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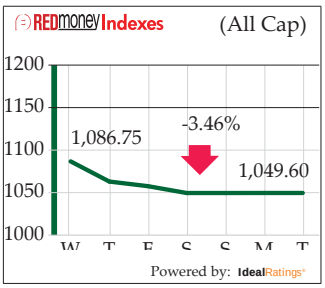


COVER STORY

8th July 2015 (*Volume 12 Issue 27*)

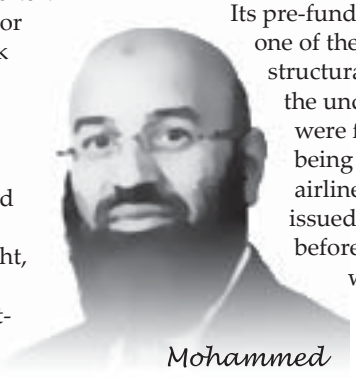
Crossing borders: Export financing creates new paths

In March this year Emirates Airline closed a US$913 million Sukuk issuance, in the first-ever deal backed by the UK government through UK Export Finance (UKEF). But the transaction was groundbreaking in more ways than one — and has carved a path upon which traffic is already increasing. As the dust settles on the deal, LAUREN MCAUGHTRY looks back at its unique features, and forward towards its ultimate impact on the industry.

A landmark deal

The industry seems to agree that the recent Emirates transaction was a groundbreaking move. But why? And what impact will ripple out from this one pebble dropped into international waters?

"The UKEF-backed Emirates Sukuk not only marked a world first for utilizing a UKEF-backed Sukuk for an aircraft financing, but in addition was the first time that a Sukuk has been used to pre-fund the acquisition of aircraft," explained Mohammed Paracha, the head of Islamic finance at Norton Rose Fulbright, who worked on the deal. "The transaction was also the largest-ever capital markets offering in the aviation space with an export credit agency (ECA) guarantee and the first-ever Sukuk financing for an A380."


Mohammed

Although credit guarantees have taken time to gain traction, in part because of their fee structure, which scholars have often seen as non-compliant in a guarantee context, their use has been increasing both in the conventional and Islamic market. For the Shariah compliant capital market, which is dominated by sovereign issuance, their use is especially important — as it could not only widen the options available for corporate fundraising, but encourage the development of a secondary market through the deepening complexity of a more diversified Sukuk sector. In this sense, the Emirates Sukuk was a pioneering breakthrough.

Its pre-funded nature was one of the most interesting structural aspects. Although the underlying assets were for A380 aircraft being purchased by the airline, Emirates actually issued the trust certificates before all of the planes were delivered. "This resulted in an innovative structure based on 'rights to travel' or ATKMs (available tonne kilometers, an airline industry measure of total capacity calculated as the total tonnage available for the carriage of passengers and freight multiplied by the distance flown)," elaborated Andy Cairns, the managing director and the global head of debt distribution and origination at National Bank of Abu Dhabi (NBAD), the structuring agent for the deal. "So we had 100% ATKM and then as the aircraft were delivered by Airbus to Emirates, it dropped to 75% to 50% to 25% and then to zero, in terms of the ATKM component, as they were replaced by [the] physical aircraft themselves."

The prohibition laid down by Shariah on trading in debt (Bai Dayn) has, until now, typically discouraged issuers from utilizing Sukuk to pre-fund the acquisition of aircraft. "The problem had been two-fold; firstly during the pre-delivery period, where the aircraft has not yet been manufactured or delivered, as there is no asset base for the Sukuk, returns cannot be generated for Sukukholders — and secondly, if the proceeds of the Sukuk remain in monetary form during the pre-delivery period due to the lack of a tangible asset, trading of the Sukuk is not permitted

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DEALS

Indonesian finance and religious affairs ministries sell Islamic securities

Bahrain Bourse invites foreign investors to subscribe to the government's Sukuk

Noor Bank lists debut Sukuk on **NASDAQ Dubai**

Qatar Islamic Bank issues Qatar's first Basel III-compliant Tier 1 Sukuk

International Islamic Liquidity Management to conduct Sukuk auction

Toyota Capital targets first Sukuk drawdown from its RM2.5 billion (US$665.57 million) program in the third quarter of 2015

Sunway Treasury Sukuk to issue Sukuk

Bank Negara Malaysia issues RM600 million (US$159.74 million) Murabahah tender

NEWS

IFSB admits **First Community Bank** as member

National Bank of Commerce starts extending financing through its Islamic banking window

Agrobank becomes fully-fledged Islamic bank

IOI Corporation could regain Shariah compliant status with restructuring of debt composition

Crescent Wealth concludes Shariah compliant real estate deal part-funded by **National Australia Bank**'s new Wakalah product

Alkhair International Islamic Bank to expand banking footprint into Southeast Asia through acquisitions; plans to issue Sukuk

Islamic banks in Indonesia unveil a new standard on Islamic repurchase agreements

Brunei to launch its own stock exchange in 2017

FAA develops the Islamic Finance Professional Qualifications Standards

ASSET MANAGEMENT

Affin Hwang Asset Management unveils Affin Hwang Aiiman PRS Shariah Moderate Fund as demand grows for Shariah compliant products

Public Mutual declares over RM178 million (US$47.39 million) in distributions for 13 funds including five Islamic funds

HSBC Amanah rolls out new product in support of eradicating education inequity

TAKAFUL

Baitulmal launches Takaful Asnaf Plan

Syarikat Takaful Malaysia expects overall growth to hit 15% by end of 2015

Egyptian Takaful Insurance Company (Non-life) targets US$1.3 million premiums in fiscal year 2015-16; negotiates bancassurance deal

RATINGS

Fitch affirms Malaysia's credit ratings; revises outlook to stable

Industrial Bank of Korea's conventional and Islamic facilities maintain 'AAA' rating

Majid Al Futtaim receives 'BBB' rating

Moody's assigns counterparty risk assessments to 16 UAE banks

Infrastructure Sukuk for Sarawak by **Aquasar Capital** maintain 'AAA(s)/ Stable' rating

RAM maintains **BGSM Management**'s rating remain unaffected by recent issuance of **Maxis**'s Sukuk

RAM reaffirms **Bank Muamalat**'s ratings at 'A2/ Stable/P1'

RAM releases ratings criteria for government-linked financial institutions and systemically important banks

RAM withdraws ratings of **Syarikat Borcos Shipping**'s Sukuk

RAM reaffirms **NUR Power**'s top Sukuk ratings

Qatar to register 7% growth in GDP this year; banking sector remains stable

MOVES

Commercial Bank International appoints new head of Islamic banking

Mohammed Al Ardhi succeeds Nemir Kirdar as the executive chairman while the latter assumes chairmanship of the board of directors of **Investcorp**

Barwa Bank promotes Ahmed Abdulaziz Al Emadi to the role of head of corporate banking

Riyad Bank's John Morris joins **Eiger Trading** as associate director

90 North signs up three new hires

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because of the Bai Dayn prohibition," noted Mohammed. However, Emirates successfully addressed these obstacles in their Sukuk by way of the sale and purchase of rights to travel. A portion of the issuance proceeds on the closing date was used to purchase ATKMs from Emirates for the right for the Sukuk trustee to travel on certain Emirates routes along with other associated services. On the successful delivery of the aircraft, these are then returned to the airline. Shariah considers these rights to travel to be a qualifying tangible asset.

An innovative alternative

This structure has opened the door for a raft of future possibilities, and pushed back the boundaries of what is possible to achieve through Sukuk issuance. "This innovation means that the Sukuk is now a much more flexible instrument that may be used to finance either pre-acquired aircraft, as has until now usually been the case, or future acquired aircraft. The financing method is also by no means limited to aircraft as the asset base, but may be adopted to fund other asset purchases such as ships or rolling stock," pointed out Mohammed.

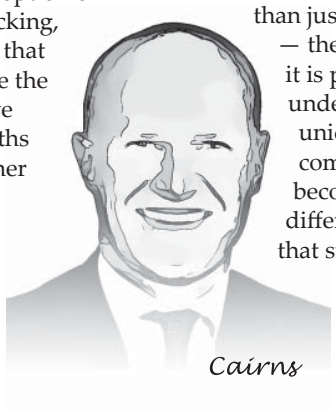
"The deal opened an avenue of funding which we haven't accessed before, and having done that so successfully with the first deal, hopefully this will give confidence to others to look at that as an option. We hope and expect new deals to come from other airlines and from non-aviation markets as well," confirmed Gordon Welsh, the head of aviation at UKEF, speaking to IFN. "We look at this as a catalyst that others might follow, and that will help to develop the market. There is a lot of big project work going on in the Middle East and other countries that needs large capacity. There will be times when they look at the option of using a Sukuk with ECA backing, and now UKEF can provide that to them. That's where we see the real advantage of what we've done over the past few months — we have opened up another pool of liquidity."

Historically, project finance has not always been well-catered for by Islamic finance, because the industry itself is asset-based. For example, if a developer wishes to fund a greenfield project, there may not yet be any tangible assets around which Sukuk can be structured. "What the Emirates deal has done is to demonstrate that there are capital markets alternatives within export credit agencies that can appeal to Islamic investors," agreed Cairns. "This was an interesting transaction from an export finance perspective, in that we were able to replicate for the first time in Sukuk format, what we've seen several of in the conventional capital markets."

> ***"Through their support of the Emirates Sukuk, UKEF did more than just back an Islamic deal — they demonstrated that it is possible for ECAs to understand and navigate the unique structuring of Shariah compliant financings"***

An expanding industry

In other words, through their support of the Emirates Sukuk, UKEF did more than just back an Islamic deal — they demonstrated that it is possible for ECAs to understand and navigate the unique structuring of Shariah compliant financings and to become comfortable with the different risks and challenges that such financings might present. "We understand that the transaction was watched closely and with interest by other export credit agencies, including the Export-Import Bank of the United States," noted Mohammed. "Given the huge success of the transaction, we believe that it should pave the way for many future ECA-backed Sukuk, not only in the aircraft industry, but across a diverse spectrum of asset financings."


Cairns

So what's next? "Well, we are certainly going to see further ECA-backed aviation Sukuk issuance," predicted Cairns. "My hope is that we will see more from UKEF for Airbus products — and it would be great if that could be replicated by the US EXIM for Boeing. I think there is a high degree of likelihood that this will happen." Will it happen this year though? "Probably not. But just from a competitor's standpoint, Boeing and EXIM will want to have this product in their arsenal so that they can compete most effectively with Airbus."

"Today, we are the only ECA that has taken this approach — and remember, we did this together with our French and German colleagues," commented Welsh. "So the European side may have a temporary advantage — but we have the highest regard for our US colleagues and their abilities to develop new products. We often learn from them, so it is a give and take situation."

In fact, although no concrete news is yet forthcoming, Boeing has already confirmed that it is looking into the possibility. "BCC is currently exploring opportunities for Islamic finance in the aviation sector and the possibility of including aircraft finance in the Islamic Sukuk, or bond, market in which an aircraft finance portfolio would be secured by an instrument known as the Enhanced Equipment Trust Certificate," the firm states on its website.

But there is also the very real possibility that we could start to see other asset classes using the ECA Sukuk structure: such as the refinancing of projects, the purchasing of turbines, or other high-value assets that are being sold for export and are eligible for ECA cover. And as these become incorporated into the Sukuk structure, the industry will expand both in scope and sophistication to a point where, theoretically, it could

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become a significant global instrument. "Last year was a year where Sukuk moved from the capital markets periphery to the mainstream," agreed Cairns. "What we are seeing and what we as an institution are striving to do is replicate in an Islamic sense, the majority of products and capital markets solutions that are currently being structured conventionally."

If export credit agencies step in to act more broadly against a wider range of export assets, this would provide a greater opportunity for Islamic investors to buy a wider variety, thus assisting with diversification. And equally, a wider range of Islamic financing opportunities for borrowers who already have a Shariah preference or who want to diversify into the Islamic investor base can only be a good thing.

> ***"Will UKEF itself do another deal in the future? "Of course."***

Alternative options

So what new opportunities are out there — and have any yet gained traction? Although the Emirates deal captured the biggest headlines, there are in fact a number of areas in which credit guarantees — both public and private — are quietly assisting the industry to progress.

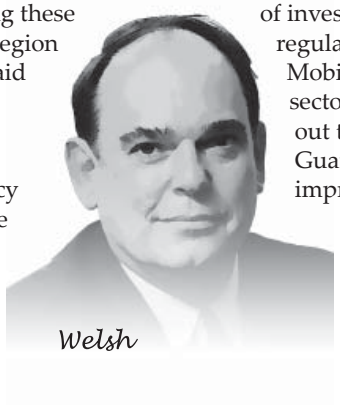
In September 2014, Ethiopian Airlines signed a US$78 million Shariah compliant financing for four Canadian-built Bombardier Dash-8-400 aircraft, backed by Export Development Canada (EDC), in the first-ever Islamic deal for African aviation. Each of the four aircraft is held in a bankruptcy remote British Virgin Islands (BVI) orphan special purpose vehicle (SPVs: the 'borrowers') set up by Conyers Dill & Pearman, the BVI legal counsel for EDC. As lender, EDC then offered each 'borrower' a loan to finance the acquisition of the relevant aircraft. The SPVs leased these aircraft to a BVI subsidiary of the Middle East lessor, Palma IBDAR Aviation, a joint venture between Palma Holding and Ibdar Bank, an Islamic wholesale bank based in Bahrain. Palma IBDAR Aviation in turn subleased the aircraft to Ethiopian Airlines as operating lessee. Ibdar Bank financed US$22 million of the deal through equity, in addition to the US$78 million from EDC, making up a US$100 million transaction.

Development agencies

Multilateral development agencies are also assisting the industry to move forward. In 2013, the IDB through its subsidiary, the Islamic Corporation for the Insurance of Investment & Export Credit (ICIEC), launched an insurance instrument to encourage sovereign Sukuk issuance by protecting Sukuk investors against default by sovereign member country issuance. "In line with its mandate to facilitate the flow of investments and project finance to its member countries, ICIEC has taken the initiative to launch this innovative insurance product which is the first of its kind in the market," said Dr Abdel Rahman Al-Tayeb Taha, CEO of ICIEC, at its launch. "Sukuk insurance will help ICIEC's member countries tap international capital markets and mobilize resources by providing insurance cover to investors in sovereign Sukuk."

Although the insurance guarantee has not yet been used by a sovereign issuer, the ICIEC plays a valuable role in Islamic export guarantees: facilitating US$4.3 billion of exports and investments for its member countries in 2014, an increase of 29% compared to the previous year. "The business growth is a result of the strong collaboration with our partners in member countries, as well as the international players, in making transactions happen during these critical situation[s] in the region as well as in the world," said Hani Salem Sonbol, acting CEO of ICIEC.

A prime focus of the agency is currently the importance of export credit and investment in Africa, and it is reportedly working on a number of deals on the continent. In February this year, it provided US$80 million in reinsurance support to the Overseas Private Investment Corporation (OPIC) for a five-year political risk insurance policy extended to Apache Corporation's activities in Egypt. Other areas of focus include the wider Asia region: in March, the ICIEC signed an agreement with Korea Trade Insurance Corporation (K-Sure) to build a 'trade finance highway' through reinsurance, co-insurance and/or fronting.



Private sector push

Non-Islamic agencies are also getting involved. GuarantCo is a commercially-run Mauritian subsidiary of the Private Infrastructure Development Group (PIDG): a multi-donor organization whose members include the UK Department for International Development, the Swiss State Secretariat for Economic Affairs, the Netherlands Ministry of Foreign Affairs, the Swedish International Development Cooperation Agency, the World Bank, Irish Aid and the Austrian Development Agency. The aim of the firm is to provide credit in order to "enhance local currency debt issuance by private, municipal and parastatal entities for infrastructure projects in lower income countries around the world": assisting projects in poorer countries to build market capacity, avoid reliance on hard currency debt and develop sustainable infrastructure financing solutions.

Earlier this year, GuarantCo extended the first-ever third-party credit guarantee for Sukuk in Pakistan, assisting Pakistan Mobile Communications (Mobilink) to issue PKR6.9 billion (US$68.6 million) in order to fund its network expansion. The support was needed because the limited size of the corporate bond market in Pakistan meant that the majority of investors had reached their regulatory limit on exposure to Mobilink and the wider telecoms sector, driving the firm to reach out to GuarantCo for assistance. GuarantCo's involvement improved Mobilink's local credit rating from 'AA-' to 'AA+', helped existing investors overcome their regulatory constraints

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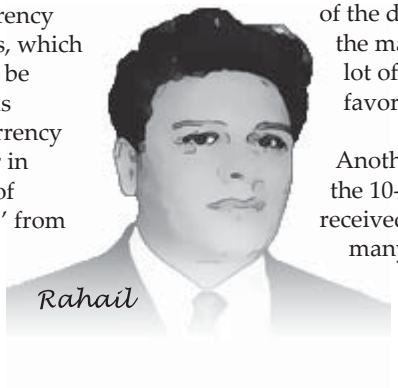
and assisted in developing an innovative Shariah compliant structure that encouraged new investors to participate in the deal — with over 60% of the issue taken up by first-time Mobilink investors, thus broadening the firm's investor base and lowering the potential cost of borrowing for their subsequent financings.

Given that GuarantCo only provided a guarantee amounting to 14% of the total Sukuk proceeds, the transaction also highlighted the efficiency of credit guarantees in delivering returns. And although the innovative nature of the transaction required substantial legal work by both Mobilink and the Capital Markets Authority of Pakistan in order to accommodate the new structure, the legal costs of this were also partially covered by funding from the Technical Assistance Facility (TAF) of PIDG. GuarantCo also plans to apply for a TAF grant to support the extension of a successful joint UNESCO and Moblilink SMS-based literacy program to include inaccessible regions of northwest Pakistan, designed to address the gender gap in literacy rate — demonstrating that the program has significant developmental as well as financial market benefits.

"The Sukuk was issued in line with GuarantCo's mission to open up domestic capital markets to support essential infrastructure finance," noted PIDG. "It demonstrates to others a viable way to raise finance from financially conservative investors through enhanced credit rating and therefore helps build new products and capacity in the local capital markets. It also has potential for replication in some African markets." With a significant capital increase received from its European government backers, GuarantCo saw its equity base triple last year: significantly increasing its capacity for local currency infrastructure financings, which are already estimated to be nearing US$1 billion. It is now the largest local currency infrastructure guarantor in the world, with ratings of 'AA-' from Fitch and 'A1' from Moody's. The firm has upcoming projects in both Pakistan and Nigeria, and the African market is expected to represent around 50% of future business.



> ***"Even if a fraction of the huge interest in the deal translates to deals, the pipeline looks very interesting indeed"***

An optimistic outlook

The sector might be developing at a gradual pace but the horizon is expanding — and the success of the Emirates transaction underlines the opportunities: evident not only from the attention it received but from the concrete demand from global investors, and conclusively demonstrating the market appetite for these deals. The issuance attracted orders exceeding US$3.2 billion and was oversubscribed 3.6 times, with interest from a diverse group of conventional and Islamic investors. The certificates were allocated to over 45 global institutional investors, with approximately 39% of the certificates distributed to the Middle East and Asia, 32% to Europe and 29% to the US. By investor type, approximately 47% were distributed to fund managers, 38% to banks and 15% to insurance companies and pension funds. "One thing we found very encouraging is the depth of investor interest from names that have not traditionally worked with us," noted Welsh. "That bodes well for the future of the deals that we bring to the market, as we now have a lot of friends that may look favorably on the next deal."

