarantees of its parent company. <sup>(f)</sup>

### Changes at KFH in Malaysia

**MALAYSIA:** IFN understands that KFH (Kuwait Finance House) Research has closed as a separate entity and the remnants moved in-house, with some activities terminated and a few key players remaining with a new research and innovation department within the main KFH institution. <sup>(f)</sup>

### Jakarta to host IFSB seminar

**INDONESIA:** The Islamic Financial Services Board (IFSB) in a press release announced that it is organizing an IFSB Seminar on Enhancing Financial Inclusion through Islamic Finance on the 31<sup>st</sup> March 2015 in Jakarta. The seminar is held in conjunction with the IFSB Annual Meetings and Side Events 2015, which are hosted by Bank Indonesia. <sup>(f)</sup>

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## EUROPE

### Gatehouse Bank's new shareholder

**UK:** Gatehouse Bank in a press release announced Threadneedle Investments as a new shareholder in the Islamic bank. Threadneedle, an international asset manager based in London with assets under management of US\$148.2 billion, has acquired a shareholding of approximately 2% in Gatehouse. (f)

### The UK's agriculture financing potential

**UK:** In a study conducted by Shariyah Review Bureau, it was found that 50% of agriculture asset managers in the UK are ready to offer Shariah compliant agriculture investments, reported Trade Arabia. Several respondents further believed that certifying their funds as Shariah compliant was in alignment with their objective of administering ethical funds. (f)

### Ireland acknowledges Islamic finance potential

**IRELAND:** The government of Ireland in its five-year strategy document: 'IFS 2020 — a Strategy for Ireland's International Financial Services Sector 2015-2020', highlighted Islamic finance as a potentially lucrative area for development. Other segments mentioned included: green finance, aircraft leasing, securitization, and financial technology. (f)

## GLOBAL

### Tatarstan looking at stronger Russian-Iranian ties

**GLOBAL:** Tatarstan is placing a special focus on expanding bilateral ties with Iran, through the latter's East Azerbaijan Province particularly in the economic, technical and engineering fields, according to Tatar president Rustam Minnikhanov, reported Islamic Republic News Agency. (f)

### Morgan Lewis expands to Singapore

**GLOBAL:** Legal firm Morgan, Lewis & Bockius informed IFN that it has merged with Singapore's Stamford Law Corporation, which will provide the firm with the opportunity for greater integration with its Islamic finance practice in Dubai. According to the global firm, Singapore will act as a center for further expansion in Southeast Asia and the Indian markets. (f)

### IDB provides for infrastructure developments

**GLOBAL:** The IDB has approved more than US\$718.6 million of funding for infrastructure development projects in member countries, according to a press release. The bank has provided for important sectors such as roads, power generation, water supply and sanitation, agriculture, and rural development in Turkey, the Sultanate of Oman, Uganda, Uzbekistan, Cote d'Ivoire, Benin and Yemen as well as technical assistance for Bahrain. (f)

### Moody's updated rating methodologies

**GLOBAL:** Moody's in a press release announced that it has updated several cross-sector, primary and secondary

rating methodologies for structured finance securities, to incorporate a new counterparty risk assessment that it has introduced for banks as part of its revised bank rating methodology. The updates to the structured finance rating methodologies will generally have a

positive rating impact on structured finance transactions. In the coming days, Moody's will issue separate announcements that will provide details on these implications, expecting to conclude the majority of the structured finance rating reviews in the first half of 2015. (f)



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## MIDDLE EAST

### QIB opens new branch

**QATAR:** Qatar Islamic Bank (QIB) has launched a new branch at the Pearl-Qatar, as part of its expansion strategy, according to a press release. The new branch is located in Medina Centrale City, Al Hamra Street, Gate 9, the town center of the Pearl-Qatar. (f)

### BBK open to buying Shariah banks

**BAHRAIN:** Although BBK does not have any immediate plans to venture into the Shariah compliant banking sector, the bank is keen to consider acquiring Islamic banks if there are feasible opportunities available, reported Gulf Daily News quoting BBK chairman Murad Ali Murad. (f)

### KFH-Bahrain now offering new service

**BAHRAIN:** Kuwait Finance House – Bahrain (KFH-Bahrain) in a press release announced the launch of its wealth management service offering new premium investment and asset management services which will focus on a unique segment of customers. (f)

### UAE lending growth to slow down

**UAE:** RAM in a statement said that it expects loan growth of the UAE banking sector to moderate to 6-7% from 8% in 2014, if oil prices remain at current low levels. The ratings agency pointed out that the second restructuring of Dubai World debt; coupled with the completion of Dubai Group's restructuring last year removed some near-term uncertainties for UAE banks. RAM also added that the persistently low oil prices will affect sentiment, especially in the real estate and equity markets, which could in turn lead to asset-quality issues. In the event of a credit downturn, UAE banks will be well buffered by sound loan-loss

coverage as well as robust pre-provision earnings and capitalization. The Tier 1 capital ratio of UAE banks stood at 16.2% as at end-December 2014. (f)

### Probable Qatari listings

**QATAR:** Qatar Exchange's CEO, Rashid al-Mansoori expects to see the listing of Barwa Bank and Qatar First Bank in 2015 subject to regulatory approval, reported Reuters. The exchange is also said to be working with the central bank to set up a market for corporate bonds in the next two years.

### AAOIFI and IASB collaborates

**BAHRAIN:** Following an initiative taken by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) to strengthen cooperation and integration with the International Accounting Standards Board (IASB), the AAOIFI in a press release announced that it is set to organize an outreach meeting with the IASB on the 9<sup>th</sup> April 2015 in Manama, Bahrain. The outreach meeting will discuss issues that Islamic financial institutions may need to address in applying IFRS 9 Financial Instrument (a standard issued by the IASB that deals with, among others, classification and measurement of financial assets) for their financial reporting. (f)

### ADIB's new investment offering

**UAE:** Abu Dhabi Islamic Bank (ADIB), in a press release has announced the offering of a new 100% capital-protected note that gives investors exposure to emerging market equities. Available until the 21<sup>st</sup> March 2015, the two-year Shariah compliant note is specifically tailored for risk-averse investors looking to diversify their portfolio with access to high-growth economies. The note is linked to the performance of the Emerging Market 'SGIXWES' Index, which represents 75 of the most attractive Shariah stocks and protects the investor by repaying the

principal at the end of two years. The said index includes companies such as Samsung, Hyundai, Petronas, LG, and MTN. (f)

### United Finance receives another merger proposal

**OMAN:** United Finance Company, which is exploring a potential merger with Bank Nizwa, in an announcement to the Muscat Securities Market has disclosed that the company had received a letter from Al Omaniya Financial Services expressing their interest in exploring the possibility of an acquisition or a merger between the two entities. According to the statement, the matter has been communicated to the board of directors and further disclosure concerning this matter will be made as and when there are developments to report. (f)

### Capital increase for Islamic Holding Group

**QATAR:** The board of directors of Islamic Holding Group in an announcement to the Qatar Stock Exchange has recommended to increase capital by 50% of the current capital to QAR60 million (US\$16.46 million), distributed in six million shares, according to the nominal value of shares QAR10 (US\$2.74) plus bonus. The capital increase will be determined in coordination with the Ministry of Economy and Commerce after the approval of the extraordinary general assembly of shareholders. (f)

### Alizz's new credit card

**OMAN:** Alizz Islamic Bank and MasterCard has launched the country's first Shariah compliant World Elite MasterCard credit card, according to local paper Muscat Daily. The credit card targets the evolving requirements of the ultra-high-net-worth affluent segment in Oman and offers exclusive dining, traveling and shopping experiences to cardholders, in addition to providing access to prestigious venues and global events. (f)

## ASSET MANAGEMENT

### Itqan distributes profits

**SAUDI ARABIA:** Itqan Capital, an investment company licensed by the

Capital Market Authority and a member of the Al-Baraka Banking Group, has paid out 3.5% in cash dividends to investors in its Real Estate Income Fund-II (REIF-II), representing the second dividend payout, totaling 7% for the full year, according to Arab News. (f)



