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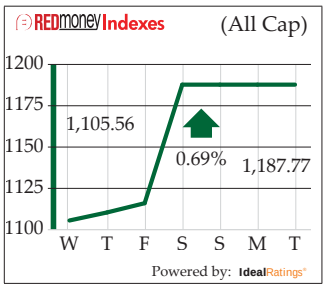

COVER STORY

29th April 2015 (*Volume 12 Issue 17*)

Islamic finance in Indonesia: Cautiously optimistic?

The Islamic finance sector in Indonesia has long been hailed as one of the biggest potential success stories of the industry — and one of its sleeping giants. With the world's largest Muslim population and an unbanked segment of over 75% the opportunities are enormous — and with a new government prioritizing Islamic finance, the prospects are theoretically good. But progress is slow, legislation is lagging and structural challenges continue to impede development. Is Indonesia really ready to take the next step, or is it all just talk? LAUREN MCAUGHTRY speaks to the industry.

An upward curve

Although Shariah compliant financial institutions currently account for only 4.85% of total banking sector assets, the industry has seen a consistent growth spurt over the past decade. Between 2008-12 Islamic bank assets tripled; while from 2010-13 the sector saw a compound annual growth rate of 35% — which EY predicts will stabilize to 33% over the next three years to top total assets of US$100 billion by 2018.

As of September 2014 there were 11 Shariah compliant commercial banks in Indonesia, of which Bank Syariah Mandiri and Bank Muamalat account for over 50% of the total Islamic banking sector. There are also 163 rural Islamic banks and 23 Shariah windows of conventional banks, although these must be spun off into stand-alone entities by 2023 which is likely to lead to banking sector consolidation and potentially significant foreign ownership, should the regulatory climate allow.

According to Edy Setiati, the executive director and head of Islamic banking at Bank Indonesia, the authorities are prioritizing Islamic finance and developing a range of liquidity instruments and capital markets incentives, with the goal of one in five banks being Shariah compliant by 2020. From January last year, responsibility for all financial institutions was gathered together under the Otoritas Jasa Keuangan (OJK, the Indonesian financial services authority), including all Islamic banks and non-financial institutions.

Capital push

But while the retail potential is undeniable and banks have seen positive growth, the capital markets are proving to be a tougher nut to crack.

The nation's bond market is the second-largest in East Asia, but Sukuk still account for just 7.4% of the total — a fraction of its robust conventional sector.

And while Indonesia is one of the world's most regular issuers of sovereign Sukuk, these are primarily short-term instruments in local currency, leaving international investors panting at the gate. The Indonesian government has issued regular bi-monthly rupiah Sukuk issuances since 2010. However: "Most of Indonesia's Sukuk deal flow is very short term, typically less than a year," said Jonathan Lawrence, a partner at K&L Gates, in a recent report on Indonesia. "This is partly due to the perception that longer-term bonds would not be liquid."

The country currently has around US$9 billion of IDR-denominated sovereign Sukuk outstanding, compared with Malaysia's US$52 billion, according to Bloomberg. However, with plans of up to IDR5,519 trillion (US$426 billion) infrastructure expenditure on roads, railways and energy projects planned for the next five years, and an avowed intention by president Joko Widodo to expand Islamic finance, attract international investment and boost the

Hanim

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DEALS

Indonesia's Sukuk auction exceeds target; receives IDR4.73 trillion (US$361.43 million) in incoming bids

Bank Islam Malaysia raises RM300 million (US$82.48 million) through Tier 2 Sukuk Murabahah

Noor Bank prices debut benchmark dollar Sukuk at 2.79%

Ivory Coast plans Sukuk; **Islamic Corporation for the Development of the Private Sector** to lead manage program

NEWS

Premier Bank to launch Shariah compliant credit cards and install ATMs in Mogadishu

Jaiz Bank collaborates with **Small and Medium Enterprises Development Agency** of Nigeria to design SME financing products

Social Fund for Development signs EGP10 million (US$1.31 million) contract with **Abu Dhabi Islamic Bank Egypt**'s leasing unit

Indonesia to create centralized Islamic financial center inspired by Malaysia's experience; also exploring Islamic repos

RHB Capital restructuring proactive given changing regulatory environment, says **RAM**

Standard Chartered to maintain 45% stake in **Bank Permata**

Impian Bebas secures syndicated Islamic term financing worth RM1.08 billion (US$296.92 million)

Malaysia to create world's largest Shariah fund by 2017 via **Employees Provident Fund**; also approves first Malaysian SRI Sukuk program

Maybank Islamic's Mudarabah investment account to take effect in June

Malaysian oil and gas service provider seeking re-entry into Shariah compliant list

Bursa Malaysia launches 'BursaLINK' for enhanced efficiency

GFH Capital invests TRY90 million (US$33.39 million) in Turkish real estate; expects over 20% in return

Islamic legal framework for GCC family businesses to take effect in the next two to three years

ASSET MANAGEMENT

Pakistan relaxes rules on real estate investment trusts in a bid to boost the market

SBI Mutual Fund no longer plans to introduce Islamic equity fund

Bahrain Bourse to launch Islamic real estate investment trusts next month

Johor Corp to list RM900 million (US$252.87 million) Islamic real estate investment trust on **Bursa Malaysia**'s main market in the third quarter

TAKAFUL

KASB Modaraba agrees to distribute **EFU Life's** Family Takaful products

Malaysian Re enters Shariah space; plans to establish re-Takaful arm

Al Madina Takaful enhances digital presence with Takaful mobile application

RATINGS

Malaysia's global Sukuk gains definitive 'A3' rating from **Moody's**

Allegations against **Noble** bears no immediate impact on its credit profile; Sukuk Murabahah program still rated 'AA2'

Malaysia's inaugural SRI Sukuk program secures 'AAA(s)/Stable' preliminary rating

Passing of Public Sector Home Financing Board Act bears no immediate rating impact on **Cagamas MBS**'s facilities

RAM maintains 'AAA/Stable' rating on Tenaga Nasional's benchmark Sukuk Murabahah

Telekom Malaysia's debut multicurrency Sukuk receives '(P)A3' rating

RAM reaffirms Kuwait's sovereign ratings at 'gAA3(pi)/Stable' and 'seaAAA(pi)/Stable'

CIMB Group Holdings's proposed Islamic facilities receive preliminary ratings from **RAM**

MOVES

Foot Anstey promotes **Zahir Nayani** to senior associate in Islamic finance team

RHB Banking Group names **Khairussaleh Ramli** as new CEO

Bank Dhofar appoints **Osama Fathi Abdallah Al Mansour** as deputy general manager - head of transformation

KFH Malaysia appoints **Ahmed Alkharji** as CEO and managing director

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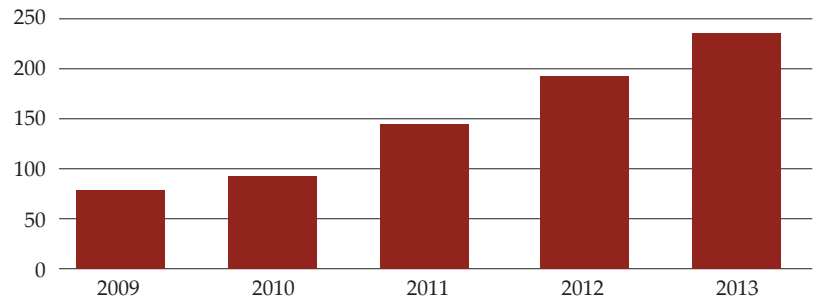
Chart 1: National Islamic banking assets (IDR trillion)



Source: Financial Services Authority (OJK)

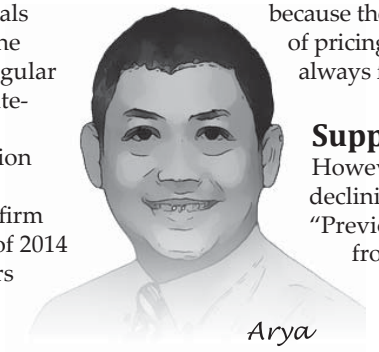
economy, further global Sukuk issuance this year looks likely.

Indonesia has sold US$5 billion-worth of global Sukuk in the past five years — more than both Malaysia (at US$3.25 billion) and Qatar (US$2 billion), according to Bloomberg. Most recently, the government marketed a US$1.5 billion 10-year sovereign issuance in September 2014 at 4.35%, which was oversubscribed almost seven times to intense international demand, marking the keen interest in the country — especially from US/European and Middle Eastern investors, who took 35% respectively. Finance minister Bambang Brodjonegoro confirmed in January this year that the government planned to offer a further international issuance in the first half of 2015, the sixth since its debut in 2009.

Corporate challenge

But while all this sounds promising, the private sector shows a different story. Sovereign Sukuk still accounted for 95% of total outstanding Sukuk at the start of 2014, dominated by local currency (66.3%) and with all foreign currency Sukuk (33.7%) issued by the sovereign, according to OJK data.

While there is a small corporate market, deals are concentrated in the hands of a few big regular issuers: including state-owned energy form PLN, Islamic institution Bank Muamalat and telecommunications firm Indosat. At the start of 2014 these top three issuers accounted for 60% of total outstanding corporate Sukuk, with 14 other entities making up the rest. In addition, it is notable that all corporate Sukuk issuers in Indonesia are also major conventional bond issuers (apart from Shariah compliant Bank Muamalat) with Sukuk making up just a small proportion of their total debt issuance.



Falling figures

Indeed, the participation of corporates in the market and the size of issuance in fact seems to be on the decrease rather than the other way round. "Currently the demand for corporate Sukuk is low compared to 2013 and before. Previously, a corporate issuance would usually be around IDR500 billion (US$38.4 million) to IDR1 trillion (US$76.8 million)," said Iman Rachman, the managing director of Mandiri Sekuritas, to IFN. "But the most recent Indosat issuance was only IDR190 billion (US$14.6 million) — reduced from an expected IDR300 billion (US$23 million). The demand has dampened."

"Indosat's last Sukuk issuance was in December 2014. The demand at that time in Q4 was less than expected," Arya Suryawan, the head of corporate finance at Indosat, explained to IFN. "In Indonesia, for the frequent Sukuk issuers like Indosat — it is normal for fundraising programs to issue bonds/Sukuk together because there is no different in term[s] of pricing and tenor. Sukuk pricing always follows bond pricing."

Supply and demand

However, it seems as though declining demand is a key factor. "Previously demand was mostly from banks, rather than pension funds or insurance funds," commented Iman. "But the demand for Sukuk from the Islamic banks has diminished in the last two years. Loans growth is increasing so most Islamic Indonesian banks are focusing more on lending than financing."

In fact, in 2014 conventional banks were the largest holders of Islamic instruments in Indonesia, with a reported 35.4% share of Sukuk holdings (up from just 3.7% in 2010). In comparison Shariah compliant banks held a relatively low 8.2%, while insurance companies held 21.1% and foreign investors 12.6%, according to the Indonesian debt management office.

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INDONESIA: ISLAMIC FINANCE IN FIGURES

IDR251 trillion (US$19.4 billion) assets under management in Shariah banks

4.85% share of total domestic banking assets

35% compound annual growth rate for Shariah compliant assets 2010-13

33% predicted average growth rate 2014-18

US$100 billion predicted Islamic banking assets by 2018

11 Islamic banks with 2,139 offices

23 Shariah windows with 425 offices

162 Islamic rural banks with 433 offices

66 Shariah compliant mutual funds with IDR9.6 trillion (US$742 million) net asset value, equating to 4.5% of the total domestic funds industry

49 Shariah compliant insurance firms with assets of IDR19.3 trillion (US$1.49 billion) or 4.25% share of the total

48 Shariah compliant financing companies with assets of IDR25 trillion (US$1.93 billion) or 5.51% of the total

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However, assuming domestic demand is there, could the underlying issue in fact be the lack of diversity of supply? "In terms of the general market – the interest rate, the demand, the liquidity – it is all there. You can see that with the conventional corporate bond market, which is performing well," pointed out Iman. "In Indonesia the problem is that there aren't enough issuers — only the regular names like Indosat. If we can encourage issuers to issue both conventional bonds and Sukuk, I think the demand would be there."

If this is the case, then why was the demand for Indosat's most recent Islamic issuance so low? This too, has a logical answer. Indosat is one of the few corporates that regularly issues Sukuk, so the portfolio of the banks for that instrument is likely to be almost full. If new names came to market to issue corporate Sukuk, there is a strong chance that liquidity would improve.

In addition the retail market also needs to be drawn into the fold to expand the investor base. "The domestic demand still mostly comes from Shariah banks and Islamic financial institutions," agreed Arya. "Individuals have not yet become a major or significant investor in this market. Thus the domestic Sukuk market needs more support from the Shariah banking industries or financial institutions to at least educate people to know Islamic financial instruments such as Sukuk better."

Chart 2: Total of Sukuk issuance and Sukuk outstanding

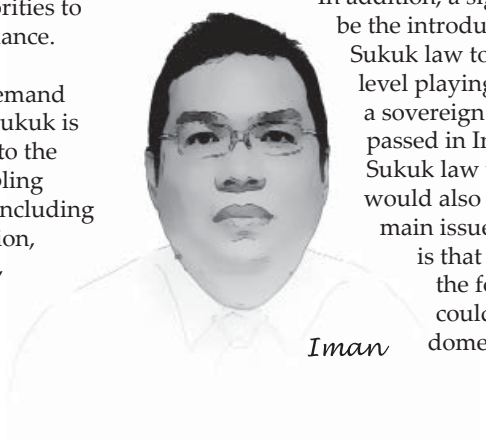
Year		Sukuk Issuance		Outstanding Sukuk	
		Value (IDR billion)	Number	Value (IDR billion)	Number
2002		175,0	1	175,0	1
2003		740.0	6	740,0	6
2004		1.424,0	13	1.394,0	13
2005		2.009,0	16	1.979,4	16
2006		2.282,0	17	2.179,4	17
2007		3.174,3	21	3.029,4	23
2008		5.498,0	29	4.958,4	24
2009		7.015,0	43	5.621,4	33
2010		7.815,0	47	6.121,0	32
2011		7.915,4	48	5.876,0	31
2012		9.790,4	54	6.883,0	32
2013		11.994,4	64	7.553,0	36
2014	Jan	11.994,4	64	7.260,0	35
	Feb	11.994,4	64	7.260,0	35
	Mar	11.994,4	64	7.194,0	34
	Apr	11.994,4	64	7.058,0	33
	May	11.994,4	64	6.358,0	29
	Jun	12.294,4	65	6.958,0	33
	July	12.294,4	65	6.958,0	33
	Aug	12.294,4	65	6.958,0	33
	Sept	12.294,4	65	6.958,0	33
	Oct	12.594,4	66	7.258,0	34
	Nov	12.727,4	68	7.391,00	36

Source: OJK

Legislative lag

And legislation continues to lag behind, inhibiting participation in the market and impeding development. Although a raft of reforms have been introduced over the past year, the market is vocal in its demands for increased collaboration, consolidation and commitment from the authorities to encourage issuance.

"The lack of demand for corporate Sukuk is primarily due to the lack of an enabling environment: including lack of legislation, tax constraints, talent source and general education and familiarity of market players," said Hanim Hamzah, a partner at ZICOlaw and the head of corporate M&A at Roosdiono & Partners, speaking to IFN.



Iman

"On the supply side, we need access to more Shariah structures," proposed Iman. "At the moment we only have Sukuk Ijarah and Mudarabah — in Malaysia there are many more structures. If companies could issue a wider range of structures, it would increase supply." In addition, a significant boost would be the introduction of a corporate Sukuk law to place transactions on a level playing field. Currently, only a sovereign Sukuk law has been passed in Indonesia. "If a corporate Sukuk law were introduced, this would also increase demand. The main issue with corporate Sukuk is that we cannot expand into the foreign market. If we could access foreign as well as domestic investors, that would give the sector a significant boost," said Iman.

An issue of tax

But the single biggest impediment to the development of Islamic finance — both on the capital markets and retail side, is the issue of tax neutrality.

"In terms of the financial landscape there is huge opportunity, but the problem is tax, tax, tax!" insisted Hanim. "This issue is still not resolved to be neutral, and so the growth of the secondary market is stunted. The primary market is robust, and most (if not all) of the Shariah windows and financial institutions will report high growth — but because the money does not generate the same kind of dividends or returns as if placed in a conventional bank, it means the Islamic option is not as attractive. You need to have attractive and diverse Shariah compliant products for the secondary

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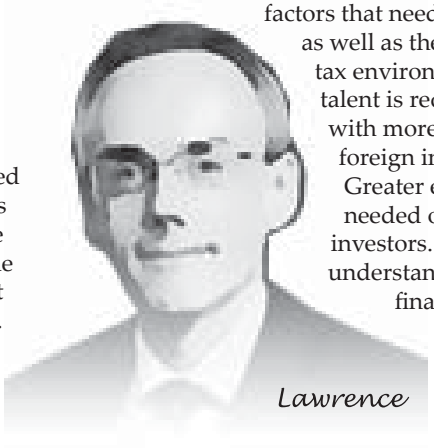
market, such as the Sukuk, for the windows and financial institutions to invest."

The problem is that currently, the tax office charges Islamic transaction on both the buy and sell side, and this makes it more expensive compared to conventional products. "We urgently need tax neutrality — the tax office must recognize that this is not a real buy and sell or trade, it is just a step to facilitate the Islamic transaction, so it should not be at a disadvantage to conventional financing," said Hanim. "Rather than looking at short-term gains, the tax office needs big picture mentality — that if you grow this pocket of opportunity it will take off and become larger even than the conventional financing sector. So it's not about being penny-pinching and pound-foolish, because you are not losing out on tax collection – you will eventually create a bigger market.

"We need a straightforward and simple legal provision regarding tax. We do not need incentives or benefits, only plain neutrality. We need to allow the Islamic products to be as competitive with the conventional, and then let the people (market) decide what instrument they want to use. Right now they do not have a balanced choice, and because Indonesia is not tax neutral of course they will not go for the more expensive Islamic option. So that opportunity is not fully tapped yet."

A long way to go

But even if tax neutrality law were passed overnight, would this be an explosive game-changer? "I'm not so sure," thinks Hanim. "You would still have to allow for issues such as talent, structuring expertise and other enabling environment factors. Recently, a law was passed to say any expats that want to come and work in Indonesia need to learn Bahasa and pass a test. Right now a work permit costs at least US$2,000 and takes two or three months. You are stifling the movement of people – if you want the market to grow then you need experts to come in and structure the products."



So there are clearly other enabling factors that need addressing as well as the unequal tax environment. More talent is required, along with more openness to foreign involvement. Greater education is also needed on the part of investors. "It is a lack of understanding of Shariah financing, what it involves, how restrictive it is, how many agreements you need," agreed Hanim. "The documentation, the use of lawyers, is all perceived to cost more and take more time. These types of issues make for a mindblock on the part of investors, who think: why should I go Islamic?"

> ***"In terms of the financial landscape there is huge opportunity, but the problem is tax, tax, tax!"***

Investor appetite

Yet a number of reforms have already been enacted — from the consolidation of regulatory authority in the form of OJK to new rules for Islamic securities and insurance products, new capital requirements for Shariah banks and proposals to align risk management with international IFSB standards. Much of this has been done with an eye to international participation, although official attitude to foreign investment in the industry seem somewhat

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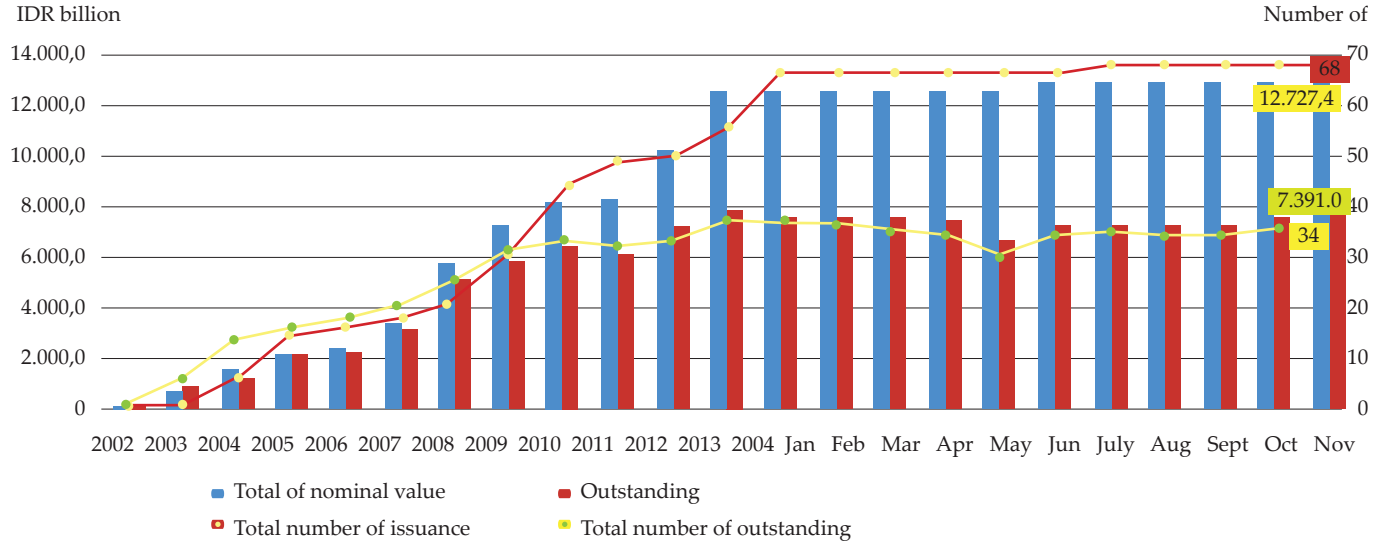
Chart 3: Development of corporate Sukuk issuance and corporate Sukuk outstanding



Source: Financial Services Authority (OJK)

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conflicted, with the '40% rule' limiting foreign ownership viewed as restricting acquisitions. "The attraction of foreign investor inflows is undoubtedly a driving force behind the latest reforms," commented Lawrence.