Another key factor is that the 10-year tenor was well received. "There aren't so many of those deals around, so from an investor perspective we were very pleased to see that although they were traditionally more in the five-year range, they were willing to look at a 10-year deal. We hope that over time that will encourage them to take longer tenors — because that is often the length that people are interested in from a project perspective," said Welsh.

"The deal has attracted a huge amount of interest because it opens up a new asset class and financing source," added Rahail Ali, the managing partner of Hogan Lovells in Dubai. "Opening up a new market is always pioneering and so it comes as no surprise that the deal resonated not just with aviation stakeholders but across other industry sectors."

Mohammed of Norton Rose agreed. "This adaptation of the Sukuk further elevates the status of Islamic finance as a dynamic and cutting-edge field which is willing to evolve and develop in order to craft pragmatic solutions to meet the business and commercial demands of its consumers." With new developments coming on board all the time, the financing options available to issuers are ever-increasing, while the access to improved liquidity that this represents also has the potential to generate further competition and better pricing.

And it looks as if we can expect great things of the market on the back of this groundswell in interest. "Even if a fraction of the huge interest in the deal translates to deals, the pipeline looks very interesting indeed," predicted Rahail.

"We definitely plan to repeat this in the future. It's not a one-off," concluded Welsh to IFN. "A lot of work went into the analysis of the structures, and a lot of work came from the banks and the lawyers as well as from the airline and ourselves. That technology is now there for others to use, and we look forward to the next deal." Will UKEF itself do another deal in the future? "Of course. When we do it is of course a debatable point, but it is a product that we now offer as a standard to all of our exporters. Airbus is just one of our exporters and there are many other possibilities."

The future looks bright indeed.

Toyota Capital taps Islamic markets for the second time

Vehicle financing company, Toyota Capital on the 23rd June signed an agreement with CIMB Investment Bank and BTMU Malaysia to set up an Islamic and conventional commercial paper (CP) and medium-term note (MTN) program with a combined limit of up to RM2.5 billion (US$666.21 million) in nominal value. In an exclusive interview with Kuah Kock Heng, NABILAH ANNUAR gains further insight into the deal.

Having redeemed its RM1 billion (US$266.36 million) Islamic CP/MTN program (2008/2015), following its maturity on the 3rd June 2015, Toyota Capital the next week decided to replace it with a new hybrid Islamic and conventional CP and MTN program worth RM2.5 billion. According to Kuah, the combined structure was selected to afford flexibility to the company to offer in either conventional or Islamic.

"This program basically allows Toyota Capital to diversify its portfolio and source of funding for the company.

> ***"We are keen to expand the Islamic hire-purchase and leasing side of our business"***

Currently, we see a growing interest for Islamic vehicle financing from consumers and we are keen to expand the Islamic hire-purchase and leasing side of our business," explained Kuah. The program is part of the company's plan to meet customer demand as it was observed that their patrons from Toyota and Lexus are increasingly requesting for Islamic products.

In the event where a Sukuk drawdown is made from the said program, Kuah affirmed that it will be used to support the company's Islamic business. While there is no specific allocation for Sukuk in the program, Kuah elucidated that it will depend on the company's business needs. Aiming to make its first Sukuk drawdown during the third quarter of 2015, the issue would nevertheless be made subject to market conditions.

Toyota Capital Malaysia is a joint venture between Japan's Toyota Financial Services Corporation (70%) and Malaysia's UMW Corporation (30%). Toyota Financial Services Corporation which is wholly owned by Toyota Motor Corporation operates in 35 countries across the globe and is mandated as a captive finance company for Toyota and Lexus worldwide. Of the countries where Toyota Group has a presence, only two offer Islamic products — Indonesia and Malaysia. Commanding its largest Islamic business among the two, Toyota Capital Malaysia's Shariah compliant business makes up 23% of its total assets. The hybrid program has been assigned ratings of 'AAA(s)/Stable/P1(s)' by RAM.

Islamic finance finds its way in Malaysian retirement funds

According to official figures, almost 80% of Malaysians retiring this year would be entering a life of poverty after leaving the workforce as retirement savings are insufficient to sustain a basic lifestyle. While there is still a lack of take-up in pension products, market players are, however, noting a slow but promising reversal in trend. VINEETA TAN explores how Islamic finance has a voice in this narrative.

For a Muslim-majority country that would graduate into the ranks of ageing nations in less than two decades, the potential for Islamic pensions in Malaysia cannot be overlooked. And as the world's largest Islamic finance market with one of the world's largest pension funds, Malaysia is aware of the opportunity its position affords. Earlier this year, the Malaysian premier, Najib Razak, announced that the Employee Provident Fund (EPF) would create the largest Shariah compliant fund of its kind in the world by 2017 through the introduction of an Islamic option — an unprecedented move which could open the floodgates and usher in the much-needed impetus for the Islamic pension fund segment and wider Shariah asset management industry.

At RM693.84 billion (US$184.72 billion) in total assets (as at the end of 2014), EPF is not only the country's largest institutional investor, but also one of the largest pension funds globally. The country's minimum mandatory contribution rate (23%) is the fifth-highest among international peers; however, these impressive figures do not reflect the fear held by 81% of Malaysians (according to HSBC) of retiring into poverty.

Realizing the stark gap in retirement savings and actual needs, the government in 2012 launched the Private Retirement Scheme (PRS) to accelerate the development of the private pension industry to support the needs of Malaysians post-career. To date, there are 76 PRS funds offered with the bulk of the offerings dominated by conventional products. And while the development of Islamic finance has primarily been a top-down approach in the Southeast Asian nation, however, it seems that demand from the ground-up is also swelling leading to fund providers increasing the number of Shariah compliant PRS options.

> ***"There is a growing pressure for us to keep innovating and introduce more retirement funds especially one that ticks the boxes from [an] ethical and religious perspective"***

"As our client base is expanding and more Malaysians acknowledging the importance of saving early for retirement, there is a growing pressure for us to keep innovating and introduce more retirement funds especially one that ticks the boxes from [an] ethical and religious perspective," confirmed Chan Ai Mei, the chief marketing officer of Affin Hwang Asset Management. The asset management company recently expanded its Islamic portfolio with the Affin Hwang Aiiman PRS Shariah Moderate Fund, three years after the launch of its first Islamic PRS fund.

Out of the 76 PRS funds (including Affin Hwang's latest addition), only 33 are Shariah compliant; however, industry participants note that the tables could turn as demand increase. "Close to 70% of our population are Muslims and therefore the demand for Shariah products will continue to grow," said Chan.

There is no doubt that the government's strong Islamic finance push is swaying market players towards the Shariah proposition; however, equally (if not more) significant is the growing interest not only from Muslims, but non-Muslims alike. Fund distributors have expressed to IFN that there are significant requests for Shariah funds from non-Muslims attracted to the performance of these funds. For example: the top performing PRS fund as at the 6th July 2015 according to Morningstar is the CIMB Islamic PRS Plus Asia Pacific ex Japan Equity — Class X recording 12.8% in trailing returns.

With the number of financially savvy Malaysians growing, on the back of robust demand for Islamic financial products and solid government support, Malaysia seems well poised to capitalize on the Shariah silver dollar growth story.

Retail funds look to developed markets for returns

As emerging markets start to flounder amid shaky global growth projections and concerns over an upcoming Fed rate raise, investors are looking towards safe havens for long-term growth. RHB Islamic International Asset Management last month launched the first Islamic retail fund in Malaysia to target global developed markets, in a trend towards the internationalization of the country's Shariah compliant retail asset management industry and an attempt to leverage the increasingly positive outlook for global developed markets. LAUREN MCAUGHTRY delves further.

The RHB Islamic Global Developed Markets Fund plans to invest between 70-98% of net asset value in listed Shariah compliant equities of developed global markets including the UK, US, France, Italy, Switzerland, Germany, Japan and Australia: bucking the trend of emerging markets and reaffirming that for retail investors, safety is the way to play. "We are bringing this fund to Malaysian investors at a time where global economic growth is at a positive trajectory," said Eliza Ong, the managing director and regional group head of RHB Asset Management. "This acceleration will be led by developed markets due to its sound fiscal policy, wealth effect feeding into the real economy and the positives from low oil prices which continues to drive corporate earnings and consumption, thus allowing investors to reap positive benefits from the newly launched fund".

As developed markets recover from the financial crisis of the last decade they are becoming increasingly attractive compared to the volatile emerging markets sector, which is suffering from volatile oil prices, shaky economic growth and geopolitical issues. Last month, the World Bank slashed its global growth forecast for 2015 to 2.8%, based on a broad slowdown in emerging markets — including weak growth in former success stories such as Turkey and Indonesia. "There is a structural slowdown under way," said Ayhan Kose, the director of development prospects at the World Bank and the lead author of the most recent report. "Increasingly, they have difficult growth prospects going forward." With borrowing costs expected to soar as and when the US Federal Reserve raises its rates, this slow growth could mean trouble for developing nations with high debt volumes — and is driving asset managers towards safer waters.

The MSCI Emerging Markets Index has fallen from a high of 1,100.23 in September 2014 to 971.48 as of the 2nd July 2015, and has seen a downward trajectory since April with considerable volatility. In comparison, the MSCI World Index (which represents large and mid-cap equity performance across 23 developed markets including the US, the UK, Australia, Japan and major European nations) stood at 1,747.18 as of the 2nd July — up from 1,662.22 in January — and has seen a consistent upwards growth trajectory since October last year, reaching a two-year record high in May 2015.

The new fund from RHB not only marks an interest in developed markets for the asset management firm, but suggests a growing market for Shariah compliant retail funds in Malaysia. With a minimum investment amount of RM1,000 (US$264.9) the entry level is low and the fund easily accessible and expected to be popular, targeting RM100 million (US$27.5 million) over the next six months with annual returns expected to be 9-11%. "Our approach is very much driven by bottom-up stock selection. For the fund, key sectors of focus include, but are not limited to, healthcare, internet of things, new industrial revolution and stories around consumption trends," said Daniel Choong, CEO of Nomura Islamic Asset Management, the external investment manager of the new fund, speaking to IFN.

RHB Asset Management, which announced plans in January to launch 16 new funds and achieve US$16 billion in assets by the end of 2015, also has international ambitions: including plans to launch a series of funds across Asia within the next 12 months and the goal of sourcing a third of its assets from foreign sources by 2018. CEO of retail distribution Ho Seng Yee told Reuters that the firm plans to launch two more Islamic funds in the Hong Kong market by the first quarter of 2016 as well as funds in both Singapore and Indonesia. The firm is joined by a growing number of asset managers keen to leverage the potential of the wider Asian market. Last October, Maybank Asset Management joined forces with Bosera International, one of Hong Kong's largest asset managers, to develop retail Islamic investment products targeting Chinese Muslims — with a fund expected in 2015.

> ***"The momentum is being assisted by the multiple passporting schemes developing across the region"***

And it is not just Malaysian players getting ahead of the game. Major multinational firms are also eyeing up regional opportunities: last week, giant US asset manager Capital Group announced plans to build a regional retail investment business in Asia to service retirement needs. The momentum is being assisted by the multiple passporting schemes developing across the region — multiple funds including the CIMB-Principal ASEAN Total Return Fund and the Maybank Bosera Greater China ASEAN Equity-I Fund have already been approved for the cross-border ASEAN fund passporting iniative, while the wider Asia Region Funds Passport (led by Australia, New Zealand, Republic of Korea and Singapore) is on track to launch by early 2016.

But what potential is there for Shariah compliant retails amid all this activity? "The general perception is that Islamic investments tend to be restrictive, thus reducing a broader base of opportunities," warned Choong. "Investors are becoming more aware of the benefits of diversification into this asset class and continuous education is crucial." In addition, he noted that in the retail market, apart from the strength as an asset manager, distribution network is key — which was a contributing factor to Nomura's decision to partner with RHB in its first retail foray in Malaysia. "The retail market will always be driven by opportunities, market sentiment and performance. It is crucial to engage with managers who possess the right skill sets, resources and process."

Company Focus: Aafaq Islamic Finance

Aafaq Islamic Finance is perhaps best known for its Shariah compliant financial products and e-solutions; however, the Dubai player is gaining a name for itself as a major force in the Islamic finance human capital space. VINEETA TAN tracks Aafaq's spectacular rise in the area.

Entering the market in 2006, Aafaq has in the past decade built its business capitalizing on various opportunities which have translated into partnerships with several government entities and prominent market participants including the ministries of finance and labor, DMCC, NASDAQ Dubai, Air Arabia and flydubai among others. Rated 'A-/A2' by the Islamic International Rating Agency, the firm successfully became a member of Bahrain-based International Islamic Financial Market.

While the company has been steadily expanding its financing portfolio and product suite (which includes corporate facilities, property and auto solutions) over the years, Aafaq has also expanded its capabilities to include developing arguably one of the most vital asset classes of the Islamic finance industry – human capital. The year 2015 has been particularly an active year for the company in the Shariah finance human talent space.

In the past six months alone, it has forged at least five education partnerships with

multiple foreign players including the UK's University of Bolton to further enhance its Islamic Banking Professional Certification program; the Institute of Certified Public Accountants of Pakistan to bring to the UAE market a pioneering CPA Islamic finance certification program; and Malaysia's International Shariah Research Academy to deepen the Islamic finance research body. It is also in the process of securing international accreditation for professional certifications issued by its subsidiary Institute of Finance and Management from the Finance Accreditation Agency.

And the firm has bold ambitions in the Islamic finance human capital area. On home ground, it has aligned its human development goal with the Dubai ruler (Sheikh Mohammed Rashid Al Maktoum)'s Arab Innovation Center for Education initiative by rolling out its very own 'Seek Knowledge' strategy. Under this initiative, Aafaq intends to establish a center for Islamic economic studies and research in collaboration with local and regional organizations, launch a specialized center for Islamic finance training and career development as well as serve as an avenue to offer on-the-job opportunities in partnership with state universities.

Following its partnership with the Dubai Center for Islamic Banking and Finance of Hamdan bin Mohammed Smart University last month, Aafaq this week entered into an agreement with Emirates College of Technology (ECT) under which it will implement occupational training programs in the field of Islamic finance, maintaining its momentum in building links with the academic fraternity to further the Halal finance proposition.

"Our partnership with ECT is yet another valuable opportunity for us to reinforce knowledge and human capital capabilities in the field of Islamic banking and finance," said Aafaq CEO Dr Mahmoud Abdelaal who further added: "We are confident that the scientific research and consultancy components of our MoU will further drive growth in this sector, thus bringing us closer to our main objective of helping establish Dubai as the capital of the international Islamic economy."

Dutch acquisition for Islamic real estate specialist

Shariah compliant property specialist 90 North Real Estate Partners has made its initial foray into the Netherlands in partnership with Dubai's Arzan Wealth. VINEETA TAN writes that this move signals the growing interest of investors beyond the traditional market of the UK and into new European jurisdictions.

The acquisition of a newly built Siemens divisional headquarter office building in South Holland's Zoeterwoude on behalf of Bruegel Property Company for EUR27 million (US$29.99 million) marks the third European investment for 90 North, bringing its European portfolio to EUR125 million (US$138.83 million) and EUR850 million (US$944.07 million) worldwide, confirmed Nick Judd, the founder and head of investment of the firm.

"We are delighted as 90 North continues to grow its portfolio in continental Europe after last year in Germany and Norway, with its first acquisition in the Netherlands," said Cherine Aboulzelof, a partner and the head of continental Europe at the firm. "This transaction highlights the commitment to invest in modern and well-let assets to strong covenants, such as the Siemens/NEM Energy asset which was a built-to-suit office property in a location where NEM has operated historically for over 80 years."

The office accommodation, developed and sold by VolkerWessels, is fully let to Siemens's Dutch arm for a remaining term over 11 years and occupied by their subsidiary NEM Energy. 90 North acted as the investment advisor to Bruegel Property Company while Arzan Wealth was the strategic advisor on the structuring and acquisition of the property.

While this may be the first Dutch transaction for 90 North, founder and managing partner Philip Churchil (also IFN Correspondent) noted that there is a rising preference among Middle Eastern investors in channeling funds into the Northwestern European nation as well as into new continents (See IFN Correspondent Report: 'Tired of London?'), boding well for Islamic cross-border investment opportunities.

Sovereign Sukuk: A week of broadening the horizon of regular issuances

Over the last seven days, the sovereign Sukuk space has witnessed active participation from governments and central banks in expanding their offerings. Bahrain, Indonesia and Malaysia have raised the stakes for the regular Sukuk auctions. As usual, NABILAH ANNUAR keeps updated with the developments in this niche area.

The Central Bank of Bahrain (CBB), which issued the BHD200 million (US$526.95 million) Government Islamic Lease (Ijarah) Sukuk Issue No 23 on behalf of the government of Bahrain, has invited investors to subscribe to the Sukuk. This subscription would be made through the primary market by giving orders to registered brokers at the Bahrain Bourse enabling them to trade it in the secondary market once it is listed on the 26th July. The securities were issued at a par value of BHD1 (US$2.63) on the 9th July 2015 with a tenor of 10 years and an expected annual return of 5% which will be disbursed semi-annually on the 9th January and the 9th July every year.

In Indonesia, the government on the 29th June issued IDR1 trillion (US$74.9 million) in Islamic securities on a private placement basis through the Hajj Fund Placement managed by the Ministry of Religious Affairs. According to an official announcement, the five-year series carry a yearly coupon rate of 8.2%. Separately on the 30th June, the Indonesian Ministry of Finance sold IDR2.17 trillion (US$162.53 million)-worth of Sukuk from its latest auction which garnered over IDR3.87 trillion (US$289.86 million) in bids.

Over to Malaysia, the government issued RM500 million (US$133.11 million) in Malaysian Islamic Treasury Bills (MITB) on the 3rd July 2015 which are due to mature on the 1st April 2016. The central bank subsequently on the 6th July issued a one-month Murabahah money market tender worth RM600 million (US$159.74 million) expiring on the 6th August 2015.

Upcoming sovereign Sukuk

Country	Amount	Expected date
Sindh Province	US$200 million	TBA
Oman	US$1 billion	Before Ramadan 2015
Kazakhstan	TBA	2016
Turkey	US$1.1 billion	TBA
Bangladesh	TBA	TBA
Hong Kong	US$500 million to US$1 billion	TBA
Ningxia Hui Autonomous Region	US$1.5 billion	TBA
Ivory Coast	XOF300 billion	2015-20
Kenya	TBA	2016
South Africa	TBA	2016
Senegal	TBA	TBA
Niger	XOF150 billion	TBA
Tunisia	US$500 million	2015
Jordan	JOD400 million	2015
UAE	TBA	2015
Luxembourg	TBA	TBA

IFN Weekly Poll: Which segment of the industry is the main contributor to the increase in global Islamic finance assets?