## RESULTS

### Bank Asya

**TURKEY:** Embattled Shariah compliant Bank Asya has suffered a net loss of TRY877 million (US\$334.47 million) in 2014 due to shrinking loans and deposits, reported Reuters. Loan loss provisions reached TRY1.45 billion (US\$553 million) last year, almost half of which came in the final quarter. Bank Asya wrote off TRY943 million (US\$359.65 million)-worth of loans in 2014 while its loans and deposits declined 24% and 12% respectively in the last quarter. (2)

### Alinma Tokio Marine Company

**SAUDI ARABIA:** Alinma Tokio Marine Company in a bourse filing confirmed a pre-Zakat net loss of SAR1.54 million (US\$410,467) for the month of February, with net loss before Zakat for the first two months of the year reaching SAR3.69 million (US\$983,523). As a result, accumulated losses as at February 2015 have reached SAR115.27 million (US\$30.72 million), or 57.64% of the company's capital. (2)

### DFM

**UAE:** Dubai Financial Market (DFM) according to a statement recorded a net profit of AED759.3 million (US\$206.67 million) for the year 2014, compared to AED284.6 million (US\$77.47 million) in 2013. Total revenues increased 107% year-on-year to AED936.7 million (US\$254.98 million) last year. The total revenue comprised of AED879.7 million (US\$239.46 million) of operational revenues and AED57 million (US\$15.52

million) of investment revenues and others. (2)

### BIMB Holdings

**MALAYSIA:** BIMB Holdings, the parent of Bank Islam, in a statement to IFN confirmed that it realized a consolidated profit before Zakat and taxation of RM815.4 million (US\$221.03 million) for the 12-month period ending the 31<sup>st</sup> December 2014, 0.5% lower than the year before mainly due to the RM68.2 million (US\$18.49 million) financing cost of Sukuk raised to partly fund the 49% equity acquisition in Bank Islam in December 2013. Bank Islam registered a pre-Zakat and tax profit of RM702.8 million (US\$190.5 million) in 2014, marking a 3.8% year-on-year growth. (2)

### Alkhabeer Capital

**SAUDI ARABIA:** Asset manager Alkhabeer Capital in a press release reported a 2014 net income of SAR57.3 million (US\$15.27 million), 32.3% higher than the previous year. Total assets under management grew 34% to SAR3.3 billion (US\$879.54 million), while the market

value of the firm's investment portfolio accrued by 5.7% to SAR709 million (US\$188.97 million). (2)

### Amlak Finance

**UAE:** Shariah compliant mortgage provider Amlak Finance realized a AED59 million (US\$16.06 million) net profit attributable to equity holders, according to a press release. Total assets declined to AED7.3 billion (US\$1.99 billion) last year, from almost AED16 billion (US\$4.36 billion) in 2008. According to The National, Amlak Finance will resume the trading of its shares next month. (2)

### Ajman Bank

**UAE:** Islamic financier Ajman Bank's latest financial documents show that the bank made a net profit of AED71.4 million (US\$19.44 million) in 2014, almost seven times more than the AED10.6 million (US\$2.88 million) profit registered the year before. Total assets stood at AED11.23 billion (US\$3.06 billion) for the 12-month period ending the 31<sup>st</sup> December 2014. (2)

## TAKAFUL

### Takaful advisory council for Nigeria

**NIGERIA:** The minister of state for finance, Alhaji Bashir Yuguda, has inaugurated an advisory council for Nigeria's Takaful segment, to be headed by Professor Dawud Noibi as chairman, reported news portal This Day Live. (2)

### Dar Al Takaful targets SMEs

**UAE:** Dar Al Takaful according to the Khaleej Times has launched a new product, known as Himaya, targeted at SMEs in the UAE. (2)

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## RATINGS

### Qatari banks' ratings upgraded

**QATAR:** Fitch in a recent statement upgraded the long-term issuer default ratings (IDR) of Commercial Bank of Qatar, Doha Bank, Qatar Islamic Bank, Al Khalij Commercial Bank, Qatar International Islamic Bank and Ahli Bank to 'A+' from 'A'. Fitch also upgraded Qatar National Bank's long-term IDR to 'AA-' from 'A+' and its short-term IDR to 'F1+' from 'F1'. The outlooks on all the long-term IDRs are stable. (f)

### Turkey's ratings reaffirmed

**TURKEY:** The Islamic International Rating Agency (IIRA) according to a statement to IFN has reaffirmed the foreign currency sovereign ratings of the Republic of Turkey at 'BBB-/A-3' and the local currency sovereign ratings at 'BBB/A-3'. The ratings assigned to the Republic are supported by sustained fiscal discipline and efficient borrowing strategies which have translated into an improved debt profile which is reflected in reduced sensitivity to foreign exchange and interest rate risks along with a lengthening maturity profile. (f)

### MHB's Sukuk program receives rating

**MALAYSIA:** MARC in a statement has assigned a final rating of 'AA-IS' with a stable outlook on Malaysia Marine and Heavy Engineering Holdings (MHB)'s Sukuk Murabahah program of up to RM1 billion (US\$270.11 million). The rating incorporates a one-notch uplift

from MHB's stand-alone rating based on MARC's assessment on the likelihood of moderate support from MHB's ultimate parent, PETRONAS. (f)

### TSH's Sukuk rated

**MALAYSIA:** MARC in a statement has accorded a rating of 'AAAIS(fg)' to TSH Sukuk Musyarakah (TSH Musyarakah)'s RM100 million (US\$27.01 million) guaranteed Islamic medium-term notes program, with a stable outlook. The affirmed rating and outlook are based on the unconditional and irrevocable financial guarantee insurance provided by Danajamin Nasional which carries MARC's financial strength rating of 'AAA/stable'. TSH Musyarakah is a special purpose funding vehicle incorporated to facilitate the issuance of notes under the Sukuk Musharakah for its parent company, TSH Resources.

The rating agency also accorded 'MARC-1IS/AA-IS' ratings to TSH Sukuk Ijarah (TSH Ijarah)'s RM100 million (US\$27.01 million) Sukuk Ijarah commercial papers and RM300 million (US\$81.03 million) Sukuk Ijarah medium-term notes programs with a stable outlook. As at the 3<sup>rd</sup> March 2015, TSH Ijarah has RM240.0 million (US\$64.83 million)-worth of outstanding notes. (f)

### PETRONAS's Sukuk receives rating

**MALAYSIA:** Moody's in a statement has assigned a definitive 'A1' rating to PETRONAS's US\$1.25 billion 2.71% Sukuk due 2020, issued through PETRONAS Global Sukuk. The outlook on the ratings is stable. (f)

compliance officer, according to a press release. In Indonesia, **Tigor M Siahaan** has been nominated as president director of CIMB Niaga, succeeding **Arwin Rasyid** who has expressed his intention to retire. (f)

### Prime Bank

**BANGLADESH:** Touhidul Alam Khan informed IFN that he has joined Prime Bank (which operates Hasanah Islamic Banking) as its deputy managing director. (f)

### Ahlibank

**OMAN:** Yousuf Al Rawahi has been appointed as Ahlibank's deputy general



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## MOVES

### Bank Negara Malaysia

**MALAYSIA:** Bank Negara Malaysia has appointed **Dr Noor Azlan Ghazali** and **Dr Yeah Kim Leng** as external members of its Monetary Policy Committee for a term of two years effective the 1<sup>st</sup> April 2015, the central bank announced on its website. (f)

### CIMB Group

**GLOBAL:** CIMB Group, the parent company of CIMB Islamic, has appointed **Effendy Shahul Hamid** as CEO of Group Asset Management & Investments, and **Kwan Keen Yew** as group chief

manager — head of branches, retail banking, according to Times of Oman. Yousuf joins the bank with more than 20 years of experience working in the retail banking sector and has worked with Bank Muscat and HSBC. (f)

### AAOIFI

**BAHRAIN:** AAOIFI has elected former Bahraini minister of housing, **Shaikh Ebrahim Khalifa Al Khalifa** as the chairman of its board of trustees and **Sheikh Saleh Abdulla Kamel**, the president of Saudi Arabia's Dallah Albaraka Group, as vice-chairman of the trustee board, according to a press release. (f)

