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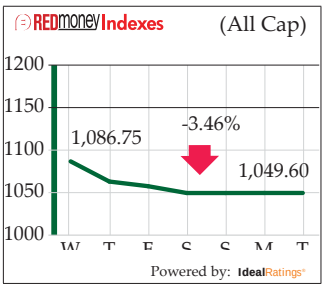


COVER STORY

15th July 2015 (*Volume 12 Issue 28*)

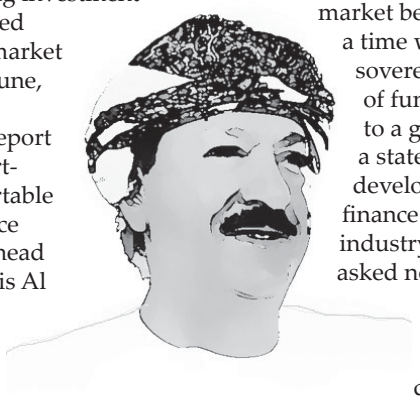
Opportunities in Oman: A market on the edge

On the 1st July, the Central Bank of Oman (CBO) announced the formation of a new department exclusively to handle Islamic banking operations. The move is the latest in a surge of steps to promote the Shariah compliant sector which have propelled Oman into the fast stream and attracted international attention. But given its late arrival in a region already dominated by strong Islamic players, how can the country differentiate itself within the industry? LAUREN MCAUGHTRY looks at the unique ways in which Oman is opening up to Islamic opportunity.

Stable growth

Oman is benefiting from a reassuringly stable macroeconomic environment that is not only encouraging investment but supporting the sustained regulatory push towards market development. On the 21st June, the CBO released its third annual financial stability report confirming that in the short-run Oman was in a comfortable position despite the oil price volatility, which the CBO head of financial stability Dr Qais Al Yehyei categorized as "a temporary set-back", while a series of stress tests indicated that the banking sector was also in a strong position. While the IMF projected Oman's GDP to decrease from 4.7% in 2013 to 2.95% in 2014, the stability report also found that Oman's output growth is expected to return to 4.62% this year, with growth through public investment continuing to stimulate the market. Although the effects of an interest rate hike and a sustained fall in oil prices could impact growth, the increasing diversification of the economy along with benign inflation, adequate foreign exchange reserves and a well-capitalized banking sector with an average capital base of around 16% make the prospects for the coming year look healthy.

"The market is developing rapidly — and there is a lot of interest in the market because it comes at a time when Oman as a sovereign is itself in need of funds, which has led to a greater focus from a state level in terms of developing the Islamic finance industry," said an industry observer, who asked not to be named. "The sovereign is looking to do its own domestic Sukuk and there are a few other corporates looking to tap the market as well. But this is against the backdrop of generally increased interest in fundraising and capital markets in general — so it is not necessarily purely an Islamic finance-driven thing but more an overall growth in international financing activity, which has sparked interest in using the Shariah compliant platform as well."



Banking boom

The country's banking sector has been doing very well in recent years, creating a fertile environment for the development of the Islamic sector. In 2014, Omani banks saw positive growth in deposits, advances and profits despite the low oil prices: with particular focus on the achievements of banks in meeting Basel III capital adequacy requirements. At the recent CBO Annual Banker's Meeting, the CBO executive president Hamood Sangour Al-Zadjali, however, noted that: "I urge the bankers… to keep up with their good efforts as the future may be far more challenging given the low oil prices," advising banks to put in place a robust capital-planning process to meet CBO requirements. "It is expected that the prolonged period of low oil prices may contribute to asset-quality problems in banks after some time-lag. I, therefore,

continued on page 3

Volume 12 Issue 28

DEALS

Bahrain's sovereign long-term Sukuk Ijarah fully subscribed

Investors show high level of demand for **Saudi Binladin**'s SAR1 billion (US$266.45 million) Sukuk sale

Economic Coordination Committee extends repayment period of PIAC Sukuk certificates by five years

Emaar Sukuk makes profit payments

NEWS

Bank of Zambia developing Islamic finance regulatory framework to facilitate Islamic banking operations in the future

Ugandan government pressured to accelerate legislation on Islamic banking

National Bank of Commerce's Islamic window extends banking products in Zanzibar

The county government of Wajir launches Shariah compliant revolving fund to help women, youth and the disabled

Evergrow for Specialty Fertilizers to raise funds through Islamic and conventional syndicated financing facility

Islamic Bank of Thailand seeks private investors to restore business

Bank Negara Malaysia in talks to make Islamic finance certification a mandatory requirement for Shariah advisors

Amana Bank partners with **Digital Commerce Lanka** on online installment scheme

Philippines to venture into ASEAN and global Islamic capital markets

State Bank of Pakistan grants Islamic banking license to microfinance institution on pilot basis

Azzad Asset Management's Muslim clients to give almost US$3.7 million in Zakat

Pakistan's **MCB Bank** close to acquiring Afghan Islamic banking service provider

Bank of Tokyo-Mitsubishi UFJ to become first Japanese bank to offer Islamic financing through a Middle Eastern branch

Gulf Finance House confirms possibility of Kuwait delisting and Saudi listing

World Bank joins hands with **CIBAFI** to promote Islamic finance development

Abu Dhabi Islamic Bank eyes North African markets; applies for licenses in Morocco, Algeria, Libya and Tunisia

Qatar Islamic Bank carries out bank-wide training on operational risks

NASDAQ Dubai plans Islamic repos and retail Sukuk platform

ASSET MANAGEMENT

Manulife Asset Management Services unveils new Shariah compliant fund under Flexi Series

Securities Commission Malaysia relaxes fund management rules

UBL Fund Managers launches the Al-Ameen Islamic Active Allocation Plan-II

TAKAFUL

Perbadanan Insurans Deposit Malaysia to hold campaign on financial protection and management

RATINGS

JCR-VIS maintains **First National Bank Modaraba**'s ratings

UMW Holdings maintains top Sukuk ratings

MARC withdraws **DHTI Capital**'s senior notes facility ratings

Moody's changes outlook for Bahrain's banking system

OCBC Bank secures 'AA1' rating for Islamic paper

Fitch affirms Sri Lanka's sovereign ratings with stable outlook

SI Capital maintains 'AAA' rating on Islamic facility

Moody's reaffirms **Asian Development Bank** at 'Aaa' with a stable outlook

MOVES

Ibdar Bank welcomes Ahmed Al-Rayes as new chief investment officer

Qatar First Bank appoints new CEO

Md Mustafa Khair now deputy managing director of **First Security Islami Bank**

Emirates NBD Asset Management names Tariq Hendi as CEO

Prudential BSN Takaful welcomes Aman Chowla as new CEO as Azim Mithani takes over as COO of **Prudential Corporation Asia**

Opportunities in Oman: A market on the edge

Continued from page 1

urge the bankers to closely monitor their loan portfolios, their operating expenses and take abundant care while distributing dividends or remitting profits abroad."

Despite these concerns, the Islamic banking sector has seen exceptional growth since its launch in 2012, with last year seeing a strong performance. "Compared to other GCC countries the Islamic banking market share is still very small at 5%," commented the global head of Islamic finance at Fitch Ratings, Bashar Al Natoor, speaking to IFN. "However, if you bear in mind that this is a very young industry and by nature Islamic banks usually have a tougher time in competing and capturing customers from existing banks, 5% is not a bad share and we will see more and more growth, specifically now that the regulator and the state are supporting the market."