Islamic finance assets grew at an annual growth rate of 17.3% between 2009 and 2014. The double-digit growth benefited from the various thriving sectors of the niche industry. For the poll installment last week, IFN asked the industry which market segment is the driving factor for the increase of global Islamic finance assets. NABILAH ANNUAR writes.

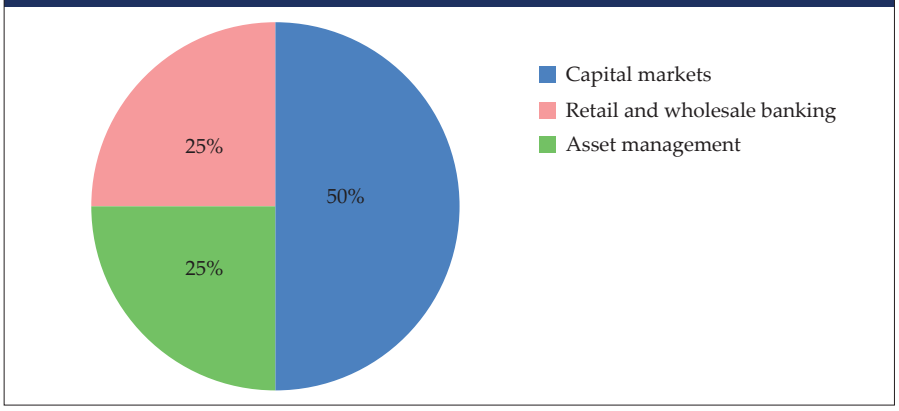
The poll results showed a difference in industry opinion: 50% were of the view that capital markets were the main factor for the increase in assets; 25% believed that retail and wholesale banking were the driving force; and another 25% opined that it was the asset management sector that was behind this growth. Contrary to this view, Mohamed Damak, the global head of Islamic finance at S&P opined: "The main segment contributing to the increase in global Islamic finance assets is the banking sector as it dominates the industry by virtue of its size."

According to the IMF, industry assets grew at a compounded annual growth rate of 17.3% between 2009 and 2014. It viewed that Islamic finance assets reached US$1.8 trillion in 2014. Not too far from the IMF's valuations, a report by the Malaysian Islamic Finance Center (MIFC) suggested that the asset size of the global Islamic finance industry reached US$2.1 trillion last year. This places the actual figure at circa US$1.8-2.1 trillion.

"In 2015-16, we expect to see some slowdown in the growth of the banking industries of some core markets (the GCC for example) because of the drop in oil price and lower, although still adequate, liquidity. Other segments have also been growing but remain still small compared with the absolute size of the industry. The Sukuk market is one of them although we think that 2015 will be a year of correction for this market. Takaful and fund industries are still embryonic," elaborated Mohamed.

Islamic banking and Sukuk sectors according to the MIFC were seen to have dominated the industry, with 80% and 15% shares respectively in aggregate assets. By country (excluding Iran), Malaysia was the leading jurisdiction, followed by Saudi Arabia, the UAE, Kuwait and Qatar. Key trends driving the sphere of Islamic finance include landmark Sukuk issuances by governments, and the expansion of Islamic finance into more countries in Africa and Europe.

Which segment of the industry is the main contributor to the increase in global Islamic finance assets?



OAPEC entity to attract wider global investor base with Sukuk

The Arab Petroleum Investments Corporation (APICORP) is looking to tap the Islamic debt capital markets with its debut Sukuk sale expected this year as the Saudi-based multilateral development bank positions itself to become a regular international Sukuk issuer. VINEETA TAN reports.

The offering from APICORP, the brainchild of the Organization of Arab Petroleum Exporting Countries (OAPEC) created to develop the region's oil and gas industry, will be made through its recently established US$3 billion Sukuk program to be listed on the Irish Stock Exchange and arranged solely by Standard Chartered.

The bank's decision to enter the Islamic bond space comes at a time when the multilateral lender is looking to minimize overall financing costs, extend its debt maturity profile and more significantly, gain better access to a diversified pool of global investors.

"The lower financing costs that APICORP is expecting to secure after this new program will enhance APICORP's ability to foster its development mandate of the hydrocarbon and energy-related sectors in Arab countries," explained APICORP chairman Dr Aabed A Al-Saadoun, who further elaborated in a statement that this could be achieved through the provision of attractive financing terms to clients and partners as well as through the firm's enhanced ability to participate in financing strategic energy projects which may not attract commercial banks from either a return or tenor perspective.

Established in 1974, APICORP has since channeled equity investments in over US$13 billion-worth of oil and gas joint venture projects and participated in over US$126 billion-worth of direct and syndicated energy finance deals, bringing its average commitments in these transactions (equity and debt) to over US$11 billion. It is assigned a long-term issuer rating of 'Aa3' and short-term issuer rating of 'P-1' by Moody's.

Malaysia's Islamic finance market — looking rosy under dark clouds

Despite weak oil prices and depressed external demand, analysts are optimistic of Malaysia's economic position and Islamic finance growth story – VINEETA TAN analyzes the situation further.

After two years of negative outlook for the Islamic finance heavyweight, Fitch has finally upgraded the outlook on its 'A-' long-term issuer default ratings to stable on the back of improving fiscal finances — supported by the implementation of the Goods and Services Tax and fuel subsidy reform — favorable GDP growth rates and deep local capital markets.

This enhanced view, amid Grexit concerns and choppy equity markets, comes at a time when the Southeast Asian nation's Shariah banking and Takaful industries are projected to expand at double-digit growth rates. The IDB's Islamic Research and Training Institute (IRTI) has forecasted an average 18% growth momentum until 2019 for Malaysia's Islamic banking sector, translating into 28.56% of total banking assets; while the Islamic insurance segment is anticipated to record an average 18.2% year-on-year growth to command 17.96% of total insurance premiums.

"Judging by the data to date, there is positive indication that we are on track to meet the 40% target of total financing by the year 2020," said Muhammad Ibrahim, the deputy governor of the Malaysian central bank, at the launch of IRTI's Islamic finance report for Malaysia.

Several factors contribute to IRTI's projections including stronger demand at the retail level as well as evolving demographic, social and financial trends but a major underlying driver is the robust infrastructure project pipeline under the country's Economic Transformation Program which is opening up avenues for Islamic banking financing and Takaful coverage.

The appeal of these lucrative opportunities is well understood by industry participants, with more conventional players joining the fray to tap the Shariah dollar. Most recent is the addition of government-owned Agrobank to the Islamic finance community as it officially assumed the status of a fully-fledged Islamic bank last week.

Focusing mainly on the agricultural sector, the conversion of Agrobank is significant as it represents an opportunity to narrow the gap between Islamic finance and the wider Halal industry. "I am confident with Agrobank as [a] fully-fledged Islamic bank will help to complete the chain of Shariah compliant supply of resources and facilities from

all aspects, whether in providing food sources or providing funds in implementing projects," said Ismail Sabri Yaakob, the minister of agriculture and agro-based industry.

This optimistic Islamic banking projection extends also to the Islamic capital markets arena. "There remains a lot of opportunities in the Sukuk space as on-going nation building exercise such as infrastructure development points to Sukuk issuance as the preferred source of funding," explained Hanifah Hashim, the executive director/head of Malaysia fixed income and Sukuk for Franklin Templeton Investments, to IFN. "Coupled with high domestic liquidity, we believe investors' interest and supply of Malaysia's high grade Sukuk will enable the local Sukuk to continue its positive growth trend."

Basel III Tier 1 Sukuk regaining momentum

The market is seeing a rise in Basel III-compliant Tier 1 Sukuk offerings after a slew of Tier 2 issuances, and this trend, VINEETA TAN writes, is expected to gain momentum as the global Islamic banking community seeks to diversify its funding pool to meet capital adequacy needs.

While the first few Basel III-compliant Sukuk issued (by UAE entities) were to boost Tier 1 capital, the direction quickly shifted towards Tier 2 capital as banks in Saudi Arabia and Malaysia came to market with their Basel III-compliant Tier 2 instruments. Saudi Arabia recently, however, witnessed a landmark transaction as the Kingdom's largest bank by assets, National Commercial Bank (NCB), in June issued the country's first Tier 1 Sukuk to the tune of SAR1 billion (US$266.45 million) in compliance with the framework. The bank's latest offering follows its Tier 2 Islamic issuance last year.

"The closing of the NCB transaction represents a real milestone for Saudi Arabia's regulatory capital markets and, in the context of recent Saudi stock exchange reforms, comes at an interesting time for the Saudi capital markets," commented Jonathan Fried, who leads the capital markets practice for Linklaters (Dubai), advisor to the deal.

Neighboring Qatar followed suit as Qatar Islamic Bank last week debuted a Basel III-compliant Tier 1 Sukuk — the first for the State. Raising QAR2 billion (US$548.54 million), the paper was structured as a perpetual Mudarabah facility, as with NCB's issuance. With more stringent capital adequacy and liquidity requirements, it is anticipated for Islamic banks to tap the capital markets with more innovative structures to boost capital.

"We have seen Basel III-compliant capital issuances throughout the region, including Qatar and the UAE, as banks continue to diversify their capital and funding sources. We expect this trend to continue," said Fried.

Bahrain: Coming back strong

While the global financial crisis took away Bahrain's is title as the world's leading Islamic finance hub, the Kingdom has over the years rebuilt itself and further strengthened its legal and financial infrastructure propelling it to the fore of the Islamic finance race once again. VINEETA TAN provides an overview of the country's Shariah finance endeavors.

Legal and regulatory

Bahrain has a comprehensive and robust legal infrastructure for the Islamic financial industry implemented through the Central Bank of Bahrain (CBB). The Kingdom was the first country in the MENA region to issue rule books addressing the Shariah compliant banking and insurance sectors.

The apex bank in 2013 issued a new set of rules to facilitate banks in developing effective risk management frameworks including in the area of Shariah compliance and in the same year published draft Takaful rules. In 2014, guidelines on issuing securities and Sukuk were released to attract securities issuances back to the country and as at the end of that year, existing exemptions in respect of PIRI (Prudential Information and Regulatory Framework for Islamic Banks) review were ceased for all Bahraini Islamic bank licenses.

The central bank governor Rasheed Al Maraj confirmed in March 2015 that the country is looking to implement a new Shariah governance model which will include a national Shariah board to oversee the implementation of internal Shariah controls.

A number of international Islamic finance regulatory bodies are based in Bahrain including: AAOIFI, International Islamic Financial Market (IIFM), Liquidity Management Center, General Council for Islamic Banks and Financial Institutions, Waqf Fund and Islamic International Rating Agency.

Banking and finance

The banking system accounts for the largest market share of the financial system with over 85% of total financial assets, according to the CBB. There are six Islamic retail banks and 18 Shariah wholesale banks in Bahrain as compared to 23 conventional retail banks, 69 wholesale banks, two specialized banks as well as 36 representative offices of overseas banks. In March 2015, the CBB granted a license to Turkiye Finans, allowing the Turkish participation bank to operate as a wholesale bank in Bahrain.

According to EY's latest World Islamic Banking Competitiveness Report 2014-15, Bahrain's Islamic banks commanded 27.7% of the Kingdom's total banking market share and it is anticipated for this figure to grow as Shariah banking profitability is expected to stabilize. From posting losses in 2010-11, Islamic banks have made a steady return to profitability. As at the 30th April 2015, total assets for the country's 24 Islamic banks reached US$25.28 billion.

Takaful and re-Takaful

There are nine Takaful players in Bahrain including two re-Takaful operators among 15 domestic insurers (two reinsurers), 11 foreign branches (three reinsurers) and six representative offices of foreign insurance firms. The pioneering Takaful operator in the country is Bahrain Islamic Insurance Company, now known as Takaful International Company, incorporated in 1989.

According to latest data from the CBB, the Takaful industry has been consistently showing growth, registering over 4% in expansion in 2013 to BHD62.36 million (US$162.68 million) in terms of overall gross contributions, accounting for 22% of the total insurance gross contributions.

Sukuk and capital markets

The Bahraini government, through the CBB, has been a consistent and frequent Sukuk issuer with its constantly oversubscribed short-term monthly Ijarah and Salam securities issuances. The government is expected to have sold 176 Sukuk Salam and 124 Ijarah papers by the end of 2015, each worth BHD36 million (US$94.79 million) and BHD20 million (US$52.66 million) respectively.

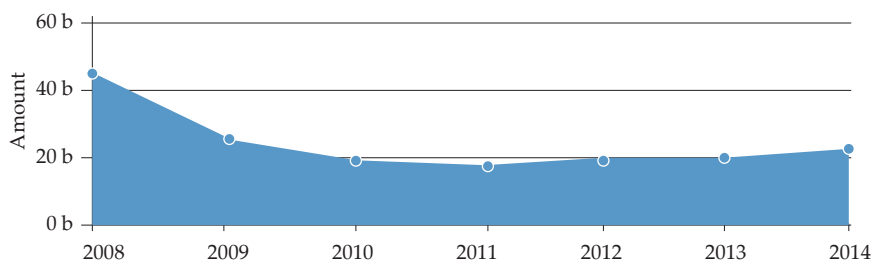
2015 is also considered a landmark Sukuk year for the Kingdom as government Sukuk (beginning with a BHD250 million (US$658.26 million) 10-year Ijarah facility) were made readily available for subscription in the primary market through registered brokers at the Bahrain Bourse — a regional first. Purchasing Sukuk through this mechanism allows investors the ability to own Sukuk directly (beneficiary ownership). The CBB on the 3rd July issued another Sukuk Ijarah on this platform worth BHD200 million (US$526.61 million).

In a move to strengthen the use of Sukuk and resources, the central bank in April 2015 brought to market a Wakalah liquidity management instrument based on a standard contract of the IIFM designed to absorb surplus funds of domestic Islamic retail banks.

Separately in June, the Bahrain Bourse is said to be considering the issuance of Islamic real estate investment trusts following the approval of the Trading Guidelines of REITs in April 2015.

The CBB also unveiled the Investment Monitor, a global investment portal linking capital seekers (for projects) and capital providers, creating leads for potential new deals in the Islamic finance space.

Chart 1: Total Islamic banking assets in Bahrain (in US dollar)



Source: Islamic Banking Intelligence

Shariah governance and scholars in Islamic finance

Shariah governance is one of the pillars of Shariah compliant financial services companies. To ensure sustainability, compliance and credibility, scholars and governance should be observed at the highest standards possible. Good Shariah corporate governance does not only depend on the existence of a competent Shariah board and capable Shariah department but also upon a reliable mechanism in resolving any possible conflict between a Shariah board ruling and the judiciary or national legislation. NABILAH ANNUAR provides an overview of the initiatives that have been carried out to safeguard governance.

Africa

Selecting a centralized Shariah governance system for its Islamic financial sector, Morocco has approved plans to create a Shariah board of Islamic scholars to oversee the industry. A royal decree issued in February ruled that a Shariah board called the Shariah Committee for Participative Finances will be established to oversee Morocco's emerging Shariah compliant sector. The committee will consist of 10 Islamic scholars and a minimum of five financial experts. Bank Al Maghrib, the country's central bank and the Higher Council of Ulamas are working together on Shariah governance aspects based on the Malaysian and the Bahraini experiences.

In Nigeria, the central bank in February issued guidelines to guide the operations of its Financial Regulations and Advisory Council of Experts, a Shariah advisory body set up by the Central Bank of Nigeria (CBN) to advise the apex bank as well as other regulators in the country on Shariah-related issues. The guidelines issued by the CBN put Nigeria among countries using a centralized system of Shariah governance. The guidelines issued by the CBN are an indication of the apex bank's efforts and commitment toward ensuring Shariah compliance of all products and services offered by non-interest financial institutions in the country.

In Sudan, the IDB declared Professor Dr Seif el-Din Ibrahim Tag el-Din as the winner of the IDB Prize in Islamic Economics for 2015. The IDB stated that the prize was awarded to Professor Dr Seif in recognition of his original academic works in Islamic economics; the professor's book, 'Maqasid Foundation of Market Economics', is used in several universities and he played an instrumental role in developing the Islamic economics curriculum for several UK universities.

Asia

The State Bank of Pakistan in April issued the Shariah Governance Framework for Islamic Banking Institutions. Effective on the 1st July 2015, the framework aims to strengthen the overall Shariah compliance environment and define the roles and responsibilities of various organs of Islamic banking institutions. According to the circular issued by the central bank, the framework is applicable to all Islamic banking institutions such as fully-fledged Islamic banks, Islamic banking subsidiaries, and Islamic banking divisions of conventional banks.

In Indonesia, significant strides have been made in regulation and governance, with Otoritas Jasa Keuangan 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.

Moving to Afghanistan, the Afghanistan Islamic Finance and Consulting Company along with the cooperation of Almaali Dubai in the UAE, has established an independent Shariah board consisting of well-known scholars with PhDs. The Shariah board will provide freelance services to all financial institutions looking for Shariah consultancy services. Under an agreement, the Shariah board will provide Shariah consultancy services to Mutahid Development Finance Institution, the largest microfinance institution in Afghanistan.

Malaysia's Maybank Islamic launched the Shariah Center of Excellence, a reference point on Shariah matters and best practices for industry players, regulatory and academic fraternities, and the general public within the areas of Shariah governance and the Islamic finance industry as a whole, research and education, talent development, thought leadership and community welfare.

Middle East

Early in the year, the Central Bank of Bahrain (CBB) announced new measures to strengthen Shariah governance in Islamic financial services in the country. The new measures revealed an emphasis on the effectiveness of a centralized Shariah advisory board to approve and oversee the product development process and innovation within the industry. It was also asserted that the Shariah Supervisory Board will help further standardize the Islamic financial services and products offered. In addition, the new regulatory measures will include new Shariah governance guidelines to enhance the internal Shariah review and audit functions with a mandatory external Shariah assurance report for all operating institutions offering Islamic financial services.

Another initiative taken by the CBB is the development of new guidelines focusing on improved transparency and Shariah governance practices. The CBB commissioned the Big 4 professional services operating in the country with the AAOIFI represented, to explore development of a framework for external Shariah audit assurance which aims to be mandatory for institutions offering Islamic financial services in the Kingdom.

In Dubai, the Dubai Islamic Economy Development Center (DIEDC) in January announced new initiatives to further enhance the Islamic economy and position the UAE as the foremost fundamental constituent of the industry. These initiatives included the creation of an international center for governance of Islamic companies, the establishment of a global center for accreditation of Halal products, and the introduction of a pioneering digital portal dedicated to the Islamic economy.

Khazanah Nasional: Creating a new asset class

Malaysia's strategic investment fund, Khazanah Nasional, on the 18th June successfully issued the first tranche of its responsible investment Sukuk program (First Sukuk Ihsan). At a periodic distribution rate of 4.3% per annum, the Sukuk incorporates a unique structure whereby the repayment is dependent on the eligible socially responsible investment (SRI) project's ability to meet identified key performance indicators (KPIs). Speaking to Mohd Izani Ghani, the executive director and chief financial officer of the sovereign wealth fund, NABILAH ANNUAR has the exclusive.