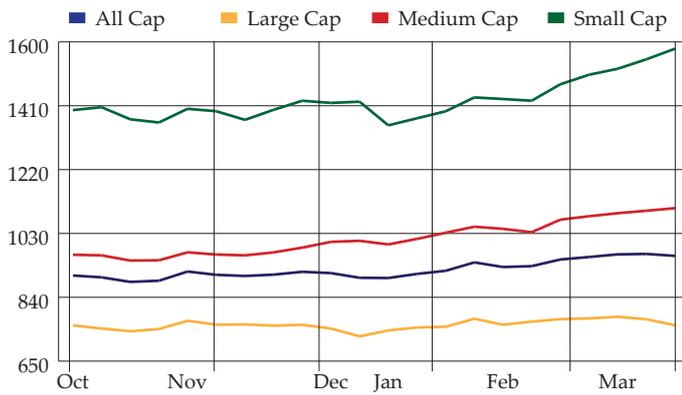
# DEAL TRACKER

Expected date	Company's name	Size	Structure	Announcement Date
Apr-15	Masraf Al Rayan	TBA	Sukuk	17 <sup>th</sup> March 2015
TBA	Emirates Airline	TBA	Sukuk	16 <sup>th</sup> March 2015
As early as April 2015	Government of UAE	TBA	Green energy Sukuk	12 <sup>th</sup> March 2015
Before June 2015	BNI Syariah	IDR500-750 billion	Sukuk	10 <sup>th</sup> march 2015
TBA	Treet Corporation	PKR539.51 million	Sukuk	9 <sup>th</sup> March 2015
2015	Government of Hong Kong	US\$500 million-1 billion	Sukuk	9 <sup>th</sup> March 2015
Before end of April	Emirate of Ras Al Khaimah	TBA	Sukuk	5 <sup>th</sup> March 2015
End of March	National Shipping Company of Saudi Arabia	SAR3.9 billion	Sukuk	5 <sup>th</sup> March 2015
TBA	Sharjah Islamic Bank	TBA	Sukuk	4 <sup>th</sup> March 2015
TBA	Tulip Maple	US\$750 million	Sukuk	4 <sup>th</sup> March 2015
6 <sup>th</sup> March 2015	Government of Malaysia	RM100 million	Islamic Treasury Bills	4 <sup>th</sup> March 2015
Mid-2015	Central Bank of Oman	OMR200 million	Sukuk	2 <sup>nd</sup> March 2015
TBA	Khazanah Nasional	RM1 billion	Sukuk	27 <sup>th</sup> February 2015
2015	Gulf Finance House	US\$230 million	Sukuk	26 <sup>th</sup> February 2015
2015	Garuda Indonesia	US\$500 million	Sukuk	25 <sup>th</sup> February 2015
TBA	IDB	TBA	Sukuk	25 <sup>th</sup> February 2015
TBA	Qatar Islamic Bank	QAR5 billion	Sukuk	23 <sup>rd</sup> February 2015
11 <sup>th</sup> March 2015	Government of Indonesia	IDR5 billion	Sukuk	23 <sup>rd</sup> February 2015
TBA	Al Baraka Bank	TBA	Sukuk	17 <sup>th</sup> February 2015
18 <sup>th</sup> February 2015	Turkish Treasury	TRL1.8 billion	Sukuk Ijarah	17 <sup>th</sup> February 2015
TBA	Government of Malaysia	TBA	Sukuk	16 <sup>th</sup> February 2015
2016	Government of South Africa	TBA	Sukuk	13 <sup>th</sup> February 2015
3 <sup>rd</sup> quarter 2015	SGI-Mitabu	AU\$150 million	Sukuk	13 <sup>th</sup> February 2015
TBA	Petroliam Nasional (Petronas)	US\$ 7 billion	Sukuk	12 <sup>th</sup> February 2015
TBA	Abu Dhabi Islamic Bank	TBA	Sukuk	11 <sup>th</sup> February 2015
TBA	Qatar International Islamic Bank	QAR3 billion	Sukuk	10 <sup>th</sup> February 2015
10 <sup>th</sup> February 2015	Government of Indonesia	IDR2 trillion	Sukuk	5 <sup>th</sup> February 2015
TBA	BNI Syariah	IDR500 billion	Sukuk	3 <sup>rd</sup> February 2015
TBA	K-Electric	PKR22 billion	Sukuk	3 <sup>rd</sup> February 2015
6 <sup>th</sup> February 2015	Bank Negara Malaysia	US\$100 million	Islamic Treasury Bills	2 <sup>nd</sup> February 2015
TBA	Emirates Airline	US\$1 billion	Sukuk	30 <sup>th</sup> January 2015
TBA	Qatar Islamic Bank	QAR2 billion	Sukuk	19 <sup>th</sup> January 2015
1 <sup>st</sup> quarter 2015	Bank Islami Pakistan	PKR3.5 billion	Sukuk	15 <sup>th</sup> January 2015
TBA	Pakistan Mobile Communications (Mobilink)	PKR6.9 billion	Sukuk	14 <sup>th</sup> January 2015
2015	International Bank of Azerbaijan	TBA	Sukuk	13 <sup>th</sup> January 2015
3 <sup>rd</sup> quarter 2015	Government of Tunisia	US\$500 million	Sukuk	13 <sup>th</sup> January 2015
Feb-15	Government of Jordan	TBA	Sukuk	6 <sup>th</sup> January 2015
TBA	Turkiye Finans	TRY71 million	Sukuk	5 <sup>th</sup> January 2015
TBA	Turkiye Finans	TRY143 million	Sukuk	5 <sup>th</sup> January 2015
2015	Government of Indonesia	IDR7.14 trillion	Sukuk	15 <sup>th</sup> December 2014
TBA	UniTapah	RM600 million	Sukuk	9 <sup>th</sup> December 2014
Apr-15	Government of Indonesia	IDR20 trillion	Sukuk	4 <sup>th</sup> December 2014
H2 2015	Government of Indonesia	TBA	Sukuk	3 <sup>rd</sup> December 2014
2015-16	Government of Kenya	TBA	Sukuk	2 <sup>nd</sup> December 2014
TBA	KPJ Healthcare	RM1.5 billion	Sukuk	28 <sup>th</sup> November 2014
TBA	ICD	US\$1.2 billion	Sukuk	27 <sup>th</sup> November 2014
Q2 2015	Khazanah Nasional	TBA	Sukuk	26 <sup>th</sup> November 2014
2 <sup>nd</sup> December 2014	Indosat	IDR2.5 trillion	Sukuk + conventional	13 <sup>th</sup> November 2014