There are currently two fully-fledged Islamic banks and six Islamic windows with a total branch network of 46 Islamic banking entities operating in Oman. "At the end of [the] second year of operations, the total assets of Islamic banking went up by 67% from OMR808 million (US$2.09 billion) in 2013 to OMR1.35 billion (US$3.49 billion) in 2014. The deposits went up by 305% from OMR170 million (US$439.8 million) in 2013 to OMR688 million (US$1.78 billion) in 2014. Similarly, Islamic financing went up by 144% from OMR425 million (US$1.09 billion) in 2013 to OMR1.04 billion (US$2.69 billion) in 2014," according to Hamood.

In the first four months of 2015, Islamic banks saw a 107% growth in financing at OMR1.27 billion (US$3.28 billion) from OMR611.1 million (US$1.58 billion) in the same period last year. Total customer deposits also increased by 195% to OMR847.3 million (US$2.19 billion) as of April 2015 from OMR287.7 million (US$744.3 million) last year. "There is strong demand in Oman, and Islamic finance could grow substantially to reach the same levels of around 20-30% of the banking industry, like other GCC countries," said Bashar. "It depends on how strongly the sovereign wants to push — will they do the same as Qatar and say only Islamic banks can issue and raise Shariah compliant debt; will they restrict windows and conventional banks; will they give licenses to more Islamic banks? It really depends on their approach and whether their current level of interest is sustained."

A challenging market

And challenges for the Islamic market still remain in terms of capacity-building and regulatory development, as the sector struggles to keep pace with its own rapid growth. "One of the main challenges is around ensuring that there are no adverse consequences from a regulatory point of view, and ensuring that the CMA is comfortable with the structure and approach being taken," said an industry player. Especially on the capital markets side, this is being taken very seriously. "Oman has not seen a significant amount of international capital markets activity compared to other regional players such as Dubai. So there is generally a lack of familiarity in terms of work that needs to be done from a structural and disclosure point of view. That is one thing that issuers are struggling with, and that will take time."

"There is a lot that still needs to happen: including resolving the liquidity problem for Islamic banks, the regulations, and they still need to catch up in comparison to Bahrain, Malaysia or the UAE," noted Bashar. "These markets now already have some liquidity and overnight mechanisms in place to assist their banks, and Oman needs to catch up on that. For the market in general, sovereign Sukuk will help to establish a benchmark for the banks, investors and corporates. We are still at an early stage, but the pace is picking up."

There have also been complaints from the public over a lack of communication from banks regarding terms and conditions for some banking products, as well as concerns over the incidence of fraud, which could negatively impact the sector's reputation. This has resulted in a revision of the penalty framework for the licensed banking sector. "It has been observed that the existing penalty structure is not sufficient enough to achieve credible deterrence or discipline of errant banks or to create an appropriate compliance-driven culture within the banking industry," said the executive president in a circular in March. Non-compliance will hitherto be subject to severe penalties, applying to both conventional and Islamic banks.

Government support

This new stringency in March this year saw the first assembly of Oman's High Shariah Supervisory Authority, which was formed to provide expert opinion and advice to the CBO on Shariah matters related to Islamic banking business. The functions of the authority include providing opinion and expert advice to the CBO on Shariah matters related to Islamic banking business, as well as giving binding rulings on Fiqh disputes between the Shariah supervisory boards of different Islamic banking entities and providing expert opinion on the Shariah compliance of transactions between the CBO and Islamic banking entities such as deposits, financings, sale and purchase and the issuance of Islamic financial instruments.

This month has also seen the inauguration of the CBO's specialist department to oversee Islamic banking, with the aim of building up resources and expertise and centralizing all aspects of Islamic banking regulation and issuance. "Effective regulation and supervision of Islamic banks achieved through a dedicated unit is positive for the sector as it should strengthen early detection of risks and support growth," commented Fitch Ratings on the launch.

The Takaful market is also picking up, with final approval for the Capital Market Authority (CMA)'s draft Takaful regulation expected soon. The minimum capital for a Shariah compliant insurance firm is expected to be fixed at OMR10 million (US$25.9 million) with an IPO required to list shares on the Muscat Securities Market. However, Takaful firms will have to be stand-alone, unlike the banking sector, with windows prohibited. Takaful has in fact grown faster than the retail banking sector in Oman, constituting 6% of gross direct premiums in 2014, and 4% of total paid claims.

continued on page 4

Opportunities in Oman: A market on the edge

Continued from page 3

Late bloomer

Although Oman was one of the last GCC states to join the table, it is clearly pushing forward hard in its attempt to grow the industry. "Oman was the last to join the Islamic finance market in the region but has been progressing very well in terms of developing their Islamic finance market in general," noted Bashar. In the coming months, the country is expected to raise OMR200 million (US$517.4 million) through a debut sovereign Sukuk issuance, which should not only place it on the regional map for Islamic finance, but significantly impact the opportunities for liquidity management in the country. "On its own, a sovereign issuance might be small in the grand scheme of things, but it will be a helpful step to open up the market in terms of both liquidity management and corporate issuance," noted Bashar.

The issuance is especially interesting because Oman is one of the few countries which saw a maiden corporate issuance (the December 2013 OMR50 million (US$129.3 million) deal from real estate firm Tilal Development Company) before its sovereign established a benchmark. However, since then few deals have been forthcoming, leading to hopes that the anticipated state transaction could kickstart the market, encouraging corporates to enter and potentially financial institutions to follow.

Potential boomer

"In the last six months or so Oman has become a very interesting market," said Alex Roussos, a partner at Dentons in Dubai, speaking to IFN. "Because of the low oil prices, the government has realized (and been told by the likes of the IMF) that it can no longer subsidize certain projects: so some of the local banks and government-related entities (GREs) are now having to go to the capital market to fund their activities."

"I think we should see the government's maiden issuance come out straight after Ramadan," he continued. "We are also now working on another Sukuk for a government-related corporate. There is a good pipeline of deals and we will see a steady flow of both conventional and Sukuk issuance coming out of Oman in 2015-16. Investors are becoming more familiar with the Oman story — and a lot of these entities are very well-run, tightly managed and so attractive in terms of their financial position."

The country's capital markets are burgeoning in every direction. While the Tilal Sukuk was very much a private placement, in recent years the conventional market has set a path that the Islamic sector can easily follow. The National Bank of Oman (NBO) recently set up a medium-term note (MTN) program for conventional bond issuance, while the Oman Electricity Transmission Company also did an international 144A deal in Europe and the US, while Bank Dhofar also issued a Tier 1 bond to raise regulatory capital. Following the expected government Sukuk issuance this year, the government is likely to come to market once again, while government-related entities and corporates should closely follow. Oman-based Renaissance Services on the 6th July approved plans to issue up to US$200 million in either conventional bonds or Sukuk, while Oman Telecommunications and Bank Muscat have also been reported as seeking to issue this year.

Given the regulatory capital requirements, bank issuance could also be a potential growth area, and 2015-16 is likely to see a significant increase in Sukuk issuance from financing institutions. However, this faces a central bank hurdle in that local banks need to obtain approval from the CBO before proceeding with any issuance of bonds/Sukuk, in addition to the approval from the CMA, as long as the offering includes marketing the securities to local investors. Given the recent launch of the CBO's specialist Islamic banking department however, it will be interesting to see if this requirement changes in future to encourage financial institution issuance.