Engineered according to the principle of Wakalah Bi Al-Istithmar, the first tranche adopts a structure which allows the issuer to utilize a combination of tangible assets and commodities that is asset-efficient and suitable for the deal. The Sukuk program, however, also provides for other Islamic principles to be used. According to Izani, the main purpose of the Sukuk program is to support Khazanah's corporate and social responsibility (CSR) efforts. The proceeds from the First Sukuk Ihsan shall be utilized to fund Yayasan AMIR's Trust Schools program for 2015, whereby it is utilized to fund the roll-out of 20 schools. The Trust Schools program is an implementation model which focuses on school-wide transformation carried over the course of five years.

"Unlike a fixed-income instrument with fixed maturities and profit rates, the repayment of the First Sukuk Ihsan will be dependent on the eligible SRI project's ability to meet identified KPIs. If the eligible SRI project successfully meets the targeted indicators, investors will not receive the original investment amount; the nominal value due under the First Sukuk Ihsan will be mandatorily reduced by 6.22% and the Sukukholders will be entitled to receive tax vouchers from Yayasan AMIR through Khazanah for an amount equal to the reduction in the nominal value of their respective Sukukholdings," explained Izani.

Incorporating a unique 'Pay for Success' structure measured using a set of predetermined KPIs assessed over a five-year observation time frame, the First Sukuk Ihsan holders will forgo 6.22% of the nominal value due under the First Sukuk Ihsan at maturity (if these KPIs are met), as part of their social obligation in recognizing the positive social impact generated by Yayasan AMIR's Trust Schools program for 2015. If these KPIs are not met, Sukukholders will be entitled to the nominal value due under issuance in full at maturity. The Sukukholders also have the right to waive their Sukuk holdings at any time during the tenure of the First Sukuk Ihsan, in which the waived amount will be matched with tax vouchers in return.

One of the challenges faced in the process of issuing the paper was investor comprehension and confidence. "As the first-of-its kind offering in Malaysia and potentially globally, the investors required more time to familiarize themselves with the structure and the mechanics of the Sukuk Ihsan. Targeted at corporates and agencies as part of their CSR, a two-day roadshow was organized to educate investors as some of them were not regular Sukuk investors and these entities required time to procure the necessary internal approvals.

As a Malaysian ringgit offering with a pioneering structure, the first tranche was earmarked to Malaysian investors and is the world's first ringgit-denominated SRI Sukuk, creating a new asset class in the Malaysian Islamic finance industry. Relaying his conviction of this revolutionary structure, Izani said: "The Sukuk will act as a catalyst for other Malaysian companies to follow suit and serves as a benchmark for other issuers tapping the Malaysian Sukuk capital market for socially responsible financing in the future. This structure can be replicated for other initiatives such as affordable housing, health care, etc. The First Sukuk Ihsan is also a historic achievement in the development of Malaysia's capital markets and will further enhance the country's value proposition as a center for Islamic finance globally."

Investor breakdown	
Asset/fund management	23%
Banks	28%
Corporates	30%
Pension Funds	17%
Foundations	2%

RM100 million (US$26.62 million) Sukuk issued pursuant to a program of RM1 billion (US$266.22 million) in nominal value established under the SRI Sukuk framework

RM100 million

KHAZANAH NASIONAL

18th June 2015

Issuer	Ihsan Sukuk
Obligor	Khazanah Nasional
Principal advisor	CIMB Investment Bank
Shariah advisors	Amanie Advisors and CIMB Islamic Bank
Legal advisor	Zaid Ibrahim & Co
Purpose of the Sukuk program	Funding Shariah compliant eligible SRI projects.
Tenor	25 years from the date of the first issue under the Sukuk program
Rating	'AAA(s)' by RAM
Structure	Wakalah Bi Al-Istithmar and/or such Islamic principles
Governing law	Laws of Malaysia
Issue size of the first tranche	RM100 million (US$26.62 million) in nominal value
Lead manager and bookrunner	CIMB Investment Bank
Purpose of the First Sukuk Ihsan	To fund Yayasan AMIR's Trust Schools program for 2015, a not-for-profit foundation incorporated by Khazanah to improve accessibility of quality education in government schools through a public-private partnership with the Ministry of Education.
Tenor	Seven years
Maturity date	17th June 2022
Issue price	100%
Periodic distribution rate	4.3% per annum
Payment	Annual basis
Underlying assets	Tangible assets and commodities

Public comments and expert views on the Islamic banking law in Afghanistan

AFGHANISTAN

By Dr Alam Khan Hamdard

The Islamic banking law in Afghanistan is in parliament for the approval process. A special committee is working on it.

A meeting of the special committee of the lower house of the Afghan parliament (Wolosi Jirga) was held recently in parliament house under the chairmanship of Amir Khan Yar, the chairman of the banking and finance committee. The members discussed the draft law of Islamic banking and had some questions and concerns.

The members of the legislative committee; the deputy director of Da Afghanistan Bank (the central bank of Afghanistan), Sharifullah Sherzad; Dr Niazi from the Shariah Council; and Wali Zar Jahantab, the caretaker head of Islamic banking at Da Afghanistan Bank, answered the questions and tried to remove the concerns of distinguished board members.

Later on, it was decided that the parliament will discuss in more detail at the next meeting and has asked for written information from the central bank.

Afghanistan Islamic Finance and Consulting Co and Modern Method Advertising Co will be conducting an international Islamic banking and finance conference cum an access to finance exhibition in Kabul for the first time along with the cooperation of the Afghanistan Chamber of Commerce and Industries. The tentative date for the event is on the 15th of August 2015 and international and national companies and delegates from abroad will be participating.

As this will be a world-class event with participation from all experts, Islamic bankers and consultants worldwide, some topics will be chosen for experts to write on. A committee will be assigned to work and finalize the topics and invite the speakers and researchers to prepare papers.

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Omani Islamic financial sector developing fast

OMAN

By Mughees Shaukat

Implementing the strategy of offering tailor-made Islamic products while observing customer behavior and overall market reaction, Al-Yusr, the Islamic banking arm of Oman Arab Bank, in a key development has reviewed and approved the 'Al Yusr Running Musharakah product', a Shariah compliant solution catering to the business requirements of regular operating and overhead expenses as well as the cash-flow demand of customers.

In order to ensure full compliance with Shariah, the Shariah Supervisory Board reviewed the post-product implementation of Al Yusr products and services to ensure that they are in line with Shariah rules and principles. The Shariah board also reviewed and approved the Shariah audit plan for 2015.

The approval of Al Yusr Running Musharakah is viewed as a further evidence of the fast-developing Islamic financial sector in Oman; a new entrant in Islamic finance. Currently, there are two fully-fledged banks and six Islamic windows of conventional banks, comprising a total network of 48 Islamic banking branches as of December 2014. Moreover, the Capital Market Authority has approved three licenses for Takaful operators, while two Takaful companies are in operation.

As of early 2015, Islamic deposits have an overall 3.61% market share whereas the Islamic financing market share has leaped to 5.88% overall; just recently, the Sultanate has formally approved the issuance of a OMR200 million (US$517.75 million) maiden sovereign Sukuk. Moreover, the country while in full adoption of AAOIFI standards, was also quick to launch its Shariah index called the Muscat Security Market Shariah Index and has already instituted a centralized Shariah board model as followed in Malaysia and Pakistan. These and similar developments were decent enough for Oman to be ranked as number three in Islamic finance development, after Malaysia and Bahrain, as stated in the Financial Development Index report (2013/14).

Mughees Shaukat is a PhD scholar and is lecturing at the College of Banking and Financial Studies. He can be contacted at mughees@cbfs.edu.om.

South Africa looking to tap global markets once again

SOUTH AFRICA

By Amman Muhammad

With increasing pressure to stabilize the South African electricity grid and to ease electricity cuts, Eskom, the country's electricity public utility firm, is now looking to source funding using Sukuk.

Eskom, based on their statistics, is responsible for generating nearly 95% of all the electricity that is used in South Africa and roughly 45% of all the electricity used in the African continent. Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Currently, additional power stations and major power lines are being built to meet rising electricity demand in South Africa.

The option to use Sukuk as an alternate funding mechanism was confirmed by acting CEO Brian Molefe, while presenting at a public hearing held by the National Energy Regulator of South Africa (NERSA), where he clarified that the utility would be exploring and approaching the international bond markets with Sukuk.

Eskom find themselves in a dire situation; apart from the irate retail customer that is frequently annoyed by 'load shedding' (scheduled power cuts), big business is adversely affected. 'Load shedding' has been cited by the ratings agencies, the IMF and leading economists as a key factor in contributing towards the low economic growth of the country.

> ***"Given the desperate need to stabilize the country's power woes, the option of issuing Sukuk is certainly a welcome option to Eskom in the face of mounting hostility"***

Jacobus Zaayman, a representative of the Ferro-Alloys Producers Association at the NERSA hearing, commented: "The increase in electricity prices will further increase production costs and lead to the closure of most smelters in South Africa." By forcing the closure and divestment of certain smelters, these electricity price increases could possibly lead to significant job losses in the sector. Similar implications face other major industries that are dependent on consistent electricity supply.

After the successful issuance of the inaugural South African sovereign Sukuk during 2014, the country's National Treasury instituted further amendments to the National Taxation Act that saw them widen the definition of Sukuk to allow institutions like Eskom to issue Sukuk. Given the desperate need to stabilize the country's power woes, the option of issuing Sukuk is certainly a welcome option to Eskom in the face of mounting hostility.

Amman Muhammad is CEO of FNB Islamic Banking. He can be contacted at AMuhammad@fnb.co.za.

Tired of London?

REAL ESTATE

By Philip Churchill

"You find no man, at all intellectual, who is willing to leave London. No, sir, when a man is tired of London, he is tired of life; for there is in London all that life can afford," so said Dr Samuel Johnson in 1773.

As a huge fan of London myself, currently working in London and resolutely keen to return to living in London in the future, nearly 250 years on, this statement holds true for me. And so it must seem for many observers of international Islamic investment in real estate, with London continuing to dominate the headlines.

However, while it is a far-fetched claim to suggest that Islamic real estate investors are tired of London, they are certainly looking for new ideas and new territories, driven by rising confidence, diversification and maybe just a hint of boredom? ("Show me something different.")

90 North recently concluded its first investment in The Netherlands, having started with Germany and Norway last year. While the tenant name of Siemens gave investors familiarity to try a new location, we are not alone in working with Middle East investors with Dutch assets, with WW Advisors having worked with Kuwaiti investors to purchase a portfolio of Dutch office properties.

> ***"While it is a far-fetched claim to suggest that Islamic real estate investors are tired of London, they are certainly looking for new ideas and new territories, driven by rising confidence, diversification and maybe just a hint of boredom?"***

So, while investor interest is spreading from the UK to Germany and to the rest of Europe, it is also considering whole new continents.

During recent travels to the Middle East, what struck me was the appetite that some investors had for completely new locations, with some saying that they were full with the UK and had changed their focus to Southeast Asia, while an investor I met in Malaysia was looking for opportunities in Japan.

I find it fantastic that as an industry we have provided the structure and opportunities for Islamic capital to criss-cross the globe, and am pleased by the ever-expanding international field of view that many investors have.

Tired of London? No, but Islamic investors are looking to complement the home of Greenwich Mean Time with an increasing number of different time zones around the world. Long may it continue.

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Criteria in choosing a commodity platform

Commodity Murabahah/Musawwamah (CM), which is guided by the concept of Tawarruq, may be considered as the most common Shariah contract used by Islamic financial institutions (IFIs). The trading platform is an important component in accommodating a CM transaction, as it is the medium that facilitates the buying and selling of various commodities, which are underlying assets in CM transactions. AHMAD MUKARRAMI and AIZUL AIMAN expound on important elements to review, and the criteria for selecting a Shariah compliant commodity trading platform.


COMMODITY TRADING

By Ahmad Mukarrami Ab Mumin & Aizul Aiman Musa

The CM platform plays a pivotal role in facilitating the trading process, thus, the platform must be in accordance with Shariah requirements. The following are pertinent criteria that set the foundation for a Shariah compliant platform.

1. Underlying commodity

Firstly, the platform has to be able to facilitate and provide commodities which are Shariah compliant. The assets should also be valuable, identifiable, and deliverable by the supplier. These include tangible assets such as crude palm oil; cement and steel; or intangible assets such as corporate intellectual property (e.g. patents, trademarks and copyrights); goodwill; and brand recognition. Most platform providers offer tangible assets as the underlying commodity; however, there are also certain providers that offer intangible assets such as airtime credit. Both types of assets are acceptable as long as they comply with Shariah requirements.

It is important to note that although some assets may be Shariah compliant and acceptable for trading in the worldwide market, these assets may not necessarily be suitable for use in a Tawarruq transaction, as these assets may be sold with deferred payments. For example, the trading of gold and silver is acceptable; however, this would need to comply with Shariah requirements of 'on-the-spot' transactions, where value (price and commodity) must be exchanged at the time of the contract.

2. Existence of the commodity

Secondly, the IFI needs to be cognizant of the existence of the commodity when selecting a platform. The relevant parties should conduct site visits to commodity mills, warehouses and storage areas to confirm that the commodity exists, is marketable and sustainable from a production perspective. This step is to ensure that transactions that will take place later do not fall under the category of Bai Al-Ma'dum (sale of non-existing item).

> ***"Although some assets may be Shariah compliant and acceptable for trading in the worldwide market, these assets may not necessarily be suitable for use in a Tawarruq transaction"***

Apart from that, continuous Shariah review exercises should be conducted on the commodity supplier's mills, warehouses and storage areas to determine whether a sufficient amount of commodities is supplied to the platform as claimed by the provider. There have been cases where the actual amount of commodity supplied was less than the amount indicated in the system. Consequently, this would breach the Shariah requirements of the prohibition on selling something that does not exist.

3. Ownership of the commodity

Another important Shariah aspect to be reviewed is ownership transferability

and commodity deliverability. This simply means that ownership of the commodity must be effectively transferred from one party to another. Should one party wish to buy and own the commodity, the commodity itself must be transferred and delivered to the party, if requested. Although the whole idea of the Tawarruq transaction is to buy a commodity on deferred payments and to sell it to a third party on-the-spot to obtain cash, the contract of buying and selling entered by the parties concerned is to comply with the rules of Al-Bai.

How can the ownership be evidenced via a platform?

It is possible for the evidence to be in the form of a certificate that indicates the ownership of the commodity for each Tawarruq stage, the type of commodity, the quantity and the time of purchase. The certificate will reflect the actual ownership of the commodity and its capability of being traced physically. In the case of bulk purchases, it is preferable if the platform is able to split the certificate to evidence the ownership of each buyer.

In addition, if the commodity involves an undivided asset, the commodity provider shall ensure that the ownership of such an asset can be legally enforced and is executable; the ownership can be identified on a proportionate basis; and the asset is consistent with the description agreed between the contracting parties.

Continued

4. Tawarruq sequence

The transaction sequence is another vital element to be observed in a Tawarruq arrangement. In general, the arrangement would involve three (3) different transactions of which the commodity platform needs to ensure that the sequences are properly followed. In a financing product for example, the trading sequence would be as follows:

> ***"A good platform would not only ease the user in conducting CM transactions but also act as a risk mitigation tool to ensure that all transactions are Shariah compliant"***

a. At the beginning, the IFI buys the commodity from the supplier. The ownership of the commodity should be transferred to the IFI and evidenced accordingly through time stamps and audit trails.

b. At the second stage, which is the transaction between the IFI and the customer; the transfer of ownership to the customer should also be evidenced and recorded properly regardless of whether it is based on Murabahah or Musawwamah.

c. At the final stage, the commodity will be sold to a third party, whereby the third party must be someone other than the original owner. This is important to prevent the transaction from being regarded as Bai Al Inah (buy and sell back).

5. System capability

An ideal platform system would be able to offer the IFI and its customer simplicity in executing CM transactions. On the other hand, having a sophisticated system packed with many features is also acceptable provided that it continuously adheres to Shariah requirements. Among the important criteria that should be observed and are good to have are:

a. A platform which can cater to high volumes of transactions and also be able to transact in small denominations. The system needs to have the ability to perform transactions of a high volume as corporate financings and Sukuk issuances can reach billions of dollars in the value of commodity transacted. As a result, having numerous commodity suppliers would be advantageous for the platform provider.

   Furthermore, it is also desirable to have a platform that is able to cater to transactions involving small amounts, and which is accessible on a 24-hour basis. In addition to this, if the system can accept trading of small amounts, it will also help the industry to develop products for the retail segment.

b. A platform which is capable of producing and saving comprehensive evidences of ownership for each Tawarruq stage for the purpose of an audit trail. The important details of the transaction, among others, include the buyer's and seller's names, the time of transaction, the types of commodity, storage locations and the purchase value.

c. A platform which has the ability to communicate with the IFI's customer directly via a suitable means of communication (e.g. e-mail and SMS) for the purpose of completing Aqd by both parties, and also to inform on the completion of all trading processes.

Conclusion

Various commodity platforms are currently available in the market, and each of them has its own advantages and disadvantages. However, it is pertinent for IFIs to select the best platform that fulfils all Shariah requirements. A good platform would not only ease the user in conducting CM transactions but also act as a risk mitigation tool to ensure that all transactions are Shariah compliant. Selecting the best platform will not only improve and enhance day-to-day operations but also preserve the image of IFIs and the industry as a whole.

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Islamic banks have a real agenda for supporting business

Islamic banking products have a natural and genuine relationship with the business of their clients compared to the shallow relationship conventional banking products have with the business of their clients. ISHRAT HUSSAIN explores.

ISLAMIC BANKING

By Ishrat Hussain

Islamic banking products are structured either on a trade or profit and loss-sharing basis. The trade-based products may involve the sale of goods (the word 'goods' in this article refers to all types of raw materials/intermediate goods) and usufruct. Islamic banking products based on profit and loss-sharing are structured on the concept of participation in business activity with two forms including Musharakah and Mudarabah. Under Musharakah, relationship is established between investors with a mutual consent for profit and loss-sharing arising from the business, whereas in Mudarabah, one partner contributes labor while the other, capital.

Trade-related Islamic modes of financing may be classified into three unique categories. Under the first category (Murabahah and Musawwamah), goods are delivered on the spot, while under the second category (Salam and Istisnah), delivery of goods is deferred. The third category (Ijarah) involves a trade of usufruct of goods.

Under Murabahah-based Islamic banking products, the sale of goods is made on the basis of full disclosure of the cost of goods and profit margin. Under Musawwamah, no such reference is made; only the price is conveyed. Salam allows customers to undertake the supply of specific goods to the bank at a future date in consideration of a price fully paid in advance. Under Istisnah, the sale of goods is made at an agreed price whereby the bank places an order to manufacture the specified goods and deliver at a future date. Under Ijarah, although usufruct of the asset is transferred to the customer, the underlying asset's ownership remains with the bank.

In this way, Islamic banking products are directly related to the business of their customers who purchase raw material and sell finished goods. Under the trade mode either involving the sale of goods or usufruct, an Islamic bank is expected to sell the best quality goods to its client at the lowest possible price and at the right time. These three attributes and the nature of Islamic banking products put the banks into a natural and genuine relationship with their clients. The relationship, however, requires trust and honesty on the part of Islamic banks, which are hallmarks of Islamic teachings.