# SHARIAH INDEXES

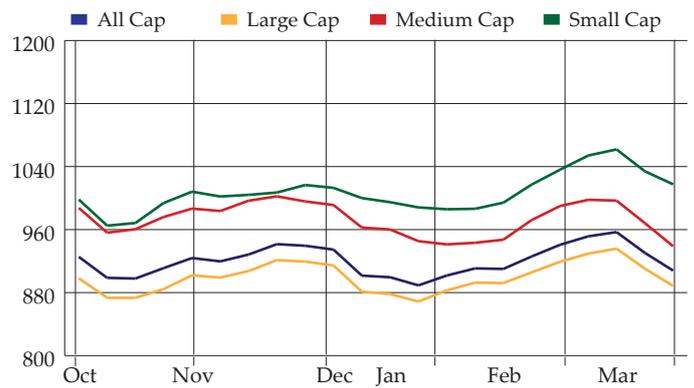
REDmoney Asia ex. Japan

6 Months



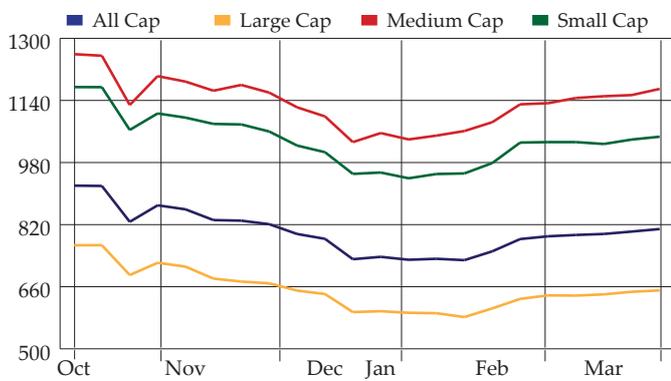
REDmoney Europe

6 Months



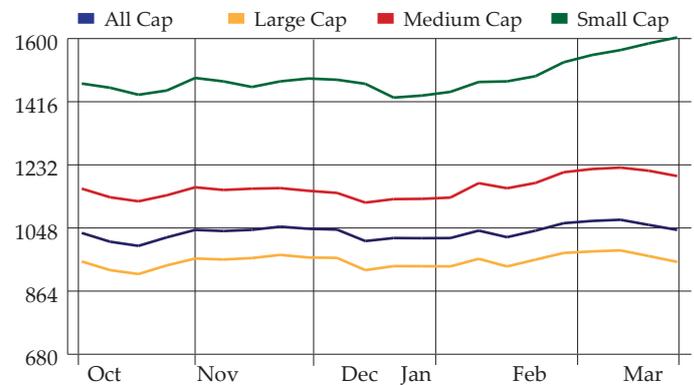
REDmoney GCC

6 Months



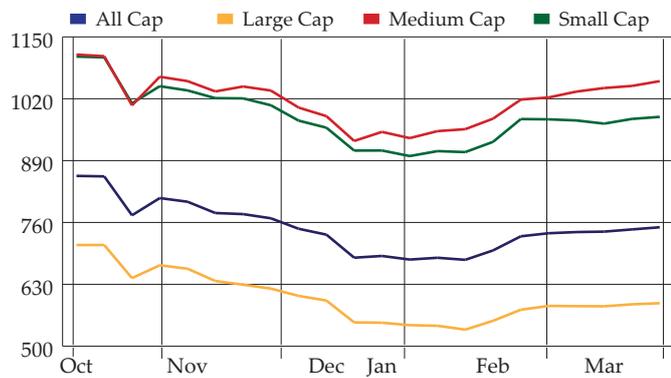
REDmoney Global

6 Months



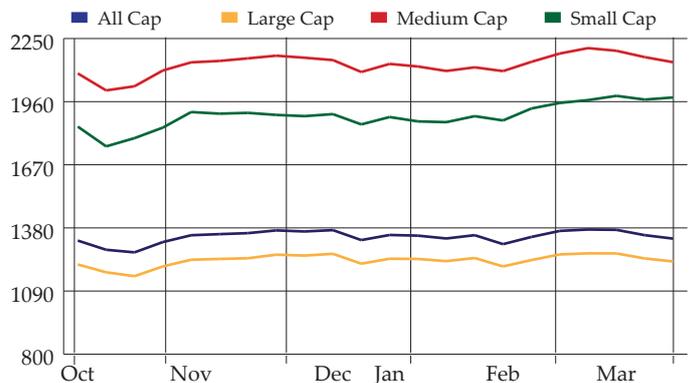
REDmoney MENA

6 Months



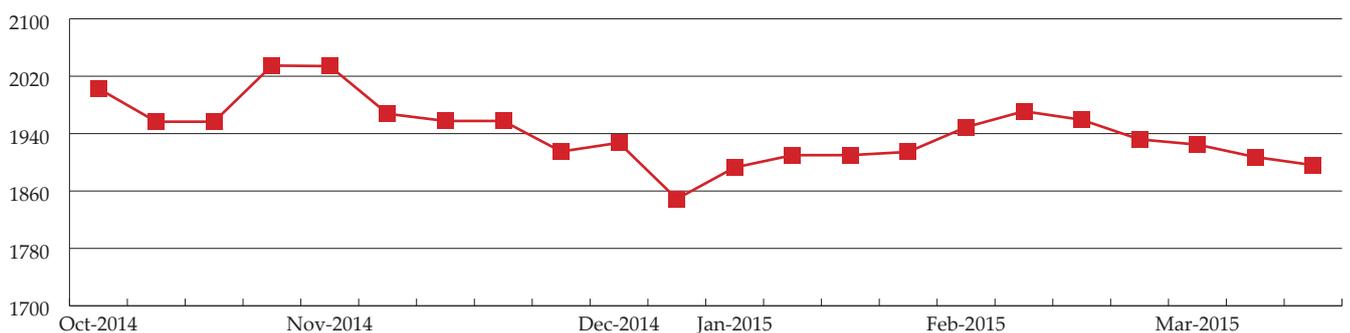
REDmoney US

6 Months



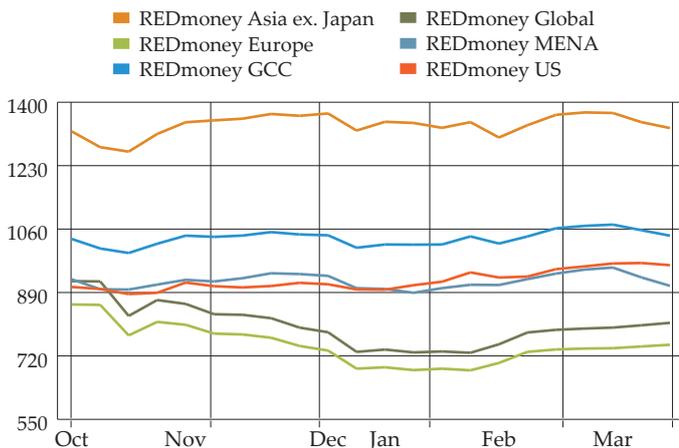
SAMI Halal Food Participation (All Cap)

6 months

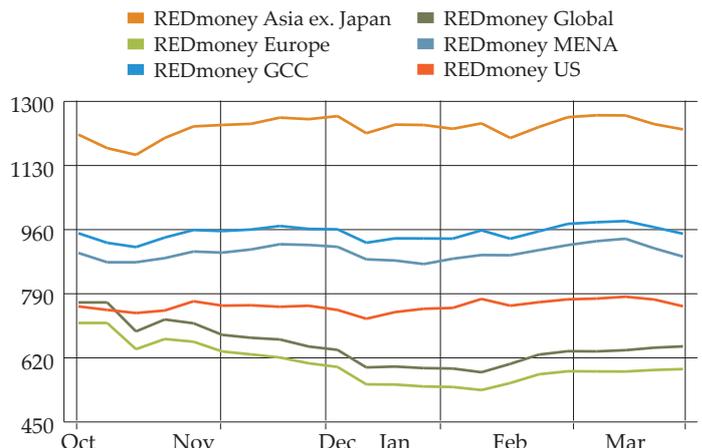


# SHARIAH INDEXES

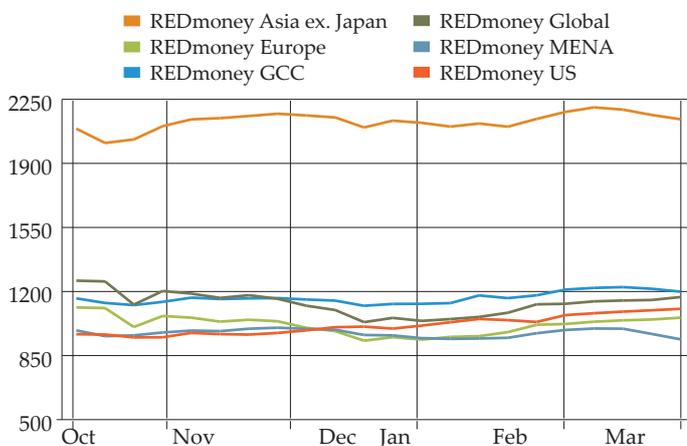
**REDmoney Global Shariah Index Series (All Cap) 6 Months**