Strong pipeline

Either way: "Once you have a few issuances that establish a benchmark and a precedent, there will be an acceleration in the number of companies that are willing to undertake the process," predicted a market player. "There are a lot of firms just waiting on the sidelines right now to see what others are going to do and then piggybacking off that."


Roussos

"We will potentially see the government going to the market again, once they've got the debut issuance out of the way. Then the GREs will come into play, followed by the corporates," agreed Roussos. "We have already had a hybrid corporate bond issued in Oman and we will see more corporates follow — they are all testing the waters at the moment to see what appetite is out there. MTN programs will also increase — NBO has one, Bank Muscat has one but other banks don't yet and they will move in. We will see a continuation of the current significant pipeline."

It is also worth noting that these Sukuk deals are happening despite the fact that the Sukuk regulations that the CMA have drafted have not yet come into force. The authorities are very supportive of Islamic finance, especially the CMA, and they are putting all their weight behind it. "Hopefully we will also see Sukuk regulations come into force this year which will make issuance much more straightforward," said Roussos.

Domestic focus

Oman, compared to Saudi Arabia, Dubai and even Qatar, is likely to remain a largely domestic market. However, in terms of domestic issuance there is a lot of potential, because it is a jurisdiction where politically this is being strongly encouraged. "The industry is still at a very early stage so relatively speaking, I think it has grown substantially and the potential is large," said Bashar. "If you look at Dubai, they have come a very long way and I don't think Oman has the same ambitions — it would be difficult for any GCC country to catch up with Dubai in that respect now. But I think they will continue to build domestically based on consumer demand."

Nevertheless, opportunities in the global space do exist, and are expanding. "There will be more and more international issuance and international interest in that. It depends on the size issuers are after — if they want a large issuance in excess of benchmark,

continued on page 5

Opportunities in Oman: A market on the edge

Continued from page 4

they would have to go outside of Oman because there is not sufficient liquidity in Oman itself," pointed out Roussos. "The recent conventional international transactions from NBO and Bank Dhofar and the 144A bond issuance done by Oman Electricity Transmission Company have seen a healthy amount of demand from international investors — from the GCC, Asia and Europe. Investors are keen to get Oman exposure — the issuances sold well and are trading well on the secondary market. So we will continue to see more international activity."

Crowded house

In general, the Omani Islamic banking sector is healthy and growing — but with an overcrowded overall market, growth opportunities are harder to come by, especially for the retail banks. "What you may need to develop further is [a] few bigger name Islamic banks to expand their operations within Oman," suggested an industry observer. "In Oman now you have a small number of banks that have a large market share; and each of those banks have Islamic windows. But the question is whether there will be opportunities for pure Islamic banks to enter that market and develop a market share in Oman."

"At the moment the market is crowded, so I don't know to what extent other regional or international Islamic banks would want to move in," noted Roussos. "We are more likely to see consolidation between banks in Oman. Bank Dhofar and Bank Sohar are thinking about merging, and there have been reports of other potential mergers, so we might see consolidation as opposed to new players entering the market."

Carving a path

And one thing Oman is doing — and doing well — is developing its own path rather than following the example of other countries. "One thing that they have done which is quite impressive and has not really been done elsewhere in the region is to develop specific legislation around Islamic finance," commented a market player to IFN. "That is actually something that is very innovative and has not been done in any of the other GCC jurisdictions. Some of them have Islamic finance-related laws but they are not so specific in terms of allowing for Sukuk issuances and exemptions from tax, or in providing a framework for establishing SPVs."

Another attractive aspect is the retail focus, which is unusual especially in such a young market. "Oman is interesting because they are also pushing for some of these instruments to be accessible to retail investors and high-net-worth individuals — and that is a very interesting development, as we have not necessarily seen much of that elsewhere across the region," said Roussos.

While it may take some time, it looks as if Oman has its own agenda and the strength of purpose to follow it through. With a strong pipeline and an exciting post-Ramadan period expected, the coming year should trace an interesting path.

The missing link: Islamic finance integration in Europe

Islamic finance in Europe is finally getting off the ground, with markets such as the UK, Luxembourg and most recently Germany leading the charge. But underneath the slow-moving surface new currents are also swirling and new bubbles of opportunity forming, with Islamic alternatives gaining quiet traction as portfolios achieve risk/return parity with their conventional counterparts. LAUREN MCAUGHTRY looks at the burgeoning possibilities in integrated Islamic asset management.

The European retail market has struggled to develop, especially in the banking sector: with some players citing a lack of demand from Muslims already banked with the conventional sector (especially in sophisticated banking markets such as the UK) and others blaming a poor supply from providers educating and offering Muslims the products and services they need. But even as a number of new banks (including the long-awaited Euris Bank in Luxembourg and the recently launched KT Bank in Germany) enter the fray, the asset management arena is also generating new opportunities.

"We are seeing a lot of interest developing in Europe towards Islamic solutions," said Erik Van Dijk, CIO of Luxembourg-based Parmenion and a pioneer of Islamic portfolio management. Also active as an investment consultant in the Netherlands, he points out that while there were a few abortive attempts by international Islamic banks from markets such as Turkey and Morocco to enter the European market, their efforts were often frustrated by a lack of trust from retail investors used to dealing with big, well-known conventional banks and reluctant to move over to an untried, untested and unfamiliar name. "However, asset management is a totally different ballgame," he told IFN.

A key reason for this is the disappointment that many customers now feel in their banks, especially with record low interest rates. In the Netherlands for example, the Dutch tax rate means that people sometimes pay more tax than what they get in return from their savings account. The Dutch tax office assumes a theoretical 4% return on portfolios and charges a 30% tax based on that, meaning that investors making lower returns can lose out. "This has led to a situation where there is a lot more traction for more interesting and exciting types of alternative strategies than there would otherwise be," noted Van Dijk.

In addition, European retail investors are increasingly comfortable with avenues other than the traditional banking system: such as brokers, online platforms and other regulated off-the-shelf solutions. "We feel this opens up a big opportunity to introduce something new, with people attracted by a conservative strategy that still brings more return than they would get with their bank. It is not just pious Muslims that are attracted by this, but also with people who are looking for diversified alternatives with a better return. I think the next three years will be totally different from the last three," said Van Dijk.

While some countries have been quicker off the mark than others to embrace this opportunity, the biggest issue is still a lack of products: with providers reluctant to take the final step. "We saw the same thing with structured products for the retail market — initially people were very afraid of them, but then they gained very rapid traction," pointed out Van Dijk. "I think we are in that initial phase when we are just waiting for the first couple of big retail-oriented parties to get started. That will show people that this is not a dangerous or aggressive approach but something very conservative and very reliable."

One benefit is derived from the increasing parity of Islamic portfolios with their conventional counterparts, as strategies become more sophisticated and counter-steering enables their risk/return profiles to be engineered more tightly. Within Parmenion Van Dijk joined forces with former Societe Generale top trader Jean-Phillipe Cerruti to create an investment approach based on daily rather than monthly trading, which reduced the volatility generated in Islamic portfolios. "One of the issues that we came up against all the time was that when we looked at the Islamic funds we ran in the low-risk zone, we found that not being able to invest in interest-bearing securities created a bigger sensitivity to the inclusion of commodities, and the volatility of the holdings made the risk profile higher and more hectic than we were looking for. By taking a daily, rather than monthly, trading approach through an expert like Jean-Philippe we were able to reduce this risk substantially." This trading component essentially created a comparable risk/return profile for Islamic solutions that made them comparable to non-Islamic ethical portfolios.