> ***"What will a loan restructuring bring to a bank customer? More interest payments and a lengthening of the loan tenor. Does it not reflect the shallow relationship of conventional banks with their customers?"***

The relationship is well reflected in Islamic banking products on the profit and loss-sharing basis. In case of losses in the business, the bank will have to face the losses. This is a direct relationship. As a result, the Islamic bank's interest in the business of the customer takes a new direction. They are not the lender. They are sharing in the business on a profit and loss basis. They are partners. It therefore shows a natural and genuine relationship of the banks with their clients.

Contrary to this, conventional banks lend money to their customers. All of their products are debt-based with a primary concern of timely principal and interest payments. If loans are serviced in a timely manner, then all is well. In reality, all is not well when you are lending to a business as you have a stake and your interest should be in the business from day one. But it is not possible with the conventional banking business model. At most, what they can do is conduct a cash flow analysis of a business. They check on creditworthiness and carry out a business assessment when the banking relationship is established or renewed. But these become rudimentary requirements and a natural and genuine relationship is not created.

What happens when a customer has been incurring losses and finds itself in a position of not being able to make loan repayments? What will a conventional bank do in such a situation? There will be a loan restructuring, or alternatively, take the customer to a bankruptcy court. What will a loan restructuring bring to a bank customer? More interest payments and a lengthening of the loan tenor. Does it not reflect the shallow relationship of conventional banks with their customers?

This is not to say that Islamic banks are up to the mark. This is just to say that the nature of Islamic banking products and the underlying Islamic mode of financing enable Islamic banks to have a natural and genuine relationship with

Continued

businesses. Unfortunately, Islamic banks have largely not realized this potential. No doubt, they are structuring products on the basis of the Islamic mode of financing, but unfortunately they are applying the procedures and practices of conventional banks. This approach hinders the process of earning a true name for Islamic finance.

Islamic banking cannot change things in a short span of time. The word 'banking' is common in both conventional and Islamic banking and banks are meant for the banking business and not for the manufacturing or trading business. So the first lesson for Islamic bankers is to remember that they are working for a banking entity and not a manufacturing entity.

Secondly, they need to develop products that meet the customer's requirements. Islamic bankers are not there to create the customer's needs for the bank's products. At times, the customers may be unaware of their needs and in such situations, Islamic bankers can help them to be aware of their needs. The customers do need the best quality goods at the lowest possible price and at the right time, and as such, Islamic bankers can help the customers in this regard.

> ***"The lowest possible price for the customer can be the best price for the bank"***

Banks have to strengthen their role in helping customers get the best quality goods at the lowest possible price and at the right time. The lowest possible price for the customer can be the best price for the bank. How? By making the product competitive in the market. Product augmentation should be the bank's strategic decision. Banks can create value for their customers and charge for the value to get ahead of their conventional peers. But as mentioned earlier, this responsibility requires trust and honesty by an Islamic bank, which are hallmarks of Islamic teachings.

It is clear that Islamic banks have a real agenda for supporting business. They have products to establish and need to maintain natural and genuine relations with the business of their customers.

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Here's what you can expect from the Truth in Lending Act disclosure changes

If you are getting nervous about the proposed Truth in Lending Act (TILA) disclosure statement changes that are on the way, you needn't be. It is an ongoing process and it would seem that as soon as you get a good handle on the way the requirements are currently working with TILA, the government makes even more tweaks—for better or worse is really anyone's guess. SHOEB M SHARIEFF writes.

LAW & REGULATIONS

By Shoeb M Sharieff

A little background might help alleviate some of the unnecessary tension some of you might be feeling. Consider the fact that some of the more recent changes were proposed as far back as 2010 when the Federal Reserve Board implemented further changes to Regulation Z which were designed to change the complexion of TILA but did not come into effect until January 2011. These changes effectively replaced the monthly payment schedule with a tabular summary.

> *These changes will affect you whether you are looking at Ijarah loans or a more traditional western-style mortgage*

TILA origins

The Act is not exactly something new either. Although there are many people who think TILA was enacted after the Great Recession as a means of protecting consumers in the US from unfair lending practices, the origins go much further back. In fact, it was actually enacted in May 1968. The first changes to the Act go all the way back to 1970 when it was jiggered to prohibit unsolicited credit cards.

Things have been moving forward ever since and that is what brings us to the present where there is a new tributary to the ever-widening stream called the TILA/RESPA Integrated Disclosure Rule (TRID). This is going to be implemented in August of this year and, since everyone is interested in how these changes will affect the way you buy a house in the US, the following are some of the highlights.

August changes

First, let's break down the acronyms. TILA is the Truth in Lending Act and RESPA is the Real Estate Settlement Procedures Act. There's more. The Consumer Financial Protection Bureau has mandated these changes to come into effect this August. That is the background needed to move on to the more important stuff—how TRID will affect the average person's home-buying experience.

First off, you'll notice more transparency in the way fees are disclosed. It does not matter where you go to shop for a mortgage, every lender will be required to disclose the fees on the loan estimate. That is particularly good news since people getting involved with a trust that will be handling their Ijarah loans need a fair and reasonable number to work with. There is one caveat here, however. The dollar numbers proposed on the new amendments will be estimates in whole dollar figures without cents. Still, you will have a 10-day period to respond to the loan estimate, and, if you respond in that time period, the lender is locked into the arrangement that is detailed in the report. There are also several smaller changes here like the fact that all costs will be alphabetized to make them easier to read and understand. If you are concerned about the fact that the lending estimate has dollar values that are estimates, keep in mind the closing disclosure (CD) has the full dollar amounts since the finalized numbers have been worked out there.

Reflected changes

Still, there are some changes possible even to these final closing costs that need to be taken into account. For example, upon a final inspection, the borrower

might notice the seller has removed a light fixture valued at US$100. A credit might be worked out here but that change still needs to be reflected on the CD.

It is important to keep in mind these TRID changes are designed to look after the consumer and make the entire home-buying process more transparent. These changes will affect you whether you are looking at Ijarah loans or a more traditional western-style mortgage. Next month, we will get into these TRID changes in some greater depth in advance of the August deadline that is fast approaching.

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Water Supply Augmentation Project/Electronic Trading System

In this article, JOHNNY EL HACHEM provides an overview of two significant projects in Lebanon: The Water Supply Augmentation Project and the Electronic Trading System.

LEBANON

By Johnny El Hachem

Water Supply Augmentation Project

For years, Lebanon struggled with water shortages in the summer and fall. It only stores 6% of its water resources, compared to the regional average of 85%. Having said that, the combination of a particularly severe drought and the strain more than a million Syrian refugees were placing on Lebanon's infrastructure made the problem more severe and led Lebanon to a full-scale water crisis.

Therefore, to help tackle the water shortages faced by Lebanese consumers, and to handle this water problem, the government of Lebanon has applied for a loan from the World Bank and the IDB, for the implementation of the Water Supply Augmentation Project, that includes, among other components, the construction of a water supply dam and associated infrastructure at Bisri River in South Lebanon.

The Water Supply Augmentation Project (the Project) will target the Greater Beirut and Mount Lebanon areas, where half of Lebanon's population of about four million lives. A dam will be constructed on the Bisri River in South Lebanon and will store 125 million cubic meters of water, filling up naturally in the winter and spring for use during the summer and fall. Water would also flow to Beirut, by gravity without incurring pumping costs, through a 26 km underground tunnel, water treatment plant and network of pipes across the city.

The World Bank has approved the Project which is said to be the largest-ever in the country — with a US$474 million loan to increase municipal water supplies. The IDB and the government of Lebanon are also providing parallel financing of US$128 million and US$15 million respectively, toward the total cost of US$617 million.

The project, which will be implemented over nine years to allow for the startup work ahead of construction and two years of operation and maintenance, will be supervised by the World Bank throughout its implementation phases, disbursing funds in installments as necessary during each phase.

An international panel of experts on dam safety will also be responsible for reviewing the technical and safety aspects of the dam design while mitigating risky environmental and social effects on local communities that should benefit from employment opportunities.

In line with the World Bank Safeguards Policies, the Council for Development and Reconstruction (CDR), the Project's implementing agency, intends to retain the services of an international panel of environment and social experts (ESP) experienced in the development of dam works infrastructure to provide independent advice and guidance to the Project. The CDR is currently calling for interested individual experts to be part of the ESP.

The objective of the ESP is to ensure that the components of the Project, as designed and built, comply with international standards of excellence and safety for water resources infrastructure as reflected in the World Bank Safeguard Policies and the government of Lebanon's legislation, regulations and guidelines.

A total of 869 plots of land will be expropriated for the project. As per Lebanese procedures, independent expropriation committees will assess the value of the land. Landowners will then be contacted to come forward to claim their compensation, which is held in a special purpose account.

However, the US$474 million World Bank loan that will be complemented by US$128 million in financing from the IDB and a US$15 million investment in the Project by the government of Lebanon will require ratification by both the Lebanese parliament and the government. No ratification has been done to date.

Electronic Trading System

Over the last few years, the Beirut Stock Exchange (BSE) has been affected by the general economic and financial crises as well as the political situation in Lebanon and as a result, the BSE has recently signed a letter of intent with the New York Stock Exchange in order to launch, over the coming two years, an advanced electronic trading system for the implementation of a new trading application platform.

This is one of the most advanced electronic trading systems in the world and will contribute to the credibility of the Lebanese financial market for investors. This system will also increase the supply and demand movement and strengthen the investment confidence in Lebanon and the economy.

The purpose of the new system is to encourage the listing of Sukuk (Islamic bonds) on the bourse and attract financing through financial markets as well as the banking sector, which will support the expected growth in equity listing and the entry into new asset classes in the Lebanese markets.

All of the banks in Lebanon are likely to be involved in this kind of activity because there is a lot of profit to be made in the financial market besides traditional lending, and examples of the banks are Blom Bank, Bank Audi, and Byblos Bank, among others.

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Islamic finance: Shariah governance

Governance of Shariah compliant financial institutions and Shariah governance generally is at a pivotal point. To date, AAOIFI and IFSB standards have formed the benchmark for institutions and the industry. However, adherence to such standards is voluntary and, as has been identified in a recent IMF report, adherence has been haphazard and non-uniform across various jurisdictions. SIMON O'NEILL puts Islamic finance governance under the spotlight.

SHARIAH GOVERNANCE

By Simon O'Neill

As the industry grows, Islamic finance faces the challenge of ensuring that it does not fall victim to the sort of systemic failures that occurred with the conventional financial industry, while yet staying true to its ethical values.

The key issues have been widely reported but what steps have/are being taken to address these issues?

1. Centralized Shariah supervision and harmonization

Centralization of Shariah supervision and harmonization have been identified as key issues in a recent IMF report with the lack of harmonization within and across borders at the central bank level. Malaysia has operated such a structure for some time, Bahrain and Oman have recently adopted this structure and the UAE/Dubai International Financial Center are reported to be considering its adoption also.

It has also been suggested that central banks should take a wider role in relation to Shariah advisors in the context of 'fit and proper' examinations to ensure that Shariah advisors, given their role in Islamic financial institutions, hold the requisite experience and qualifications and to ensure investor confidence and a sound compliance framework.

The IMF report also found that there was no evidence that money laundering and financing of terrorism risks in Islamic finance were materially different than those posed by conventional finance, although it acknowledged the complexity of some Islamic finance products and the limited experience in supervision of Islamic finance could be specific risk factors.

The IFSB's Prudential and Structural Islamic Financial Indicators track information on financial soundness and growth of Islamic banking systems in 15 member countries based on size, growth and structural features of Islamic banking systems. Such information will be of huge benefit to regulators, policymakers, institutions and investors assessing and taking steps (if necessary) to ensure sound governance arrangements are in place.

2. Product standardization

The relative youth of Islamic banking means that products and regulations are still evolving and in some cases the risks arising from product structures or the manner of implementation of the regulations may not be fully understood by regulators.

There has been progress towards developing and implementing standard documentation and regulations by standard-setting bodies such as the International Islamic Financial Market (IIFM) and AAOIFI/IFSB at the forefront. The IIFM is developing a Sukuk standardization guidance note, and its Master Collateralized Murabahah Agreement adds to those existing templates. Greater standardization of products, documentation and the Sukuk market will support governance, regulation and the mainstreaming of Islamic finance.

3. Basel III implementation

Because of the complicated capital structures and products, Islamic financial institutions (IFIs) will need to ensure that they have a sufficient quantity of reserves/high-quality liquid assets (HQLA) with adequate quality. IFIs tend to have high levels of Tier 1 capital due to the volumes of cash which they hold (due to the lack of Shariah compliant deposit protection systems and the shortage of HQLA) but issues can arise in the treatment of some Shariah compliant products in the calculation of risk-weighted assets under Basel III.

Recent guidance published by the IFSB on Basel III treatment for Islamic financial institutions clarifies the tools that IFIs may use to meet Basel III requirements. The guidance defines the HQLA that IFIs

can hold and the weights that should be assigned to Islamic deposits.

4. Liquidity

Sources of funds for conventional banks are not acceptable to Islamic banks as they typically involve interest-based interbank loans and transfers of debt other than at face value. This leads to Islamic banks holding higher levels of cash, or being unable to access so-called 'lenders of last resort' schemes in stress situations, or even interbank facilities on a day-to-day basis. Central banks have sought to address some of these liquidity issues.

The Central Bank of the UAE recently broadened the range of collateral that may be utilized for its special lending facility, the collateralized Murabahah facility. The Central Bank of Bahrain launched a Shariah compliant Wakalah liquidity instrument whereby local Islamic banks could deposit excess liquidity with it, and the Bank of England is also reported to be assessing the feasibility of developing a Shariah compliant liquidity management tool for Islamic banks.

Conclusion

Shariah governance is fundamental to Islamic finance in terms of its adherence to Islamic religious and ethical principles, and it must continue to ensure the development of financial and corporate governance to match the continued growth of Islamic finance as an alternative mode of finance and also to ensure it grows in a sustainable and stable manner.

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DEALS

Indonesia concludes Sukuk sales

INDONESIA: The Indonesian government on the 29th June issued IDR1 trillion (US$74.9 million) in Islamic securities on a private placement basis through the Hajj Fund Placement managed by the Ministry of Religious Affairs. According to an official announcement, the five-year series carries a yearly coupon rate of 8.2%.

Separately on the 30th June, the Indonesian Ministry of Finance sold IDR2.17 trillion (US$162.53 million)-worth of Sukuk from its latest auction which garnered over IDR3.87 trillion (US$289.86 million) in bids.

Bahrain encourages foreign investors to buy its Sukuk

BAHRAIN: The Central Bank of Bahrain (CBB), issuer of the BHD200 million (US$526.95 million) Government Islamic Lease (Ijarah) Sukuk Issue No 23 on behalf of the government of Bahrain, invited investors to subscribe to the Sukuk through the primary market by giving orders to registered brokers at the Bahrain Bourse which will enable them to trade it in the secondary market once listed on the 26th July 2015, according to a statement on the bourse's website. The subscription period was from the 2nd July to the 7th July 2015. The securities were issued at a par value of BHD1 (US$2.63) on the 9th July 2015 with a tenor of 10 years with an expected annual return of 5% which will be disbursed semi-annually on the 9th January and the 9th July every year.

Noor Bank's Sukuk listed

UAE: Noor Bank on the 30th June listed its debut US$500 million Sukuk on NASDAQ Dubai.

Commenting on the listing, Saadat Yaqub, the Islamic bank's head of wholesale banking and debt capital markets, told IFN: "By pricing one of the lowest bank Sukuk issuances to be listed on NASDAQ Dubai, and achieving one of the most diversified distributions outside the Middle East, Noor Bank has set a significant benchmark for others to follow."

QIB issues Tier 1 Sukuk

QATAR: Qatar Islamic Bank (QIB) on the 30th June issued a Basel III-compliant additional Tier 1 perpetual Sukuk to the tune of QAR2 billion (US$548.54 million). According to a bourse filing, proceeds from the sale will be used to enhance the bank's capital adequacy ratios and support business growth.

IILM to auction Sukuk

MALAYSIA: According to an announcement on Bank Negara Malaysia's website, the International Islamic Liquidity Management (IILM) will conduct an auction for the issuance of its US$860 million short-term trust certificates on the 9th July. The Sukuk carry a three-month tenor and will mature on the 15th October 2015.

Toyota Capital's targeted issuance

MALAYSIA: In an exclusive interview with IFN, Kuah Kock Heng, the president of Toyota Capital Malaysia, informed that subject to market conditions, the vehicle financing company aims to make the first Sukuk drawdown from the RM2.5 billion (US$665.57 million) Islamic and conventional commercial paper and medium-term note program in the third quarter of 2015.

Sunway to issue ICP

MALAYSIA: Sunway Treasury Sukuk, according to an announcement on Bank Negara Malaysia's website, is issuing RM100 million (US$26.49 million)-worth of Islamic commercial papers on the 8th July 2015 via tender. The 'P1(S)'-rated debt will mature on the 10th August 2015.

BNM issues Murabahah facility

MALAYSIA: Bank Negara Malaysia (BNM) on the 6th July issued a Murabahah money market tender worth RM600 million (US$159.74 million). According to an official announcement, the tender will expire on the 6th August 2015.

DEAL TRACKER Full Deal Tracker on page 33

EXPECTED DATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENT DATE
TBA	International Islamic Liquidity Management	US$860 million	Sukuk	3rd July 2015
TBA	Arab Petroleum Investment Corp	US$3 billion	Sukuk	1st July 2015
TBA	Noor Bank	US$500 million	Sukuk Wakalah	1st July 2015
Fourth Quarter of 2015	Republic of Turkey	TBA	Sukuk	25th June 2015
TBA	Tenaga Nasional	RM10 billion	Sukuk	24th June 2015

AFRICA

New IFSB member

KENYA: The IFSB has listed First Community Bank as a member of the global standard-setting body, according to its website. The bank is said to be the first Islamic bank in the East African region to be admitted as a member of the IFSB.

NBC extends Islamic financing

TANZANIA: The National Bank of Commerce (NBC) has started issuing Shariah compliant financing through its Islamic banking window after five years of laying down the groundwork, according to Daily News. NBC launched the product in 2010 but until now had only been issuing cheques and receiving deposits.

ASIA

Agrobank now Islamic

MALAYSIA: Government-owned Agrobank has completed its transformation into a fully-fledged Islamic bank, effective the 1st July, confirmed the bank in a statement to IFN. The agricultural financial institution began focusing on converting its operations since the introduction of the Agricultural Bank of Malaysia Act 2008 and intensified efforts from 2012 to 2014.

IOI may regain Shariah status

MALAYSIA: According to UOB Kay Hian Research's report published on the official blog in i3investor.com, IOI Corporation could regain its Shariah compliant status by November 2015 if the company is able to restructure at least 78% of its US dollar-denominated term loan into Islamic debt and release audited accounts by the end of October. The company's share price has been under pressure following the loss of its Shariah compliant status.

Crescent Wealth moves into commercial property

AUSTRALIA: Shariah compliant investment firm Crescent Wealth has made its foray into commercial property, acquiring a AU$31 million (US$23.84 million) asset on the fringes of the Melbourne central business district. According to IFN Correspondent for Australia, Chaaban Omran, the eight-level 7,608 square meters building was recently refurbished and is leased to a subsidiary of Japanese telecommunications giant Nippon (NTT) until August 2019. The acquisition was funded in-part by National Australia Bank's Islamic capital markets division using their new Wakalah structured product, the first of its kind for an Australian bank. The Crescent Diversified Property Fund will be an investor in the building alongside other Crescent Wealth clients.