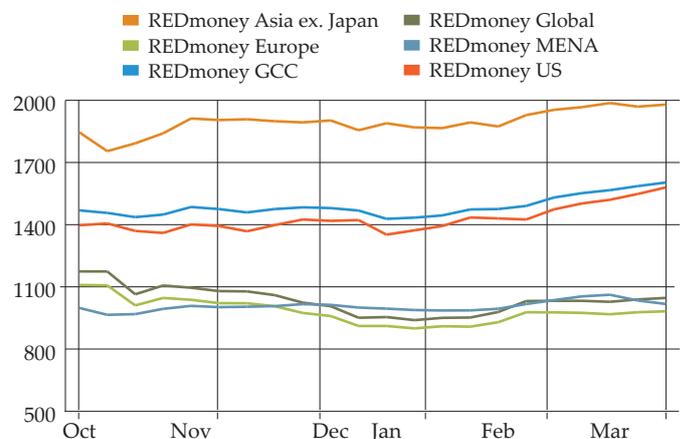
**REDmoney Global Shariah Index Series (Large Cap) 6 Months**



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



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



## REDmoney Global Shariah

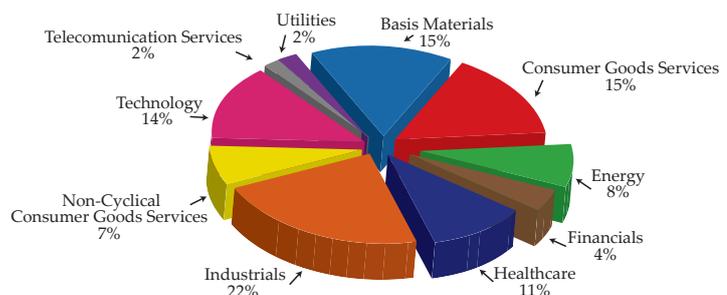
Equities are considered eligible for inclusion into the REDmoney Global Shariah Index Series only if they pass a series of market related guidelines related to minimum market capitalization and liquidity as well as country restrictions.

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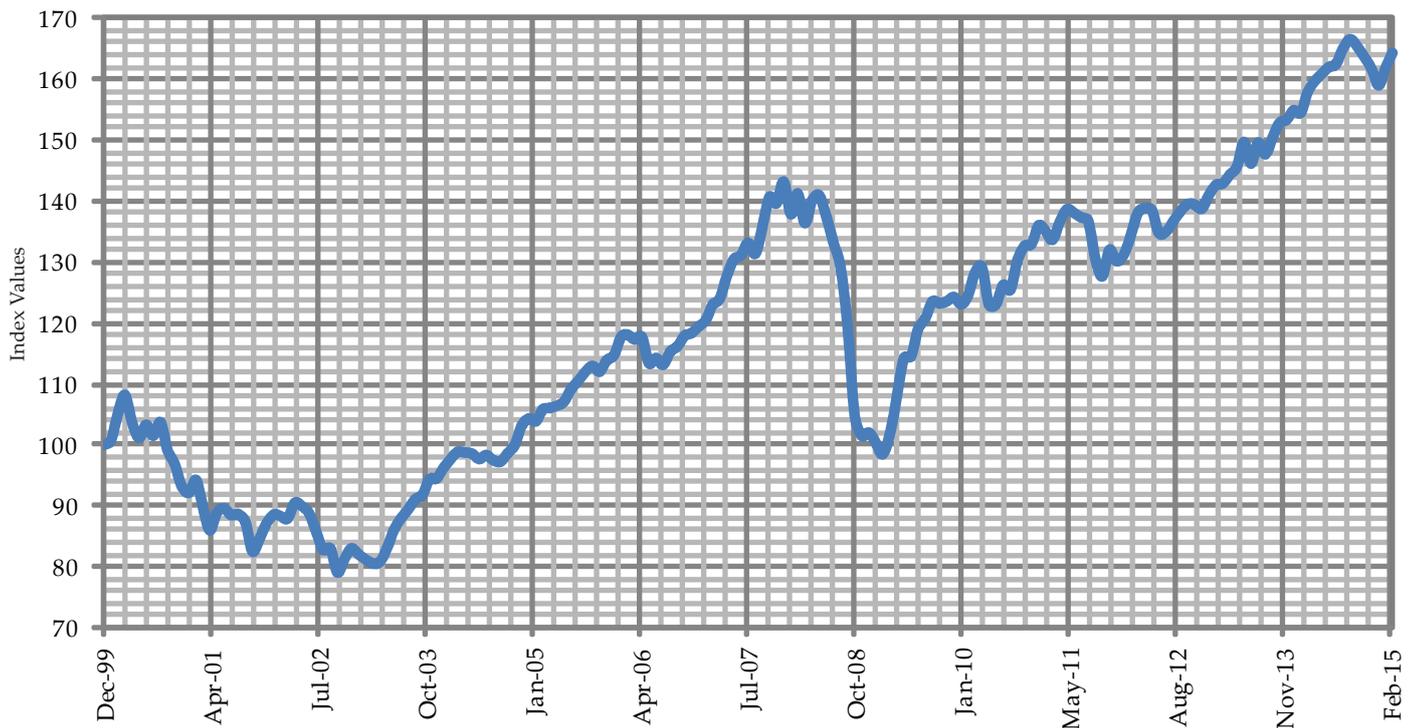
For further information regarding REDmoney Indexes contact:

Andrew Morgan  
Managing Director, REDmoney Group

Email: [Andrew.Morgan@REDmoneygroup.com](mailto:Andrew.Morgan@REDmoneygroup.com)  
Tel +603 2162 7800

# FUNDS TABLES

## Eurekahedge Islamic Fund Index



## Top 10 Yield-to-Date Returns for ALL Funds

Fund	Fund Manager	Performance Measure	Fund Domicile
1 Al-Mubarak Pure Saudi Equity	Arab National Bank	12.21	Saudi Arabia
2 RHB-OSK Dana Islam	RHB Asset Management	11.59	Malaysia
3 FALCOM Saudi Equity	FALCOM Financial Services	11.56	Saudi Arabia
4 AmPrecious Metals	AmInvestment Management	10.40	Malaysia
5 Al Rajhi Local Shares	Al Rajhi Bank	10.20	Saudi Arabia
6 AlAhli Saudi Trading Equity	The National Commercial Bank	10.04	Saudi Arabia
7 Atlas Pension Islamic - Equity Sub	Atlas Asset Management	9.59	Pakistan
8 Eastspring Investments Asia Pacific Shariah Equity	Eastspring Investments	9.47	Malaysia
9 Atlas Islamic Stock	Atlas Asset Management	9.15	Pakistan
10 Riyadh Equity 2	Riyadh Bank	8.53	Saudi Arabia
<b>Eurekahedge Islamic Fund Index</b>		<b>3.35</b>	

Based on 68.66% of funds which have reported February 2015 returns as at the 16<sup>th</sup> March 2015

## Top 3 Real Estate Funds by 3 Months Returns

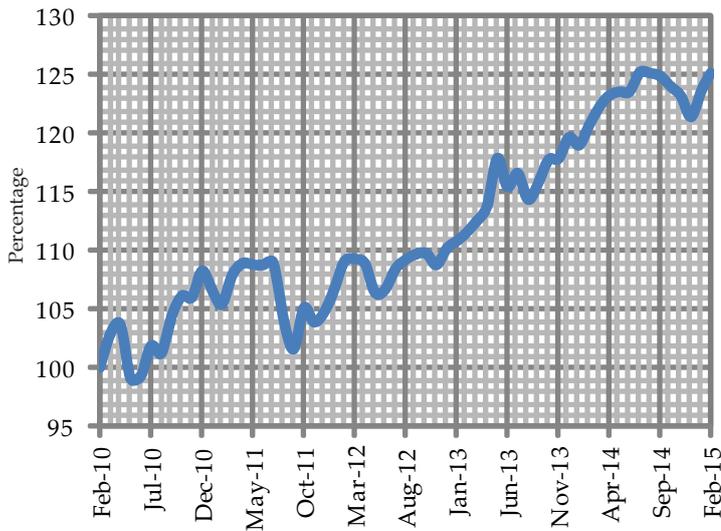
Fund	Fund Manager	Performance Measure	Fund Domicile
1 Oasis Crescent Global Property Equity	Oasis Global Management Company (Ireland)	3.00	Ireland
2 Markaz Real Estate	Kuwait Financial Centre (Markaz)	2.51	Kuwait
3 Al-'Aqar KPJ REIT	AmMerchant Bank	-0.71	Malaysia
<b>Eurekahedge Islamic Fund Index</b>		<b>(1.94)</b>	