This increasing compatibility has led to growing interest from both Muslim and non-Muslim investors. "It is changing every day — there are more and more interested parties and once you show them the returns, the track record, the risk and return profile, they are keen to get involved," said Van Dijk. "From the provider side, they really just need a little push to come up with the products. Once we have those products, the market will grow. We are in the twilight zone just before the market takes off."

Parmenion itself currently offers products for high and ultra-high-net-worth individuals and family offices based in Europe, as well as segregated mandates for Muslim investors from the Middle East looking for a diversified global approach. "We are now working on a retail plan for Muslims in Europe, together with a broker in the Netherlands who has a full retail license, to create a retail solution that is suitable for Muslims in the Netherlands, Germany and surrounding countries," announced Van Dijk exclusively to IFN.

The firm also offers advisory solutions for institution investors, which highlights a very interesting opportunity in the institutional arena for European pension funds that are keen to invest ethically — which in some countries such as the Netherlands and Scandinavia already constitutes a significant portion of the market. "These players now have an interest in diversifying within the ethical approach, and Islamic options offer them the opportunity to do so," said Van Dijk. "Now that markets like Saudi Arabia are opening up to foreigners and with high levels of debt in Europe and other countries, the possibility of our pension plans investing in the Middle East is increasingly attractive."

With more and more Middle Eastern parties also investing in Europe, this integration will stabilize the market further and provide a strong platform for development. As an instrument to achieve this, Islamic finance and the Islamic debt market could be the missing link.

Shrinking Sukuk market — not all bad

The financial community may have been reminded of the shortcomings of the Islamic finance industry as a result of S&P's recent dramatic Sukuk forecast revision which saw initial 2015 projections halved, but VINEETA TAN opines that out of this depressed atmosphere, the fraternity is also presented with avenues for further growth and development buoyed by a maturing market.

The main reason for S&P's downward revision (from US$100-115 billion to US$50-60 billion) is the exit of a single issuer — Bank Negara Malaysia (BNM) — which caused a striking 42.5% plunge in total Sukuk issuance in the first half of 2015. The Malaysian central bank is one of the world's largest Sukuk issuers, accounting for almost 40% of total global offerings in 2014 at US$45 billion out of US$116.4 billion, supporting Malaysia's lead as the world's largest Sukuk issuer by volume (according to 12 months rolling data from Dealogic). The country (and its apex bank's)'s holding in the international Islamic bond space underlines a long-standing market issue: the over-concentration of the industry favoring a handful of market players, notably Malaysia, Saudi Arabia and the UAE.

However, despite the obvious skewness and the drawbacks it brings, the Islamic finance industry for the most part is showing signs of maturity as it welcomes more participants to the table. This widening base has supported the growth of the Sukuk market despite BNM's departure as confirmed by S&P: "Sukuk market performance in the first half of this year was also aided by returning sovereign issuers (from core and non-core markets) and large, albeit sporadic issuances from banks and a few corporate[s] in the Gulf states and Malaysia." The rating agency noted that excluding the BNM effect, global Sukuk volume performed within its expectations, falling only by 10.7% and it confirms that the list of potential Sukuk issuers continues to increase although the timing for their issuance is uncertain.

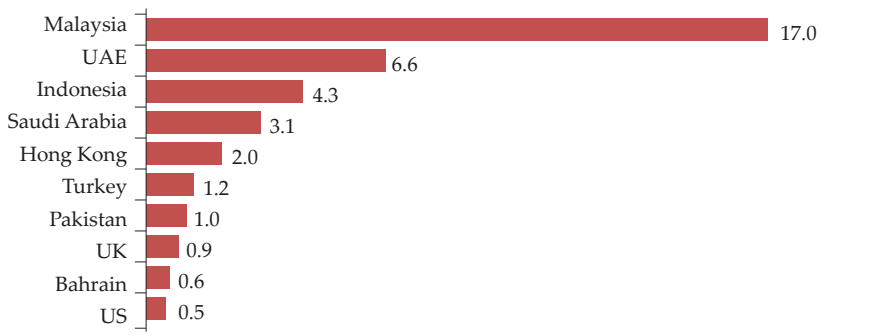
Apart from the phenomenal number of non-Muslim market entries into the Sukuk arena in 2014 which widened the pool, a yearly comparison of the latest Dealogic data also shows that the ranks of Islamic bond issuers have changed this year. A most noteworthy game-changer is Indonesia who is unapologetic in its surge forward to grab a larger slice of the Sukuk pie. From fifth last year, the Southeast Asian nation leaped to third while Saudi Arabia (who was the world's top Sukuk issuer after Malaysia this time last year) tumbled to fourth place as Indonesia and the UAE (who moved up to second from third) displaced the Kingdom. The current league of top-seven Sukuk issuer nations also greeted Hong Kong and Pakistan, who did not make the list last year.

> ***"BNM's move leaves the door open to the International Islamic Liquidity Management Corporation and the IDB to step up their issuance"***

BNM's exit is viewed favorably by S&P as an opportunity for others to shine. "BNM's move leaves the door open to issuers such as the International Islamic Liquidity Management Corporation and the IDB to step up their issuance and provide the industry with liquidity, thereby contributing to the development of an Islamic yield curve," it noted. The IDB last month already committed to raise its US$10 billion Sukuk program by more than double to US$25 billion.

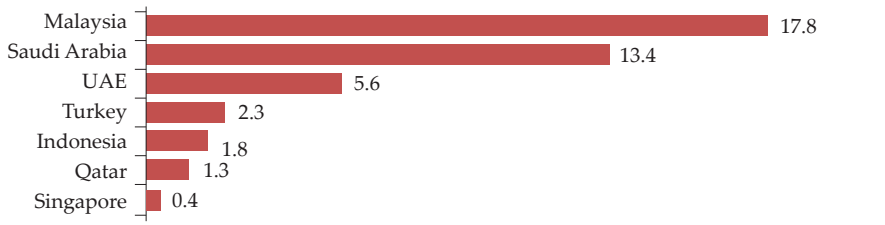
A drop in Sukuk volume may be alarming; however, it does not necessarily mean the industry is not moving forward. We can see progress in the Sukuk space in terms of growing recognition from the global community which has seen many new markets adopting this instrument, or intending to do so. And looking at the bigger picture, apart from Sukuk gaining traction in other markets, BNM's decision to cease issuing short-term Sukuk as it switches to other Shariah instruments could also be viewed as a sign of maturity in the form of a chance for the development of other Islamic liquidity tools to reduce the reliance on the industry's poster child. So it may seem that there is a silver lining after all out of the gloomy forecast.

Chart 1: Sukuk volume by issuer nation (US$ billion)
Last 12 months (Rolling) as at the 8th July 2015



Source: Dealogic

Chart 2: Sukuk volume by issuer nation (US$ billion)
Last 12 months (Rolling) as at the 8th July 2014



Source: Dealogic

Large corporates tap Islamic market to raise funds — a growing trend

Emirates National Oil Company (ENOC) on the 18th June 2015 successfully secured a term debt syndicated facility worth US$1.5 billion. Tapping both the conventional and Islamic markets, the nine-year US dollar and UAE dirham financing was procured for the general corporate purposes of the obligor. Cementing a growing trend in the region for large corporates to raise significant amounts of financing through Shariah compliant structures, NABILAH ANNUAR has the exclusive.