Alkhair Islamic to expand regionally

MALAYSIA: Alkhair International Islamic Bank (Alkhair Islamic) is looking to acquire potential banks in Indonesia in the next few years and may look at a medium-sized bank that complements its business with less competition in the marketplace, according to the Star Online quoting Adissadikin Ali, the bank's new CEO. Separately, Alkhair Islamic is considering issuing a US dollar-denominated Sukuk in the upcoming three to four years to fund the expansion drive.

Brunei to launch stock exchange

BRUNEI: Brunei Darussalam is preparing to launch a securities exchange as early as 2017 with its primary focus on listing equities, according to Gulf Times. The sovereign will be adding bonds and Sukuk at a later stage; however it requires a sovereign rating, which it presently does not have in order to issue both and get access to international bond markets. As part of capital market initiatives by the Autoriti Monetari Brunei Darussalam, the stock exchange aims to boost the nation's financial industry, provide an alternative funding source for small and medium businesses and improve corporate governance.

Islamic repo standard for Indonesia

INDONESIA: Indonesian Islamic banks have signed an MoU on a mini master Shariah compliant repurchase agreement, according to the Jakarta Post. The standard will serve as an alternative to the interest-based structure that would ensure a standardized bank-to-bank transaction and cost-effectiveness and is expected to spur interbank transactions.

FAA to introduce IFPQS

MALAYSIA: Dr Amat Taap, CEO of the Finance Accreditation Agency, in a recent interview with IFN revealed that it is in the midst of developing the Islamic Finance Professional Qualifications Standards (IFPQS), which provide the mechanism to classify learning levels of professional qualifications. Each level is categorized according to the knowledge, skills and specialization required of an employee performing at that particular level. The IFPQS streamline professional qualifications into a single qualifications framework and help employees to map their career progression route.

EUROPE

IFAAS rolls out CSR program

UK: Islamic Finance Advisory & Assurance Services (IFAAS) has launched its corporate social responsibility (CSR) program dedicated to improving the environment through Islamic finance, the firm informed IFN. The program, known as 'Oxygen' will be in support of the UK's Woodland Trust and will see the planting of new trees dedicated individually to IFAAS clients and creating new woodland for every completed IFAAS project.

GLOBAL

ADIB eyes Southeast Asia and Africa

UAE: Abu Dhabi Islamic Bank (ADIB) is eyeing expansion into Southeast Asian and African markets to tap demand in countries with a large Muslim population, with a possible acquisition in 2016, according to Bloomberg quoting the bank's CEO, Tirad Mahmoud. ADIB has no plans to sell Sukuk in the next three months and will evaluate its capital position every quarter depending on growth.

ISFIN and IFS collaborate

GLOBAL: International Islamic finance legal network ISFIN has partnered with International Financial Services (IFS), a management company in Mauritius, to tap the potential of Islamic investment in the country, ISFIN informed IFN. As the country's outstanding economic achievements have proven to be attracting a flow of foreign investments, Professor Laurent Marliere, CEO of ISFIN, believes that Mauritius will become a credible international financial center for structuring both conventional and Islamic investments.

GEFF in Edinburgh

GLOBAL: The Global Ethical Finance Forum (GEFF), hosted by the Scottish government, will take place on the 1st and 2nd September at the Balmoral Hotel in Edinburgh. The forum will facilitate discussions on the ethical finance industry to be led by a panel of speakers including Dr Zeti Akhtar Aziz, the governor of Bank Negara Malaysia and Emir Muhammad Sanusi II, emir of Kano, among others.

MIDDLE EAST

ADGM issues draft regulations

UAE: Abu Dhabi Global Market (ADGM) is seeking market feedback until the 11th August for its recently published draft financial legislation, which includes the Financial Services and Markets Regulations and its accompanying rules, in addition to the Limited Liability Partnership Regulations. The Abu Dhabi international financial center announced on its website that it will publish further consultation papers supplementary to the draft rules in the coming weeks, including specific rules on insurance.

Hawkamah and DED to set up an Islamic center

UAE: The Institute of Corporate Governance (Hawkamah), a subsidiary of the Dubai International Financial Center, according to a statement on its website, has entered into an agreement with the Department of Economic Development (DED) to collaborate in the creation of an Islamic Management and Governance Center in Dubai. The center aims to develop a broader Islamic economic and business ecosystem, in addition to providing training and education on Islamic governance.

CBO establishes Islamic Banking Department

OMAN: The Central Bank of Oman (CBO) has launched an independent Islamic Banking Department at CBO, according to a press release. The department will oversee matters regarding Islamic banking while interactions with the existing Banking Examination and Surveillance Departments will continue under their purview.

QIB launches special automotive packages

QATAR: In conjunction with the holy month of Ramadan, Qatar Islamic Bank (QIB), through a partnership with automotive dealers and brands, is offering special financing deals on new vehicles, according to a press release.

Bank Sohar and Bank Dhofar perform due diligence

OMAN: Bank Sohar and Bank Dhofar (both offering Islamic banking products on a window basis) have entered into a non-binding MoU on a proposed merger which both parties have agreed to proceed with due diligence, subject to regulatory approvals, according to an announcement on the Muscat Securities Market's website.

Maisarah inaugurates new branch

OMAN: Maisarah Islamic Banking Services, after the establishment of its Azaiba, Salalah and Sohar branches, launched its fourth branch in Birkat Al Mouz as the bank plans to expand its presence across the Sultanate in 2015, according to a press release.

Aafaq partners with ECT

UAE: Aafaq Islamic Finance has formed an agreement with Emirates College of Technology (ECT) to promote Islamic banking and finance. The Dubai firm said in a statement that it will implement occupational training programs focusing on the Islamic economy under the MoU which will pave the way for human resource development, research and consultancy in Islamic finance.

ACWA secures Shariah financing

SAUDI ARABIA: Arabian Company for Water and Power Development (ACWA) has secured US$1.7 billion in Shariah compliant financing from 10 banks for a new US$2 billion industrial gases project in Saudi Arabia, the largest of its type in the world, according to a statement by deal advisor King & Spalding. The project sees the construction of an air separation unit and the supply of industrial gases to state-owned oil company, Saudi Aramco.

GFH discloses plans

BAHRAIN: Gulf Finance House (GFH) is expecting to secure a Murabahah facility to finance up to 70% of its planned asset purchase which is currently undergoing negotiations.

The Shariah compliant investment group is in advanced stages of talks with firms in Bahrain and Dubai, with hopes to close the transaction this year with at least one leveraged acquisition of about US$200 million, according to The National. Quoting CEO Hisham Alrayes, 30-40% of the acquisition is expected be financed through equity, while the firm is also considering the possibility of issuing Sukuk to restructure debts and to fund new projects. The firm is also looking to float an IPO for Falcon Cement Company before the end of 2015.

ASSET MANAGEMENT

Affin Hwang AM adds new Islamic PRS fund

MALAYSIA: Affin Hwang Asset Management (Affin Hwang AM) has launched the Affin Hwang Aiiman Private Retirement Scheme (PRS) Shariah Moderate Fund, the latest addition to the company's PRS funds, according to a press release. The new fund targets an annual return of 5-7% over a rolling period of three to five years with the initial offer period from the 1st July until the 21st July 2015 at a net asset value price of 50 Malaysian sen (13 US cents) per unit. CIMB Commerce Trustee has been appointed as the trustee of the fund.

Public Mutual declares distributions

MALAYSIA: Public Mutual has declared distributions of over RM178 million (US$47.39 million) for 13 funds including for PB Islamic Asia Equity Fund at 1 Malaysian sen (sen) (0.27 US cents) per unit; Public Islamic Savings Fund at 0.5 sen (0.13 US cents) per unit; PB Islamic Bond Fund at 6.5 sen (1.73 US cents) per unit; Public Islamic Money Market Fund at 3.25 sen (0.87 US cents) apiece; and PB Islamic Cash Management Fund also at 3.25 sen per unit. The figures represent total gross distributions for the financial year ending the 30th June 2015, the firm noted in a press release.

HSBC Amanah launches new product

MALAYSIA: HSBC Amanah has introduced a new product, the Islamic Socially Responsible Unit Trusts, in partnership with Teach for Malaysia (TFM), an independent non-profit organization, to end education inequity in the country. According to the bank's website, a portion of the profits earned from the unit trusts would be channeled to the TFM.

TAKAFUL

Baitulmal launches Takaful Asnaf Plan

MALAYSIA: Baitulmal, a department under the Federal Territories Islamic Religious Council, has launched the Takaful Asnaf Plan which covers benefits of RM5,000 (US$1,326.07) for accidents and death caused by accidents, and RM2,000 (US$530.43) for death, according to the New Straits Times. A total of RM585 million (US$155.15 million) in Zakat (tithe) has been collected so far for 2015, an increase from previous years' collections attributed to the efficient collection system.

Takaful sees positive growth

MALAYSIA: Syarikat Takaful Malaysia expects its overall company growth to hit 15% in 2015 compared to 12% in 2014, according to Bernama. Driven by a positive market response to its product offerings, Mohamed Hassan Kamil, the group managing director of the company, believes that target is achievable and also adds that the take-up rate has been encouraging for its recently launched two new products for SMEs.

ETC sets premiums target

EGYPT: The Egyptian Takaful Insurance Company (Non-life) targets to achieve premiums worth US$1.3 million in the fiscal year 2015-16 and expects to rake in EGP350 million (US$45.48 million) at the end of June 2015, according to Amwal Al Ghad quoting the managing director of the company, Ahmed Arfeen. Separately, the company is in talks with a number of banks to sign a bancassurance agreement in 2016, with Ahmed noting that banks had not signed any agreements with non-life insurance companies until now.

RATINGS

Fitch revises outlook on Malaysia

GLOBAL: Fitch in a statement has maintained Malaysia's long-term foreign currency issuer default rating (IDR) at 'A-', and the local currency IDR at 'A'. The ratings agency has also affirmed both Malaysia's senior unsecured local currency bonds and the country ceiling at 'A', and the short-term foreign currency IDR at 'F2'. Fitch has also revised the outlook on the long-term IDRs to stable from negative.

RAM reaffirms IBK

MALAYSIA: RAM in a statement has reaffirmed the 'AAA/Stable/-' rating of the Industrial Bank of Korea (IBK)'s RM3 billion (US$795.06 million) conventional and/or Islamic medium-term note program. The rating reflects the government of Korea (GoK)'s support for the bank which is still deemed intact, although GoK has reduced its direct and indirect stakes in IBK.

'BBB' for MAF

UAE: Majid Al Futtaim Holding (MAF)'s long-term issuer default rating (IDR) and senior unsecured rating have been affirmed at 'BBB' by Fitch, with a stable outlook. The rating agency concurrently assigned the firm an 'F3' short-term IDR and a 'BBB' rating to its funding vehicle MAF Sukuk.

Moody's assigns CR assessments to 16 UAE banks

GLOBAL: Moody's in a statement has assigned counterparty risk assessments (CR assessments) to 16 banks in the UAE. It has assigned CR assessments of 'Aa2(cr)/Prime-1(cr)' to National Bank of Abu Dhabi; 'Aa3(cr)/Prime-1(cr)' to Abu Dhabi Commercial Bank and Union National Bank; 'A1(cr)/Prime-1(cr)' to Abu Dhabi Islamic Bank, First Gulf Bank, Al Hilal Bank and HSBC Bank Middle East; 'A2(cr)/Prime-1(cr)' to Sharjah Islamic Bank; 'A3(cr)/Prime-2(cr)' to Commercial Bank of Dubai, Dubai Islamic Bank, Emirates NBD, National Bank of Fujairah, National Bank of Ras Al Khaimah and United Arab Bank; and 'Baa1(cr)/Prime-2(cr)' to Mashreqbank; and 'Prime-2(cr)' to Invest Bank.

Also, Moody's has affirmed the foreign currency subordinate ratings of 'Baa1' to Abu Dhabi Commercial Bank, 'Ba2' to MashreqBank and '(P)Baa3' to Emirates NBD but has withdrawn the outlooks on these subordinated debt ratings for its own business reasons.

Aquasar Capital's Sukuk reaffirmed

MALAYSIA: The 'AAA(s)/Stable' rating on Aquasar Capital's RM1.5 billion (US$399.34 million) Sukuk Murabahah (2014/2029) has been reaffirmed by RAM in a statement, predicated upon the state of Sarawak's fiscal strength and abundant resources.

Aquasar Capital is an SPV indirectly owned by Sarawak State Financial Secretary via Aquasar Holdings, to issue Sukuk Murabahah to develop the Kuching Centralized Sewerage System.

BGSM's rating unaffected by Maxis's Sukuk

MALAYSIA: The recent issuance of Maxis's RM840 million (US$223.63 million) Islamic paper pursuant to its RM5 billion (US$1.33 billion) unrated Sukuk Murabahah program has not affected BGSM Management's credit rating, according to RAM in a statement.

RAM's analysis of BGSM Management continues to focus on the credit fundamentals of Maxis, given that the former relies solely on the latter's dividends to service BGSM Management's financial obligations under its (BGSM's) RM10 billion (US$2.66 billion) in nominal value Islamic paper (2013/2043).

RAM maintains Bank Muamalat's ratings

MALAYSIA: RAM in a statement has reaffirmed the 'A2/Stable/P1' financial institution ratings of Bank Muamalat and the 'A3/Stable' rating of its RM400 million (US$104.75 million) Islamic subordinated Sukuk program (2011/2026). The one-notch difference between the bank's long-term financial institution rating and that of its subordinated Sukuk reflects the subordination of the debt facility to the bank's unsecured obligations.

RAM publishes new criteria

MALAYSIA: RAM in a statement has announced that it has published methodologies for rating systemically important banks and government-linked financial institutions. In the new criteria, RAM will evaluate conditions to determine the government's propensity to provide support for these institutions which will depend on the latter's importance and the strength of its relationship with the former.

RAM's methodologies also consider systemic support for financial institutions that account for a significant share of a country's deposits or entities strongly interconnected to other institutions in the financial system. The newly released criteria, in themselves, do not result in any rating changes for the existing banks in RAM's rating portfolio.

RAM withdraws SBS's Sukuk ratings

MALAYSIA: RAM according to a statement has withdrawn its 'AAA(bg)/Stable' ratings for Syarikat Borcos Shipping (SBS)'s RM125 million (US$33.15 million) Sukuk Ijarah medium-term note program (2010/2017) and RM30 million (US$7.95 million) Bai Bithaman Ajil Islamic debt securities (2010/2017), both bank guaranteed, as the company had fully redeemed and cancelled the programs on the 30th June 2015. As a result, RAM no longer has any rating obligation in respect of the Sukuk.

RAM maintains NUR Power's Sukuk ratings

MALAYSIA: RAM in a statement has reaffirmed the ratings of NUR Power's Tranche 1 and Tranche 2 RM650 million (US$172.18 million) guaranteed Sukuk Mudarabah (2012/2027) at 'AAA(bg)/Stable' and 'AAA(fg)/Stable' respectively.

The ratings reflect irrevocable and unconditional guarantees extended by Maybank Islamic and Danajamin Nasional which enhance the credit standing of the Sukuk beyond NUR Power's credit strength.

7% GDP growth for Qatar

QATAR: Moody's expects the Qatari government, rated 'Aa2/Stable', to maintain high levels of public spending and continue to push for economic growth despite weaker oil prices and the country is anticipated to register a 7% growth in GDP this year. The rating agency's expectations are reflected in its stable outlook for the State's banking system, which is unchanged since 2010.

MOVES

CBI

UAE: The Commercial Bank International (CBI) in an announcement on its website welcomed a new head of Islamic banking, **Mamoon Abdel Kader**. Mamoon was previously the regional head of corporate banking at Emirates Islamic.

Investcorp

BAHRAIN: Investcorp's long planned change of executive management has come into effect through the appointment of **Mohammed Al Ardhi** as the executive chairman, according to a press release. The promotion of **Mohammed Al Ardhi** follows **Nemir Kirdar**'s decision to retire from the position and as CEO. Nemir has been the CEO since the firm's founding and has now been appointed as the chairman of the board of directors.

In a previous announcement, Investcorp named **Tony Robinson** as CFO as incumbent **Rishi Kapoor** moved on to become co-CEO together with **Mohammed Al-Shroogi**.

Barwa Bank

QATAR: **Ahmed Abdulaziz Al Emadi** has been promoted to the role of head of corporate banking at Barwa Bank, according to a press release. Prior to joining Barwa Bank in 2011, Ahmed worked with HSBC.

Eiger Trading

UK: **John Morris** has joined Eiger Trading as an associate director, the Islamic financial market intermediary firm told IFN. Prior to this, Morris was attached to Riyad Bank as a senior advisor to the executive vice-president of treasury and investments.

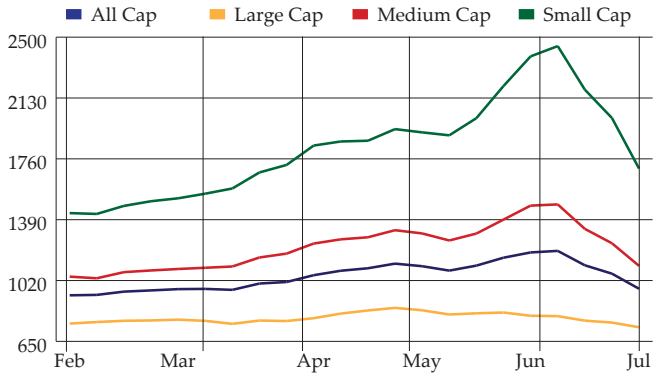
90 North

UK: 90 North in a media statement announced three new appointments: **Susan MacLachlan** as the group financial controller; **Kai Chu** as an investment associate for the firm's UK portfolio; and **Charlotte Dennison** as an executive assistant.