> ***"The attraction of foreign investor inflows is undoubtedly a driving force behind the latest reforms"***

However, while interest is high, action is not necessarily following, as Islamic investors appear to be holding back. "Our biggest clientele over the past few years have still been from China and Japan, not from the Middle East. They look, and there is a lot of talk, but they don't really close the deal," said Hanim. "The more aggressive investors in Indonesia are still from Singapore, Malaysia, China, Japan and Korea, and perhaps Europe. And these are not Islamic transactions. In the Middle East, investors have their money in the US, and Europe, where they have long-standing relationships. It seems like it should be taking off – Middle East clients should be investing in Asia, in Indonesia, where there is a large Muslim population and a lot of economic growth potential, but at the end of the day the dollars and cents motivate where the money goes and if they are more comfortable with first world risk then that is where they will go."

Challenges ahead

So while there is immense potential, there are also significant structural challenges ahead for the industry. "The Indonesian capital market will be challenged by the fluctuation of the US$/IDR exchange rate," warns Arya. "Capital in/outflows to the capital market are potentially affecting the demand.

And nothing will change until the authorities commit to a consistent, industry-led effort. "Until you have a strong, top-down government approach to really push the tax office forward I think we will just see more of the same," insisted Hanim. "The last couple of years nothing has really changed, especially in terms of tax neutrality. We urgently require new legislation to make Islamic transactions neutral and increase their appeal."

But there is a positive momentum, which suggests that progress will continue and these issues can be overcome. Arya told IFN that: "Indosat is in the process of taking the opportunity for new issuance this year. The plan is to issue up to IDR2 trillion (US$154.6 million) in Q2 2015 (with an expected minimum IDR300 billion (US$23.1 million) from Sukuk). We also suspect that the demand will potentially improve slightly with more government bond series offered during this auction compared to the previous auction, and better bank liquidity after the VR20 bond series matured on the 25th April totaling more than IDR9.2 trillion (US$708.4 million)."

Every cloud has a silver lining, every challenge can be made into an opportunity — so, as Hanim concludes: "The general mood is cautiously optimistic."

SUMMARY: INDONESIAN ISLAMIC FINANCE LEGISLATION

August 2014:
Regulatory initiative to encourage coordination in Islamic finance between government bodies and the private sector (in order to help Islamic banks adhere to regulations).

11th November 2014
OJK signs an MOU with the National Shariah Board of Indonesian Ulema Council (DSN-MUI), designed to promote cooperation and work towards the stable and sustainable development of the Indonesian Islamic financial services sector. Specific objectives include supporting the strengthening of regulation and supervision of the Islamic financial services industry and enhancing Islamic financial literacy and protecting consumers in the sector. Scope of MOU covers the preparation of regulations, supervision of Fatwa implementation and reciprocal consultation.

By November 2014, DSN-MUI had already approved 95 Fatwas relating to the Islamic finance services industry, including:

- 67 relating to Shariah banking
- 14 relating to Shariah capital markets
- Six relating to Islamic compliant insurance
- Four relating to pledges for debts (Rahn)
- Two relating to Islamic multi-level marketing, and
- Two relating to Shariah financial accounting.

19th November 2014:
OJK issues new rules on Islamic finance development, including:

- Indonesian Islamic banks (excluding Islamic windows) must hold increasing levels of capital - calculated through a risk assessment process carried out every six months and with the highest requirement increased from 8% to 14%.
- Clarification of types of debt allowed in order to boost capital reserves — with instruments required to include a loss absorption feature allowing conversion from debt to equity in the case of insolvency.
- Requirement for Islamic banks to include ratios in common profit sharing contracts including Mudarabah and Musharakah, calculated on a feasibility analysis of a customer's business and cash flows.
- Requirement for all conventional banks to spin off their Islamic windows into stand-alone banks listed on the Indonesian stock exchange by 2023 — with the aim of stimulating consolidation in the banking sector.

Source: K&L Gates, Indonesian Debt Management Office, OJK, Global Business Guide

Dubai missing out on capital markets opportunity?

Dubai has made undeniable strides forward in its ambition to become an Islamic finance hub, in particular through its focus on the Shariah compliant capital markets. But is the financial services sector developing as fast as it needs to in order to keep pace with the rapid economic growth in the region — and what needs to be done in order for the Sukuk market to keep up with the surging funding requirements? LAUREN MCAUGHTRY explores.

Table 1: Economic forecasts and 2014-50 outlook for the UAE						
Markets	**Actual**	**Q2/15**	**Q3/15**	**2020**	**2030**	**2050**
Currency	3.67	3.67	3.67	3.5	3.67	3.67
Stock market	4666.39	4547	4530	5004	5827	7473
GDP	**Actual**	**Q2/15**	**Q3/15**	**2020**	**2030**	**2050**
GDP	383.80	415	415	741	1187	2079
GDP growth rate	5.20	5.03	5	5.62	5.62	5.62
GDP annual growth rate	4.30	3.4	3.7	3.8	3.8	3.8

Source: Trading Economics

The UAE is expected to spend over US$300 billion on infrastructure projects by 2030, including over US$8 billion on the 2020 World Expo and US$1.6 billion on federal infrastructure such as road network and government buildings, not to mention quasi-sovereign and PPP/private sector projects. With GDP predicted to see consistent growth of 3-4% over the next few decades and the number of visitors to Dubai also projected to double from 10 million to 20 million annually by 2020, the hospitality, travel and tourism industry is also set to boom. But where will the money come from to fund all these?

"I think that there is enormous potential that is not being captured," warned Mohieddine Kronfol, the chief investment officer for global Sukuk and MENA fixed income at Franklin Templeton Investments, speaking to IFN. "I am not being negative and I don't want to take away anything at all from the tremendous success that we have seen in Dubai or the DIFC and what all the different market participants do. But I think we have to recognize that when it comes to finance, or the financial services industry in general, we are underperforming — we are not operating at the same level as logistics, airlines, tourism, and all of those other sectors which are really competing on a global scale."

And although the accomplishments of major UAE firms in these sectors are impressive, their future ambitions are also high. Gulf airports are expecting to see 250 million passengers a year by 2020, and in 2015 Dubai Airport overtook London Heathrow for the first time ever as one of the world's busiest airports, with 70.4 million passengers in 2014 (up 6.1% from 2013 and almost two million more than Heathrow) with 79 million projected for 2015, making it the world's fifth busiest airport. By 2020 Emirates Airline, Qatar Airways, and Etihad Airways will have the capacity to carry nearly 200 million passengers — four times their current capacity — according to a survey from the Global Airport Leader's Forum: and UAE airports have plans to spend upwards of US$50 billion over the next decade, with the aviation industry contributing 32% of Dubai's total GDP by 2020, according to Sheikh Ahmed Saeed al Maktoum, the chairman of the Dubai Civil Aviation Authority, Dubai Airports and Emirates Group.

> ***"We have to recognize that when it comes to finance, or the financial services industry in general, we are under-performing"***

While major fundraising exercises such as the recent Emirates Airlines US$913 billion UK Export Finance-backed Sukuk issuance have brought the Islamic debt sector into the spotlight and highlighted both innovation opportunity and potential, is it really enough to meet requirements? "We are talking about numbers that frankly the local capital markets cannot currently accommodate," said Mohieddine. "This is a real structural risk. If corporates have to resort exclusively to external markets to fund their needs, then they obviously become vulnerable to the volatility that is generated in those international markets and this could have a disproportionate impact on Dubai. These are risks that I don't think we are really dealing with."

So what is needed to develop the sector and push its growth forward? Rizwan Kanji, a partner with King & Spalding Middle East, suggests that although the perennial complaint is usually that of supply, in this case the solution could instead come through the demand side. "One additional avenue to contribute towards Dubai's growth as a hub for Islamic finance is to create a wider Sukuk investor base in Dubai, in addition to the already strongly contributing Islamic financial institutions," he told IFN. "An active platform needs to be formulated where investors such as pension funds, Waqf and other sovereign social funds can participate as investors. The inclusion of these investor types will contribute further to the Dubai and Islamic finance growth story."

To move forwards however, the only path possible is a significantly increased focus on the financial services industry, in order to encourage and enable the sector to keep pace with its peers and meet the demands that will inevitably be placed on it by such a positive economic growth trajectory. "From a policy perspective we really need to work hard on developing the financial sector," agreed Mohieddine. "If we don't, I think we will ultimately provide a disservice to the region's investors and economies. On the other hand, everyone benefits if we really focus on the sector's stable growth."

PMB Tijari — reaching out to the pre-bankable

Last May, Malaysia welcomed an exciting new player to the Shariah compliant SME financing scene — PMB Tijari. Leveraging from the solid support of its shareholders — government-owned Pelaburan MARA (PMB) and the Islamic Corporation for the Development of the Private Sector (ICD) — VINEETA TAN writes that the financing company is demonstrating promising potential in closing the SME Islamic funding gap.

Formerly known as KFH Ijarah House, the entity assumed a new identity after it was acquired by PMB which then entered into a joint venture with the ICD who now holds a 33% stake in PMB Tijari. However, unlike what its former namesake suggests, PMB Tijari's product offering extends beyond Ijarah to include Murabahah, Tawarruq and Musharakah facilities; and there are plans to expand the range of products.

"We are looking at new asset classes, particularly operational leasing," confirmed CEO Ahmad Badli Shah to IFN.

While the firm is a commercial for-profit entity, it also serves an important developmental agenda (in line with ICD's mandate) that is to meet the needs of the underserved SME segment. Entrepreneurial development, employment creation and business support — these are some of the goals it hopes to deliver through the provision of funding to firms which otherwise would not be able to procure the funding.

According to Malaysia's latest SME Census (2011), only 20.3% of SMEs in the country finance their operations via bank facilities — representing a stark gap, and huge potential, for other financing vehicles to step in.

"In practice, many SMEs are unable to secure bank financings especially those with businesses abroad as banks are unfamiliar with new markets and therefore uncomfortable with unchartered territories," explained Ahmad.

As banks are generally reluctant to assume the risk associated with financing young SMEs (less than two years in operation), this marginalizes a significant number of SMEs from the bank funding pool, but in turn ushers in opportunities for firms like PMB Tijari. Given that the market is competitive with the existence of factoring companies and venture capital/private equity firms, however, it seems that there is considerable demand for services provided by PMB Tijari, reflected by the firm's profitable first year in operations and promising performance thus far in line with its 2015 target growth.

In the spectrum of pricing, PMB Tijari's facilities fall in between private equity and bank financing and the firm has a stringent screening process, carefully steering away from industries with high performance risk such as construction.

"We conceptualize our business in terms of sums of fixed lending over the long-term (five to 10 years) for Ijarah, and a majority of them are fast turnaround contract financings for SMEs who are pre-bankable," said Ahmad. "While our pricing, which is based on risk-base pricing reflective of the risk taken, may be higher than the average bank financing, however, our winning proposition is our short turnaround time."

The entry of PMB Tijari is indeed a welcomed development for the SME financing sector, particularly the Islamic segment, and while the company's portfolio may be relatively small at the moment, its growth potential is significant due to its standing as a subsidiary of government-linked company PMB and international multilateral organization ICD.

Ahmad shared with IFN that the firm intends use the strong network of its parent company to its advantage in tapping new sectors. He also added: "On our expansion plan, we will also leverage on our strategic partner/shareholder, ICD's network to explore into other profitable business financing ventures."

IFN Weekly Poll: With Russia developing and promoting its Islamic finance capabilities, would you consider investing in Shariah compliant products in Russia while sanctions are in place?

For the poll this week, IFN takes a look at Russia. Two of the largest countries in the world, Russia and China have over the past few months been reported to develop initiatives to make their foray into Islamic finance. While China gears itself for a potential Sukuk issuance, Russia through the International Bank of Azerbaijan (IBA)-Moscow is planning to introduce Islamic banking products to the nation. However, in light of the recent sanctions, would industry players still consider tapping into the Federation? NABILAH ANNUAR explores.

Russia over the past year has been slapped with sanctions following the Ukraine and Crimea crisis. As a countermeasure, the government is seen to be forging stronger relationships with foreign peers, notably making a conscious effort with Islamic countries. In February, Rustam Minnikhanov, the president of Tatarstan, a federal subject of Russia met with the Malaysia External Trade Development Corporation in his bid to strengthen relations with members of the Organization of Islamic Corporation. According to UAE news agencies, Russia is also trying to increase its cooperation with the UAE, especially in Islamic finance. The country is reportedly seeking to strengthen its trade ties with the UAE and other Gulf countries and has adopted new regulations to attract Islamic financial institutions from the Middle East and Asia as demand for financing grows in Russia.

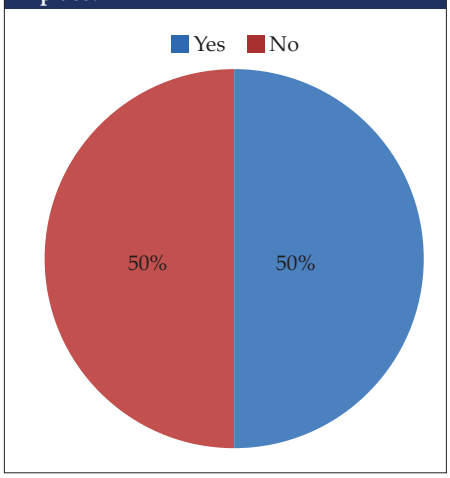
Interestingly, the results showed an indecisive judgment from industry players; with a 50-50 vote on whether they would invest in Russia while sanctions are in place or otherwise. The economic sanctions in Russia are focused on the country's defence, energy, and financial services sectors including asset freezes, controls on financing, restrictions on access to capital markets, controls on dual-use items, as well as controls on goods and services for the Russian military. Coupled with the grave decline in oil prices, its economy shrank (according to local reports) 0.7% on the year in the first quarter and could reach 0.6% on the year in the second quarter.

> ***"Taking into account the risks facing the Russian economy in 2015, investors would naturally be cautious in considering investments in the region itself"***

The adverse effects of these sanctions that are currently witnessed and that have been discussed include: a currency collapse, higher interest rates, a recession and higher inflation, capital outflows (reaching US$151.5 billion in 2014, according to central bank data), a depletion in foreign exchange reserves, reduced consumer spending, stock market crash, credit rating downgrade ('Baa3' to 'Ba1' — one notch below investment grade by Moody's while S&P downgraded Russia's rating to junk), possible capital controls, and eventual debt default. Taking into account the risks facing the Russian economy in 2015, investors would naturally be cautious in considering investments in the region itself.

As Russian banks are banned from raising funds in the European financial markets, some have suggested that

With Russia developing and promoting its Islamic finance capabilities, would you consider investing in Shariah compliant products in Russia while sanctions are in place?



these circumstances could serve as a stimulus for the country to turn to Islamic finance alternatives. To this end, the Federation's lower house of parliament may review the law in the near future as it reportedly (by Bloomberg, quoting president of the Association of Regional Banks of Russia) aims to establish a legislative framework for Islamic banking in the second half of 2015. The country has already through the IBA, begun the provision of Islamic finance to customers in Russia, through its subsidiary, IBA-Moscow. Following negotiations with customers of IBA-Moscow, it further seeks to open an Islamic window in its Russian subsidiary.

Perhaps on the back of these developments, market players are thoroughly considering if they should participate in a risky environment. Nonetheless, with positive Shariah compliant developments in place, Islamic investments in Russia could very well be an opportunistic venture.

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.

- NASDAQ Composite hits highest peak since 2002, demonstrating positive recovery from the crisis and exceeding the dotcom boom. The US$7.7 billion index reached 5,506.06 on the 23rd April.

- Deutsche Bank slammed with record US$2.5 billion fine over Libor scandal, and ordered to fire seven employees.

- Property developer Kaisa Group became the first Chinese firm to default on US dollar-denominated bonds, after struggling with the domestic housing slowdown — investors fear more defaults could come as global borrowing hits a US$9 trillion high and the dollar continues to strengthen, increasing the debt burden.

- Sterling expected to rise, but banks warn that a Labour Party win in the UK elections could unsettle markets.

- Hedge funds place major bets on oil prices rising, as Brent hit an annual high of US$65 per barrel on the 23rd April 2015.

- BP sells North Sea pipeline as it continues to retrench and reduce mature asset exposure in order to cope with the fall in oil prices.

- Angola, the second-largest oil producer in Africa, is hoping to raise US$10 billion from foreign investment in order to fund key infrastructure developments. Could this be an opportunity for Islamic finance to find a foothold in another sub-Saharan nation?

- Neighbors including Russia and Turkey race to enter Iran as sanctions look set to lift as early as June. Russia's Lukoil announced its intentions to return, while Turkish prime minister Erdogan on the 21st April 2015 signed multiple trade agreements in a state visit to Tehran.

- Takehiko Nakao, the head of the Asian Development Bank, expressed skepticism regarding the new Chinese-led Asian Infrastructure Investment Bank, saying the new institution was a long way from parity in resources or potential influence, in an interview with the Financial Times.

- Over 700 million unbanked people now have access to bank accounts, according to a World Bank survey, largely through the use of mobile payment platforms.

Islamic banking industry gains IMF-inspired financial indicators

Among the challenges the Islamic banking and financial industry faces, the lack of cohesive and comprehensive data on the market is one of them. To this end, the IFSB has launched a set of measures assessing the health of the Islamic banking systems of various countries — the first of its kind in the world which allows stakeholders to effectively compare the growth of different global Shariah banking markets. VINEETA TAN reports.

Designed as a parallel to the IMF Financial Soundness Indicators (FSIs), the IFSB's Prudential and Structural Islamic Financial Indicators (PSIFIs) are a timely and most welcomed market development as players have long lamented the lack of comparable and solid data critical to understanding and bolstering the rapidly evolving industry further.

A culmination of years of extensive consultation and development, supported by technical assistance from the IDB and Asian Development Bank, the PSIFIs take into consideration the uniqueness of Shariah compliant banking to deliver information on size, growth, structural characteristics, macroprudential conditions as well as capital adequacy and liquidity based on IFSB standards. A noteworthy feature of the PSIFIs database is that it includes metadata to enhance user comprehension.

At the present phase, the database includes aggregated data from 15 countries (Afghanistan, Bahrain, Bangladesh, Brunei, Egypt, Indonesia, Jordan, Kuwait, Malaysia, Nigeria, Oman, Pakistan, Saudi Arabia, Sudan, and Turkey) provided for by respective regulatory and supervisory authorities on a quarterly basis. When available, separate information on fully-fledged Islamic banks and Islamic windows will also be provided.

Representing "an important milestone in the ongoing transformation of Islamic finance into a globally significant undertaking" as according to secretary-general Jaseem Ahmed, the IFSB confirmed that the database will be expanded to include a wider base of jurisdictions and segments including Takaful and the Islamic capital markets. The standard-setting body is also looking at ways to increase the user-friendliness of the platform via an automated web-based system planned for the near future.

Promising first quarter for Islamic banking

With the market well into the second quarter, financial results for the first quarter of 2015 are rolling in; and based on the statements reviewed by IFN thus far, it seems that the Islamic banking industry is maintaining its strong growth momentum this year. VINEETA TAN explores the situation.

Apart from Islamic banking giant Al Rajhi Bank which saw net profit for the first three months closing in 10.9% lower than the corresponding period last year (a consistent declining pattern for almost two years), other Saudi banks are on an upward trajectory. Banque Saudi Fransi in the same period managed to push its net earnings up by 22.66% to SAR1.05 billion (US$279.79 million), while Riyad Bank realized an 8.62% growth in net profit to SAR1.17 billion (US$311.88 million). Saudi British Bank and Samba Financial Group confirmed that their net profits were up 3.21% and 3.06% to SAR190.16 billion (US$50.68 billion) and SAR1.28 billion (US$341.12 million) respectively. Other first quarter gainers include Barwa Bank (41.5%), Boubyan Bank (30%), Kuwait Finance House (14.6%), Dubai Islamic Bank (34%) and Warba Bank (148%) among others. And despite the only two fully-fledged Islamic banks in Oman (Alizz Islamic Bank and Bank Nizwa) registering losses for the first quarter (a given considering their relative youth), the banks are nonetheless seeing impressive growth in revenues, total assets and branch expansion which are likely to boost financial performance this year.

> ***"The healthy double-digit growth of the Shariah banking segment will see it forming a bigger minority, if not majority, in several countries over the next few years"***

The positive trend for the past quarter builds the case for another stellar year in the Islamic banking space. Breaking the US$10 billion benchmark in combined profits in 2013, the Shariah banking profit pool is anticipated to hit US$37 billion by 2019 — a threefold expansion.

While conventional banking remains a dominant component of most banking markets, the healthy double-digit growth of the Shariah banking segment will see Islamic banking forming a bigger minority, if not majority, in several countries over the next few years.

Saudi Arabia, where 48.9% of its banking system is considered Shariah compliant, will likely have Islamic banking command the majority share in five years at 70%, according to EY; while some quarters have projected for Brunei to develop its Shariah banking segment to at least hold a 50% market share by 2020. Whereas Malaysia, where Islamic banking is expanding about twice as fast as its conventional peer, seems steadfast in achieving its 2020 goal of having 40% of its banking assets Shariah compliant, almost double from its current 20.7% figure; and Kuwait, which according to EY is seeing Islamic banks (44.6% market share) growing more than three times above its conventional counterparts, could also see Islamic players holding a bigger share.

While we are only about a third through the second quarter, it seems that we are off to a good start to what is looking like another year of promising growth for the Islamic banking industry.

Sovereign Sukuk: Indonesia and Ivory Coast

A rather quiet week last week, the sovereign Sukuk market witnessed the successful auction of Indonesia's regular sovereign issuance and Ivory Coast's efforts to debut its maiden Sukuk program. As usual, NABILAH ANNUAR keeps abreast of the latest developments in the sovereign Sukuk arena.