Emirates National Oil Company Financing

Obligor	Emirates National Oil Company (ENOC)
Size of issue	US$1.5 billion (comprising both conventional and commodity Murabahah facilities)
Purpose	General corporate purposes
Tenor	Nine years
Currency	UAE dirham and US dollar tranches
Issuance date	18th June 2015
Maturity date	18th June 2024
Arrangers	Abu Dhabi Islamic Bank, Commerical Bank of Dubai, Dubai Islamic Bank, Emirates NBD Capital, Mashreqbank, Noor Bank, Standard Chartered Bank
Legal advisors	Clifford Chance as obligor's counsel Allen & Overy as arrangers' counsel
Structure	Commodity Murabahah

The financing incorporated a commodity Murabahah transaction alongside a conventional term loan facility. Speaking to IFN, Peter Avery, a partner at Clifford Chance in Dubai which was the legal advisor to ENOC on the deal, explained that the Shariah compliant tranche of the debt was structured as a Murabahah due to the lenders' and borrower's familiarity with this type of structure, a structure which has been tried and tested particularly in the context of general corporate financings.

"The transaction highlights both a growing trend in the region for large corporates to raise significant amounts of financing using Shariah compliant structures," said Avery. The deal also signifies the national and regional bank appetite to enter into such transactions on flexible terms that support their customers' growth strategy. The long-term unsecured general corporate facility was arranged on competitive and flexible terms that support ENOC's expansion strategy and safeguard its access to long-term sustainable funding.

Commenting on the challenges faced in the process of finalizing the transaction, Mark Valenzia, a senior associate at the firm who worked on the deal said: "Due to the tight time frame, the size of the debt and the number of parties involved, this transaction required a strong and efficient approach to deal execution and transaction management."

The financing was fully underwritten by Emirates NBD, the Commercial Bank of Dubai, Dubai Islamic Bank, Mashreqbank, Noor Bank, Abu Dhabi Islamic Bank and Standard Chartered Bank. In the syndicated market, the deal was well supported and oversubscribed with an additional 14 local and regional banks participating in the transaction.

> ***"Initially starting out in the financial services industry, Islamic financing facilities are now a preferred choice among larger conglomerates in the region"***

Shariah compliant financing facilities are increasingly becoming a popular trend in the Middle East. Initially starting out in the financial services industry, it is now a preferred choice among larger conglomerates in the region. Over the past few months, the region has seen Islamic financing transactions from, among many others, Dubai-based Pacific Controls, Saudi Arabia's Takween Advanced Industries and Arab Petroleum Investments Corporation, and Sharjah Electricity & Water Authority.

Acccording to recent data by Dealogic, over the past 12 months Islamic financing deals globally were made mostly in the oil and gas sector at over US$4.5 billion; this is followed by the financial services sector at over US$3.5 billion, the machinery and industrial sector at just over US$2 billion, and with the professional services and utility and energy industry at over US$1 billion each.

Strong earnings for Qatari banks despite deposit pressures

Analysts are expecting Qatari banks to rely more on longer and costlier market funding to support growth over the next 12-18 months as weaker oil prices could see a deposit base shrink. VINEETA TAN explores what else is there to know about the State's banking system over the horizon.

"Qatari banks will face deposit pressures as lower oil prices reduce the flow of funds from the government and government-related entities — the largest depositors in the system," explained Khalid Howladar, a senior credit officer and the global head of Islamic finance at Moody's. "However, Qatari authorities remain willing and able to provide support to the banks in case of need," he reassured.

While increasing dependence on market funding and escalating deposit pressures as well as the impact of an undiversified economy as reflected in loan book concentrations are causes for concern, Moody's in its latest report on Qatar, however, expressed confidence that the banking fraternity will maintain robust financial metrics for at least another year.

This includes solid earnings and capital buffers for both conventional and Islamic banks. The latest financial results from Qatari Islamic banks seem to support projections. For the first quarter of the year, all Shariah banks in Qatar (except Qatar First Bank as its first quarter results are not available) realized higher year-on-year profits: Leading the pack was Masraf Al Rayan (15.1% growth) at QAR518.73 million (US$142.31 million) followed by Qatar Islamic Bank (12.6%) at QAR412.37 million (US$113.13 million), Qatar International Islamic Bank (4.01%) at QAR212.32 million (US$58.25 million) and Barwa Bank (3.88%) at QAR208.82 million (US$57.29 million).

The strong operating environment supported by an effective regulatory infrastructure and a significant number of high quality government-related financing will continue to boost banking asset quality, according to Moody's. "We expect that system non-performing loans will remain at around 1.5-2% of gross loans over the next 12-18 months," confirmed Nitish Bhojnagarwala, Moody's assistant vice-president and author of the report.

A continued expansion is also anticipated for banks' balance sheets, lending strength to the domestic economic landscape and foreign expansion. The rating agency, however, predicts a slight decline in capitalization levels with the tangible common equity to risk-weighted assets ratio in the 15-17% range over the next 12-18 months.

Table 1: Financial results of Qatari Islamic banks

	Net profit 2015 Q1 (QAR million)	Net profit 2014 Q1 (QAR million)	Total assets as at the 31st March 2015 (QAR billion)
Barwa Bank	208.82	201.02	40.52
Masraf Al Rayan	518.73	450.68	83.16
Qatar International Islamic Bank	212.32	204.13	37.02
Qatar Islamic Bank	412.37	366.1	98.7

Source: Respective banks' first quarter financial statements

Fund focus: Manulife Investment-ML Shariah Flexi Fund

Global growth may be slowing but the outlook for Asia Pacific remains robust and market players including Manulife Asset Management Services are banking on that opportunity. VINEETA TAN takes a look at the asset manager's latest fund offering which taps into the Asia Pacific growth story.

Canada-owned Manulife Asset Management Services is no stranger in the Islamic fund community with more than half of its fund portfolio Shariah compliant, and the firm is broadening the Halal component steadily. Just recently it expanded its flagship Flexi Fund series adding an Islamic fund to gain exposure for the very first time to the Asia Pacific markets.

The Manulife Investment-ML Shariah Flexi Fund is an Islamic mixed-asset growth fund investing in a diversified portfolio of Shariah compliant equities, Sukuk bonds and Islamic liquid assets

using a flexible and market-reactive asset allocation strategy. It is designed for Shariah-seeking investors with a medium to high level of risk appetite and a long-term investment horizon of at least five years.

"Through market engagement we have become aware that many Malaysian investors have difficulty determining how and when to rebalance their unit trust investment portfolios to reflect fluctuating investment market conditions," explained Wong Boon Choy, CEO and executive director of the firm.

Chief investment officer and managing director Jason Chong further elaborated: "The fund's flexible asset allocation strategy is an all-weather approach that has the potential to deliver equity capital gains during market upturns while also having the potential to generate steady income based on Sukuk bonds and/or Islamic money market instrument investments amid a downturn."

The strategy essentially involves allocating up to 98% of the fund's net asset value (NAV) in a single asset class of permissible equities, with the option of shifting 100% of the NAV to Halal fixed income instruments in the case of a bearish equity market. Up to 30% of the NAV is allocated to the regional markets of China, Hong Kong, Indonesia, South Korea, the Philippines, Singapore, Taiwan, Thailand and Japan.