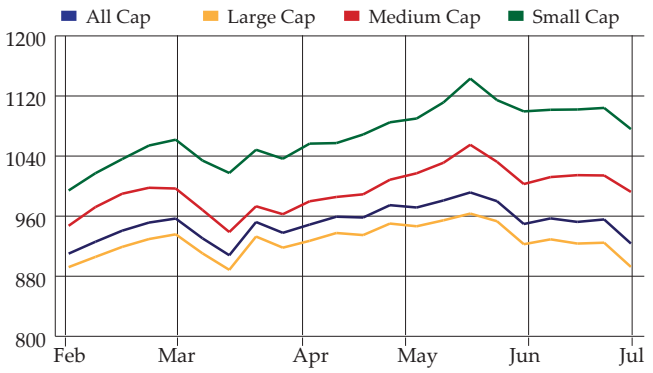
Expected date	Company's name	Size	Structure	Announcement Date
TBA	International Islamic Liquidity Management	US$860 million	Sukuk	3rd July 2015
TBA	Arab Petroleum Investment Corp	US$3 billion	Sukuk	1st July 2015
TBA	Noor Bank	US$500 million	Sukuk Wakalah	1st July 2015
Fourth Quarter of 2015	Republic of Turkey	TBA	Sukuk	25th June 2015
TBA	Tenaga Nasional	RM10 billion	Sukuk	24th June 2015
End of 2015	Kuveyt Türk	TRY800 million	Sukuk	24th June 2015
TBA	Kuveyt Türk	TRY200 million	Sukuk	24th June 2015
TBA	1Malaysia Development	RM5 billion	Sukuk	18th June 2015
TBA	Maxis	RM5 billion	Sukuk Murabahah	18th June 2015
TBA	Toyota Capital Malaysia	TBA	Sukuk	17th June 2015
TBA	Jordanian government	JOD400 million	Sukuk	17th June 2015
TBA	SapuraKencana Petroleum	RM7 billion	Sukuk Murabahah	16th June 2015
By 2017	KT Bank	EUR100 million	Sukuk	11th June 2015
TBA	Grand Sepadu	RM210 million	Sukuk Murabahah	5th June 2015
TBA	Saudi Binladin Group	SAR1 billion	Sukuk	29th May 2015
TBA	Abu Dhabi Islamic Bank	US$3 billion	Sukuk	29th May 2015
Before Ramadan 2015 (18th June 2015)	Government of Oman	US$1 billion	Sukuk	26th May 2015
First week of June 2015	Perhimpunan BMT Indonesia	US$200 million	Sukuk	26th May 2015
26th May 2015	Government of Indonesia	IDR10 trillion	Sukuk	22nd May 2015
TBA	Masraf Al Rayan	TBA	Sukuk	14th May 2015
TBA	AEON Credit	RM1 billion	Sukuk Murabahah	13th May 2015
TBA	Bank OCBC NISP	TBA	Sukuk	13th May 2015
TBA	Government of Oman	OMR200 million	Sukuk	11th May 2015
TBA	Najran Cement Company	TBA	Sukuk	8th May 2015
2nd quarter 2015	National Shipping Company of Saudi Arabia	SAR3.9 billion	Sukuk	7th May 2015
TBA	Riyad Bank	SAR4 billion	Sukuk	6th May 2015
Jun-15	Adira Dinamika Multi Finance	IDR500 billion	Sukuk	6th May 2015
2015/2016 fiscal year	Government of Egypt	TBA	Sukuk	5th May 2015
2015	Government of Ivory Coast	XOF300 billion	Sukuk	24th 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
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
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

SHARIAH INDEXES

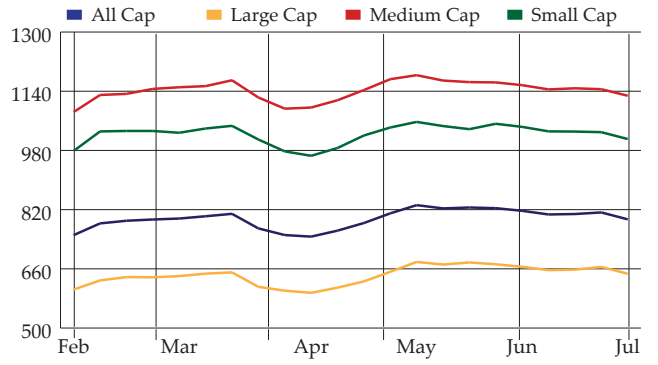
REDmoney Asia ex. Japan *6 Months*



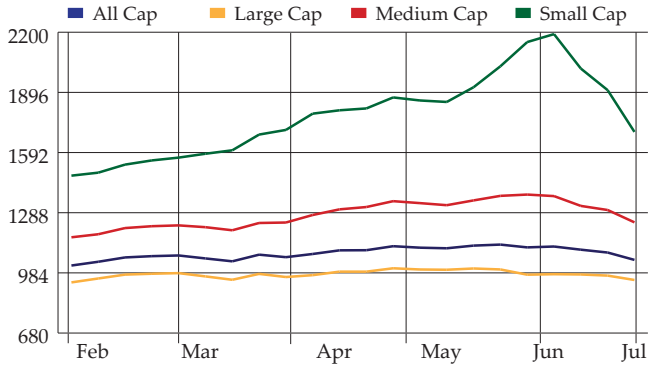
REDmoney Europe *6 Months*



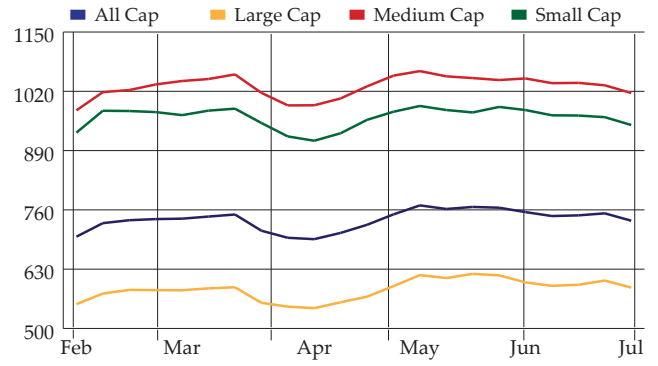
REDmoney GCC *6 Months*



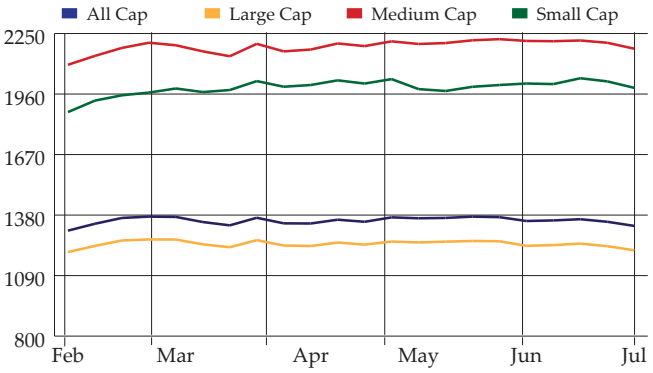
REDmoney Global *6 Months*



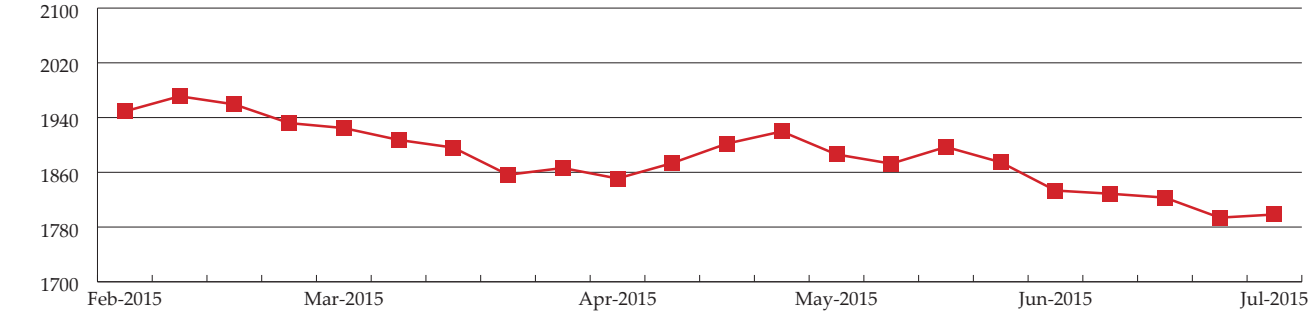
REDmoney MENA *6 Months*



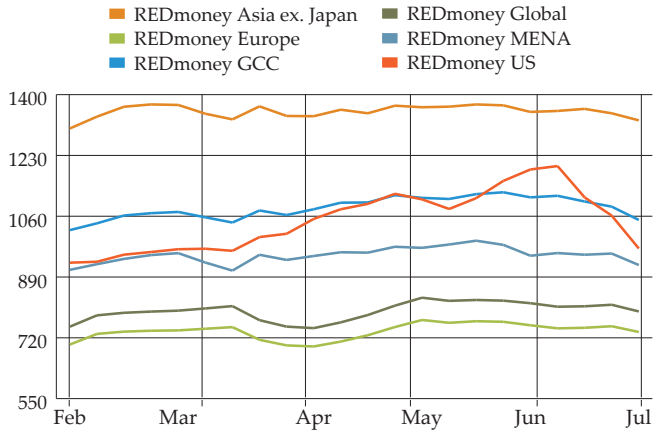
REDmoney US *6 Months*



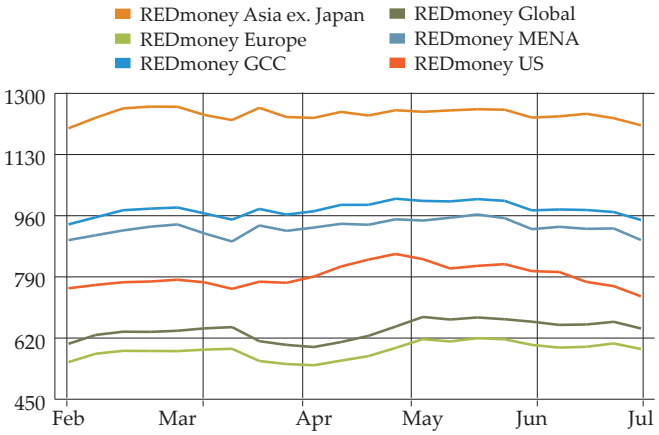
SAMI Halal Food Participation (All Cap) *6 months*



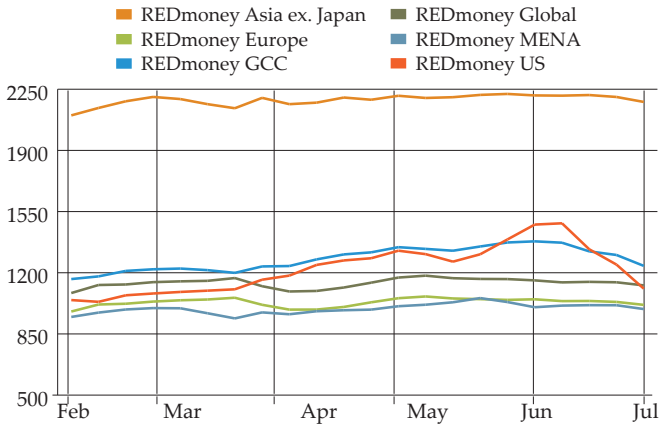
REDmoney Global Shariah Index Series (All Cap) *6 Months*



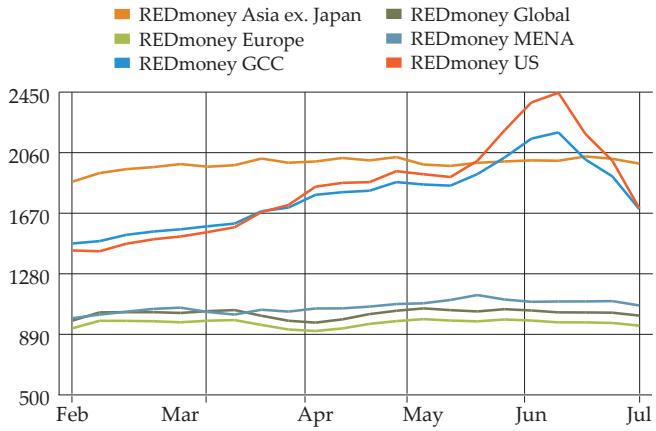
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



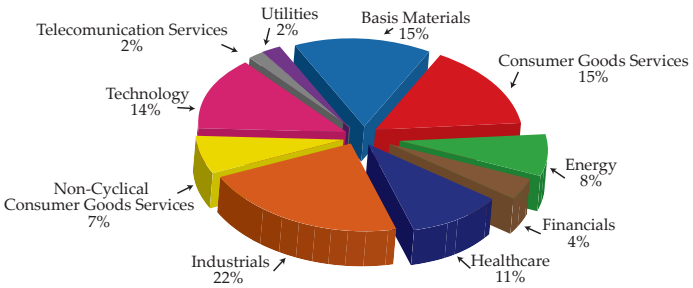
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



REDmoney Global Shariah

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

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



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

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

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

REDmoney Global Shariah Index Series

REDmoney Indexes IdealRatings®

For further information regarding REDmoney Indexes contact:

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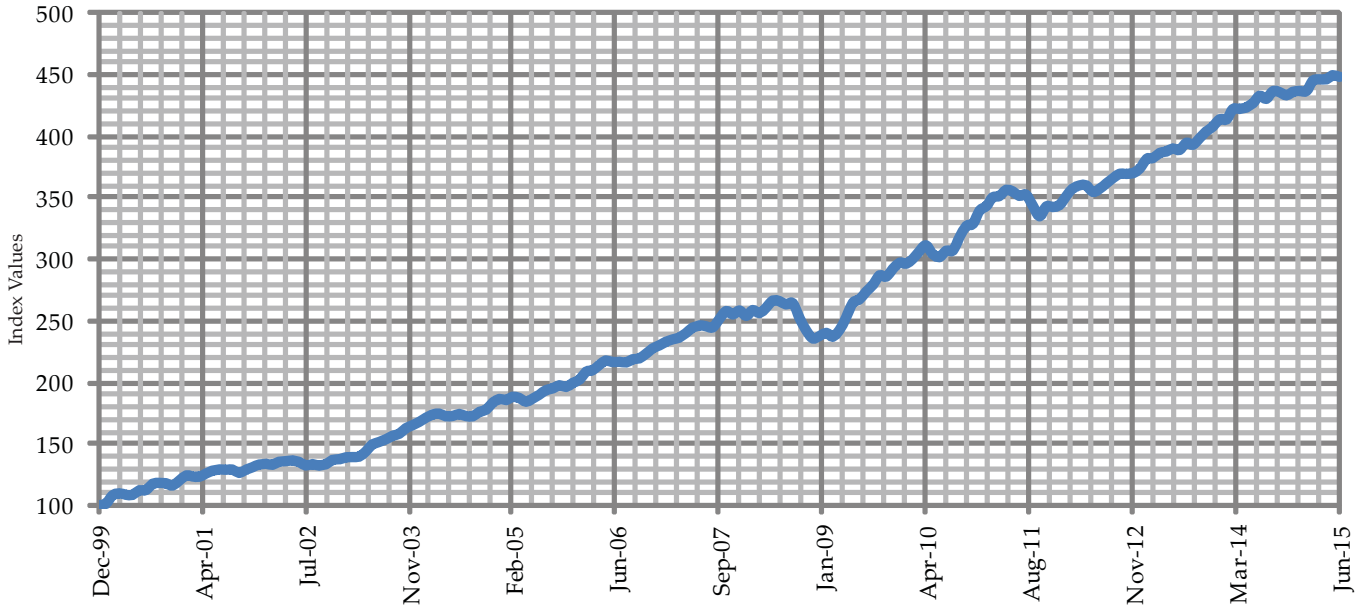
Managing Director, REDmoney Group

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	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	23.25	Pakistan
2	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	19.31	Pakistan
3	Atlas Islamic Stock	Atlas Asset Management	18.02	Pakistan
4	Jadwa Saudi Equity	Jadwa Investment	16.45	Saudi Arabia
5	Saudi Equity - (Al Raed)	Samba Financial Group	14.77	Saudi Arabia
6	Jadwa GCC Equity	Jadwa Investment	14.69	Saudi Arabia
7	WSF Global Equity - USD I	Cogent Asset Management	14.39	Guernsey
8	Jadwa Arab Markets Equity	Jadwa Investment	13.49	Saudi Arabia
9	TRIM Syariah Berimbang	Trimegah Securities	9.94	Indonesia
10	Amana Growth	Saturna Capital	9.85	US
	Eurekahedge Islamic Fund Index		**3.20**	

Based on 34.60% of funds which have reported June 2015 returns as at the 6th July 2015

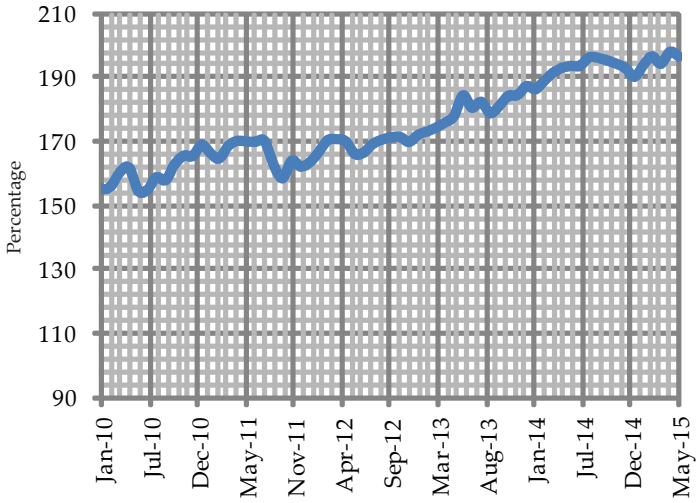
Top 10 Real Estate Funds by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Al Dar Real Estate	Al Dar Asset Management (ADAM)	4.40	Kuwait
2	Oasis Crescent Global Property Equity	Oasis Global Management Company (Ireland)	3.00	Ireland
3	Markaz Real Estate	Kuwait Financial Centre (Markaz)	2.51	Kuwait
4	Al-'Aqar KPJ REIT	AmMerchant Bank	-0.71	Malaysia
5	Al Qasr GCC Real Estate & Construction Equity Trading	Banque Saudi Fransi	-12.55	Saudi Arabia
	Eurekahedge Islamic Fund Index		**(0.67)**	

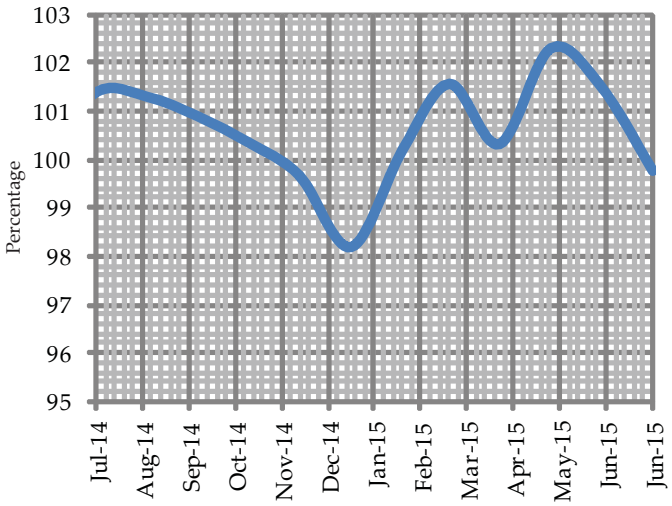
Based on 100.00% of funds which have reported January 2015 returns as at the 6th July 2015

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 Balanced Index over the last 5 years



Eurekahedge Islamic Fund Balanced Index over the last 1 year



Top 10 Annualized Standard Deviation for ALL Funds since Inception

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	AmIttikal	AmInvestment Management	41.32	Malaysia
2	Deutsche Noor Precious Metals Securities - Class A	DWS Noor Islamic Funds	35.22	Ireland
3	AmPrecious Metals	AmInvestment Management	31.14	Malaysia
4	Saudi Equity - (Al Raed)	Samba Financial Group	30.31	Saudi Arabia
5	Saudi Companies	The Saudi Investment Bank	29.95	Saudi Arabia
6	Meezan Islamic	Al Meezan Investment Management	28.95	Pakistan
7	TRIM Syariah Saham	Trimegah Securities	28.50	Indonesia
8	NBAD Islamic MENA Growth	National Bank of Abu Dhabi	27.87	UAE
9	Al Meezan Mutual	Al Meezan Investment Management	26.59	Pakistan
10	Atlas Islamic Stock	Atlas Asset Management	26.54	Pakistan
	Eurekahedge Islamic Fund Index		**8.27**	

Taking into account funds that have at least 12 months of returns as at the 6th July 2015

Top 10 Fund of Funds by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Al Yusr Aman Multi Asset Fund	Saudi Hollandi Bank	6.66	Saudi Arabia
2	AlManarah High Growth Portfolio	The National Commercial Bank	1.28	Saudi Arabia
3	AlManarah Conservative Growth Portfolio	The National Commercial Bank	0.83	Saudi Arabia
4	Al Rajhi Multi Asset Balanced Fund	Al Rajhi Bank	-1.93	Saudi Arabia
5	Al Dar Fund of Funds	Al Dar Asset Management (ADAM)	-2.47	Kuwait
	Eurekahedge Islamic Fund Index		**0.88**	

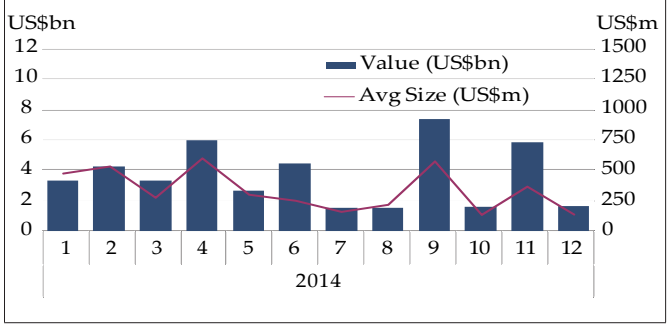
Based on 100.00% of funds which have reported January 2015 returns as at the 6th July 2015.