Asia

The **Indonesian** government received IDR4.73 trillion (US$361.43 million) in incoming bids for its latest sovereign Sukuk auction conducted on the 21st April out of which IDR2.03 trillion (US$156.12 million) was awarded, confirmed the finance ministry in an announcement on its website.

In Central Asia, **Kazakhstan**'s parliament (according to Reuters) approved Islamic finance laws and the Finance Ministry is expected to propose a new draft law on Sukuk in the near future with an intention to tap the Islamic debt capital markets in 2016.

Turkey's treasury department plans to issue Sukuk worth TRY1.5 billion (US$570.67 million), with the expected date to be announced.

In **Bangladesh**, IFN correspondent Md Shamsuzzaman confirmed that the country is actively considering the introduction of Sukuk in the domestic market.

Pakistan's finance minister on the other hand, affirmed that the government will not tap the international debt markets, both Islamic and conventional, until the 30th June 2015, after the republic completes its global capital market transaction portfolio.

In East Asia, **Hong Kong** plans 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 reportedly considering an asset-light Wakalah structure.

Ningxia Hui Autonomous Region in China intends to issue up to US$1.5 billion-worth of instruments including Sukuk, with maturities up to five years.

Africa

The Republic of **Ivory Coast** is setting up a Sukuk program in an aggregate principal amount of XOF300 billion (US$490 million), according to a press release. To be executed in two equal tranches over the 2015-20 period, the program will be structured by the Islamic Corporation for the Development of the Private Sector (ICD) as lead manager.

Kenya 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. National treasury cabinet secretary Henry Rotich will sign an MoU with Qatari minister of finance Ali Sharif Al Emadi to enhance cooperation in developing the Nairobi International Financial Center and strengthen Islamic finance opportunities as the Republic looks towards issuing Sukuk.

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.

Senegal has approached the IDB to seek assistance to fund its Sukuk program, according to Reuters. Proceeds from the Sukuk will be channeled towards strategic infrastructure projects.

The **Niger** government with help from the ICD, plans to auction XOF150 billion (US$240.54 million) in Sukuk, implemented in two equal phases within the next five years, to fund the Republic's development project pipeline.

Tunisia expects to debut its Sukuk offering in the second half of 2015 and has mandated four banks including Citigroup, Natixis and Standard Chartered for the proposed US$500 million US-dollar denominated issuance.

Egypt has been exploring the idea of issuing international Sukuk with the country's Sovereign Sukuk Bill yet to be presented to the parliament for approval.

Middle East

The Ministry of Finance of **Jordan** has signed an advisory agreement mandating the ICD as a Transaction Technical Support in the proposed debut domestic Sukuk offering. The expected JOD564 million (US$794.03 million) dinar-denominated Sukuk is expected to be issued this year and would be used as an instrument to absorb excess liquidity (estimated to be JOD1.4 billion (US$1.97 billion)) held by the Kingdom's Islamic banks.

Similarly, **Oman** has targeted to make the debut of its first sovereign Sukuk to address the Sultanate's 2015 budget deficit, 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.

The **UAE** seeks to issue the world's first Sukuk aimed at financing green energy projects this year, possibly as early as this month.

Europe

Luxembourg's 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.

Indonesian opportunities abound, but structural challenges remain a barrier

The IFN Indonesia Forum held on the 22nd April at the Shangri-La in Jakarta was a resounding success, with over 350 delegates attending an action-packed event that was not only rewarding for panelists and participants alike but exceptionally comprehensive and unusually wide-ranging in its remit. LAUREN MCAUGHTRY writes.

The key themes to emerge from the event were the need for commitment and consistency from the regulators, collaboration between stakeholders and compatibility with the conventional sector. In his keynote address Dr Mulya Siregar, the deputy commissioner of banking supervision for Otoritas Jasa Keuangan (OJK), emphasized that the industry has immense potential but this must be reinforced by an improved, and investment in, structural framework. Development must be supported by capital investment in IT, human resources and product development, while the retail sector urgently needs investment in dissemination and education to reach the over 75% unbanked population.

Significant strides have been made in regulation and governance, with the newly formed OJK focusing on Islamic finance and driving forwards reform. The country is in the process of creating a centralized Shariah financial authority similar to Malaysia's Malaysia International Islamic Financial Center, while the National Shariah Board recently released a long-dated Fatwa on Islamic hedging and new regulation on Islamic repos is expected soon. However, Dr Siregar highlighted that it is not just the responsibility of the central bank and supervisory authorities to drive forward the industry, which urgently needs greater cooperation. "Development is the responsibility of all related parties," he insisted. Given the increasing exposure to global risk, he also called for a "cross-sectoral integrated approach" with greater international collaboration towards standardization. "An integrated and comprehensive supervisory approach is now required to maintain positive results, financial stability and economic development," he confirmed.

The nation's sovereign Sukuk continue to be well-received and in high demand, but challenges in the Islamic debt capital market were also raised during the event, with concerns over the level of demand for corporate issuance. The December 2014 Indosat shelf-registered issuance, for example, saw its Shariah tranche reduced from IDR300 billion (US$23.16 million) to IDR190 billion (US$14.67 million) while its conventional tranche was concurrently increased, representing the relatively fledgling market for private sector Shariah compliant instruments in the country. However, growth is ahead with the majority of players forecasting exceptional prospects for both the retail and capital markets in the country, boosted by regulatory commitment and international investment interest.

The event saw an exceptionally illustrious attendance of senior Indonesian and Asian players, and the invaluable discussions contributed towards the development of a roadmap towards future growth. Topics covered included the creation of a blueprint for Islamic finance development in Indonesia, market trends and strategies for the investment landscape in 2015, opportunities for inward investment, cross-border collaboration and corporate Sukuk issuance, initatives to advance Shariah trade finance, and much more. Panelists included Farah Ratnadewi Indriani, the deputy chairman for investment climate for the Indonesia Investment Coordinating Board; Adi Pramana, the chairman of the Indonesia Shariah Insurance Association; Beny Witjaksono, the president director of Bank Mega Syariah; Dinno Indiano,

the president director of BNI Shariah; Herwin Bustaman, the head of Shariah Banking for BII Maybank; Iman Rachman, the managing director of Mandiri Sekuritas; Dr Dadang Muljawan, the deputy director for macroprudential policy at Bank Indonesia; Dr Dhani Gunawan Idat, the director for research, development, regulation and licensing of Islamic banking at OJK; and many more.

In addition, the event also hosted the first in the 2015 series of IFN Country Dialogues: a high-level, closed-door, invite-only series of events providing a platform for senior market participants and regulators to work together towards creating a roadmap for the development of Islamic finance in their country.

Although, as Dr Siregar warned, "we have challenges ahead of us," with such enormous potential and such a positive will to succeed, Indonesia certainly remains one of the brightest stars in the Islamic finance firmament.

Tadhamon Capital liquidates aviation fund; eyes similar structured Islamic products

Shariah compliant investment firm Tadhamon Capital has completed an early exit and liquidation of the Tadhamon Aviation Equipment Fund, the firm said in a statement. NABILAH ANNUAR brings you an overview of the firm's latest transaction.

Having structured the fund in 2012 to finance the purchase of A330 Simulator of US$13.5 million, Tadhamon then leased it to Gulf Aviation Academy (GAA), a subsidiary of Mumtalakat for a period of five years. GAA ran the A330 Simulator, providing flight-training programs that attracted many airlines in the region that consequentially enabled GAA to diversify its sources of income.

According to Maisarh Yaseen, the director of treasury of the company, the Tadhamon Aviation Equipment Fund was able to achieve attractive and stable returns to investors within a 27-month period. "The early exit confirms the success of our strategies and efforts to provide a variety of Shariah compliant investment opportunities to our investors in all asset classes," he affirmed. The transaction also complements both GAA and Mumtalakat Bahrain's growth strategy that is in line with the Kingdom's 2030 visions.

"The early exit has been able to demonstrate Tadhamon's ability to achieve the full investment cycle from origination to exit in various asset classes. The exit comes after the [sic] Tadhamon's restructuring process last summer and now we are working on growing our asset under management to venture into similar creative Islamic structured products," explained Ahmed Sultan, its CEO.

Tadhamon Capital, which was formed in 2008 as a wholly-owned subsidiary of Tadhamon International Islamic Bank (whose majority shareholders include Qatar Islamic Bank and Hayel Saeed Anam Group), recently sold its first Central London student accommodation investment, which it managed to achieve over 70% in return to investors over a period of less than three years. The company subsequently entered into a joint venture arrangement to develop a new student accommodation at the center of Kingston-Upon-Thames. Valued in excess of GBP45 million (US$68.33 million), the 210-studio room development is expected to realize over 15% internal rate of return over a five-year investment period.

Setting its eyes on other markets Tadhamon also has a strong pipeline of transactions, which are currently under evaluation. The firm seeks to build its current portfolio assets across the GCC, the UK and Turkey while also looking to expand into the US market and potentially parts of the MENA region itself.

Egypt: Political will paramount

The development of the Islamic finance and banking industry in Egypt has staggered over the years due to unstable politics and unfavorable perception towards the industry. However, with a new administration in place and a dire need for financing, it seems that 2015 may see promising developments in the Shariah finance space. VINEETA TAN provides a market overview.

Legal and regulatory

Both Islamic banking and conventional banks fall under the purview of the Central Bank of Egypt; however, compliance of Islamic financial activities is regulated by a decentralized Shariah board relying on internal Shariah boards as there are no specific national laws addressing Islamic banking and finance in Egypt. While a Sukuk law was passed in 2013 under the Mursi administration, it was never implemented. The country's Sukuk legislation is, however, expected to be ready by July after which, the government is anticipated to follow suit with a US dollar-denominated Sukuk.

There is also no formal corporate governance instructions by the central bank for the Islamic banking industry.

Banking and finance

Despite the absence of an Islamic banking framework, Shariah banking products are made available by fully-fledged Islamic banks (Al Baraka Bank Egypt, Faisal Islamic Bank, Abu Dhabi Islamic Bank Egypt) and Islamic windows of conventional banks such as NBK-Egypt and Ahli United Bank. In fact, the country was among the first in the region to offer Islamic microfinancing products.

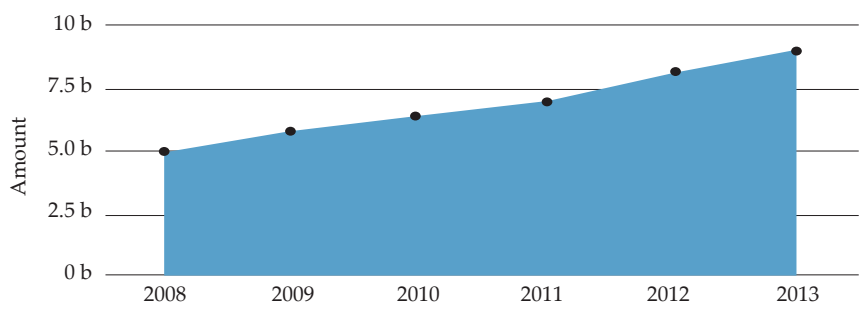
In 2015, Abu Dhabi Islamic Bank has reportedly been shortlisted as a buyer for Citigroup's Egyptian retail business. No outcome has been forthcoming.

Asset management

There are 12 Islamic funds in Egypt, according to latest data from the Central Bank of Egypt. These include funds from United Bank, Banque Misr, Arab Investment Bank, Faisal Islamic Bank and Al Baraka Bank.

In November 2014, EIIB-Rasmala, a venture between London-based European Islamic Investment Bank and Dubai's Rasmala Group, fully acquired Rasmala Egypt Asset Management by increasing its shareholding in the asset management firm to 100% from 51%.

Chart 1: Total assets of Islamic banks in Egypt (in US$)



*Source: Islamic Banking Intelligence | *data only includes Al Baraka Bank and Faisal Islamic Bank*

In the same year, NASDAQ Dubai and Egypt's Misr for Central Clearing, Depository and Registry entered into an agreement allowing dual listings of companies in both markets to facilitate seamless trading of securities on both stock markets.

Takaful

As with other non-banking financial activities in Egypt, the Takaful/insurance industry is regulated by the Egyptian Financial Supervisory Authority (EFSA). Takaful windows in Egypt are disallowed, therefore all products are offered via fully-fledged Islamic insurance operators. However, amendments to the present Insurance Law no 10 is anticipated to incorporate Takaful.

Since its inception in 2002, there are now eight Takaful insurers and three Life Takaful operators in Egypt, out of 32 insurance companies; and the number is expected to grow. In February 2015, Misr Insurance Holding was revealed to be in the process of introducing a Life Takaful unit, which has received an initial approval of support by the European Bank for Reconstruction and Development according to Amwal Alghad.

According to the EFSA, Takaful commanded 9.1% of the total insurance market in 2013. General Takaful contributions reached EGP784 million (US$102.38 million) over the 2012-13 period, marking a 26% growth. According to the authority, Takaful firms mostly invest in real estate and operate based on a Mudarabah model. While the average growth rate of this segment is higher compared to its conventional counterpart, and more than doubled during 2008-14, the Islamic insurance penetration rate is still low at about 5% according to Professor Dr Shahinaz Rashad Abdellatif, the executive director of EFSA's Financial Services Institute.

Leasing

There are two fully-fledged Shariah compliant leasing companies in Egypt (out of 212). In March 2015, the IDB's Islamic Corporation for the Development of the Private Sector and Arab Investment Bank agreed to establish an Islamic leasing company, to be known as Enmaa Leasing Company.

Through amendments to the mortgage laws, new products were introduced to the leasing segment including Ijarah, usufruct, Musharakah and Murabahah, which are expected to deepen not only the leasing market, but also the mortgage industry (via Ijarah).

Index

The country's first Islamic index was launched in June 2013 by the Egyptian Islamic Finance Association, based on the parameters set by AAOIFI Shariah standard 21.

Human capital development in Islamic finance

Human capital and talent development in Islamic finance is undeniably an area of concern for industry constituents. Seen to be one of the major driving factors, harnessing competent talent is a necessity for the industry's progress. NABILAH ANNUAR provides an overview of human capital in Islamic banking and finance.

Current demand

Industry observers have suggested that emerging markets would require approximately 50,000 Islamic finance professionals in the next few years to maintain the progress of the global Islamic finance sector. The Malaysia International Islamic Financial Center (MIFC) projected that for the 2011-20 period, a total of 22,400 individuals would be needed to support the Malaysian Islamic financial sector, making up 40% of the additional 56,000-strong workforce needed for the wider financial industry.

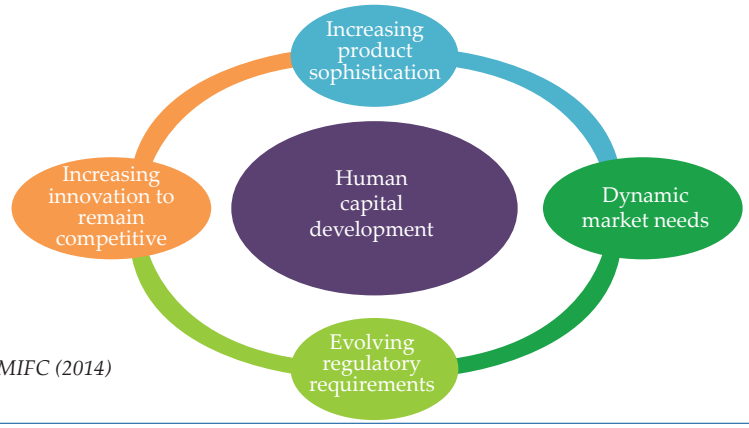
Indonesia on the other hand estimated that it would need 17,000 additional practitioners within the next three years, while the UAE projected about 8,000 new employees for 2015 just for Dubai alone, as it moves forward to establish itself as the world's leading Islamic economic hub. According to the Talent Development Survey 2014 , a comprehensive survey with 297 industry professionals conducted by the Finance Accreditation Agency in collaboration with Islamic Finance news (IFN) last year, less than half (41%) of the training providers surveyed said that training in Islamic capital markets was poised for growth. Instead, Islamic banking was highlighted as the biggest area for growth in Islamic finance training programs, followed by Takaful at 59% with Shariah compliance (56.4%) and wealth planning (53.8%) coming in a close third and fourth.

A dire necessity

A report by the International Research Shariah Academy for Islamic Finance highlighted issues such as narrowing the knowledge and expertise and conducting thorough research in developing Islamic financial products to harness product innovation rather than replication, as well as addressing the shortage of truly qualified Shariah scholars.

According to the Talent Development Survey 2014, 79% of the respondents believed that the number of people currently working in the Islamic finance industry is insufficient to meet the growing needs of the industry. A COMCEC Capital Market Regulator report released in September 2013 further identified two main challenges facing the Islamic finance industry: (1) a demand and supply mismatch whereby training and education providers fail to keep pace with the needs of the industry and the global financial landscape, resulting in candidates not having the right skills required by the industry; (2) a lack of core financial competencies by which many of the skills set and competencies required in Islamic finance overlap with the conventional sector and the ability to understand Shariah principles and flag the risk of Shariah non-compliance is the additional requirement needed to create a unique set of talent that is not only conversant in the modern conventional finance market dynamics but also is equipped with knowledge of Islamic jurisprudence.

Diagram 1: Growth drivers of human capital development



Source: MIFC (2014)

Prospective solutions

The COMCEC Capital Market Regulator report identified the need for strong linkages between the Islamic finance market players and training institutions to minimise potential mismatch of human capital needs. It recommends Islamic financial institutions to be directly involved in designing the modules and curriculum related to Islamic finance to ensure effectiveness of the training and education programs; with an ultimate goal of developing modules and curriculum that are not only theoretically relevant but also practical and true to the real business exposure.

To this end, Islamic finance market players and other stakeholders have increasingly begun to create strategic partnerships and collaborations to enhance the human capital development of the global Islamic finance industry. These partnerships according to MIFC have materialized between various stakeholders such as Islamic banks-universities; Islamic consulting firms-Islamic accreditation agencies; national regulatory bodies in different jurisdictions; multilateral entities; and also on a cross-border basis between relevant institutions to leverage on foreign expertise.

Initiatives

Several partnerships in the field of human capital have been forged between distinguished entities over the past year. The Securities Commission Malaysia and the Securities and Commodities Authority of the UAE signed an MoU to mark a strategic collaboration in capacity building for the Islamic capital market between the two organizations with initiatives in human capital development in the area of capital market and financial services for industry professionals. As part of the country's efforts to develop its Shariah compliant sector, the Kazakhstani government and central bank have agreed to provide financial aid to train human capital for the country's Islamic finance industry. Bursa Malaysia and Tadawul similarly signed an MoU to formalize cooperation for the development of capital market cross-border activities including providing opportunities for human capital development and the exploration of further opportunities.

London Central Portfolio's second Shariah compliant fund: LCA II

This week IFN takes a look at one of the promising funds from the UK. Recently launched, the London Central Apartments II (LCA II) is London Central Portfolio (LCP)'s second Shariah compliant offering. Speaking to LCP, NABILAH ANNUAR gets up close and personal with the new fund.

Due to overwhelming responses received for their previous funds, particularly for the company's third fund, London Central Apartments I, LCP decided to roll out a comparable offering, with a larger total fund size of GBP100 million (US$149.35 million). "Alongside increasing demand from investors worldwide for blue chip tangible assets which can ride out fluctuations, a growing desire for Islamic investment products for Muslim consumers led to the decision to roll out a second Shariah compliant product. As the UK's only residential property fund available for investment, it has represented a pioneering step forward for the Islamic wealth management sector which is still in its infancy in the UK," said LCP. Furthermore, exceptional performance results from LCP's first three funds also underwrote continued demand for LCP's investment products.

Investing in properties across prime central London (PCL) comprising the two most exclusive London Boroughs — The City of Westminster and The Royal Borough of Kensington and Chelsea — the fund is said to be a global asset class uncorrelated to the performance of the rest of the UK property market which is effected by domestic concerns such as levels of employment, earnings and bank finance. It is an international investment hotspot, which is seen as a hedge against political and economic instability elsewhere, with a solid long-term future.

"The credit crunch played a large role in this. PCL has been a proven performer at a time when the stock market continues to oscillate. Bouncing back to health by 2010, prices are now up by 62% from their 2008 pre-credit crunch high. The FTSE 100 has only just enjoyed an all-time high, bringing it a modest 7% above 2008," explained LCP.

Targeting an internal rate of return of 12% per annum after a five-year hold, LCA II's mandate is to buy, renovate and rent out multiple residential units across all of Central London's prime postcodes. This provides investors with vital diversification, benefiting from differential price growth in each of central London's unique micro-markets and accessing the entire tenant pool.

"As with any asset class, the value of any residential investment can fall as well as rise. However, using a property fund can help mitigate the risk, providing diversification, tax benefits and professional expertise," elucidated LCP. According to the firm, the risk is also mitigated by the selection of an asset class which has limited supply (there are only 6,000 transactions a year) but global demand, underpinning price growth. As a five-year closed-end fund, LCA II's medium-term outlook means that investors can ride out any short-term volatility in the marketplace and benefit from its consistent longer term growth.

In light of investors' continued desire to hold onto blue-chip tangible assets, PCL has become increasingly popular. It is increasingly being perceived as an asset class to be included within a balanced investment portfolio and is becoming more attractive to both private and institutional investors looking for stable growth opportunities. Commenting on their outlook for the said fund, LCP conveyed: "The imbalance of supply and demand and the sought-after nature of the assets is likely to underpin long-term price growth. This has reinforced the belief in the longevity of the market and its continued growth potential."