Launched a decade ago, the Flexi Fund series have realized an annual growth rate of 31% over the past five years ended the 31st December 2013.

Sovereign Sukuk: A matter of liquidity

Approaching the Eid holidays, in terms of issuances the sovereign Sukuk space has been rather quiet in the past seven days. However, as this niche market progresses, players are starting to realize the need for sovereign Sukuk to maintain domestic market liquidity. Last week while the market saw Bahrain making its regular offering, analysts evaluated how Malaysia's central bank's exit from the Sukuk space could affect global volumes, while Bank of England has also started to explore Shariah compliant options to broaden its liquidity position. As usual, NABILAH ANNUAR provides the latest updates in the sovereign Sukuk space.

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

As one of the largest issuers, Bank Negara Malaysia (BNM)'s cessation of its Sukuk offering (switching to other liquidity management instruments) is expected to significantly alter total global Sukuk issuances this year. According to a recent report by S&P, last year BNM alone issued about US$45 billion of Sukuk out of a total issuance of US$116.4 billion. In the first half of 2015, BNM's pullback saw total issuance drop by 42.5% compared with the same period a year earlier. Based on this adjustment, S&P has therefore revised its 2015 forecast to approximately US$50-60 billion from US$100-115 billion (assuming no issuance from BNM this year).

S&P further elucidated that excluding the BNM effect, the worldwide volume of Sukuk issuance performed inside expectations, with total issuance dropping by only 10.7%, affirming that the impact of falling oil prices on recurring government spending and investment projects in core markets such as GCC and Malaysia was limited in the first half of 2015. This trend is expected to continue in the second half of 2015, while the effect of lower oil prices on Sukuk issuance in 2016 remains uncertain. Such an effect will depend on whether there is a recovery in oil prices or whether governments in these core markets decide to reprioritize their spending and avoid continuing using their reserves and tap the capital markets more aggressively to finance their spending. Additionally, BNM's exit provides an opportunity for other issuers to step up their game (see IFN Report page 7: 'Shrinking Sukuk market — not all bad').

Over in the UK, the Bank of England early this week has affirmed its commitment to consider the feasibility of offering Shariah compliant facilities as part of its strategy to broaden liquidity provision. The central bank has commenced assessing the feasibility of using Islamic financial instruments to bolster its liquidity insurance framework and is expecting to reveal further details in the next few months (see IFN Report page 11 — 'BoE studying Islamic finance options; to make announcement in the next few months').

Moving to Pakistan, according to an announcement by the finance ministry, the Economic Coordination Committee has considered and approved the Aviation Division's proposal for the extension of the debt repayment period of the government-guaranteed Pakistan International Airlines Corporation (PIAC) Sukuk certificates of PKR6.8 billion (US$66.13 million) by five years.

In Bahrain, the government's 10-year Sukuk Ijarah program worth BHD200 million (US$526.61 million), issued via the Central Bank of Bahrain, has been fully subscribed. The bank said in a statement that the facility (the 23rd of the long-term Sukuk Ijarah series) carries an expected return rate of 5% and will mature on the 9th July 2025.

Islamic REITs building momentum

A major boost for the Islamic investment market of Bahrain is anticipated as the Kingdom's bourse prepares to welcome its first-ever Shariah compliant REIT, also the stock exchange's maiden REIT of any kind. VINEETA TAN considers the implications.

To be launched later this year via an IPO, the impending REIT by Eskan Bank will be the Gulf region's second Shariah compliant listed REIT. "The introduction of this new alternative investment asset class will contribute in adding depth to the Kingdom's real estate sector, while helping to improve liquidity on the Bahrain Bourse," commented Najla M Al Shirawi, CEO of Securities & Investment Company, the lead arranger for the REIT in a statement.

REITs as an alternative investment instrument have been gaining popularity in recent years; however, it is still relatively sparse in the Islamic space with Malaysia, which pioneered the development of Islamic REITs, accounting for the bulk of listed Shariah REITs globally. However, the momentum is growing in the Gulf region as more jurisdictions are considering new regulatory infrastructure to support this asset class. Bahrain only recently introduced new listing rules for REITs and Saudi Arabia's Capital Market Authority is reportedly mulling over issuing similar rules while the Qatari bourse is expected to launch new REITs this year.

Bahrain is currently home to two Islamic REITs: Inovest REIT launched in 2009 and the Al Salam Asia REIT rolled out last year; and the stock exchange is committed to developing this asset class further. "[The planned listing of Eskan Bank's REIT] underlines the keen interest we have witnessed from property developers and managers in REIT as an alternative investment option, and also among investors who would benefit from investing in property as an asset without directly owning and managing the property," shared Shaikh Khalifa Ebrahim Al Khalifa, CEO of the Bahrain Bourse.

Eskan Bank's REIT will comprise of two income-generating and unleveraged properties by Bahrain Property Musharaka Trust: Segaya Plaza and Danaat Al Madina and is expected to have a total value of BHD20 million (US$52.66 million). Central bank regulations dictate that the dividend payout ratio of a REIT must be a minimum of 90% of its net realized income.

BoE to address liquidity management woes of UK Islamic banks

The Bank of England (BoE) has commenced assessing the feasibility of using Islamic financial instruments to bolster its liquidity insurance framework and is expecting to reveal further details in the next few months. VINEETA TAN reports.

"All banks must hold an adequate stock of liquid assets to meet prudential regulations and, as most liquid assets in the economy are the reserves held by banks and building societies on account at the bank, it would be beneficial to Shariah compliant banks to have access to our balance sheet," explained Chris Salmon, the executive director of markets at the BoE speaking at the Money Markets Liaison Committee meeting.

The central bank has on several occasions reaffirmed its commitment to consider the option of providing Shariah compliant facilities to broaden liquidity provision for Islamic banks; however, it has also noted significant challenges in doing so.

These include identifying Shariah compliant collateral to support financing facilities and the challenge of engineering a deposit account in compliance with Shariah without compromising the economic properties of interest-paying reserve accounts. Salmon, however, confirmed that the regulator is actively working on addressing the issues and is hopeful of furnishing the market with more information at the turn of the year.

Mulling this proposition since last year following the government's debut sovereign Sukuk offering as part of the country's bid to become the western hub for Islamic finance, the central bank's move would be instrumental in lowering concentration risks in the Islamic financial industry and would support the liquidity needs of over 20 institutions providing Shariah compliant financial products in the UK. Presently, only Sukuk issued by the IDB are eligible as liquid assets buffer for Islamic banks and the Prudential Regulation Authority has proposed to widen the range of permissible assets to include Islamic bonds by top-rated sovereigns and lower-rated Shariah sovereign papers (subject to haircuts) as buffer in line with Basel III requirements.

IFN Weekly Poll: What is the biggest concern with Islamic finance today?

Moving into the second half of the year, the industry has less than six months to beat last year's performance. Realigning the focus to achieve continuous progression, IFN gauges market sentiments on the main issues that currently face the Shariah compliant sector. NABILAH ANNUAR writes.