Based on 100.00% of funds which have reported January 2015 returns as at the 16<sup>th</sup> March 2015

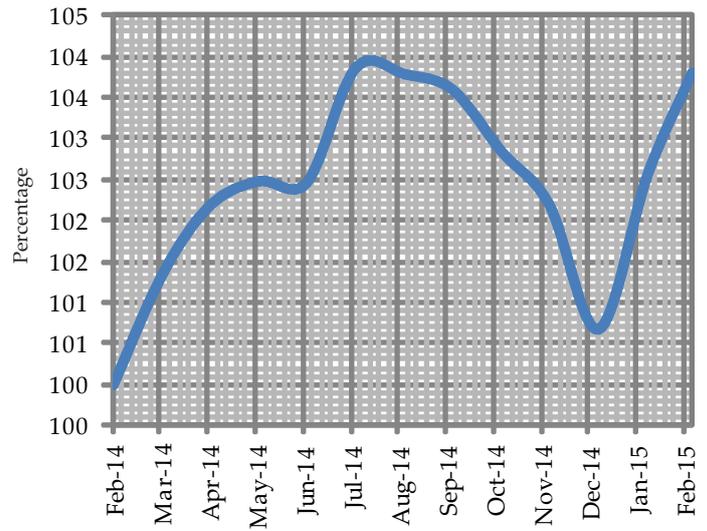
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity, 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.

# FUNDS TABLES

Eurekaledge Islamic Fund Balanced Index over the last 5 years



Eurekaledge Islamic Fund Balanced Index over the last 1 year



Top 10 Sharpe Ratio for ALL Funds since Inception

Fund	Fund Manager	Performance Measure	Fund Domicile
1 Meezan Tahaffuz Pension - Money Market Sub	Al Meezan Investment Management	8.95	Pakistan
2 Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	5.13	Pakistan
3 Atlas Pension Islamic - Debt Sub	Atlas Asset Management	4.89	Pakistan
4 Public Islamic Money Market	Public Mutual	4.82	Malaysia
5 PB Islamic Cash Management	Public Mutual	3.82	Malaysia
6 Al Rajhi Commodity Mudarabah - USD	Al Rajhi Bank	2.38	Saudi Arabia
7 PB Islamic Cash Plus	Public Mutual	2.20	Malaysia
8 Commodity Trading - SAR	Riyad Bank	2.10	Saudi Arabia
9 PB Islamic Bond	Public Mutual	1.88	Malaysia
10 Public Islamic Income	Public Mutual	1.83	Malaysia
<b>Eurekaledge Islamic Fund Index</b>		<b>0.16</b>	

Based on 68.66% of funds which have reported February 2015 returns as at the 16<sup>th</sup> March 2015

Top 5 Fund of Funds by 3 Months Returns

Fund	Fund Manager	Performance Measure	Fund Domicile
1 Al Yusr Aman Multi Asset	Saudi Hollandi Bank	6.66	Saudi Arabia
2 AlManarah High Growth Portfolio	The National Commercial Bank	1.28	Saudi Arabia
3 AlManarah Conservative Growth Portfolio	The National Commercial Bank	0.83	Saudi Arabia
4 Al Rajhi Multi Asset Balanced	Al Rajhi Bank	-1.93	Saudi Arabia
5 Al Yusr Mizan Multi Asset	Saudi Hollandi Bank	-2.90	Saudi Arabia
<b>Eurekaledge Islamic Fund Index</b>		<b>(1.67)</b>	

Based on funds which have reported January 2015 returns as at the 16<sup>th</sup> March 2015

**Contact Eurekaledge**

To list your fund or update your fund information: [islamicfunds@eurekaledge.com](mailto:islamicfunds@eurekaledge.com)  
For further details on Eurekaledge: [information@eurekaledge.com](mailto:information@eurekaledge.com) Tel: +65 6212 0900

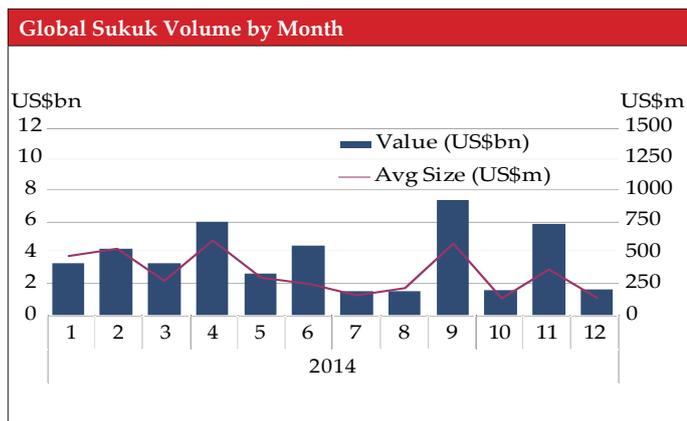
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# LEAGUE TABLES

Most Recent Global Sukuk						
Priced	Issuer	Nationality	Instrument	Market	US\$ (mln)	Managers
11 <sup>th</sup> Mar 2015	Petronas Global Sukuk	Malaysia	Sukuk	Euro market public issue	1,250	JPMorgan, Deutsche Bank, Morgan Stanley, HSBC, Maybank, Mitsubishi UFJ Financial Group, CIMB Group, Citigroup, Bank of America Merrill Lynch
10 <sup>th</sup> Mar 2015	Sharjah Islamic Bank	UAE	Sukuk	Euro market public issue	500	Standard Chartered Bank, HSBC, Kuwait Finance House, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank
5 <sup>th</sup> 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
2 <sup>nd</sup> Mar 2015	AmIslamic Bank	Malaysia	Sukuk	Domestic market public issue	332	AmInvestment Bank
28 <sup>th</sup> Jan 2015	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	139	Maybank, CIMB Group
22 <sup>nd</sup> Jan 2015	Danga Capital	Malaysia	Sukuk	Domestic market public issue	445	RHB Capital
14 <sup>th</sup> 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
19 <sup>th</sup> Dec 2014	DRB-HICOM	Malaysia	Sukuk	Domestic market private placement	206	CIMB Group
19 <sup>th</sup> Dec 2014	Northport (Malaysia)	Malaysia	Sukuk	Domestic market public issue	101	Maybank, Affin Investment Bank
15 <sup>th</sup> Dec 2014	Malaysia Airports Holdings	Malaysia	Sukuk	Domestic market public issue	286	HSBC, Maybank, CIMB Group
12 <sup>th</sup> Dec 2014	Unitapah	Malaysia	Sukuk	Domestic market public issue	146	Kenanga Investment Bank
11 <sup>th</sup> Dec 2014	Suria KLCC	Malaysia	Sukuk	Domestic market public issue	172	CIMB Group
9 <sup>th</sup> Dec 2014	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	287	Maybank, CIMB Group
8 <sup>th</sup> Dec 2014	Malaysia Building Society	Malaysia	Sukuk	Domestic market public issue	201	RHB Capital, DRB-HICOM, AmInvestment Bank
5 <sup>th</sup> Dec 2014	Jana Kapital	Malaysia	Sukuk	Domestic market public issue	270	RHB Capital
25 <sup>th</sup> Nov 2014	Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup
25 <sup>th</sup> Nov 2014	IFFIm Sukuk	United Kingdom	Sukuk	Euro market public issue	500	Saudi National Commercial Bank, Standard Chartered Bank, National Bank of Abu Dhabi, CIMB Group, Barwa Bank
18 <sup>th</sup> Nov 2014	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	HSBC, CIMB Group, Citigroup
17 <sup>th</sup> 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
17 <sup>th</sup> Nov 2014	Mumtalakat Sukuk Holding	Bahrain	Sukuk	Euro market public issue	600	Standard Chartered Bank, Deutsche Bank, BNP Paribas, Mitsubishi UFJ Financial Group