> ***"The imbalance of supply and demand and the sought-after nature of the assets is likely to underpin long-term price growth. This has reinforced the belief in the longevity of the market and its continued growth potential"***

Fund fact sheet	
Shariah advisor(s)	To be organized by structured finance provider - TBC
Domicile	Jersey
Inception date	4th December 2014
Fund characteristics	a) Fund type: Regulated as a Jersey-listed fund in Channel Islands. Considered to be a normal property investment company in other jurisdictions. b) Fund size: GBP100 million (US$149.35 million) c) NAV per share: GBP10 (US$14.93)
Minimum/subsequent investment	Minimum initial investment: GBP85,000 (US$126,948) or GBP25,000 (US$37,337.70) subject to eligibility Minimum additional investment: Not anticipated
Management fee	1% AMC (does not increase in line with portfolio value)
Dividend policy	None expected
Industry allocation	Private rented sector in prime central London (PCL) residential
Fund portfolio composition	Studio, one and two-bedroom flats in all the key micro-markets of PCL

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

Query:

An Islamic bank has raised the following query.

Sometimes the Islamic bank receives requests from some of its customers to include in Murabahah financing some components other than the cost of the goods, such as shipping charges, import duty, inspection charges, etc. Sometimes these claims are mentioned in the commercial invoice for the goods, and sometimes it is in a separate bill but with reference to the same transaction.

Shariah guidance is required in this regard, if such amounts may be financed under the Murabahah structure.

Pronouncement:

Murabahah is being widely used by Islamic banks as a financing structure whereby the Islamic bank purchases the goods from the seller and sells it to the customer against a Murabahah sale price.

The Murabahah sale price includes two major components – the cost for procurement of goods by the bank and the agreed profit. The Murabahah sale price becomes payable by the customer as per agreed payment terms, either in installments or in bullet payments.

As for the profit, it should be duly agreed in the 'promise to purchase' unilateral document submitted by the customer, and as for the component of cost, it may include all types of costs directly related to the procurement of the goods, such as packing charges, shipping charges, installation charges, applicable taxes, surveyor certificate charges, duties, etc.

The important note in this regard is that the additional costs may be financed under the Murabahah financing structure only when these are covered upon calculation of the Murabahah sale price of the goods purchased for the purpose of Murabahah. In other words, when they are clubbed with the commercial invoice of the goods to determine the total procurement cost.

Therefore, if the bank has opened a letter of credit (LC) on the basis of Murabahah for the purchase price only, and before signing the Murabahah agreement the customer has requested to also add to the purchase cost the other direct expenses, it is permissible to do it subject to the evidencing documents.

But in case the Murabahah agreement has been signed between the bank and customer based on the purchase price only, evidenced by the commercial invoice, and later the customer requests to add other additional costs also to the Murabahah financing, it will not be acceptable.

Similarly, if the LC has been opened covering all types of costs, but it bears provision for multiple payments to the supplier in different dates, the Murabahah contract shall be executed only after arrival of all the documents representing the purchase and shipment of the goods, and in that Murabahah agreement all the past and current payments under that particular purchase transaction will be considered in order to determine the total purchase cost, and to create Murabahah on that basis after adding the agreed profit.

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

Islami Bank Bangladesh tops in credit disbursement in 2014

BANGLADESH

By M Shamsuzzaman

Although there is positive feedback about Islami Bank Bangladesh (IBBL) which is tops among private sector banks, there is also wide criticism on its Islamic character. Big entrepreneurs are nowadays interested to receive credit from the government-owned banks for many reasons like exposure of single party limit, lower rate of interest, subsidized commission and fees. Yet as per the statement of the finance minister delivered in parliament on the 24th March 2015, IBBL is leading in credit disbursement in the banking sector of Bangladesh.

IBBL has superseded all the financial institutions in the agriculture, industry trade and SME sectors, having disbursed loans amounting to BDT466.91 billion (US$5.99 billion) up to the 31st December 2014. It has a market share of 9.01% in loans in the total banking sector. In the last year, the amount of loans in the total banking sector was BDT5.18 trillion (US$66.39 billion). Net profit of IBBL was BDT5.13 billion (US$64.67 million) in 2014 after tax and taking into account non-performing loans. IBBL is rendering service to the people through the 'mCash' mobile banking platform and it has 294 branches all over the country.

Elsewhere, Sonali Bank is the biggest bank among state-owned banks having 1,400 branches including in rural areas covering most of the Upazilla and local markets and it ranks second in disbursing loans. After the Hallmark scandal, Sonali Bank suffered a damaged reputation and lost the people's trust with a drastic decrease in its loans disbursement. The remaining banks in the top 10 in terms of credit disbursement are shown in Table 1.

> ***"Although there will inevitably still be challenges ahead but there is ample scope to improve the private banking industry"***

The chairman of the Bangladesh Association of Bankers, Najrul Islam Majumdar, said that private banks play a vital role in financing the industry, trade and SME sectors and therefore contribute significantly to the GDP of the country. Although there will inevitably still be challenges ahead but there is ample scope to improve the private banking industry.

Md Shamsuzzaman is the executive vice-president and head of ICT Wing at Islami Bank Bangladesh. He can be contacted at zaman.ibbl@gmail.com.

Table 1: Ranking of Bangladesh banks according to credit disbursement in 2014 (US$ billion)

	Bank	Bank type	Disbursed credit in 2014
1	Islami Bank Bangladesh	Private Islamic	5.99
2	Sonali Bank	State-owned	3.70
3	Janata Bank	State-owned	3.69
4	Agrani Bank	State-owned	2.68
5	Exim Bank	Private Islamic	2.22
6	National Bank	Private commercial	2.17
7	Arab Bangladesh Bank	Private commercial	2.11
8	United Commercial Bank	Private commercial	2.12
9	Bangladesh Krishi Bank	Specialized bank	2.09
10	First Security Bank	Private Islamic	1.95

Islamic crowdfunding in Singapore gaining momentum

SINGAPORE

By Suhaimi Zainul-Abidin

A first of its kind summit, entitled the 'Ethical Investment and Entrepreneurship Summit' was organized in Singapore in mid-April by Bizmedia Publishing and Amanah Asset Management, attracting almost a 100 participants. The summit extolled the virtues of analyzing investments through an ethical lens, and promoted the adherence to Islamic financing principles. The speakers noted that because Islamic Muamalat principles and universal ethical principles are congruous and mutually reinforcing, Islamic financing principles can therefore be used to help ensure that venture capital and other forms of investment fulfil ethical considerations, and ultimately contribute towards improving and building a more progressive, inclusive and sustainable community.

The speakers for the summit included senior Islamic finance professionals from Malaysia and rising Islamic financial entrepreneurs from Singapore, each with real experience and expertise in Islamic investments. This included Umar Munshi, the founding director of Ethis, possibly the first Islamic crowdfunding platform in Asia.

Ethis operates on the basis of membership and has more than 700 members to date, of which 150 have already participated in investment projects by contributing a combined total of SG$2 million (US$1.5 million) to projects sourced by Ethis. According to Umar, four investment projects have been completed to date and investors have received between 15 to 30% annualized returns.

Crowdfunding has quickly caught on in Singapore as a viable alternative means of securing capital for businesses and projects, so much so that the Monetary Authority of Singapore (MAS) recently released a consultation paper which sought to clarify how securities-based crowdfunding platforms are to be regulated in Singapore. The proposed measures have been described as facilitative in nature, in that they purport to relax certain financial requirements for capital markets intermediaries specifically where such intermediaries operate crowdfunding platforms where the investors are accredited and institutional investors.

There is no doubt that any regulations that restrict the types of investors who can participate in crowdfunding would significantly shrink the potential crowd of investors, and therefore reduce the potential reach, scale and impact of crowdfunding. At the same time, there is a need to recognize the high risks associated with such investments, therefore justifying a cautious approach by the MAS.

Suhaimi Zainul-Abidin is an advisor at 5Pillars. He can be contacted at suhaimi@5pillars.sg.

Another good year for Islamic banking in Pakistan

PAKISTAN

By Muhammad Shoaib Ibrahim

Islamic finance has witnessed tremendous growth in the last four decades and currently has expanded across the globe having an asset base of around US$2 trillion. The industry has also got access to the new markets including various new destinations such as the European region, Korea, Australia, Brazil, Malta, Argentina, China and many more. Having established itself as a viable alternative during the last financial crisis, standard-setting bodies are increasingly looking to promote Islamic finance globally.

The Islamic banking industry in Pakistan has grown significantly since its re-launch in 2001. The industry now accounts for nearly 10% of the country's banking system. Presently, 22 Islamic banking institutions (IBIs) consisting of five fully-fledged Islamic banks and 17 Islamic banking divisions of conventional banks are operating within the country.

Recently, the State Bank of Pakistan (SBP) has released their quarterly Islamic banking bulletin for the period ended the 31st December 2014. According to SBP, IBIs continued to grow during 2014 as its asset base reached PKR1.26 trillion (US$12.86 billion) by the year end depicting an increase of 24.2%. Deposits of IBIs crossed PKR1 trillion (US$10.2 billion) which is a first in the Islamic banking sector. Similarly, the profitability has also remained at a satisfactory level of PKR15 billion (US$146.34 million) as compared to PKR9.4 billion (US$91.71 million) last year. The return on equity and return on assets have also shown improvement.

According to statistics, the popularity of IBIs is gaining strength due to its aggressive branch expansion drive. With the addition of a good number of 270 branches in 2014, IBIs now enjoy a handsome network size of 1,574 branches at year end. The growth in IBIs' assets has outpaced the growth in the overall banking assets which grew only 15% during the year. Asset growth is the fair outcome of rising IBI financing supported with trade finance-related services. The investment in the government's Shariah compliant securities continues to contribute the largest share of the overall investment of IBIs.

When it comes to financing, the sector continues to prefer the conservative style as depicted by its preferred choice of clients. The corporate sector financing remains the major area of financing followed by consumer financing and commodity financing. Due to a vigilant stance, the industry stays away from riskier financing and its asset quality continues to gain in strength.

Over the years, SBP has developed a supportive regulatory and supervisory regime for Islamic banking that is in line with international best practices. SBP is continuously refining and improving the regulatory framework to further strengthen and promote this industry.

Islamic banking is the fastest-growing industry in Pakistan's financial market. Keeping in view the existing growth potential, SBP in collaboration with stakeholders has developed the Strategic Plan 2014-18 for the said industry and set a target of 15% of the market share by 2018. The plan focuses on critical issues and includes necessary initiatives for improving public acceptance and promoting Islamic banking as a distinct and equitable economic system.

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The Salam concept of Islamic trade finance

TRADE FINANCE

By Anthony Coleby

The Shariah concept of Salam was among the six nominated forms of Islamic finance sanctioned for use by Islamic banks under the purview of the Central Bank of Oman in its 2012 Framework document (each of which were set in stone by a new Article 124 of the Banking Law introduced at roughly the same time), the others being Mudarabah, Musharakah, Murabahah, Istisnah and Ijarah.

> ***"Many of the forms of Shariah compliant finance depend upon the support of banking tools that themselves firmly originate from the conventional sector"***

While Salam is in line in fitting the needs of the Omani authorities as a conservative and widely accepted concept, free from dispute among regional Islamic scholars as to its permissibility (it avoids, albeit by adhering to strict parameters, the controversy facing commodity Murabahah or Tawarruq) and is well suited to assist the non–oil economy of the country by its contribution to retail trade liquidity, in the way it operates in practice it is a useful illustration of the way that many of the forms of Shariah compliant finance depend upon the support of banking tools that themselves firmly originate from the conventional sector.

For example, where an Islamic bank has financed the purchase of OMR10 million (US$25.89 million)-worth of widgets under one contract (with Party A) for a six-month delivery (at a price discount of 15%) and under a second independent contract through an agent has agreed (with Party C) to sell widgets of the same value for a three-month delivery at a price discount of 10% with the same delivery date for both contracts, the bank will need to protect itself against non-delivery by Party A and under Salam it cannot condition the contract with Party C on performance by Party A.

Aside from ensuring that, should there be a need, other widgets are otherwise available in the market to satisfy Party C, the bank will look to compensate its potential loss by means, perhaps, of a well-established, conventional tool, a performance bond, likely from another Islamic bank. But that bond and its supporting indemnity will naturally need also to be Shariah compliant by proper coverage in its terms of the basic principles of Islamic finance that apply, most notably, transparency, fairness, risk balance, freedom from interest and an absence of penalties that exceed actual loss.

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Capital is a coward

REAL ESTATE

By Philip Churchill

A Kuwaiti investor visiting our offices last week used a phrase I hadn't heard before, that "Capital is a coward". Asking him to explain, he elaborated that in Kuwait at the moment it feels like there are "wars all around" and that capital is looking to flee and find somewhere it feels safe. Such sentiment has been in the Gulf for a while, but as a motivator we are hearing it more often, not least when Dan Cooper from our Chicago office and I attended the IFN Investor Forum in Dubai a few weeks ago.

Inevitably, a Google search quickly followed to determine the source of the phrase, which traces its history back more than 130 years to 1884, when a US senator shared with his audience that: "Capital is a coward and is as timorous as a young girl." Ironically, as we watch Shariah compliant international investment ever growing, he went on to use this as an excuse to defend restrictions on foreign capital coming into the US, adding that: "The protective tariff is like a lover; it encourages [domestic] capital to come out and seek the embraces of manufactures and industries, so that millions of men and women in this country can earn the money to buy the products of our farms." At least the capital was being invested in real activity.

That capital is a coward only motivated by fear is a rather depressing thought and I'm sure that the Qatar Investment Authority does not consider their GBP2.6 billion (US$3.91 billion) takeover of Canary Wharf Group this week as being driven by fear; however, on a person level for Islamic investors it is a very real consideration.

That the international Islamic real estate industry has grown to a scale and breadth that can provide such investment options to larger Shariah compliant investors is very pleasing, but as we start thinking of capital being cowardly, fearful, perhaps even as a refugee seeking a safe place to both rest and invest, it causes me to pause and think if there is more that as an industry we can do to support smaller retail investors wanting somewhere safe for their Shariah compliant capital.

> ***"It causes me to pause and think if there is more that as an industry we can do to support smaller retail investors wanting somewhere safe for their Shariah compliant capital"***

Philip Churchill is the founder and managing partner at 90 North Real Estate Partners. He can be contacted at pchurchill@90northrep.com.

Death by debt

Getting laid off from one's job has its advantages, provided one has sufficient funds to carry over until the next opportunity arises. Having time to reflect and reanalyze makes one feel a little like Gordon Gekko, re-emerging from prison to write his memoirs and with a feeling "has the world gone quite mad". In this article, HUSSAIN KURESHI discusses the topic of debt.

DEBT

By Hussain Kureshi

For 'finance movie' buffs out there who may have seen 'Wall Street 2: Money Never Sleeps', one would think Oliver Stone was pitching viewers for an alternative financial system based on 'real' values and 'real' valuations. Collateralized debt obligations, collateralized mortgage obligations and asset-backed securities became like sophisticated drugs that gave markets and dealers a new high, followed by serious lows. It seems financial markets are linked to the highs and lows of not real economic activity but to the quality of the newest drug being peddled on Wall Street. Gekko refers to this banking model as 'steroid banking', and I couldn't agree more.

I had an opportunity to work not on Wall Street but a few blocks down on Water Street, the banking district of New York City as a bright-eyed intern in 1990. As a 22-year-old graduate from Stony Brook University, I could not help but feel overwhelmed by the grandeur of the skyscrapers that decided the fate of so many, and ruled the world of capital. It was much later in life, in the shadows of another majestic skyscraper, the Petronas Twin Towers, that I sat in a corner side coffee shop to learn how to put things into perspective. Being an Ayn Rand fan since college, with Howard Roark of Fountainhead being my hero, I have had a love affair with skyscrapers. They do embody the power of man to organize resources, ideas, skills and channel them to create something good. At least they did at one time, now they seem to represent towers of debt.

While residing in Malaysia, I completed two books on Islamic finance. One is 'Contracts and Deals in Islamic Finance, A User's Guide to Cash Flows, Balance Sheets and Capital Structures'. Wiley published it and my co-author Mohsin helped with the research. The second book, 'Financial Engineering in Islamic Finance, the Way Forward, A Case for Islamic Derivatives' is a product of Partridge Publishing and a consequence of my efforts to design financial products and then sell them to financial institutions. This proved rather fruitless as there seems to be no market for external product developers or at least no one is willing to pay for tinkering with ideas. Something which Nicholas Nassim Taleb feels is essential for innovation. Anyway, I am concluding a third book titled 'Essays on Islamic Economic Theory and Finance'. I say essays because again these are just ideas and there is no consensus on what an economic Islamic system should look like in the modern world of industry, finance and democracy. Let's not forget some of the richest Muslim countries today are monarchies and the poorest are democracies. One chapter in this book discusses Y = C + I + G + (X-M).

> ***"Should countries develop by borrowing money or go the slower path of building up their infrastructure and economies organically?"***

Should countries develop by borrowing money or go the slower path of building up their infrastructure and economies organically? Is developing by debt really development? Greece is facing this question and its lenders are worried as to what the answer may be. Households in Malaysia are also worried about this issue as private debt as a percentage of GDP is reaching very high proportions. Residents of Singapore are also worried, where recent reports claimed that credit card debt alone is hovering around US$10 billion. The US has been issuing bonds to pay back previously issued debt for years.

How viable is an economy where the expenditure under the category of C is borrowed? Investments made by companies (that are leveraged against savings of others) is borrowed money, G or government expenditure is borrowed money, and money spent on exporting goods or paying for imports is also borrowed. Why does all this money need to be borrowed? Why can't consumers spend from their savings, companies from internal reserves, and governments from tax revenues? Where has all that money gone? Are individuals living way beyond their means and do they have savings left? Are companies expanding too fast or spending too much on themselves? Are governments doing the same? Are we borrowing long-term debt to run a short-term economy that is just not picking up momentum any more?

When I went to the US in 1989, I marveled at the level of excess, variety of products and unbelievable levels of choices available to consumers. All the amenities of modern life were available of varying quality in just about every home. I felt their economy was saturated, I mean what more could you want to buy? Growing up in the third world, I marveled at the inventions of the western world and thought: "What a wonderful world it must be with all these conveniences and infrastructure." But has the pace of inventions slowed down over the past 10 years? Leaving aside the internet, I wonder what US company has made any impact on households in developing must-buy products. In fact the rest of the world owes the US a debt of gratitude.

The world of outsourcing moved jobs and factories to China. The ripple effect of this economic transition was so tremendous that it affected countries like Vietnam, Cambodia, Malaysia, Indonesia,

continued...

Continued

Phillippines, Thailand, Taiwan, Hong Kong and Singapore. Lives changed in less than a decade, and wealth was accumulated in one generation that once took centuries to accumulate. With European companies following suit, the amount of production in factories across Asia increased manifold.

Another spillover came in the demand for commodities, be they copper, rubber, tin, steel, zinc and above all, oil. China had to build thousands of manufacturing units, and this needed energy and raw materials. Countries like Brazil, South Africa and India benefited from the sale of raw materials and oil-rich countries (that were not invaded) made a lot of money. This includes Qatar, Saudi Arabia, Abu Dhabi, Kuwait, Bahrain, Malaysia and Norway among others. The sovereign wealth funds of these countries are so flush with cash from the sale of oil and gas. The world had changed when Lloyds Bank sold its headquarters to Chinese investors, and when Barclays, the bastion of British prominence in banking, raised close to GBP8 billion (US$11.92 billion) from the sovereign wealth arms of the oil-rich states. Much of this was paid for in cash.

All these orders came from the US and Europe. Factory owners had real receivables to borrow against or real cash in hand to build factories, buy computers, hire employees and so on. But this came at a price for the US and Europe. Not only did jobs move away, so did the income tax revenue resulting in the governments taking a sharp hit. These very same governments were further strained by growing unemployment benefits coupled by (at least in the US) an ageing population less inclined to go on shopping sprees, and reducing populations in Europe and Japan.

The US in the Bush regime accumulated more debt (US$16 trillion on the balance sheet) than ever before in its history, despite Clinton leaving office with a balanced budget. All that money borrowed to fund two wars on two fronts. Countries like the UK, Germany, France, and Italy each owe well in excess of US$2 trillion to domestic and international lenders. Smaller countries like Greece and Ireland accumulated far less debt in dollar terms but far more in terms of debt to GDP. Japan is another similar case. All this debt has been accumulated in peaceful times and exceeds the combined amounts borrowed to fund World War II and to rebuild Europe after the war. So where did this money go? Did it all go in building bridges and hospitals or is this the 'working capital' needed to keep these countries running?

> ***"Country risk premiums are so developed that it is very expensive to transfer capital and invest in emerging markets and frontier markets where risks are high but so are yields"***

The US has approximately US$16 trillion of national debt on its balance sheet, not accounting for expected payments for social security benefits, expected healthcare payouts which are off balance sheet, and contingent liabilities for the government which will take the number closer to around US$80 trillion. If we work with a GDP figure of US$16 trillion, tax to GDP ratios of 35%, average cost of borrowing at 1%, and we split this US$16 trillion into short-term and long-term debt evenly, we get US$8 trillion in short-term debt and US$8 trillion in long-term debt.

The US roughly earns US$5.6 trillion a year in tax revenues; were it to retire short-term debt each year, the government would not have enough money to pay salaries even. Assuming that 100% of short-term debt is rolled over and assuming the government can roll over short-term debt repeatedly for 20 years, the government would still have US$168 billion of just interest payments to make which is 3% of total tax revenue. Were the government committed to pay back all principal sums borrowed over the next 20 years, it would have to set aside another US$800 billion a year or 14% of tax revenue to repay its principal alone. So 17% of tax revenue is just to service existing debt. In the world of compounding this debt is growing by US$5,000 per second, or US$160 billion a year. Even if the US invaded the rest of the world leaving aside European and Japanese allies, there isn't enough wealth in a US$100 trillion GDP world, which it could acquire to pay off its debts. Especially since more than 60% of this GDP is in the world of its own allies.

The UK, France and Italy are not much better with debt levels close to GDP levels and GDP growth rates just slightly above the interest rates on these debts. All these countries also suffer from another problem. Most of their companies are now selling more goods overseas than at home. Thus all expansion is being done overseas, with moneys being borrowed either at home or overseas, jobs are being created overseas, and taxes are being paid overseas. Thus these countries cannot hope to increase their tax revenues anytime soon.