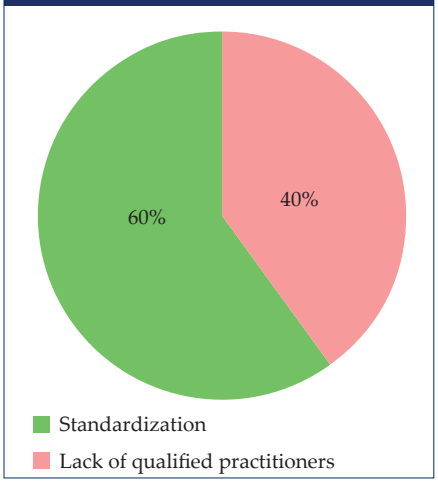
Some of the most distinct problems that were pointed out by industry players are: standardization, scholars, the lack of qualified practitioners and the lack of issuances. Perhaps two of the most disturbing of them all as shown in the poll results this week are standardization (60%) and the lack of qualified practitioners (40%).

Standardization is a long-standing issue surrounding the Islamic finance industry. Although numerous initiatives were taken to overcome this predicament, there is still a disparity in standards relating to Islamic contracts and transactions. This is understood to have stemmed from the difference in scholarly opinion across different regions. For instance in retail banking, there is a difference in opinion among Shariah scholars regarding the acceptability of a product from the Shariah point of view. Two examples are Islamic credit cards and Bai Al Inah contracts.

In terms of capital market instruments, the issue raised by AAOIFI in 2007 and 2009 on the Shariah compliance of certain Sukuk structures caused a decline in the Sukuk market. Given the potential market volatility, the majority industry players agree that a guiding set of principles should be established for future Sukuk issuances. Increased standardization stabilizes the global Islamic debt capital market and safeguards investor confidence. Nevertheless, as the Sukuk market matures, over the years investors have become more receptive and familiar with Islamic structures such as Ijarah and Wakalah. Perhaps regardless of this universal acceptance, having a specific guideline for such instruments is still necessary to cement this recognition.

Another glaring dilemma currently faced by our niche industry is the lack of qualified practitioners. The dearth of talent per se in the industry has been an area of focus over the past year. Many have raised the issue of a disconnect between talents and the skills that the industry really needs. Academic institutions have been urged to provide talents exposure to the practical aspects of their theoretical studies. The industry is undoubtedly in need of qualified practitioners to boost its growth and sustain the trajectory.

What is the biggest concern with Islamic finance today?



Canada: Much to look forward to

Canada's Islamic finance plot may be taking years to unravel; however, the North American country's narrative has taken a new turn in recent years. VINEETA TAN reviews the country's story so far.

Regulatory landscape

Canada may have a sophisticated financial system and one of the world's safest banking infrastructure supported by solid regulatory fundamentals; however, the country does not have specific legal provisions for the Islamic finance industry. Shariah compliant financial transactions also do not fit under the country's current tax and accounting framework. That being said however, the Canadian government is working toward addressing these issues.

A joint task force comprising representatives of the Financial Institutions Steering Committee (including the Bank of Canada and the Department of Finance) have considered the prospects of amending current regulation to accommodate Islamic banks and windows. The government of Ontario has also agreed to review tax and non-tax criteria with the goal of eliminating any biases in favor of conventional finance, which could level the playing field for Islamic finance. Another notable force in pushing for a more compromising regulatory landscape is the Toronto Financial Services Alliance, established to build the region's financial sector as a global 'top 10' financial services center including in the area of alternative financing.

Another vital development is the formation of the Islamic Finance Advisory Board in 2008. The self-regulatory non-profit voluntary body provides Shariah compliant advisory, education and mediation solutions to boost the Islamic finance industry and to introduce a measure of standardization.

Banking and finance

The majority of Islamic financing activities in Canada take place in the form of mortgage financing which began in the early 1980s. Provided by cooperatives, the earliest provider was Ansar Cooperative Housing Corporation. The first mainstream financial institution to offer Islamic mortgages is Winnipeg-based Assiniboine Credit Union.

A study prepared for Canada Mortgage and Housing Corporation indicated that despite Islamic home financing currently costing between 1-3% more than the nearest comparable conventional equivalent due to their scarcity and a lack of access to funding, the demand for it currently exceeds supply.

Within the banking community, the Canadian Imperial Bank of Commerce, a conventional bank, has an advisor offering Shariah financial advice to customers, but is in the minority.

In 2014, government-owned Export Development Canada (EDC) ventured into the Islamic space for the first time by providing a US$200 million Murabahah facility to the UAE-based Etihad Etisalat Company (Mobily); and this landmark transaction could signal greater involvement by the government.

Insurance

The Cooperators Group in 2008 became the first Canadian insurance operator to provide Takaful solutions: home and auto products in collaboration with Ansar Cooperative and Qurtuba Housing Co-op. SunLife, Canada's largest insurance provider, also distributes Takaful instruments in Malaysia.

Asset management

There are several Islamic funds in Canada including the Global Iman Fund by Global Growth Assets which invests in Shariah compliant equities listed on the Dow Jones Islamic Market Index as well as an Islamic mutual fund from Bullion Management Group. Alberta-based Everest Group is also said to be in the process of transforming its existing mortgage and real estate funds to be in compliance with Shariah, becoming Canada's first Shariah compliant asset-backed and income-yielding funds.

In 2014, AGInvest Properties Canada — a specialist in farmland investment — entered the Islamic finance space upon the receipt of Shariah compliance certification for private investment in Canadian farmland from the Bahrain-based Shariyah Review Bureau. The decision to do so was motivated by the growing demand for Shariah compliant financial products and the lucrative

returns of agricultural investments (See IFN Report Vol 11 Issue 26:'Growing in strength and appeal — Islamic agricultural investment opportunities').

Education

The high concentration of Muslims in the greater area of Toronto has led to a strong demand not only for Shariah compliant financial products, but also related education. Several tertiary education institutions are catering to this appetite including Centennial College with its online Islamic finance course and the University of Toronto's Rotman School of Management which rolled out the country's first MBA course in Islamic finance. McMaster University also offers an MBA-level Islamic finance course through its DeGroote Business School.

Challenges and prospects

With Islam being the second-largest and fastest-growing religion in Canada, the government (and market players) recognizes the need and potential for Islamic finance as an alternative asset class. The country is also building ties with Islamic finance markets, opening the doors for possible Islamic finance collaboration. For example, an MoU was struck between Toronto Financial Services Alliances and Dubai International Financial Center covering a wide range of areas including Islamic finance. However, for Canada to truly build its Islamic finance sector, it has to first address the absence of enabling regulations and educate the wider market on the subject.

Real estate in Islamic finance

Remaining as one of the most vital asset classes in the industry, the real estate and property sector continues to indicate healthy growth prospects. This positive outlook is supported by the maintained level of investments in real estate assets across the globe, particularly in the UK and the US. NABILAH ANNUAR provides an overview of the latest developments across the property sector.

Asia

Australian Islamic investment firm, Crescent Wealth earlier this month acquired a AU$31 million (US$23.84 million) asset on the fringes of the Melbourne central business district. Funded in-part by National Australia Bank according to a Wakalah structure (the first of its kind for an Australian bank), the eight-level 7,608 square meters building was recently refurbished and is leased to a subsidiary of Japan's Nippon until August 2019.

In efforts to promote the country's real estate market, the Securities and Exchange Commission of Pakistan in April issued new regulations on REITs. The REIT Regulations 2015, which replaced REIT Regulations 2008, reduce the paid-up capital requirement of REIT management companies (RMCs) to PKR50 million (US$487,805) from PKR200 million (US$1.95 million) and also revises the minimum stake of RMCs in a REIT scheme to 5% from 20%.