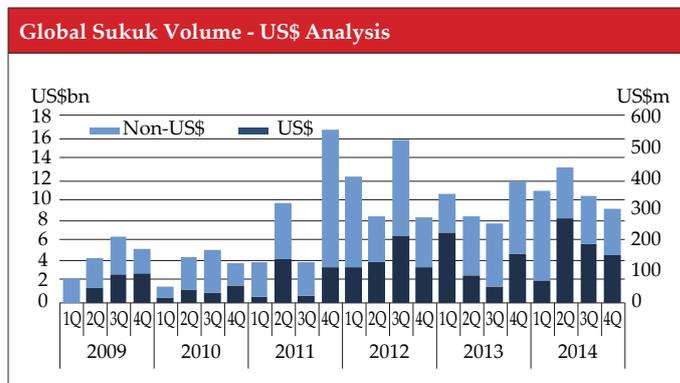
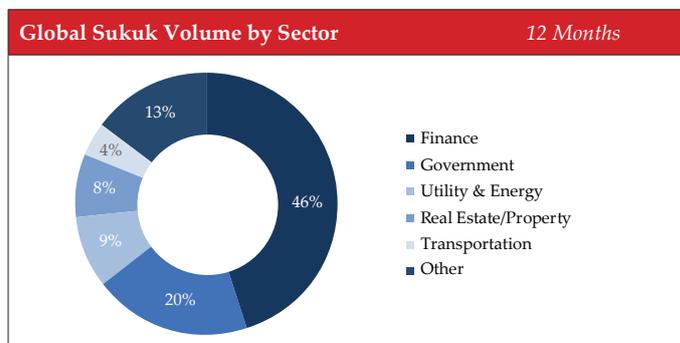
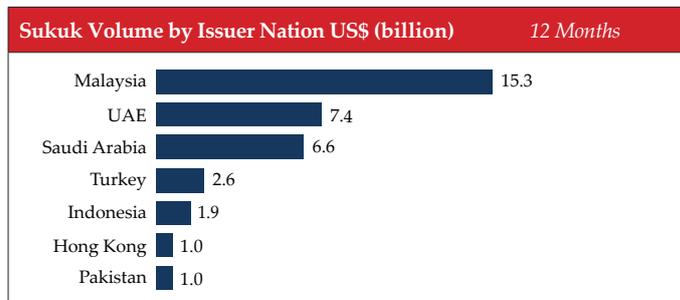
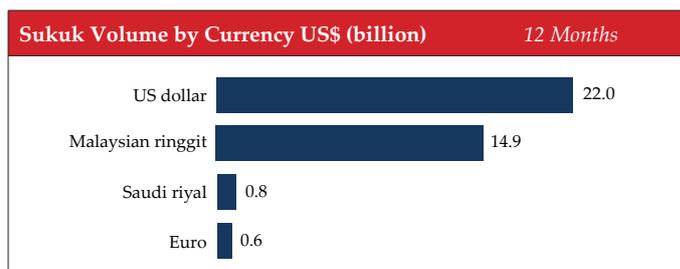


# LEAGUE TABLES

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	7.4	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	Saudi Arabia	Sukuk	Euro market public issue	2,500	6.4	JPMorgan, Deutsche Bank, HSBC	
3 DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	2,337	6.0	HSBC, RHB Capital, Maybank, CIMB Group, AmInvestment Bank, Standard Chartered Bank, Affin Investment Bank, Bank Islam Malaysia	
4 Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	1,500	3.9	Standard Chartered Bank, HSBC, CIMB Group, Emirates NBD	
5 National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	1,500	3.9	Maybank, CIMB Group	
6 Petronas Global Sukuk	Malaysia	Sukuk	Euro market public issue	1,250	3.2	JPMorgan, Deutsche Bank, Morgan Stanley, HSBC, Maybank, Mitsubishi UFJ Financial Group, CIMB Group, Citigroup, Bank of America Merrill Lynch	
7 Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	2.6	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup	
7 Hong Kong Sukuk 2014	Hong Kong	Sukuk	Euro market public issue	1,000	2.6	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, CIMB Group	
7 Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	2.6	HSBC, CIMB Group, Citigroup	
7 Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	1,000	2.6	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank	
11 Bank Pembangunan Malaysia	Malaysia	Sukuk	Domestic market public issue	948	2.4	HSBC, CIMB Group	
12 Sharjah Sukuk	UAE	Sukuk	Euro market public issue	750	1.9	Standard Chartered Bank, HSBC, Kuwait Finance House, National Bank of Abu Dhabi, Sharjah Islamic Bank	
12 Government of Dubai	UAE	Sukuk	Euro market public issue	750	1.9	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Emirates NBD	
12 Emaar Malls Group	UAE	Sukuk	Euro market public issue	750	1.9	Mashreqbank, Standard Chartered Bank, Morgan Stanley, National Bank of Abu Dhabi, First Gulf Bank, Dubai Islamic Bank, Union National Bank, Abu Dhabi Islamic Bank, Emirates NBD, 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	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	1.5	National Bank of Abu Dhabi	
19 Mumtalakat Sukuk Holding	Bahrain	Sukuk	Euro market public issue	594	1.5	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 Sharjah Islamic Bank	UAE	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank, HSBC, Kuwait Finance House, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank	
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	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	Euro market public issue	500	1.3	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Citigroup, Emirates NBD, Al Hilal Bank	
29 Aman Sukuk	Malaysia	Sukuk	Domestic market public issue	491	1.3	RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group, AmInvestment Bank	
30 Midciti Sukuk	Malaysia	Sukuk	Domestic market public issue	476	1.2	Maybank, CIMB Group, AmInvestment Bank	
				<b>38,924</b>	<b>100</b>		

# LEAGUE TABLES

Top Managers of Sukuk		12 Months		
Manager	US\$ (mln)	Iss	%	
1	CIMB Group	5,254	46	13.5
2	HSBC	4,648	30	11.9
3	Maybank	3,906	34	10.0
4	Standard Chartered Bank	3,246	24	8.3
5	RHB Capital	2,911	42	7.5
6	AmInvestment Bank	2,147	26	5.5
7	National Bank of Abu Dhabi	2,119	14	5.4
8	Emirates NBD	1,789	15	4.6
9	Deutsche Bank	1,680	7	4.3
10	Citigroup	1,263	8	3.3
11	Dubai Islamic Bank	1,246	10	3.2
12	JPMorgan	1,150	3	3.0
13	Natixis	658	3	1.7
14	Noor Bank	502	5	1.3
15	Kuwait Finance House	479	4	1.2
16	Saudi National Commercial Bank	472	4	1.2
17	BNP Paribas	442	3	1.1
18	Bank Islam Malaysia	389	4	1.0
19	Al Hilal Bank	388	5	1.0
20	QInvest	345	4	0.9
21	Abu Dhabi Islamic Bank	307	4	0.8
22	Kenanga Investment Bank	298	2	0.8
23	Mitsubishi UFJ Financial Group	287	2	0.7
24	Gulf International Bank	278	2	0.7
25	Sharjah Islamic Bank	275	2	0.7
26	First Gulf Bank	235	2	0.6
27	Hong Leong Financial Group	234	8	0.6
28	Barwa Bank	217	3	0.6
29	Morgan Stanley	207	2	0.5
30	Affin Investment Bank	198	6	0.5
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
<b>Total</b>	<b>38,924</b>	<b>125</b>	<b>100.0</b>	



Top Islamic Finance Related Project Finance Mandated Lead Arrangers		12 Months		
Mandated Lead Arranger	US\$ (million)	No	%	
1	National Commercial Bank	2,909	4	26.7
2	HSBC	648	2	6.0
3	Samba Capital & Investment Management	604	3	5.6
4	Riyad Bank	588	3	5.4
5	Banque Saudi Fransi	574	3	5.3
6	Al Rajhi Capital	486	3	4.5
7	National Bank of Kuwait	290	1	2.7
8	First Gulf Bank	281	2	2.6
8	Union National Bank	281	2	2.6
10	Attijariwafa Bank	267	1	2.5
10	BMCE Bank	267	1	2.5