A question to ask is this: Is the US a sound borrower? Apply all the tools we learn in credit analyses and does it make sense to lend more money to the US, the UK, France, Italy, Ireland and Greece? Interestingly enough, with much of the risk management technology being developed by bankers from the Organization for Economic Co-operation and Development countries, country risk premiums are so developed that it is very expensive to transfer capital and invest in emerging markets and frontier markets where risks are high but so are yields.

Where more than 60% of the world's population live with billions yet to buy their first microwave let alone their first home, should capital not move in this direction? So why not invest here and build new markets and new consumers instead of pushing more and more of public savings into the myriad of debt? The proponents of Islamic finance should also be wary of the risks associated with debt and not just find a Shariah compliant derivative of the same drug.

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Sabotaging Islamic banking

Recently in India the Shariah-based SBI mutual fund which was scheduled to be launched in December 2014 was deferred with the motives noticeably seeming to be political, though the reason conveyed was that the Shariah fund will be offered in a better and more attractive format in the future. K Rahman Khan, a congress member, had alleged in Rajya Sabha that the deferred plan was taken due to political reasons. A few months later, it became clear that Subramaniam Swamy was the key personality behind the deferment. YASIR WANI reports.

ISLAMIC BANKING

By Yasir Wani

Mutual funds are not operated under the Banking Regulation Act of the Reserve Bank of India (RBI) but instead are regulated by the Securities and Exchange Board of India (SEBI). Hence, they can be designed on the basis of Islamic Shariah, and that was the case with SBI Shariah compliant mutual funds which were designed on Islamic principles and that also by one of the leading and government-owned nationalized bank.

Crafted on Shariah principles, naturally the mutual funds are to be invested according to the principles of Shariah which ban investing in companies involved in the business of tobacco, alcohol, gambling and the like. There is a proper debt equity ratio to be maintained in these companies in order that they may not be exposed to high-risk levels. Though SEBI has already given the green light to the idea and thus allowed the government-owned SBI to launch the Shariah fund, it was deferred which was a jolt and to some can even be called as the biased regulation of democracy.

There are also a lot of issues in this which need serious introspection. Designing banking regulations in an aspiring economy which hampers the financial inclusion of certain sections of the people will lead the economy to the brink of disaster. The Banking Regulation Act of RBI which was formulated in 1949 is still in force in 2015 and that is the reason the pace of India is static.

A growth-aspiring nation cum the world's largest democracy cannot rely on obsolete ideology. India has to come out of this slumber if it wants to be an India of the 21st century in the real sense. Developed nations are not concerned with where the concept came from (Muslim, Hindu, Sikh or Christian). They look at it from an economic perspective. If it is growth-oriented, they will apply it; its origin does not matter to them but rather the concept.

Muslims in India are provided with the right to freedom of religion only to convey globally that India is the world's largest democracy. Classified under 'fundamental rights', the weight of Indian democracy increases when it comes to the right to freedom of religion as shown by the following articles in the Indian Constitution: Article 25 (Freedom of conscience and free profession, practice and propagation of religion); Article 26 (Freedom to manage religious affairs); Article 27 (Freedom as to payment of taxes for promotion of any particular religion); and Article 28 (Freedom as to attendance at religious instruction or religious worship in certain educational institutions). Without digging deeper into the articles, we can say that we are free to practice our religion.

One such important practice in Islam is dealing with 'interest'. The Quran says, referring to those who deal with interest, "to take notice of war from Allah and his messenger" (2:279). We can see how important interest-free banking is especially to Muslims, even though it is applicable to the entire humanity and is being practiced on a large scale in non-Muslim countries. But thanks to the Banking Regulation Act of RBI; Muslims in India are denied their basic right.

On the other hand, if we look at the concept of the Hindu undivided family (HUF) in India we can grasp that there is a concerted way to deny the Muslim minority their basic rights. HUF is treated as a separate class of taxpayer and not taxed as an association of persons. The tax laws have been particularly reformed to synchronize with the Hindu customs and social practices. The facility only favors a particular section of a society and is not seen as anti-secular even though only relevant to Hindus. But there is no amendment of the Banking Regulation Act of RBI and as a result, a yoke is created for not allowing Islamic banking, even though it is not only for Muslims but also for non-Muslims.

India cannot afford to ignore Shariah compliant banking, a system wholly-based on the principles of humanity, social consideration, social justice, anti-inflation, anti-unemployment, etc. But it is unfortunate that the words 'Islamic' and 'Shariah' are becoming obstacles hindering Islamic banking from making it into the mainstream although alternative names can be used such as interest-free banking, ethical banking, ethical financing or ethical mutual funds. The main factor is the concept which is completely a humanistic-based approach and is evident from those countries which are practicing the concept. It is beneficial to Muslims as well as non-Muslims and an important tool for financial inclusion.

In his recent visit to India, Barack Obama rightly said that, "India will succeed so long as it is not splintered on religious lines" and is a clear indication of where India should stand in order to do justice with different religions. Islamic banking has been advocated by different groups including non-Muslims in India but it is still being hindered by the largest democracy of the world.

If India wants growth in the real sense, it has to allow interest-free banking, Shariah compliant mutual funds and the like, which have already been accepted by the developed nations as a tool for further progress in their economy. Until then, financial inclusion will remain a myth and there will be autocracy under the veil of democracy.

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The momentum continues in Qatar

Qatar's economy grew by more than 6.7% in 2014 and, despite the fall in oil prices, it is expected to continue this growth trajectory for the next two to three years. The banking sector grew by more than 11% last year and growth in the Islamic banking sector outstripped the growth of the conventional banks. So much so that the share of Qatar's Islamic banks of the domestic credit market increased to more than 25% now (from less than 13% in 2006). Assets of Qatar's listed Islamic banks grew on average by more than 20% last year, beating the growth of other regional Islamic financial institutions. AMJAD HUSSAIN provides an update on the latest developments in the Qatari Islamic banking space.

ISLAMIC BANKING

By Amjad Hussain

It is clear that Qatar's commitment to make the infrastructure spending required meet the aspirations of Qatar National Vision 2030 and the FIFA World Cup is fueling the growth of the Islamic banking sector. Islamic banks are using the opportunity that has been presented to them by continued government spending to look at new ways to support contractors and construction companies. We have seen regional Islamic banks club together to finance large infrastructure projects, such as the US$1 billion financing of the Qatar metro. Islamic banks are also looking at supporting the growth sectors identified in the Qatar Nation Vision by providing financing for the education and healthcare sectors. These trends are likely to continue well into 2015 and 2016 as we see new mega projects in Qatar being rolled out.

Qatar-based Islamic banks are reviewing their balance sheets and looking at ways to ensure compliance with the enhanced Basel III Tier 1 capital requirements. This has led to a series of announcements being made recently by local Islamic banks confirming shareholder approval for capital increases. These increases in capital are also likely to play a key part in the future foreign growth and expansion of Qatari Islamic banks. Most of the local Islamic banks have established a presence in many overseas markets and are now looking at further expansion opportunities.

This desire to focus on extra-regional opportunities is driven partly as the result of tight profit margins in Qatar (due to stiff domestic competition) and the need to diversify geographical and asset exposure. Islamic banks have considerable exposure to the local real estate market and see the opportunity to enter foreign markets as an important hedge. In line with this, we have seen a number of announcements made by Qatari Islamic banks regarding potential joint ventures with banks and other institutions globally. Of particular note are the announcements made regarding the increase in collaboration between Qatari Islamic banks and financial institutions in the Far East (such as Qatar Islamic Bank's MoU with Woori Bank in South Korea and Qatar International Islamic Bank's MoU with the Chinese brokerage house, Southwest Securities).

> *"This desire to focus on extra-regional opportunities is driven partly as the result of tight profit margins in Qatar and the need to diversify geographical and asset exposure"*

Like many other regional finance centers, Qatar is positioning itself as a leading place of business for the global Islamic finance industry. In January, the Lord Mayor of London (another jurisdiction which is vying for the position of a leading global Islamic finance jurisdiction) visited Qatar to discuss areas for mutual collaboration and to build on these aspirations. Subsequently, at the recent 10th International Conference on Islamic Economics and Finance, the governor of the Qatar Central Bank (Sheikh Abdulla Saoud Al Thani) stated that Qatar provides world leading infrastructure for Islamic financial institutions and looks to build upon the solid reputation that exists here. Qatar is clearly keen to further improve its attractiveness to foreign Islamic banks.

Qatari banks are also looking at opportunities to innovate and provide further options to Shariah compliant investors. Banks are regularly developing new retail products, aimed at further growing the share of the local market that Islamic banks control. Local banks are also exploring the creation of instruments and products that would encourage further foreign direct investment into the local economy. By way of an example, Masraf Al Rayan (and its investment bank, Al Rayan Investments) are working on a Shariah compliant exchange-traded fund, which will help to increase access for Islamic capital to the Qatar Stock Exchange.

It is clear that despite the existence of a challenging domestic and regional market, Islamic finance institutions in Qatar continue to flourish and show signs of positive growth. This expansion is fueled by the commitment by the State to continue on its well-defined and articulated path of domestic infrastructure investment and capacity building – something which is likely to support the economy for the foreseeable future.

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Promising developments in the Philippines

Islamic banking and finance will get a boost from the anticipated passage of the Bangsamoro Basic Law, which will be the legislative charter of the autonomous region in southern Philippines resulting from the agreement between the Philippine government and the Moro Islamic Liberation Front that hopefully will end the armed conflict and bring peace in the country. Under the proposed law, the Bangko Sentral ng Pilipinas (BSP), the Department of Finance and the National Commission on Muslim Filipinos are mandated to "jointly promote the development of an Islamic banking and finance system, to include among others the establishment of a Shariah Supervisory Board." RAFAEL A MORALES explores this promising development.

PHILIPPINES

By Rafael A Morales

To this end, there will be a review of "existing market environment and policies" and the adoption of "measures to enhance the competitiveness of Islamic finance products", so that "Islamic financial players are not inhibited from introducing of [sic] Islamic finance products." Part of these objectives is the eventual acquisition by the Bangsamoro government of the only existing Islamic bank in the country, namely the Al-Amanah Islamic Investment Bank of the Philippines.

The Philippines officially recognized Islamic banking and finance more than 40 years ago when a legislative charter was granted to the Al Amanah Bank, the first Islamic bank in the country established to cater to the banking requirements of the Muslim population. The said bank was reorganized and phased out in 1990 with the formation of the Al-Amanah Islamic Investment Bank of the Philippines.

The proposed Bangsamoro Basic Law also aims to "further promote investor awareness and acceptance in order to build a broader customer and asset base." In fact, the private sector has already taken the lead in this area. For one, the Philippine Stock Exchange (PSE) came up with a list of companies that passed the AAOIFI Shariah rulebook, with a view to diversifying the investor base of the PSE. The more recent PSE list includes APC Group, Century Peak Metals Holdings Corporation, EEI Corporation, Globe Telecom, MacroAsia Corporation, Nihao Mineral Resources International, SSI Group, and Trans-Asia Petroleum Corporation.

Moreover, civil society organizations in Mindanao are espousing the development and establishment of "hybrid financial services or a combination of conventional and Islamic and Shariah-based financial services, catering to both Muslim and Christian borrowers."

Diversification of the country's debt profile is the motivation behind the plan to have the Philippine government launch its first Sukuk issue. According to reports, this Sukuk issuance will be managed by CIMB Group Holdings together with First Metro Investment Corporation. Certainly, this type of capital raising, if done regularly, would, in large measure, ameliorate the infrastructure funding requirements in the Philippines.

It has also been reported that the Asian Development Bank (ADB), headquartered in the Philippines, is arranging a US$2 million technical assistance program to assist five Central and West Asian countries to develop their regulatory framework and strengthen their ability to deal with Islamic finance supervision. The program is focused not only on legal aspects but also Islamic financial literacy and consumer awareness. The Philippines could be a recipient of this ADB assistance. If this materializes, the Congress of the Philippines might be further encouraged to enact, once and for all, a general legislative framework for Islamic banking and finance in the country, apart from the legislative charter of the Al-Amanah Islamic Investment Bank of the Philippines and in line with the thrust on Islamic banking and finance under the proposed Bangsamoro Basic Law. The ADB has been at the forefront in the development of Islamic finance. A little over a year ago, the ADB, in cooperation with the IFSB, sponsored, at its Manila headquarters, a successful seminar titled 'Islamic Finance for Asia: Development, Prospects, and Inclusive Growth.'

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Obstacles to human capital in the Islamic finance space

The continuing rise of the Islamic banking sector is well documented, enough has been said and countless words are available to be read every day by the very best in the field, whether they are bankers, journalists or industry experts. The challenges facing human resources (HR) in the Islamic finance space have also been written and spoken about many times and so in this article, AZHAR A MIRZA will shed light not only on a few other aspects which have been noticed throughout 2014 but also the key issue that the industry is aware of the problems with human capital but not much is being done to help rectify the situation.

HUMAN CAPITAL

By Azhar A Mirza

The HR sector in the Islamic economy and the banking sector is in denial of the reality of human development and resources. There are major challenges mostly due to a lack of talent pool where it is most needed. Talent is needed at the frontline of innovation, product development, marketing and customer relations. The shortage is due to the lack of investment and short-term thinking by organizations, and also by the lack of agreement over the recognition of qualifications and training. The whole strategy is around not developing the market but simply fulfilling short-term sales targets and completing current transactions. This is clear when you see that most vacancies and the best-paid jobs are for lawyers, but not much else. This short-term thinking by large and cash-rich organizations is and will hinder the real potential of the industry.

One of the main challenges that is faced is of capacity building; supply of talent is something that is slowly being addressed but in 2015 a lot more effort is required to meet the increase in demand for talent. There is also the lack of grass roots development. We often hear that it is difficult to find candidates who have 'experience' working in the Islamic space (which isn't always a requirement). The reality is that someone has to give graduates and those who are starting their careers a chance. Financial institutions in the UK, for example, offer internships, training programs and even workshops where they hold sessions in universities. This is non-existent in the Gulf region and is only present to a small extent in Malaysia. From our research, the ones who do offer internships in the Dubai market for instance are international organizations such as HSBC and Credit Suisse, whereas the local Islamic institutions offer no such service. A core fundamental element of being an Islamic institute should be to train, teach and develop people; they have a corporate social responsibility which is not being fulfilled.

Secondly on the HR side, before we mention innovation, there is no risk-taking when choosing candidates or even knowing what best to look for in a candidate. From our studies, HR departments are unable to identify key details within interviews and CVs that actually make one candidate a far better fit than another.

> ***"HR departments are unable to identify key details within interviews and CVs that actually make one candidate a far better fit than another"***

There is very little imagination at the highest level of Islamic finance institutions. Those who are in positions of power are either from a conventional banking background and will have their legacy influence their decisions, or from a cleric background and are more focused on the purely Shariah jurisprudence point of view. Senior personnel who have an innovative background or vision are few and far between.

This is a key challenge the industry faces and it will continue to struggle to find senior officers who have the vision and belief to grow the industry as innovators and pioneers would. They also have to know and accept that without great talent and skill, the industry will stagnate and allow the skeptics to build a foothold. The Gulf is also a problem, with a young and immature banking sector, so it is not so customer-friendly where regulatory issues are concerned. It is unlikely that innovation will come from this part of the world, rather Europe is more likely to take the lead. Other issues that will hinder growth in the Gulf include working practices, such as the subordinate culture of its workers, who lack the educational culture and global exposure to innovate; and visa rules that discourage people to take risks and innovate, for fear of being on the next plane home. Innovation cannot take place without risk.

One suggestion would be to create cross-border initiatives where international graduates and prospective employees are offered internship positions. This is mutually beneficial as the individuals will receive the experience and insight of working in a respectable organization in a different country and they can also share their experiences of working in their own countries to the organization.

It is difficult to say whether 2015 will be the year where we see change despite the fact that it is long overdue. Firstly, the demand for professionals who are trained and experienced in Islamic finance needs to increase. There is no denying that there is a shortage of well-qualified and Islamic-trained talent but it is out there and just requires some effort to find. The problem is also exacerbated by there actually not being as many open positions in these financial institutions as made out to be.

Secondly, the institutions need to look into investing in training programs and

continued...

Continued

once again, there is a shortage of great training programs and institutes but as an example, we have Ethica in the UAE and the International Center for Education in Islamic Finance (better known as INCEIF) in Malaysia among others as well as consultancies which can offer excellent programs and courses. It is again a case of the financial institutions making X number of demands for people and training but in reality, there is already X number of supply out there. One of the main limiting factors is that despite the billions in the bank, they are unwilling to invest in developing their people.

The financial institutions also need to radically overhaul their HR departments; as with an electric car as an example, there cannot be any compromise on distance, performance and comfort. An Islamic bank should therefore be on par and in certain areas better than its conventional counterparts with regards to customer service levels, training, team building and internal systems utilized to hire and take care of their staff. They cannot rely solely on their Islamic principles to be the main draw for a customer. Attracting customers cannot be achieved by outdated internal processes and old-fashioned customer servicing systems. Every element of the organization should at least understand the underlying concepts of Islamic finance. The reality today is, if I were to visit a branch of an Islamic bank in the UAE, it would be difficult to find a branch employee who can explain in detail the core principles of the financial product I am interested in. For this to change, there has to be training, training which we know for a fact is already in the market.

> ***"At which point will, in particular the UAE Islamic banks, realize that a drastic overhaul of their HR practices is critical to the future growth of their business and not just a change of logo or brand?"***

To summarize, 2014 was very stagnant for human capital in the GCC. The London market was underwhelmed by Sukuk issuance but it is a market that understands the importance of good talent and innovation. Malaysia and Bahrain are both far more established markets and the demand for people has been steady but cautious.

In 2015, we believe we will see an increase in demand coming from Europe, with markets of interest being the UK, Germany and Luxembourg and of course, certain countries within Africa. The GCC has many hurdles to overcome and over the next few months we do expect to see some increases in the level of hiring for Islamic banks but as mentioned, they are still looking at the incorrect profile of a candidate. The question is, at which point will, in particular the UAE Islamic banks, realize that a drastic overhaul of their HR practices is critical to the future growth of their business and not just a change of logo or brand?

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DEALS

Indonesia's Sukuk sale exceeds target

INDONESIA: The Indonesian government received IDR4.73 trillion (US$361.43 million) in incoming bids for its latest sovereign Sukuk auction conducted on the 21st April out of which IDR2.03 trillion (US$156.12 million) was awarded, confirmed the finance ministry in an announcement.

Bank Islam issues Tier 2 Sukuk

MALAYSIA: Bank Islam Malaysia on the 22nd April issued the first tranche of its RM1 billion (US$274.93 million) in nominal value subordinated Sukuk Murabahah program, according to an announcement on Bursa Malaysia's website. Worth RM300 million (US$82.48 million), the facility will mature on the 22nd April 2025 and qualify as Tier 2 regulatory capital.

Noor Bank prices dollar Sukuk

UAE: Noor Bank on the 22nd April priced its maiden five-year US$500 million Sukuk at 2.79%, the Islamic bank announced. According to a press release, the pricing came at the back end of global roadshows undertaken across Asia, the Middle East and Europe. This pricing of 130bps over five-year mid-swaps is at the tight end of the final price guidance and compares to initial profit thoughts in the 140bps area.

The senior unsecured 'A-' rated issuance received an overwhelming investor interest from various geographies including the Middle East (54%), Europe (29%) and Asia (17%) wherein more than 45% of the issuance was allocated to European and Asian investors. The diversity in investor type included fund managers (47%), banks (44%), private banks (6%), insurance companies (2%) and others (1%).

Ivory Coast and ICD set up Sukuk program

IVORY COAST: The Republic of Ivory Coast is setting up a Sukuk program in an aggregate principal amount of XOF300 billion (US$490 million), according to a press release. To be executed in two equal tranches over the 2015-20 period, the program will be structured by the Islamic Corporation for the Development of the Private Sector (ICD) as lead manager.

DEAL TRACKER Full Deal Tracker on page 39

EXPECTED DATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENT DATE
2015	Government of Ivory Coast	XOF300 billion	Sukuk	24th April 2015
TBA	Noor Bank	US$3 billion	Sukuk	15th April 2015
16th April 2015	International Islamic Liquidity Management Corporation	US$860 million	Sukuk	10th April 2015
2016	Government of Kazakhstan	TBA	Sukuk	9th April 2015
TBA	CIMB Group Holdings	RM1 billion	Sukuk	9th April 2015
TBA	Taliworks Corporation	RM210 million	Sukuk Murabahah	8th April 2015
TBA	Government of Senegal	TBA	Sukuk	6th April 2015
TBA	Oman Telecommunications	TBA	Sukuk	23rd March 2015
TBA	Zorlu Energy	TRY100 million	Sukuk	20th March 2015
TBA	Turkiye Finans	RM2.05 billion	Sukuk	20th March 2015
TBA	Government of Jordan	JOD400-500 million	Sukuk	20th March 2015
TBA	Bank Muscat	OMR500 million	Sukuk	20th March 2015
24th March 2015	Government of Indonesia	IDR2 trillion	Sukuk	18th March 2015
Apr-15	Masraf Al Rayan	TBA	Sukuk	17th March 2015

AFRICA

Premier Bank plans debit cards

SOMALIA: Islamic financier Premier Bank will introduce debit cards this year, in collaboration with MasterCard, and install ATM machines in Mogadishu, reported Reuters.

Jaiz signs MoU with SMEDAN

NIGERIA: Shariah compliant Jaiz Bank has signed an MoU with the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) through which both entities will collaborate to design financing products for SMEs, according to news portal Naija247News.