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

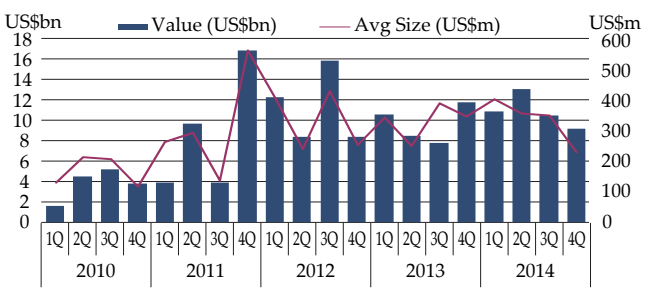
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
19th Jun 2015	Maxis	Malaysia	Sukuk	Domestic market public issue	226	CIMB Group
4th Jun 2015	Pengurusan Air SPV	Malaysia	Sukuk	Domestic market public issue	163	Maybank
28th May 2015	Hong Kong Sukuk 2015	Hong Kong	Sukuk	Euro market public issue	1,000	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, CIMB Group
27th May 2015	Garuda Indonesia Global Sukuk	Indonesia	Sukuk	Euro market public issue	500	Standard Chartered Bank, Deutsche Bank, ANZ, National Bank of Abu Dhabi, First Gulf Bank, Maybank, Emirates NBD, Al Hilal Bank, QInvest, Warba Bank, Noor Bank
25th May 2015	Benih Restu	Malaysia	Sukuk	Domestic market public issue	278	OCBC, RHB Capital, Maybank, CIMB Group
22nd May 2015	Jana Kapital	Malaysia	Sukuk	Domestic market public issue	419	RHB Capital
22nd May 2015	Malaysia Building Society	Malaysia	Sukuk	Domestic market public issue	250	RHB Capital
21st May 2015	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	2,000	JPMorgan, HSBC, Dubai Islamic Bank, CIMB Group
18th May 2015	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	750	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Maybank, Dubai Islamic Bank
18th May 2015	THP Suria Mekar	Malaysia	Sukuk	Domestic market public issue	280	RHB Capital
15th May 2015	Jambatan Kedua	Malaysia	Sukuk	Domestic market public issue	560	RHB Capital, Maybank, Kenanga Investment Bank, AmInvestment Bank
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	Khadrawy	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

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter



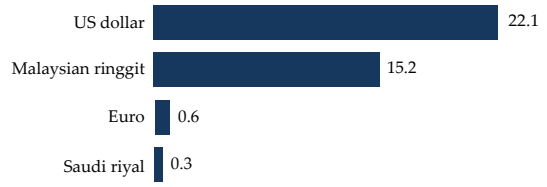
Top 30 Issuers of Global Sukuk *12 Months*

	Issuer	Nationality	Instrument	Market	US$ (mln)	Iss (%)	Managers
1	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	3,500	9.1	Standard Chartered Bank, HSBC, CIMB Group, Emirates NBD, JPMorgan, Dubai Islamic Bank
2	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	2,881	7.5	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
3	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	2,479	6.5	Standard Chartered Bank, RHB Capital, Maybank, CIMB Group, AmInvestment Bank, Affin Investment Bank, Bank Islam Malaysia
4	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	1,750	4.6	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank, First Gulf Bank, Maybank
5	Malaysia Sovereign Sukuk	Malaysia	Sukuk	Euro market public issue	1,500	3.9	Standard Chartered Bank, HSBC, CIMB Group
6	Petronas Global Sukuk	Malaysia	Sukuk	Euro market public issue	1,250	3.3	JPMorgan, Deutsche Bank, Morgan Stanley, HSBC, Maybank, Mitsubishi UFJ Financial Group, CIMB Group, Citigroup, Bank of America Merrill Lynch
7	Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	2.6	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup
7	Hong Kong Sukuk 2015	Hong Kong	Sukuk	Euro market public issue	1,000	2.6	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, CIMB Group
7	Hong Kong Sukuk 2014	Hong Kong	Sukuk	Euro market public issue	1,000	2.6	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, CIMB Group
7	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	2.6	HSBC, CIMB Group, Citigroup
7	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
12	Danga Capital	Malaysia	Sukuk	Domestic market public issue	992	2.6	RHB Capital, CIMB Group
13	Bank Pembangunan Malaysia	Malaysia	Sukuk	Domestic market public issue	948	2.5	HSBC, CIMB Group
14	Khadrawy	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
15	Sharjah Sukuk	UAE	Sukuk	Euro market public issue	750	2.0	Standard Chartered Bank, HSBC, Kuwait Finance House, National Bank of Abu Dhabi, Sharjah Islamic Bank
16	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	743	1.9	Maybank, CIMB Group
17	Dubai International Financial Centre	UAE	Sukuk	Euro market public issue	700	1.8	Standard Chartered Bank, Dubai Islamic Bank, Emirates NBD, Noor Bank
18	Mumtalakat Sukuk Holding	Bahrain	Sukuk	Euro market public issue	594	1.6	Standard Chartered Bank, Deutsche Bank, BNP Paribas, Mitsubishi UFJ Financial Group
19	Jambatan Kedua	Malaysia	Sukuk	Domestic market public issue	560	1.5	RHB Capital, Maybank, Kenanga Investment Bank, AmInvestment Bank
20	Prasarana Malaysia	Malaysia	Sukuk	Domestic market public issue	541	1.4	RHB Capital, Kenanga Investment Bank, CIMB Group, Affin Investment Bank, AmInvestment Bank
21	Sharjah Islamic Bank	UAE	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank, HSBC, Kuwait Finance House, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank
21	Republic of South Africa	South Africa	Sukuk	Euro market public issue	500	1.3	BNP Paribas, Standard Bank, Kuwait Finance House
21	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
21	JANY Sukuk	US	Sukuk	Euro market public issue	500	1.3	Saudi National Commercial Bank, Goldman Sachs, National Bank of Abu Dhabi, Abu Dhabi Islamic Bank, Emirates NBD, QInvest
21	IFFIm Sukuk	United Kingdom	Sukuk	Euro market public issue	500	1.3	Saudi National Commercial Bank, Standard Chartered Bank, National Bank of Abu Dhabi, CIMB Group, Barwa Bank
21	Flydubai	UAE	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Emirates NBD, Credit Agricole, Noor Bank
27	Garuda Indonesia Global Sukuk	Indonesia	Sukuk	Euro market public issue	496	1.3	Standard Chartered Bank, Deutsche Bank, ANZ, National Bank of Abu Dhabi, First Gulf Bank, Maybank, Emirates NBD, Al Hilal Bank, QInvest, Warba Bank, Noor Bank
28	Rantau Abang Capital	Malaysia	Sukuk	Domestic market public issue	476	1.2	RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group
29	Bumi Armada Capital Malaysia	Malaysia	Sukuk	Domestic market public issue	474	1.2	RHB Capital, Maybank, CIMB Group, AmInvestment Bank
30	Aquasar Capital	Malaysia	Sukuk	Domestic market public issue	441	1.2	RHB Capital
					38,319	**100**	

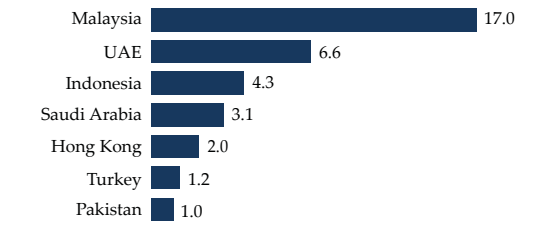
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	CIMB Group	6,662	57	17.4
2	HSBC	4,310	25	11.3
3	RHB Capital	4,021	48	10.5
4	Maybank	3,398	37	8.9
5	Standard Chartered Bank	3,376	23	8.8
6	AmInvestment Bank	1,946	27	5.1
7	National Bank of Abu Dhabi	1,842	13	4.8
8	Dubai Islamic Bank	1,597	10	4.2
9	Citigroup	1,149	6	3.0
10	Emirates NBD	1,114	9	2.9
11	JPMorgan	1,003	4	2.6
12	Deutsche Bank	749	5	2.0
13	Natixis	658	3	1.7
14	Al Hilal Bank	545	5	1.4
15	Affin Investment Bank	517	8	1.4
16	Noor Bank	479	5	1.3
17	BNP Paribas	462	4	1.2
18	Kenanga Investment Bank	414	8	1.1
19	Kuwait Finance House	407	4	1.1
20	First Gulf Bank	337	3	0.9
21	Saudi National Commercial Bank	294	3	0.8
22	Bank Islam Malaysia	291	3	0.8
23	Mitsubishi UFJ Financial Group	287	2	0.8
24	Gulf International Bank	278	2	0.7
25	Sharjah Islamic Bank	275	2	0.7
26	Abu Dhabi Islamic Bank	260	3	0.7
27	Hong Leong Financial Group	195	7	0.5
28	QInvest	191	3	0.5
29	Standard Bank	167	1	0.4
30	Barwa Bank	163	2	0.4
	Total	**38,319**	**135**	**100.0**

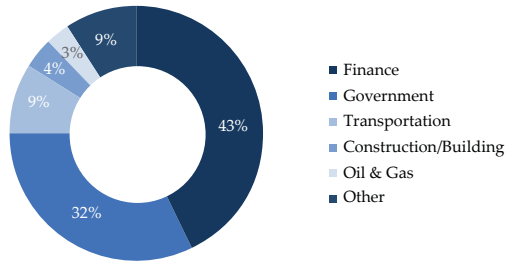
Sukuk Volume by Currency US$ (billion) *12 Months*



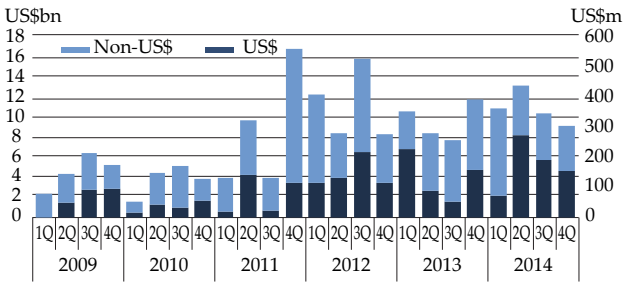
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



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	Sumitomo Mitsui Financial Group	1,414	2	16.4
2	HSBC	750	3	8.7
3	National Commercial Bank	651	3	7.5
4	Riyad Bank	584	2	6.8
5	Samba Capital & Investment Management	518	3	6.0
6	Mitsubishi UFJ Financial Group	414	2	4.8
6	Mizuho Financial Group	414	2	4.8
8	Al Rajhi Capital	356	3	4.1
9	Banque Saudi Fransi	346	2	4.0
10	National Bank of Kuwait	290	1	3.4

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

	Legal Advisor	US$ (million)	No	%
1	Salans FMC SNR Denton Group	3,334	2	22.0
2	Milbank Tweed Hadley & McCloy	2,704	1	17.8
2	White & Case	2,704	1	17.8
4	Linklaters	1,631	2	10.8
5	Clifford Chance	1,380	3	9.1
6	Allen & Overy	1,086	5	7.2
7	Chadbourne & Parke	660	1	4.4
8	Baker & McKenzie	433	2	2.9
9	Norton Rose Fulbright	354	1	2.3
9	Pekin & Pekin	354	1	2.3

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

	Mandated Lead Arranger	US$ (mln)	No	%
1	Abu Dhabi Islamic Bank	1,135	6	6.8
2	Samba Capital	1,087	4	6.5
3	National Bank of Abu Dhabi	1,032	7	6.2
4	Banque Saudi Fransi	906	4	5.4
5	HSBC	878	9	5.3
6	First Gulf Bank	743	9	4.5
7	Saudi National Commercial Bank	644	3	3.9
7	Riyad Bank	644	3	3.9
9	Standard Chartered Bank	618	7	3.7
10	Dubai Islamic Bank	531	5	3.2
11	Emirates NBD	499	7	3.0
12	Abu Dhabi Commercial Bank	491	3	2.9
13	Alinma Bank	490	2	2.9
14	Arab Banking Corporation	484	6	2.9
15	Mashreqbank	388	4	2.3
16	RHB Capital	322	3	1.9
17	Union National Bank	319	5	1.9
18	Sumitomo Mitsui Financial Group	314	3	1.9
19	Commercial Bank of Dubai	311	3	1.9
20	ING	269	2	1.6
21	Barwa Bank	250	4	1.5
22	Maybank	247	2	1.5
22	AmInvestment Bank	247	2	1.5
24	Noor Bank	219	3	1.3
25	UOB	215	1	1.3
25	CIMB Group	215	1	1.3
27	SABB	197	2	1.2
28	Al Hilal Bank	191	2	1.1
29	Gulf International Bank	188	2	1.1
30	Citigroup	180	3	1.1

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

	Bookrunner	US$ (mln)	No	%
1	Maybank	2,239	1	21.6
2	Samba Capital	1,327	1	12.8
3	Abu Dhabi Islamic Bank	1,059	4	10.2
4	Saudi National Commercial Bank	666	1	6.4
4	Riyad Bank	666	1	6.4
4	Alinma Bank	666	1	6.4
7	Emirates NBD	431	3	4.2
8	Dubai Islamic Bank	376	2	3.6
9	Noor Bank	369	2	3.6
10	National Bank of Abu Dhabi	313	2	3.0

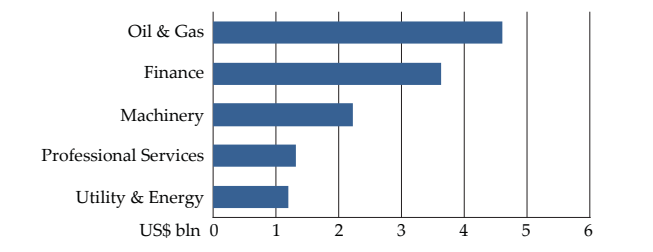
Top Islamic Finance Related Financing Deal List *12 Months*

Credit Date	Borrower	Nationality	US$ (mln)
30th Mar 2015	Saudi Aramco	Saudi Arabia	9,999
16th Mar 2015	Rabigh Refining & Petrochemical	Saudi Arabia	2,870
15th Jan 2015	SapuraKencana TMC	Malaysia	2,239
18th Jun 2015	Emirates National Oil	UAE	1,500
19th Nov 2014	Saudi BinLaden Group	Saudi Arabia	1,327
8th Sep 2014	Atlantis The Palm	UAE	1,100
10th Mar 2015	Port & Free Zone World	UAE	1,100
17th Apr 2015	Turkiye Vakiflar Bankasi	Turkey	1,021
22nd Mar 2015	Arab Petroleum Investments	Saudi Arabia	950
24th Dec 2014	National Central Cooling - Tabreed	UAE	706

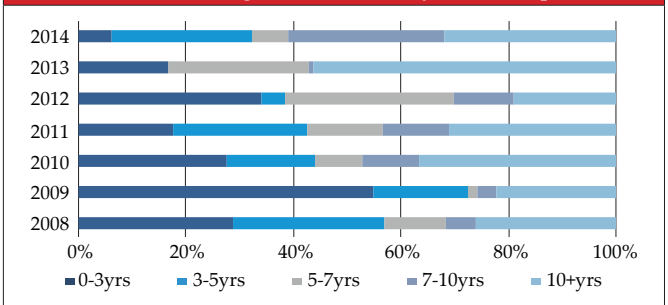
Top Islamic Finance Related Financing by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	Saudi Arabia	5,637	6	33.7
2	UAE	5,516	13	33.0
3	Malaysia	2,411	3	14.4
4	Turkey	1,661	4	9.9
5	Kuwait	661	2	4.0
6	Qatar	500	1	3.0
7	India	272	1	1.6
8	Oman	55	1	0.3

Top Islamic Finance Related Financing by Sector *12 Months*



Global Islamic Financing - Years to Maturity (YTD Comparison)



Are your deals listed here?
If you feel that the information within these tables is inaccurate, you may contact the following directly: Shireen Farhana (Media Relations)
Email: shireen.farhana@dealogic.com Tel: +852 2804 1223

dealogic

REDmoney events

SEPTEMBER 2015		
13th	IFN Issuer Forum	Dubai, UAE
17th – 18th	Africa Islamic Finance Forum	Abidjan, Cote d'Ivoire
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
APRIL 2016		
TBC	IFN Indonesia Forum	Jakarta, Indonesia
TBC	IFN Investor Forum	Dubai, UAE
MAY 2016		
TBC	IFN Asia Forum	Kuala Lumpur, Malaysia
TBC	IFN Qatar Forum	Doha, Qatar

REDmoney training

JULY 2015		
9th –10th	Managing Counterparty Credit Risk, Basel III & Recent Regulatory Issues	Hong Kong
AUGUST 2015		
17th –19th	Understanding Islamic Contracts: Structuring & Legal Issues	Dubai, UAE
18th & 25th	Islamic Financial Services Act (IFSA) 2013 & Islamic Banking Products	Kuala Lumpur, Malaysia
20th –21st	Shariah Audit & Governance for Islamic Banking	Kuala Lumpur, Malaysia
23rd –25th	Islamic Finance Qualification	Dubai, UAE
24th –26th	Advanced Sukuk & Islamic Securitization	Istanbul, Turkey
SEPTEMBER 2015		
2nd –4th	Understanding & Applying Structured Products	Kuala Lumpur, Malaysia
6th –8th	Bank Asset & Liability Management Simulation	Dubai, UAE
7th –8th	Undertaking Effective Litigation & Recovery in Islamic Finance Facilities	Kuala Lumpur, Malaysia

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