Top Islamic Finance Related Project Financing Legal Advisors Ranking		12 Months		
Legal Advisor	US\$ (million)	No	%	
1	Allen & Overy	6,375	5	38.0
2	Baker & McKenzie	3,220	3	19.2
3	Linklaters	1,631	2	9.7
4	Clifford Chance	1,626	4	9.7
5	Salans FMC SNR Denton Group	1,280	2	7.6
6	Chadbourne & Parke	660	1	3.9
7	White & Case	650	1	3.9
8	Latham & Watkins	433	2	2.6
9	Norton Rose Fulbright	354	1	2.1
9	Pekin & Pekin	354	1	2.1

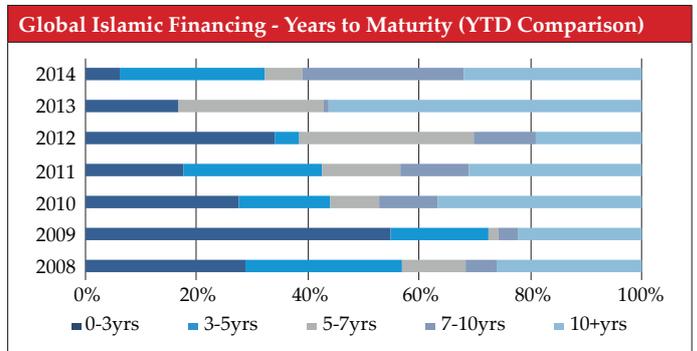
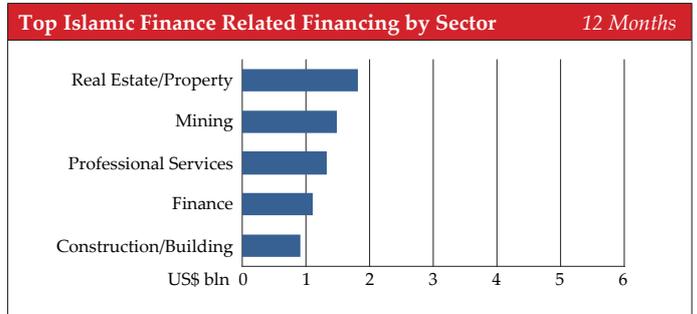
# LEAGUE TABLES

Top Islamic Finance Related Financing Mandated Lead Arrangers Ranking 12 Months				
	Mandated Lead Arranger	US\$ (mln)	No	%
1	Abu Dhabi Islamic Bank	1,186	7	12.3
2	First Gulf Bank	902	8	9.3
3	National Bank of Abu Dhabi	880	4	9.1
4	Mashreqbank	644	4	6.7
5	Dubai Islamic Bank	625	5	6.5
6	Samba Capital	613	2	6.3
7	Abu Dhabi Commercial Bank	561	4	5.8
8	HSBC	483	3	5.0
9	Noor Bank	475	3	4.9
10	Banque Saudi Fransi	433	2	4.5
11	Emirates NBD	362	6	3.7
12	Al Hilal Bank	272	3	2.8
13	Standard Chartered Bank	228	4	2.4
14	Alinma Bank	220	1	2.3
14	Al Rajhi Capital	220	1	2.3
16	Union National Bank	194	3	2.0
17	Saudi National Commercial Bank	171	1	1.8
17	Saudi Investment Bank	171	1	1.8
17	Riyad Bank	171	1	1.8
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	Arab Banking Corporation	126	2	1.3
24	National Bank of Kuwait	87	1	0.9
24	Kuwait International Bank	87	1	0.9
26	Bank Islam Brunei Darussalam	58	1	0.6
27	Commercial Bank International	25	1	0.3
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	40.3
2	Abu Dhabi Islamic Bank	845	3	25.7
3	Barwa Bank	405	2	12.3
4	Noor Bank	175	2	5.3
5	Standard Chartered Bank	141	3	4.3
5	Emirates NBD	141	3	4.3
7	Arab Banking Corporation	126	2	3.8
8	Abu Dhabi Commercial Bank	70	1	2.1
9	Warba Bank	15	1	0.5
9	Bank Pan Indonesia	15	1	0.5
9	First Gulf Bank	15	1	0.5

Top Islamic Finance Related Financing Deal List 12 Months				
Credit Date	Borrower	Nationality	US\$ (mln)	
30 <sup>th</sup> Jun 2014	Ma'aden Waad al-Shamal Phosphate	Saudi Arabia	2,350	
21 <sup>st</sup> May 2014	Emaar Malls Group	UAE	1,500	
19 <sup>th</sup> Nov 2014	Saudi BinLaden Group	Saudi Arabia	1,327	
7 <sup>th</sup> May 2014	Emirates Steel Industries	UAE	1,300	
8 <sup>th</sup> Sep 2014	Atlantis The Palm	UAE	1,100	
24 <sup>th</sup> Dec 2014	National Central Cooling - Tabreed	UAE	706	
7 <sup>th</sup> Dec 2014	Utilities Development	Kuwait	624	
20 <sup>th</sup> Jan 2015	Al-Waha Petrochemical	Saudi Arabia	523	
31 <sup>st</sup> Jul 2014	Emirates Airlines	UAE	425	
10 <sup>th</sup> Nov 2014	Zakher Marine International	UAE	420	

Top Islamic Finance Related Financing by Country 12 Months				
	Nationality	US\$ (mln)	No	%
1	UAE	4,663	13	48.2
2	Saudi Arabia	3,467	4	35.8
3	Turkey	573	2	5.9
4	Qatar	350	1	3.6
5	India	272	1	2.8
6	Kuwait	261	1	2.7
7	Indonesia	90	1	0.9



## Are your deals listed here?

If you feel that the information within these tables is inaccurate, you may contact the following directly: Shireen Farhana (Media Relations)  
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2 <sup>nd</sup>	<b>IFN US Investor Forum</b>	Dubai, UAE
22 <sup>nd</sup>	<b>IFN Indonesia Forum</b>	Jakarta, Indonesia
<b>MAY 2015</b>		
3 <sup>rd</sup>	<b>IFN Qatar Forum</b>	Doha, Qatar
25 <sup>th</sup> – 26 <sup>th</sup>	<b>IFN Asia Forum</b>	Kuala Lumpur, Malaysia
<b>JUNE 2015</b>		
10 <sup>th</sup>	<b>IFN Europe Forum</b>	Luxembourg
<b>SEPTEMBER 2015</b>		
13 <sup>th</sup>	<b>IFN Issuer Forum</b>	Dubai, UAE
13 <sup>th</sup>	<b>IFN Iran Forum</b>	Dubai, UAE
<b>OCTOBER 2015</b>		
5 <sup>th</sup>	<b>IFN Kuwait Forum</b>	Kuwait City
27 <sup>th</sup>	<b>IFN Egypt Forum</b>	Cairo, Egypt
<b>NOVEMBER 2015</b>		
17 <sup>th</sup>	<b>IFN Turkey Forum</b>	Istanbul, Turkey
30 <sup>th</sup>	<b>IFN Saudi Arabia Forum</b>	Jeddah, Saudi Arabia

REDmoney training		
<b>MARCH 2015</b>		
19 <sup>th</sup> –20 <sup>th</sup>	<b>Shariah Audit for Islamic Investment &amp; Capital Market Instruments</b>	Kuala Lumpur, Malaysia
22 <sup>nd</sup> –23 <sup>rd</sup>	<b>International Best Practices &amp; Regional Standards in Regulation, Corporate Governance, AML, Sanctions &amp; Compliance</b>	Dubai, UAE
22 <sup>nd</sup> –24 <sup>th</sup>	<b>Understanding, Developing &amp; Marketing Takaful Products</b>	Dubai, UAE
25 <sup>th</sup> –26 <sup>th</sup>	<b>IFT: Structuring Islamic Legal Documentation</b>	Kuala Lumpur, Malaysia
29 <sup>th</sup> –31 <sup>st</sup>	<b>Islamic Law of Business Transactions &amp; Sharia`a Governance</b>	Dubai, UAE
<b>APRIL 2015</b>		
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20 <sup>th</sup> –22 <sup>nd</sup>	<b>IFT: Structuring Sukuk &amp; Islamic Capital Markets Products</b>	Kuala Lumpur, Malaysia
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