Leasing contract for ADILease

EGYPT: Egypt's Social Fund for Development has signed a EGP10 million (US$1.31 million) contract with Abu Dhabi Islamic Bank Egypt's leasing subsidiary, ADILease Company, according to Amwal Al Ghad.

ASIA

Indonesia has big plans

INDONESIA: Indonesia is in the process of creating a centralized Islamic financial center similar to the Malaysia International Islamic Financial Center, according to Mulya E Siregar, the deputy commissioner of banking supervision for Otoritas Jasa Keuangan (OJK), speaking at the IFN Indonesia Forum held in Jakarta on the 22nd April 2015. The authorities are also exploring the possibility of introducing Islamic repos in the near future, while the National Shariah Board recently released a long-dated Fatwa facilitating Islamic hedging.

However, the commissioner emphasized that greater globalization brings with it greater risk to the domestic industry, calling for a "cross-sectoral integrated approach" towards standardization; and emphasizing that "the development of Islamic finance is the responsibility of all related parties", not just the central banks and supervisory authorities.

RHB Capital's restructuring deemed positive

MALAYSIA: RAM in a statement views RHB Capital's recently announced proposed corporate restructuring, which will see RHB Bank rising to the apex of the banking group instead of RHB Capital, as a proactive move in light of the impending changes in Bank Negara Malaysia (BNM)'s regulations. The BNM discussion paper, 'Capital Adequacy Framework for Financial Holding Companies (Banking Groups)', which was issued last October requires financial holding companies to have minimum capital-adequacy requirements, similar to banks.

Standard Chartered keeps stake in Bank Permata

INDONESIA: Standard Chartered has no intention to sell its 45% stake in Bank Permata, which is focusing on building its Islamic banking business, reported Reuters. Standard Chartered and Astra International own 45% each as of December 2014. According to the report, the two entities bought the stakes together in 2004 and 2006, paying a total of US$548 million. At current market prices, a 45% stake in Bank Permata is valued at approximately US$660 million.

Impian Bebas receives facility

MALAYSIA: Impian Bebas, a joint venture company between KLCC Holdings and Sapura Resources, has entered into an agreement with Maybank Investment Bank, Public Islamic Bank and RHB Islamic Bank to provide a 15-year, RM1.08 billion (US$296.92 million) syndicated Islamic term financing, according to a press release. Expected to be completed by 2020, the company is developing a commercial land known as Lot 91 at Kuala Lumpur City Center into a mixed commercial development comprising an office tower, convention center and retail podium.

Malaysia to create world's largest Shariah fund

MALAYSIA: The Employees Provident Fund will offer an Islamic investment option as of 2017, creating the world's largest Shariah fund of its kind, announced Malaysian prime minister Najib Razak. Speaking at Invest Malaysia 2015, Najib also confirmed that the first Malaysian SRI Sukuk program of up to RM1 billion (US$274.93 million) has been approved and will be issued by Ihsan Sukuk. Also announced is that Securities Commission (SC) of Malaysia is designing a blueprint for the country's Islamic fund and wealth management industry, expected to be ready by the end of 2015. The blueprint will chart a medium and long-term strategic direction for the industry. SC also approved ValueCap's RM1 billion Environmental, Social and Governance Index Fund (ESG Fund) to be launched in June.

According to the premier, Malaysia in 2014 held 22% of the global Islamic assets under management worth US$73 billion.

Maybank introduces IA

MALAYSIA: Maybank Islamic has launched a Mudarabah investment account (IA), in line with the Islamic Financial Services Act 2013 which requires the reclassification of Islamic deposits to promote greater transparency. Over 350,000 Mudarabah deposit accounts will have the opportunity to be reclassified into IA from Wadiah, said the bank in a statement. The IA will take effect on the 16th June 2015.

SapuraKencana seeking re-entry

MALAYSIA: SapuraKencana Petroleum is looking to be reinstated into the Securities Commission (SC) of Malaysia's Shariah compliant list, according to The Star. To that end, the oil and gas service provider has submitted a formal application to the SC and recently restructured US$2.3 billion of its conventional loans into an Islamic facility.

Bursa Malaysia's new listing enquiry service

MALAYSIA: Bursa Malaysia according to a press release has launched the new Listing Information Network System (Bursa LINK) and an online listing enquiry service dubbed 'AskListing@Bursa' for the marketplace. Both are part of the exchange's e-services which will serve as channels for the exchange to move all enquiries from listed issuers online as well as digitize the disclosure and submission processes. The services provide improved and digitized functionalities that are aimed at providing greater efficiency in processes and turnaround time between the exchange and listed issuers, external company secretaries as well as investment banks.

GLOBAL

GFH invests in Turkey

GLOBAL: GFH Capital, a wholly-owned subsidiary of Islamic investment bank Gulf Finance House, has closed a TRY90 million (US$33.39 million) deal with Turkey-based Nurol Real Estate Investment Trust for the latter's residential and office development in Istanbul, known as the Nurol Life Project slated to be completed in the first quarter of 2017. The bank said in a bourse filing that it is expecting to realize over 20% in return on investment during the investment period.

Iran looks to Southeast Asia

GLOBAL: The Iran-Indonesian joint commission, last held in May 2011, will be revived, according to Islamic Republic News Agency quoting Iran's ambassador to Indonesia Valiollah Mohammadi Nasrabadi. The joint commission will reportedly be holding a session soon with Iranian minister of communication and information technology Mahmoud Vaezi to represent Iran.

Separately, the Islamic Republic and Singapore have called for greater economic interaction through the signing of key agreements already reached by the two nations.

StanChart stays in Bahrain

GLOBAL: Standard Chartered will not be exiting its Islamic retail business in Bahrain due to regulatory hurdles, reported Bloomberg quoting an unnamed source. The bank is also reportedly looking to offload its retail operations in Oman.

Legal rule for GCC family businesses

GLOBAL: A new family business legal framework in line with Shariah laws will be submitted to the GCC governments this year in order to streamline the transition of power and business to the next generation smoothly, reported Emirates 27/4 quoting a senior UAE official. The new laws will be presented under the umbrella of the Family Business Network (FBN), a GCC-focused non-profit organization established with a central mandate to facilitate the continuity of Gulf family businesses from one generation to the next. FBN GCC is part of a global network with over 3,000 family businesses and 8,000 individual members across 50 countries.

Expected to attain approval by the GCC governments in two to three years' time, the legal document will be distributed to FBN GCC network members at the annual summit in Dubai this week.

Itqan and Mubasher collaborate

GLOBAL: Saudi-based investment company, Itqan Capital, and Mubasher Financial Services, a provider of regional brokerage services in the Middle East, have signed an MoU to establish a Shariah compliant global brokerage company, according to Arab News. The MoU paves the way for the setting up of the first Shariah compliant global brokerage firm in the region.

MIDDLE EAST

Al Yusr's supervisory board meeting approves products

OMAN: Oman Arab Bank's Al Yusr Islamic Banking has held its first supervisory board meeting of the year, reported Times of Oman. The Shariah Supervisory Board during the meeting approved several Al Yusr retail and corporate banking products and policy including the Al Yusr Ladies Saving Account.

The meeting also welcomed Al Yusr's new internal Shariah reviewer, Dr Muhammad Iman Sastra Mihajat, a Shariah expert from Indonesia.

Warba Bank launches new product

KUWAIT: Warba Bank according to a press release has launched 'Mosawama', a new service which provides its customers as well as customers of other banks with investment opportunities and more options to purchase goods and products available both locally and internationally without any loss margin. Said to be the first of its kind for any Islamic bank in Kuwait, the service is distinguished by quickly performing the transactions where the customer receives the entire commodity without any additional fees on the transaction, and the sale amount is directly credited into the customer's account.

Separately, the bank also re-launched its Qard Hasan facility. According to a press release, the facility has been revised to include new segments as well as a new ceiling of up to KWD5,000 (US$16,524).

Tamkeen and BDB up portfolio size

BAHRAIN: Tamkeen and Bahrain Development Bank (BDB) have signed an agreement to add BHD20 million (US$52.73 million) to their joint enterprise finance portfolio, bringing its total amount to BHD170 million (US$448.26 million), according to a statement on Tamkeen's website. Through their partnership, Tamkeen and BDB provide Shariah compliant finance facilities to SMEs under Tamkeen's Enterprise Finance program.

Increasing pressure on Bahrain

BAHRAIN: In the absence of significant reforms, Moody's Investor Service expects Bahrain's fiscal deficit to increase to 14% of GDP this year and stay wide at 10% in 2016. According to Moody's latest credit analysis on the Kingdom, government debt burden would likely rise above 70% of GDP by the end of next year from about 46% as at the end of 2014.

Declining oil prices and rising expenditure are contributing factors to these projections. Bahrain is rated 'Baa3' (long-term government issuer rating) with a negative outlook.

Meethaq signs MoU with Zawaya

OMAN: Meethaq has signed an MoU with Zawaya Development through which the Islamic financier will provide home financing facilities for the Al Taif 2 and Al Hilal 6 residential projects, reported Times of Oman.

Noor Bank relocates

UAE: Noor Bank announced in a press release the relocation of its Al Orouba Street branch to Sahr Al Emarat, Buhaira, Sharjah Corniche.

ASSET MANAGEMENT

New REIT rules for Pakistan

PAKISTAN: The Securities and Exchange Commission of Pakistan has issued new regulations on real estate investment trusts (REITs). The REIT Regulations 2015, which replaced REIT Regulations 2008, reduces the paid-up capital requirement of REIT management companies (RMCs) to PKR50 million (US$487,805) from PKR200 million (US$1.95 million) and also revises the minimum stake of RMCs in a REIT scheme to 5% from 20%. The SECP hopes to encourage property owners and developers to consider REITs as a means to promote the republic's real estate market, said the regulator in a press release.

SBI Mutual cancels Shariah fund plan

INDIA: SBI Mutual Fund which was supposed to launch a Shariah compliant equity fund last year, presently has no plans to introduce the facility, said minister of state for finance Jayant Sinha to the Assembly of the People, reported Business Standard. Sinha reportedly said that the validity period of approval for the fund had elapsed.

Bahrain's new REIT listing guidelines

BAHRAIN: Bahrain Bourse (BHB) has in a press release announced the adoption of the Real Estate Investment Trust (REIT) Listing Rules effective the 17th May 2015. The rules require that in order to be listed, the REITs comply with the Central Bank of Bahrain (CBB)'s requirement pursuant to the Financial Trust Law No. (23) Of the Year 2006 and Volume 7 of the CBB Rulebook and the rules issued by Bahrain Bourse. It also stipulates compliance to a specific minimum asset value; the REIT or share registrar to maintain a register of unitholders; ongoing obligations to comply with following a listing; compliance with CBB and BHB regulations regarding sale, issue, repurchase of the REIT; and investor reports published to be made available on BHB's website in accordance with disclosure requirements prescribed by the CBB and BHB.

The REIT Listing Rules are applicable to both Shariah compliant REITs as well as conventional REITs, and both individual and institutional investors are allowed to list and trade REITs.

Separately, the BHB is also reportedly seeking to launch Islamic REITs in May, according to Gulf Daily News.

Johor Corp to list new REIT

MALAYSIA: Johor's state investment arm Johor Corp is expected to list its estimated RM900 million (US$252.87 million) Islamic real estate investment trust (REIT) Al-Salam on Bursa Malaysia's main market in the third quarter of this year, according to The Edge. The REIT reportedly will acquire 31 assets from Damansara Assets and QSR Brands (M) Holdings as its initial portfolio. AmanahRaya Trustees is expected to be Al-Salam's trustee while Damansara REIT Managers will be the REIT's manager.

RESULTS

Warba Bank

KUWAIT: Warba Bank realized a net profit growth of 148% to KWD77,000 (US$254,394) in the first quarter of 2015, from a loss of KWD162,000 (US$535,219) over the same period last year. Total assets as at the 31st March 2015 almost doubled (46%) to KWD627 million (US$2.07 billion). The bank has also put in place a new strategy for the next three years until 2017, according to a press release.

Emirates Islamic

UAE: Emirates Islamic in a press release reported a net profit of AED194 million (US$52.81 million), an increase of 106% over the same period last year. Total income (net of customers' share of profit) grew by 58% to AED666 million (US$181.28 million) compared to AED420 million (US$114.32 million) in the same period of 2014.

Sabana REIT

SINGAPORE: Sabana Shariah Compliant Industrial Real Estate Investment Trust (Sabana REIT) generated a net income of SG$10.94 million (US$8.1 million) in the first quarter of 2015, marking a 16% accretion from the same period in 2014. According to an official presentation by the firm, approximately SG$210.6 million (US$155.9 million) of securitized assets were discharged in the first three months of this year which freed almost 43% of Sabana REIT's approximately SG$1.3 billion (US$962.36 million) assets from legal encumbrance. As at the end of March 2015, net asset value per unit stood at SG$1.06 (78 US cents).

United Arab Bank

UAE: United Arab Bank, which offers Islamic banking services, reported a net profit of AED161 million (US$43.82 million) for the first quarter. The bank said in a statement that operating profit was up 10% year-on-year to AED246 million (US$66.96 million) while total assets for the period grew 12% to AED26.5 billion (US$7.21 billion).

QIIB

QATAR: Qatar International Islamic Bank (QIIB) recorded a net profit of QAR212.3 million (US$58.26 million) in the first quarter of 2015 against QAR204.1 million (US$56.01 million) in the corresponding period of 2014. Announcing in a statement, the bank managed to grow its total assets by 8.8% to QAR37 billion (US$10.15 billion). The bank plans to expand its branch and ATM network.

Dubai Financial Market Company

UAE: Dubai Financial Market (DFM) Company saw its first quarter net profit decline 69% to AED67.7 million (US$18.43 million) against the first three months of 2014. The company's trading value also dropped 65.3% during the period to AED38.2 billion (US$10.4 billion). DFM in a statement attributed the weaker performance to the sharp decline in oil prices last year which hindered sentiment and accelerated the slowdown. DFM chairman Essa Kazim nonetheless believes that these are passing circumstances as oil prices are stabilizing at levels above analysts' predictions and macroeconomic indicators remain positive.

Al Meezan Investments

PAKISTAN: As of the 31st March 2015, Al Meezan Investments has assets under management of PKR61.79 billion (US$602.83 million), maintaining its hold as the country's largest Islamic asset manager, according to a statement on its website.

Sharjah Islamic Bank

UAE: Sharjah Islamic Bank registered a profit of AED106.89 million (US$29.1 million) for the January-March 2015 period, a slight decline from the AED110.03 million (US$29.95 million) recorded the corresponding period last year. According to the bank's latest interim financial statements, the bank increased its total assets to AED27.39 billion (US$7.46 billion) in the first quarter from AED26.01 billion (US$7.08 billion) as at the end of 2014.

Aafaq Islamic Finance

UAE: Aafaq Islamic Finance has approved a 30% cash dividend for the 2014 financial year, subject to regulatory approval, said the firm in a press release. The company registered a net profit growth of 101% last year to AED85.25 million (US$23.2 million).

TAKAFUL

KASB Modara to distribute EFU's Takaful products

PAKISTAN: EFU Life Assurance has signed a distribution agreement with KASB Modaraba for its Family Takaful products offered via its window, Hemayah, according to a press release.

Malaysian Re enters re-Takaful business

MALAYSIA: Malaysian Reinsurance (Malaysian Re), wholly-owned by MNRB Holdings, has received central bank approval to establish a re-Takaful arm to conduct General and Family re-Takaful business, according to a bourse filing. As a result, MNRB plans to conduct an internal restructuring exercise for its re-Takaful operation.

Separately, MNRB Holdings which is also the parent company of Takaful Ikhlas, MNRB Retakaful and Malaysian RE (Dubai), is looking to increase its overseas portfolio to 50% of its entire portfolio, from its current 40%. According to Bernama, this move is part of the firm's new strategy for its reinsurance business.

Al Madina Takaful's new app

OMAN: Al Madina Takaful has launched an advanced mobile application (app), mInsurance, reported Muscat Daily. The mobile app allows the buying and renewal of policies, claims processing, generating quotes as well as identifying locations of branches, garages and hospitals.

The operator also introduced self-service kiosks that will be set up at key locations in Oman to better service customers round-the-clock, ably supported by a dedicated call-center facility.

RATINGS

Malaysia's sovereign Sukuk assigned rating

MALAYSIA: Moody's in a statement has assigned a definitive 'A3' senior unsecured rating to the US dollar trust certificates issued by Malaysia Sovereign Sukuk, an SPV established by the government of Malaysia. The rating assigned is at the same level as the long-term local-currency and foreign-currency issuer ratings of the Malaysian government.

No immediate impact on Noble's ratings

HONG KONG: Noble Group's credit profile remains unaffected by recent allegations of earnings manipulation by Muddy Waters, said RAM. According to a statement by the rating agency: "While this development in itself does not affect Noble's ratings, we remain mindful of the potential broader implications, particularly in terms of funding and franchise." Noble has a RM3 billion (US$824.79 million) multicurrency Sukuk Murabahah program rated 'AA2' with a stable outlook.

'AAA(s)/Stable' for Malaysian SRI Sukuk

MALAYSIA: Malaysia's first SRI Sukuk program, to be issued by Khazanah Nasional's SPV, Ihsan Sukuk, has been assigned a preliminary rating of 'AAA(s)/Stable' by RAM, according to a press release by the rating agency. The RM1 billion (US$274.93 million) facility will be structured according to the Wakalah principle.

Cagamas MBS keeps Sukuk rating

MALAYSIA: National mortgage lender Cagamas MBS has had the 'AAA/Stable' rating on its RM2.11 billion (US$588.9 million) Sukuk Musharakah Islamic residential mortgage-backed securities (2007/2027) reaffirmed by RAM. According to a statement by the rating agency, the passing of the Public Sector Home Financing Board Act 2015, which will repeal the existing Housing Loans Fund Act 1971 (Act 42) and vest all assets and liabilities of Bahagian Pinjaman Perumahan (BPP) into a separate body corporate (Public Sector Home Financing Board), will not have an immediate rating impact on Cagamas MBS (BPP is the primary servicer of Cagamas MBS's securitization transactions that are backed by government home financing facilities), opined the rating agency.

'AAA/Stable' for TNB's benchmark Sukuk

MALAYSIA: RAM has maintained the 'AAA/Stable' rating on Tenaga Nasional's US$500 million equivalent Murabahah medium-term note program (2005/2025). The rating agency said in a statement that the rating reaffirmation is based on the group's solid business profile as the national electricity utility company.

Telekom Malaysia's debut Sukuk rated

MALAYSIA: Telekom Malaysia's proposed US$750 million multicurrency Sukuk Wakalah program has been assigned a provisional '(P)A3' rating by Moody's, with a positive outlook, according to a statement by the rating agency. To be issued via Tulip Maple, the facility is Telekom Malaysia's debut Sukuk offering.

Kuwait's sovereign ratings reaffirmed

KUWIAT: RAM in a statement has reaffirmed the respective global-scale and ASEAN-scale sovereign ratings of Kuwait at 'gAA3(pi)/Stable' and 'seaAAA(pi)/Stable'. The reaffirmation of the ratings is based on its opinion that Kuwait's exceptional twin surpluses, its large fiscal buffers, and excellent net external position will remain largely intact despite the decline in crude oil prices; while structural weaknesses endemic to the region, as well as imbalances in the structure of the economy and the labor market, remain largely unaddressed.

CIMB receives ratings for Islamic facilities

MALAYSIA: CIMB Group Holdings's proposed RM6 billion (US$1.69 billion) conventional and Islamic commercial paper (CP) program has been assigned a preliminary 'P1' rating by RAM. Concurrently, the rating agency has in a statement also reaffirmed the respective 'AA1/Stable/P1' and 'AA3/Stable/-' ratings of CIMB Group's RM6 billion conventional and Islamic CP/medium-term note program (2008/2038) and RM3 billion (US$842.9 million) subordinated notes program (2009/2074).

MOVES

Foot Anstey

UK: Foot Anstey has promoted **Zahir Nayani** to senior associate of its Islamic finance team, the firm told IFN.

RHB Banking Group

MALAYSIA: RHB Banking Group has appointed **Khairussaleh Ramli** as CEO/managing director of RHB Capital and group CEO/group managing director of RHB Banking Group, succeeding **Kellee Kam**. The bank said in a statement that Khairussaleh will take over on the 5th May and that he will continue his role as the managing director of RHB Bank.

Bank Dhofar

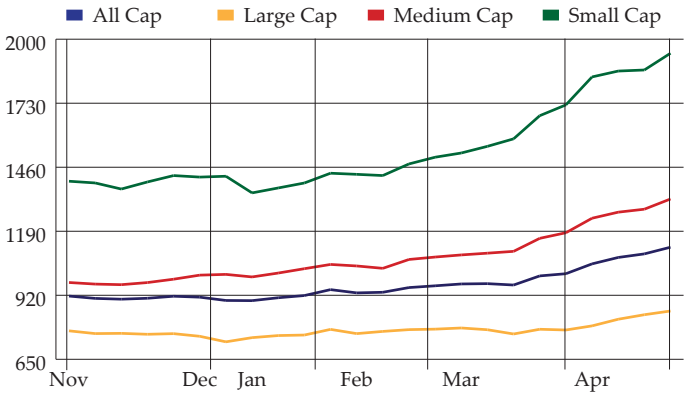
OMAN: Bank Dhofar, which offers Islamic banking services through Maisarah, has appointed **Osama Fathi Abdallah Al Mansour** as the deputy general manager — head of transformation, according to a bourse filing.

KFH Malaysia

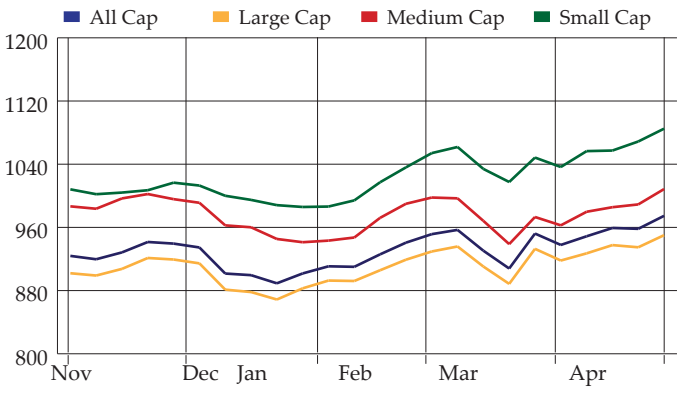
MALAYSIA: IFN has learned that KFH Malaysia has appointed **Ahmed Alkharji** as CEO and the managing director, effective the 20th April.

Expected date	Company's name	Size	Structure	Announcement Date
2015	Government of Ivory Coast	XOF300 billion	Sukuk	24th April 2015
TBA	Noor Bank	US$3 billion	Sukuk	15th April 2015
16th April 2015	International Islamic Liquidity Management Corporation	US$860 million	Sukuk	10th April 2015
2016	Government of Kazakhstan	TBA	Sukuk	9th April 2015
TBA	CIMB Group Holdings	RM1 billion	Sukuk	9th April 2015
TBA	Taliworks Corporation	RM210 million	Sukuk Murabahah	8th April 2015
TBA	Government of Senegal	TBA	Sukuk	6th April 2015
TBA	Oman Telecommunications	TBA	Sukuk	23rd March 2015
TBA	Zorlu Energy	TRY100 million	Sukuk	20th March 2015
TBA	Turkiye Finans	RM2.05 billion	Sukuk	20th March 2015
TBA	Government of Jordan	JOD400-500 million	Sukuk	20th March 2015
TBA	Bank Muscat	OMR500 million	Sukuk	20th March 2015
24th March 2015	Government of Indonesia	IDR2 trillion	Sukuk	18th March 2015
Apr-15	Masraf Al Rayan	TBA	Sukuk	17th March 2015
TBA	Emirates Airline	TBA	Sukuk	16th March 2015
As early as April 2015	Government of UAE	TBA	Green energy Sukuk	12th March 2015
Before June 2015	BNI Syariah	IDR500-750 billion	Sukuk	10th march 2015
TBA	Treet Corporation	PKR539.51 million	Sukuk	9th March 2015
2015	Government of Hong Kong	US$500 million-1 billion	Sukuk	9th March 2015
Before end of April	Emirate of Ras Al Khaimah	TBA	Sukuk	5th March 2015
End of March	National Shipping Company of Saudi Arabia	SAR3.9 billion	Sukuk	5th March 2015
TBA	Sharjah Islamic Bank	TBA	Sukuk	4th March 2015
TBA	Tulip Maple	US$750 million	Sukuk	4th March 2015
6th March 2015	Government of Malaysia	RM100 million	Islamic Treasury Bills	4th March 2015
Mid-2015	Central Bank of Oman	OMR200 million	Sukuk	2nd March 2015
TBA	Khazanah Nasional	RM1 billion	Sukuk	27th February 2015
2015	Gulf Finance House	US$230 million	Sukuk	26th February 2015
2015	Garuda Indonesia	US$500 million	Sukuk	25th February 2015
TBA	IDB	TBA	Sukuk	25th February 2015
TBA	Qatar Islamic Bank	QAR5 billion	Sukuk	23rd February 2015
11th March 2015	Government of Indonesia	IDR5 billion	Sukuk	23rd February 2015
TBA	Al Baraka Bank	TBA	Sukuk	17th February 2015
18th February 2015	Turkish Treasury	TRL1.8 billion	Sukuk Ijarah	17th February 2015
TBA	Government of Malaysia	TBA	Sukuk	16th February 2015
2016	Government of South Africa	TBA	Sukuk	13th February 2015
3rd quarter 2015	SGI-Mitabu	AU$150 million	Sukuk	13th February 2015
TBA	Petroliam Nasional (Petronas)	US$ 7 billion	Sukuk	12th February 2015
TBA	Abu Dhabi Islamic Bank	TBA	Sukuk	11th February 2015
TBA	Qatar International Islamic Bank	QAR3 billion	Sukuk	10th February 2015
10th February 2015	Government of Indonesia	IDR2 trillion	Sukuk	5th February 2015
TBA	BNI Syariah	IDR500 billion	Sukuk	3rd February 2015
TBA	K-Electric	PKR22 billion	Sukuk	3rd February 2015
6th February 2015	Bank Negara Malaysia	US$100 million	Islamic Treasury Bills	2nd February 2015
TBA	Emirates Airline	US$1 billion	Sukuk	30th January 2015
TBA	Qatar Islamic Bank	QAR2 billion	Sukuk	19th January 2015
1st quarter 2015	Bank Islami Pakistan	PKR3.5 billion	Sukuk	15th January 2015
TBA	Pakistan Mobile Communications (Mobilink)	PKR6.9 billion	Sukuk	14th January 2015

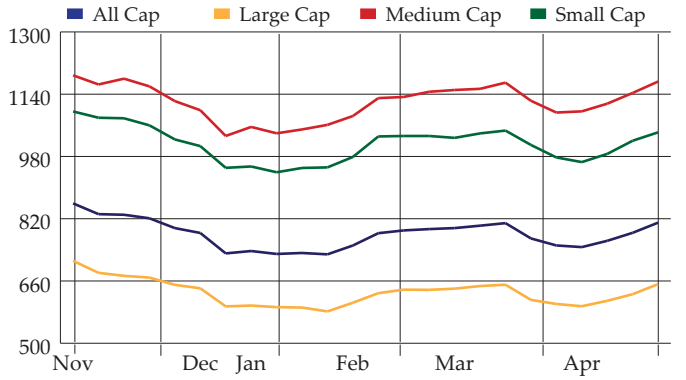
REDmoney Asia ex. Japan *6 Months*



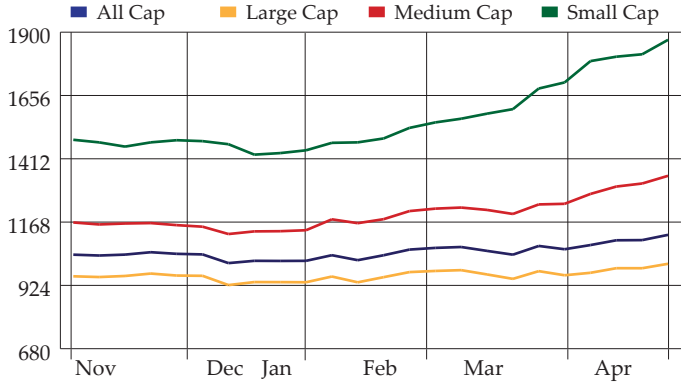
REDmoney Europe *6 Months*



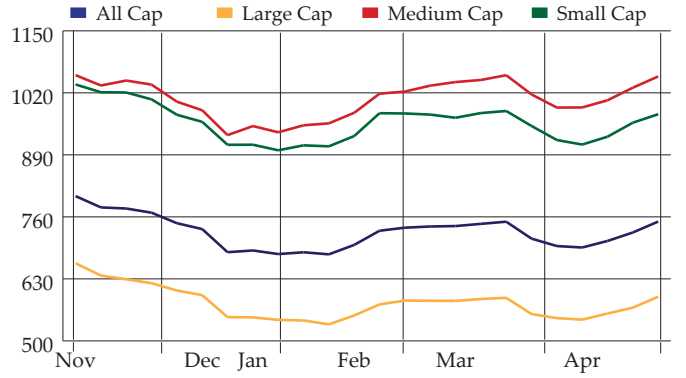
REDmoney GCC *6 Months*



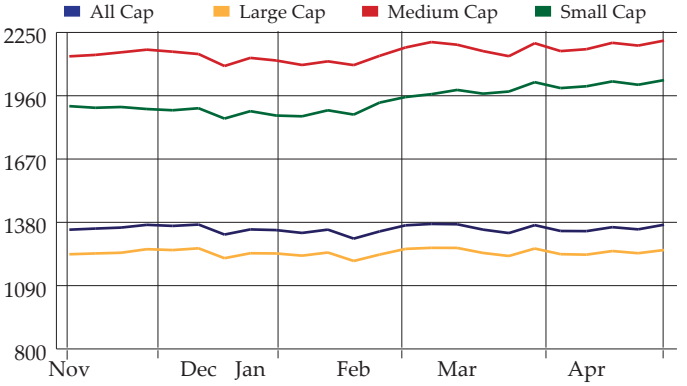
REDmoney Global *6 Months*



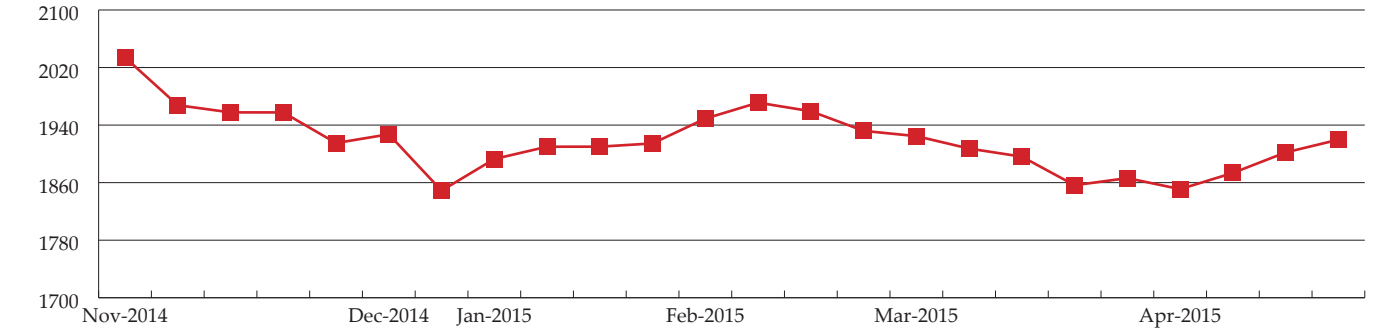
REDmoney MENA *6 Months*



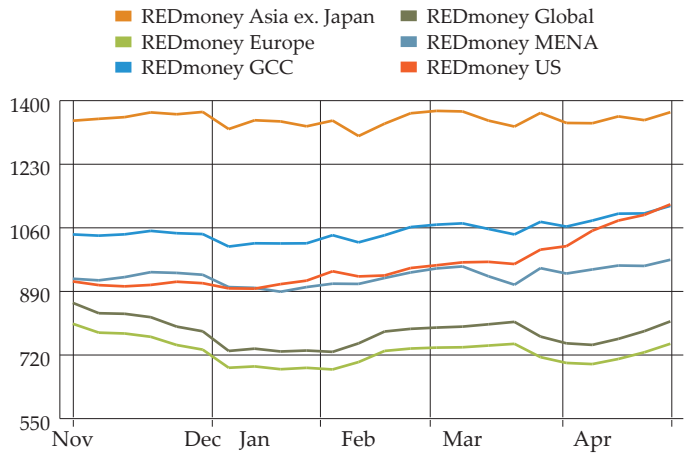
REDmoney US *6 Months*



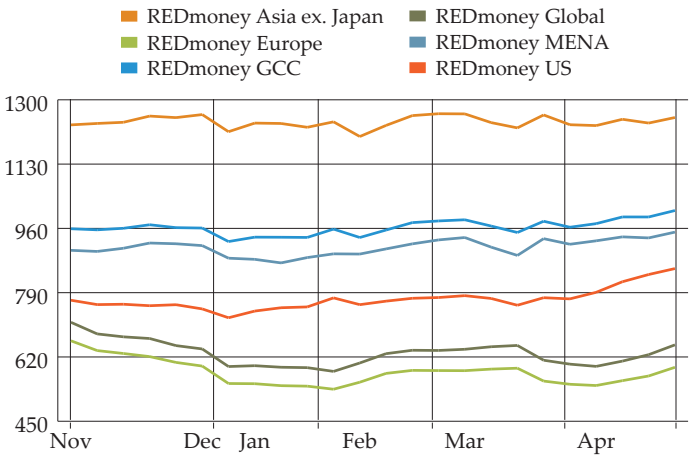
SAMI Halal Food Participation (All Cap) *6 months*



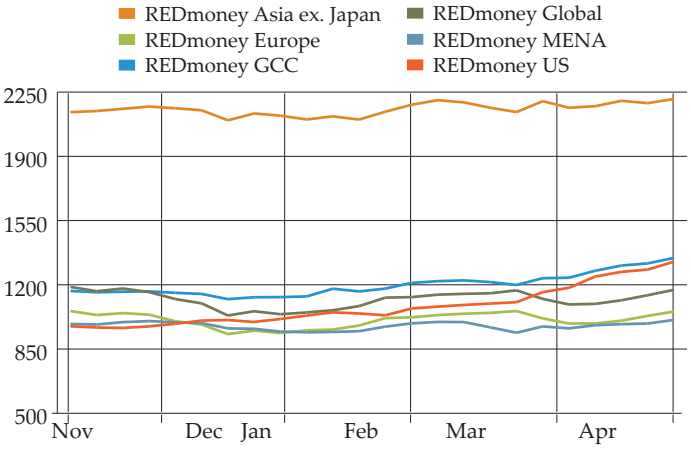
REDmoney Global Shariah Index Series (All Cap) *6 Months*



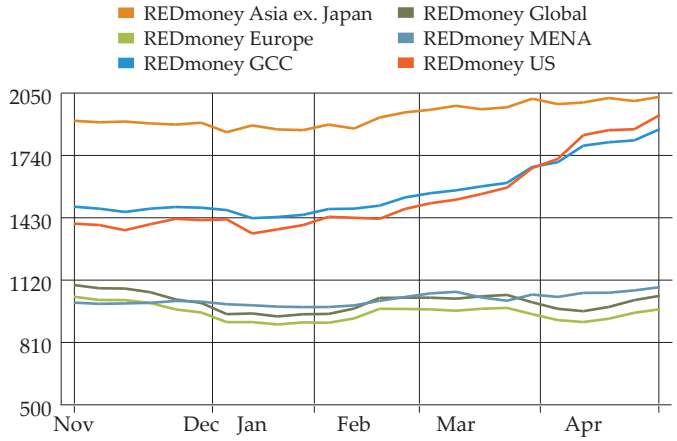
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



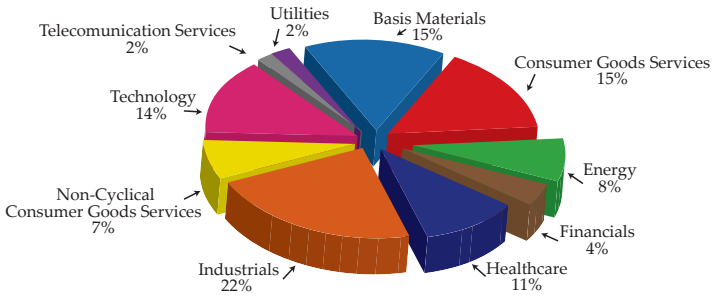
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



REDmoney Global Shariah

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

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



The REDmoney Global Shariah Index Series powered by IdealRatings consists of a rich subset of global listed equities that adhere to clearly defined and transparent Shariah guidelines defined by Shariyah Review Bureau in Jeddah, Saudi Arabia.

The REDmoney Shariah Indexes provides Islamic investors with an accurate and Shariah-specific equity performance benchmark with optimized compliance credibility due to the intensive research conducted to ensure that index constituents do not conflict with the defined Shariah requirements.

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

REDmoney Global Shariah Index Series

REDmoney Indexes IdealRatings®

For further information regarding REDmoney Indexes contact:

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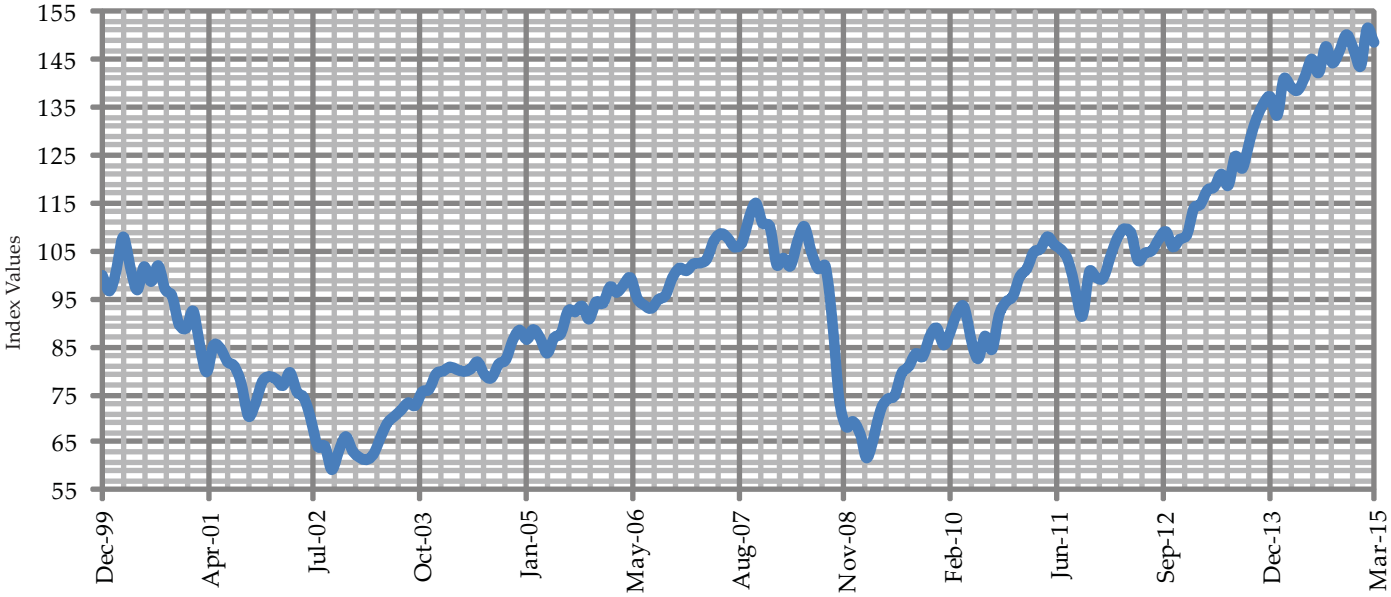
Email: Andrew.Morgan@REDmoneygroup.com
Tel +603 2162 7800

Eurekahedge North America Islamic Fund Index



Top 10 Annualized Returns for ALL Islamic Funds since Inception

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Alkhair Capital Istanbul	Alkhair Portfoy Yonetimi	20.81	Turkey
2	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	17.67	Pakistan
3	WSF Global Equity - USD I	Cogent Asset Management	14.85	Guernsey
4	Public Islamic Select Enterprises	Public Mutual	14.50	Malaysia
5	Public Islamic Opportunites	Public Mutual	13.75	Malaysia
6	Alkhair Capital Index	Alkhair Portfoy Yonetimi	13.58	Turkey
7	QInvest Edgewood Sharia'a	QInvest	13.04	Cayman Islands
8	BNP Paribas Pesona Amanah	PT BNP Paribas Investment Partners	12.90	Indonesia
9	JS Islamic	JS Investments	12.56	Pakistan
10	Public Islamic Dividend	Public Mutual	11.47	Malaysia
	Eurekahedge Islamic Fund Index		**3.24**	

Based on 53.16% of funds which have reported March 2015 returns as at the 27th April 2015

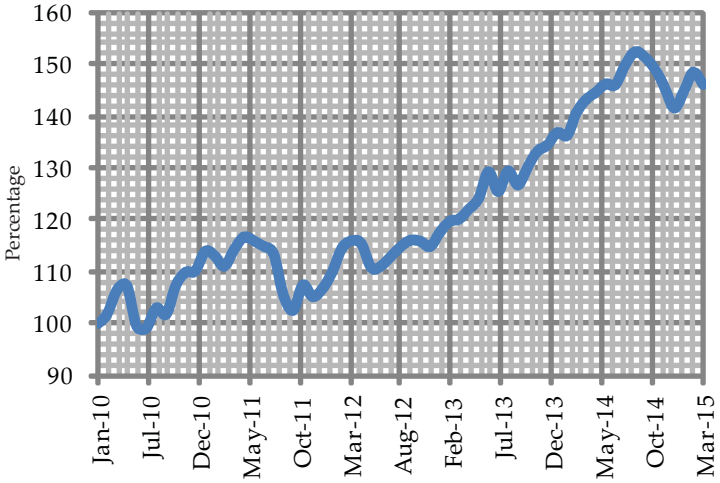
Top 10 Annualized Standard Deviation for ALL Islamic Funds since Inception

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Boubyan KWD Money Market	Boubyan Bank	0.07	Cayman Islands
2	Public Islamic Money Market	Public Mutual	0.13	Malaysia
3	PB Islamic Cash Management	Public Mutual	0.14	Malaysia
4	CIMB Islamic Money Market	CIMB-Principal Asset Management	0.18	Malaysia
5	CIMB Islamic Deposit	CIMB-Principal Asset Management	0.18	Malaysia
6	PB Islamic Cash Plus	Public Mutual	0.21	Malaysia
7	Emirates Islamic Money Market Limited Institutional Share Class I USD	Emirates NBD Asset Management	0.26	Jersey
8	Watani USD Money Market	National Bank of Kuwait	0.34	Cayman Islands
9	Asia Islamic Trade Finance	Asiya Assessment Management (Cayman)	0.42	Cayman Islands
10	Al Rajhi Commodity Mudarabah - USD	Al Rajhi Bank	0.47	Saudi Arabia
	Eurekahedge Islamic Fund Index		**8.30**	

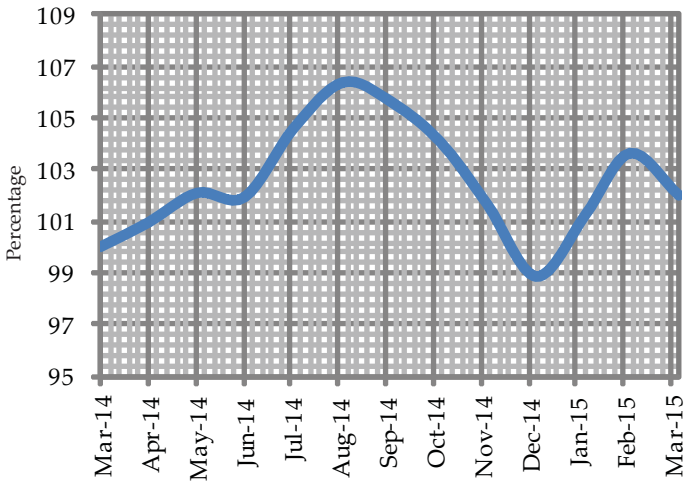
Taking into account funds that have at least 12 months of returns as at the 27th April 2015

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

Eurekahedge Islamic Fund Equity Index over the last 5 years



Eurekahedge Islamic Fund Equity Index over the last 1 year



Top 10 Islamic Equity Funds by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Public Asia Ittikal	Public Mutual	10.92	Malaysia
2	PB Islamic Asia Equity	Public Mutual	9.75	Malaysia
3	PB Islamic Asia Strategic Sector	Public Mutual	9.18	Malaysia
4	Public China Ittikal	Public Mutual	9.16	Malaysia
5	Manulife Investment Shariah Asia-Pacific	MAAKL Mutual	8.24	Malaysia
6	Public Islamic Asia Dividend	Public Mutual	7.97	Malaysia
7	CIMB Islamic Equity	CIMB-Principal Asset Management	7.84	Malaysia
8	Public Islamic Select Treasures	Public Mutual	7.37	Malaysia
9	Public Islamic Opportunites	Public Mutual	6.75	Malaysia
10	CIMB Islamic DALI Equity	CIMB-Principal Asset Management	6.43	Malaysia
	Eurekahedge Islamic Fund Index		**3.22**	

Based on 51.72% of funds which have reported March 2015 returns as at the 27th April 2015

Top 10 Islamic Globally Investing Funds by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	CIMB Islamic Greater China Equity	CIMB-Principal Asset Management	15.15	Malaysia
2	QInvest JOHCM Sharia'a	J O Hambro Capital Management	8.98	Cayman Islands
3	EFH Islamic Financial Institution USD	QInvest	4.44	Luxembourg
4	WSF Global Equity - USD I	Cogent Asset Management	3.92	Guernsey
5	QInvest GAM Sharia'a	GAM International Management	2.24	Cayman Islands
6	BLME Sharia'a Umbrella SICAV-SIF Global Sukuk - Class A USD	Bank of London and The Middle East	1.05	Luxembourg
7	Jadwa Global Sukuk	Jadwa Investment	0.77	Saudi Arabia
8	HSBC Amanah Global Equity Index	HSBC Amanah Central Shariah Committee	0.74	Saudi Arabia
9	Al Rajhi Global Equity	UBS	0.69	Saudi Arabia
10	QInvest Sukuk	QInvest	0.55	Cayman Islands
	Eurekahedge Islamic Fund Index		**1.71**	

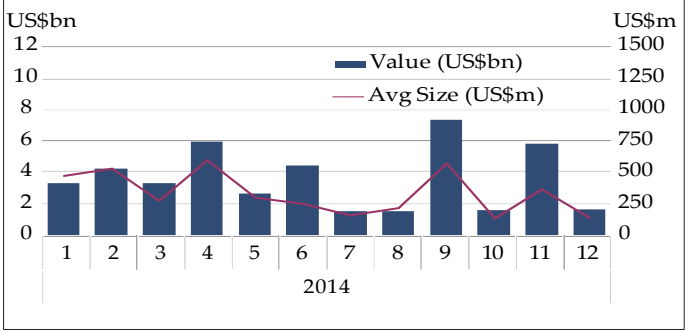
Based on 39.58% of funds which have reported March 2015 returns as at the 27th April 2015

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

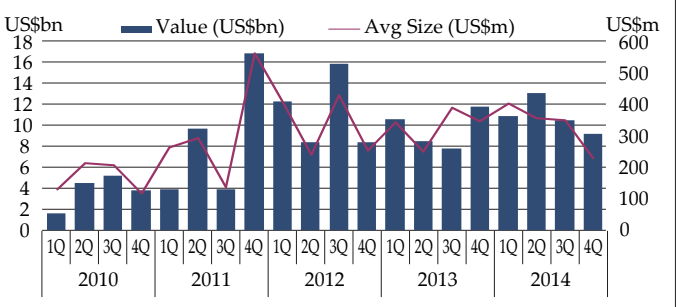
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
21st Apr 2015	Noor Bank	UAE	Sukuk	Euro market public issue	500	Standard Chartered Bank, Dubai Islamic Bank, South Indian Bank, Citigroup, Emirates NBD, Al Hilal Bank, QInvest, Barwa Bank
17th Apr 2015	Aman Sukuk	Malaysia	Sukuk	Domestic market public issue	140	RHB Capital, CIMB Group, AmInvestment Bank
8th Apr 2015	Malaysia Sovereign Sukuk	Malaysia	Sukuk	Euro market public issue	1,500	Standard Chartered Bank, HSBC, CIMB Group
6th Apr 2015	Point Zone (M)	Malaysia	Sukuk	Domestic market public issue	219	Maybank, CIMB Group, Hong Leong Financial Group, Affin Investment Bank, AmInvestment Bank
25th Mar 2015	United Arab Emirates	UAE	Sukuk	Euro market public issue	913	Standard Chartered Bank, JPMorgan, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Citigroup, Emirates NBD
25th Mar 2015	Danga Capital	Malaysia	Sukuk	Domestic market public issue	547	RHB Capital, CIMB Group
24th Mar 2015	Government of Ras Al Khaimah	UAE	Sukuk	Euro market public issue	1,000	JPMorgan, National Bank of Abu Dhabi, Citigroup, Al Hilal Bank
23rd Mar 2015	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	943	RHB Capital, Maybank, CIMB Group, Affin Investment Bank, AmInvestment Bank
20th Mar 2015	Mah Sing Group	Malaysia	Sukuk	Domestic market public issue	146	Maybank, CIMB Group
20th Mar 2015	HSBC Amanah Malaysia	United Kingdom	Sukuk	Domestic market public issue	203	HSBC, Maybank, Hong Leong Financial Group
17th Mar 2015	Prasarana Malaysia	Malaysia	Sukuk	Domestic market public issue	541	RHB Capital, Kenanga Investment Bank, CIMB Group, Affin Investment Bank, AmInvestment Bank
11th 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
10th 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
5th Mar 2015	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	1,000	Saudi National Commercial Bank, Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, RHB Capital, Dubai Islamic Bank, Gulf International Bank, Natixis, CIMB Group
2nd Mar 2015	AmIslamic Bank	Malaysia	Sukuk	Domestic market public issue	332	AmInvestment Bank
28th Jan 2015	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	139	Maybank, CIMB Group
22nd Jan 2015	Danga Capital	Malaysia	Sukuk	Domestic market public issue	445	RHB Capital
14th Jan 2015	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	1,000	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank
19th Dec 2014	DRB-HICOM	Malaysia	Sukuk	Domestic market private placement	206	CIMB Group
19th Dec 2014	Northport (Malaysia)	Malaysia	Sukuk	Domestic market public issue	101	Maybank, Affin Investment Bank

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter



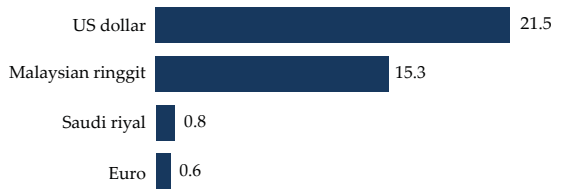
Top 30 Issuers of Global Sukuk *12 Months*

	Issuer	Nationality	Instrument	Market	US$(mln)	Iss(%)	Managers
1	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	2,881	7.4	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	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	2,479	6.4	Standard Chartered Bank, RHB Capital, Maybank, CIMB Group, AmInvestment Bank, Affin Investment Bank, Bank Islam Malaysia
3	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	1,500	3.9	Standard Chartered Bank, HSBC, CIMB Group, Emirates NBD
3	Malaysia Sovereign Sukuk	Malaysia	Sukuk	Euro market public issue	1,500	3.9	Standard Chartered Bank, HSBC, CIMB Group
5	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
6	Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	2.6	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup
6	Hong Kong Sukuk 2014	Hong Kong	Sukuk	Euro market public issue	1,000	2.6	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, CIMB Group
6	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	2.6	HSBC, CIMB Group, Citigroup
6	Government of Ras Al Khaimah	UAE	Sukuk	Euro market public issue	1,000	2.6	JPMorgan, National Bank of Abu Dhabi, Citigroup, Al Hilal Bank
6	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	1,000	2.6	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank
11	Danga Capital	Malaysia	Sukuk	Domestic market public issue	992	2.6	RHB Capital, CIMB Group
12	Bank Pembangunan Malaysia	Malaysia	Sukuk	Domestic market public issue	948	2.5	HSBC, CIMB Group
13	United Arab Emirates	UAE	Sukuk	Euro market public issue	913	2.4	Standard Chartered Bank, JPMorgan, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Citigroup, Emirates NBD
14	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
14	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
16	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	743	1.9	Maybank, CIMB Group
17	ICD	UAE	Sukuk	Euro market public issue	700	1.8	Standard Chartered Bank, HSBC, Dubai Islamic Bank, Citigroup, Emirates NBD
17	Dubai International Financial Centre	UAE	Sukuk	Euro market public issue	700	1.8	Standard Chartered Bank, Dubai Islamic Bank, Emirates NBD, Noor Bank
19	Aman Sukuk	Malaysia	Sukuk	Domestic market public issue	631	1.6	RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group, AmInvestment Bank
20	TDIC Finance	UAE	Sukuk	Domestic market private placement	600	1.6	National Bank of Abu Dhabi
21	Mumtalakat Sukuk Holding	Bahrain	Sukuk	Euro market public issue	594	1.5	Standard Chartered Bank, Deutsche Bank, BNP Paribas, Mitsubishi UFJ Financial Group
22	Prasarana Malaysia	Malaysia	Sukuk	Domestic market public issue	541	1.4	RHB Capital, Kenanga Investment Bank, CIMB Group, Affin Investment Bank, AmInvestment Bank
23	Saudi Telecom	Saudi Arabia	Sukuk	Domestic market public issue	533	1.4	Saudi National Commercial Bank, Standard Chartered Bank, JPMorgan
24	ZAR Sovereign Capital Fund	South Africa	Sukuk	Euro market public issue	500	1.3	BNP Paribas, Standard Bank, Kuwait Finance House
24	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
24	Noor Bank	UAE	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank, Dubai Islamic Bank, South Indian Bank, Citigroup, Emirates NBD, Al Hilal Bank, QInvest, Barwa Bank
24	Kuveyt Turk Katilim Bankasi	Turkey	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank, HSBC, Kuwait Finance House, Citigroup, Emirates NBD
24	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
24	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
24	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
					38,747	**100**	

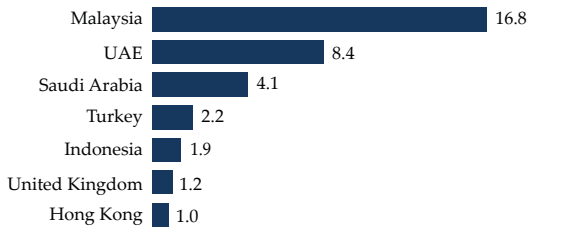
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	CIMB Group	5,796	52	15.0
2	HSBC	4,056	28	10.5
3	Standard Chartered Bank	3,773	26	9.7
4	RHB Capital	3,417	45	8.8
5	Maybank	3,187	34	8.2
6	National Bank of Abu Dhabi	2,240	14	5.8
7	AmInvestment Bank	2,133	27	5.5
8	Emirates NBD	1,597	14	4.1
9	Citigroup	1,472	9	3.8
10	Dubai Islamic Bank	1,180	10	3.0
11	Deutsche Bank	754	5	1.9
12	Al Hilal Bank	701	7	1.8
13	JPMorgan	681	4	1.8
14	Natixis	658	3	1.7
15	Affin Investment Bank	525	9	1.4
16	Kuwait Finance House	507	5	1.3
17	Noor Bank	502	5	1.3
18	Saudi National Commercial Bank	472	4	1.2
19	BNP Paribas	442	3	1.1
20	Kenanga Investment Bank	415	5	1.1
21	Bank Islam Malaysia	389	4	1.0
22	Hong Leong Financial Group	345	10	0.9
23	Abu Dhabi Islamic Bank	328	4	0.9
24	Mitsubishi UFJ Financial Group	287	2	0.7
25	QInvest	283	4	0.7
26	Barwa Bank	279	4	0.7
27	Gulf International Bank	278	2	0.7
28	Sharjah Islamic Bank	275	2	0.7
29	First Gulf Bank	235	2	0.6
30	Morgan Stanley	207	2	0.5
	Total	**38,747**	**131**	**100.0**

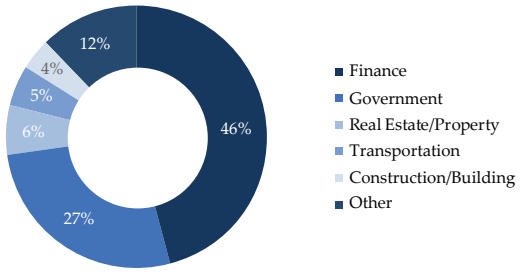
Sukuk Volume by Currency US$ (billion) *12 Months*



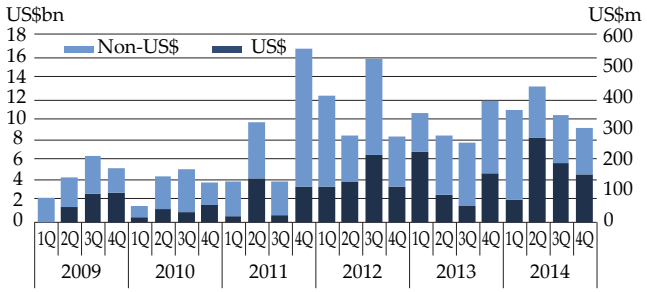
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



Global Sukuk Volume by Sector *12 Months*



Global Sukuk Volume - US$ Analysis



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

	Mandated Lead Arranger	US$ (million)	No	%
1	National Commercial Bank	2,822	4	19.9
2	Sumitomo Mitsui Financial Group	1,606	3	11.3
3	HSBC	836	3	5.9
4	Riyad Bank	755	3	5.3
5	Samba Capital & Investment Management	689	4	4.9
6	Mitsubishi UFJ Financial Group	600	4	4.2
7	Al Rajhi Capital	576	4	4.1
8	Mizuho Financial Group	529	3	3.7
9	Banque Saudi Fransi	517	3	3.6
10	BNP Paribas	336	4	2.4

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

	Legal Advisor	US$ (million)	No	%
1	Allen & Overy	6,375	5	26.1
2	Salans FMC SNR Denton Group	3,984	3	16.3
3	White & Case	3,354	2	13.7
4	Baker & McKenzie	3,009	2	12.3
5	Milbank Tweed Hadley & McCloy	2,704	1	11.1
6	Linklaters	1,631	2	6.7
7	Clifford Chance	1,416	3	5.8
8	Chadbourne & Parke	660	1	2.7
9	Latham & Watkins	433	2	1.8
10	Norton Rose Fulbright	354	1	1.4
10	Pekin & Pekin	354	1	1.4

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

	Mandated Lead Arranger	US$ (mln)	No	%
1	Samba Capital	1,258	5	7.7
2	National Bank of Abu Dhabi	1,145	6	7.0
3	Abu Dhabi Islamic Bank	1,128	6	6.9
4	Banque Saudi Fransi	1,077	5	6.6
5	First Gulf Bank	1,005	10	6.1
6	HSBC	913	7	5.6
7	Saudi National Commercial Bank	816	4	5.0
7	Riyad Bank	816	4	5.0
9	Alinma Bank	710	3	4.3
10	Dubai Islamic Bank	706	6	4.3
11	Mashreqbank	586	3	3.6
12	Abu Dhabi Commercial Bank	561	4	3.4
13	Standard Chartered Bank	524	6	3.2
14	Emirates NBD	468	8	2.9
15	Noor Bank	448	3	2.7
16	Al Rajhi Capital	310	2	1.9
17	Al Hilal Bank	272	3	1.7
18	Barwa Bank	261	4	1.6
19	Commercial Bank of Dubai	247	3	1.5
20	Arab Banking Corporation	226	3	1.4
21	Union National Bank	217	3	1.3
22	UOB	215	1	1.3
22	Sumitomo Mitsui Financial Group	215	1	1.3
22	RHB Capital	215	1	1.3
22	Maybank	215	1	1.3
22	ING	215	1	1.3
22	CIMB Group	215	1	1.3
22	AmInvestment Bank	215	1	1.3
29	Saudi Investment Bank	171	1	1.0
30	SABB	160	1	1.0

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

	Bookrunner	US$ (mln)	No	%
1	Maybank	2,239	1	28.4
2	Samba Capital	1,327	1	16.9
3	Abu Dhabi Islamic Bank	845	3	10.7
4	Saudi National Commercial Bank	666	1	8.5
4	Riyad Bank	666	1	8.5
4	Alinma Bank	666	1	8.5
7	Emirates NBD	302	4	3.8
8	Noor Bank	225	2	2.9
9	Dubai Islamic Bank	176	2	2.2
10	HSBC	161	1	2.1
10	Citigroup	161	1	2.1

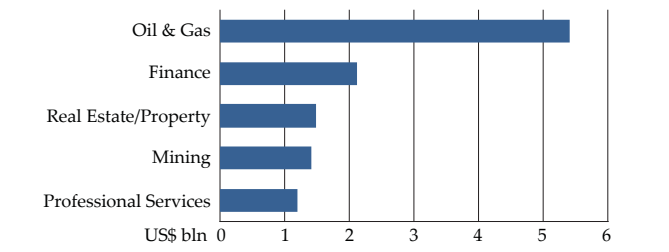
Top Islamic Finance Related Financing Deal List *12 Months*

Credit Date	Borrower	Nationality	US$ (mln)
30th Mar 2015	Saudi Aramco	Saudi Arabia	9,999
30th Jun 2014	Ma'aden Waad al-Shamal Phosphate	Saudi Arabia	2,350
15th Jan 2015	SapuraKencana TMC	Malaysia	2,239
16th Mar 2015	Rabigh Refining & Petrochemical	Saudi Arabia	1,870
21st May 2014	Emaar Malls Group	UAE	1,500
19th Nov 2014	Saudi BinLaden Group	Saudi Arabia	1,327
7th May 2014	Emirates Steel Industries	UAE	1,300
8th Sep 2014	Atlantis The Palm	UAE	1,100
10th Mar 2015	Port & Free Zone World	UAE	1,100
22nd Mar 2015	Arab Petroleum Investments	Saudi Arabia	950

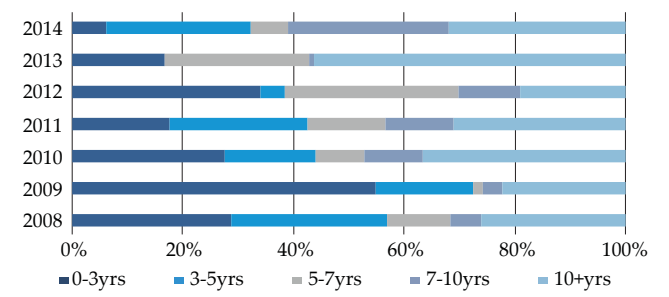
Top Islamic Finance Related Financing by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	Saudi Arabia	7,104	7	43.3
2	UAE	5,858	15	35.7
3	Malaysia	2,239	1	13.7
4	Turkey	573	2	3.5
5	India	272	1	1.7
6	Kuwait	261	1	1.6
7	Indonesia	90	1	0.6

Top Islamic Finance Related Financing by Sector *12 Months*



Global Islamic Financing - Years to Maturity (YTD Comparison)



Are your deals listed here?
If you feel that the information within these tables is inaccurate, you may contact the following directly: Shireen Farhana (Media Relations)
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dealogic

REDmoney events

MAY 2015		
3rd	IFN Qatar Forum	Doha, Qatar
25th – 26th	IFN Asia Forum	Kuala Lumpur, Malaysia
JUNE 2015		
10th	IFN Europe Forum	Luxembourg
SEPTEMBER 2015		
13th	IFN Issuer Forum	Dubai, UAE
OCTOBER 2015		
5th	IFN Kuwait Forum	Kuwait City
27th	IFN Egypt Forum	Cairo, Egypt
NOVEMBER 2015		
17th	IFN Turkey Forum	Istanbul, Turkey
30th	IFN Saudi Arabia Forum	Jeddah, Saudi Arabia

REDmoney training

APRIL 2015		
29th –30th	RMT: Managing Counterparty Credit Risk, Basel III and Recent Regulatory Issues	Dubai, UAE
MAY 2015		
4th –6th	RMT: Bank Asset & Liability Management Simulation	Kuala Lumpur, Malaysia
7th –8th	RMT: Managing Counterparty Credit Risk, Basel III & Recent Regulatory Issues	Kuala Lumpur, Malaysia
10th –12th	IFT: Islamic Treasury & Risk Management Products	Dubai, UAE
JUNE 2015		
3th –5th	RMT: Understanding & Applying Structured Products	Kuala Lumpur, Malaysia
7th –9th	IFT: Advanced Sukuk & Islamic Securitization	Riyadh, Saudi Arabia
8th –10th	RMT: Funds Transfer Pricing	Istanbul, Turkey
27th –28th	IFT: Islamic Financial Products: Current Trends, Regulation & Practices	Kuala Lumpur, Malaysia
27th –29th	IFT: Structuring Islamic Trade Finance Solutions	Kuala Lumpur, Malaysia

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