GFH Capital in the same month closed a TRY90 million (US$33.39 million) deal with Turkey-based Nurol Real Estate Investment Trust for the latter's residential and office development in Istanbul, known as the Nurol Life Project slated to be completed in the first quarter of 2017. The bank expects to realize over 20% in return on investment during the investment period.

Americas

In May, Saudi Arabia's SEDCO Capital signed three real estate deals in the US worth US$145.5 million; acquisitions which included a neighborhood retail center in Florida, senior housing in Chicago, and the construction of a private school in Houston. Earlier in February it acquired Coral Landings III, a 176,575 square feet, neighborhood retail center in Coral Springs/Margate, Florida, together with a local commercial real estate investment and operating company, Madison Marquette.

Bahraini alternative investment manager Investcorp's US real estate arm in March purchased a portfolio of residential properties in Washington DC, Orlando, San Diego and Baltimore for US$300 million (through separate transactions), an acquisition that brought its US portfolio over the last 12 months to value over US$850 million.

The UK's 90 North Real Estate Partners in November last year announced its second US acquisition, advising an international investor on the purchase of a 351,425 square feet seven-storey office building in Chicago, to be named The Reserve at Deer Park. Presently known as the Continental Automotive Building, the 200,000 square feet is currently under lease on a long-term basis while the remaining 135,000 square feet will be marketed for lease in 2015.

Europe

Sidra Capital together with 90 North in May acquired Drakehouse Retail Park, Sheffield, on behalf of Button Property UK for a price of GBP61.7 million (US$93.38 million), with a net initial yield of 6.4%. In January, Sidra confirmed that its redevelopment project has been granted planning permission from the Westminster City Council. Comprising two Grade II-listed buildings located on Chancery Lane purchased at GBP28 million (US$43.61 million) and to be converted into 49 luxury apartments, phase one of the London residential development is projected to begin in the final quarter of 2015.

In November last year, Gatehouse Bank closed GBP10 million (US$15.66 million) in Shariah compliant offshore real estate financing in St Helier, Jersey. The senior financing was afforded to another UK firm, Apache Capital Partners, to acquire offshore law firm Mourant Ozannes's HQ offices, marking the growing internationalization of Islamic finance by western players. In the same month, Gatehouse formed a joint venture with residential and urban regeneration specialist Sigma, to develop an initial 2,000 new privately rented residential properties in the UK.

For its ventures in this region, SEDCO Capital seeks to arrange a club investment of up to US$300 million in European real estate. The firm, which already distributes its funds through Credit Suisse, also plans to distribute its fund domiciled in Luxembourg via two European institutions: a bank and a specialized fund platform.

Middle East

In Saudi Arabia, Emaar, The Economic City in May procured a SAR1 billion (US$266.59 million) Murabahah financing facility from Banque Saudi Fransi to develop lands in the King Abdullah Economic City. Earlier in January, Alkhabeer Capital partnered with Alareen Holding Company to increase exposure to the Kingdom's burgeoning residential development market.

Moving to the UAE, RAM in March said that it expects loan growth of the UAE banking sector to moderate to 6-7% from 8% in 2014, if oil prices remain at current low levels. The persistently low oil prices will affect sentiment, especially in the real estate and equity markets, which could in turn lead to asset-quality issues. Earlier that month, Amlak Finance signed an MoU with Tanmiyat Global, to provide mortgage services for the latter's Living Legends development project. Amlak also recently expressed interest to partner with Emaar Properties in land development projects, intending to revive stalled projects and is currently in discussions with the emirate's Land Department.

In Oman, Bank Sohar signed MoUs with Al Khonji Real Estate & Development and Zain Property Development (separately), to provide home financing schemes to buyers of both companies' residential projects.

As part of the country's strategy in luring funds amid tough competition from bigger markets such as Saudi Arabia, the UAE and Qatar, Bahrain Bourse seeks to introduce a range of Shariah compliant investment instruments, including Islamic REITs.

DIB cements its status as a regular and sophisticated regional issuer

Dubai Islamic Bank (DIB) on the 3rd June 2015 completed the issuance of its US$750 million trust certificates. Marking its second issuance for 2015 (following a Tier 1 instrument in January), the Sukuk was priced at 2.92% with the orderbook closing at US$2 billion, an oversubscription of 2.7 times. Speaking to Dr Adnan Chilwan, CEO of the bank, NABILAH ANNUAR provides a breakdown of this transaction.

Following a global roadshow across the key financial centers of Kuala Lumpur, Singapore and London, DIB was able to price the transaction at MS + 125bps, achieving the tightest spread by a Dubai financial institutions group (FIG) on a US dollar-denominated public offering since 2010. The transaction marked DIB's return to the senior unsecured international debt capital markets after a three-year hiatus (DIB accessed the market for a US$500 million five-year note in May 2012).

> *"This Sukuk issue sets a benchmark for other global FIGs"*

Issued for general corporate purposes, the bank was looking to further diversify its sources of funding, which at the time was heavily reliant on customer deposits. It was also looking to proactively manage its asset liability mismatch and re-establish its credit curve in the international debt capital markets by accessing the five-year tenor for a liquid and efficient benchmark. The Sukuk was part of DIB's existing US$2.5 billion trust certificate issuance program which was structured according to the principles of Wakalah.

"The Wakalah principle is particularly well suited to Islamic banks as it allows such banks to use its existing Islamic financial assets to structure a Sukuk issuance. From a Sukuk program perspective, it also provides DIB flexibility in selecting the mix of financial assets for each issuance under its program. Moreover, the Wakalah principle is widely accepted and recognized among Islamic investors, thereby allowing DIB to attract a wide investor base for each of its Sukuk issuances," affirmed Adnan.

Market participants have been cautious and concerned about the Greek debt situation alongside mixed economic data from the US and their implications on the timing of the first rate hike. Commenting on the challenges encountered during the issuance Adnan said: "As such, DIB had to navigate key data releases in the market, to ensure it accesses the market in a clear window. Building on a strong I.O.I (indication of interest) book, DIB released initial price thoughts to the market. The bank then kept investors engaged, providing them with regular updates and revising price guidance once before pricing the transaction. The pricing, which happened intraday effectively allowed the bank to avoid any market headwinds."

He further added that there were three competing international Sukuk in the market at the same time as DIB which could have had an impact on the bank's desired pricing outcome. Addressing this, the bank and its bookrunners highlighted to the investors DIB's high quality credit and the rarity of financial institution Sukuk paper from the region. This helped DIB to re-establish its curve, without incurring any new issue concession. Customary in regional transactions, the book was anchored by GCC investors with key local and international accounts given a decent allocation.

"It is very important to have regular issuers who aim to establish [a] liquid and efficient benchmark for peers. DIB has been able to do so through a number of issuances, including this transaction (and the Tier 1 offering from earlier this year). This Sukuk issue sets a benchmark for other global FIGs, as and when they plan to access the international debt capital markets," highlighted Adnan on the significance of DIB's deal to the industry.

Dubai Islamic Bank US$750 million 2.92% trust certificates due 2020

Pricing: 27th May 2015
Issue date: 3rd June 2015
Maturity: 3rd June 2020

Issuer	DIB Sukuk
Obligor	Dubai Islamic Bank (DIB)
Currency and issue size	US$750 million
Purpose	General business purposes
Documentation	US$2.5 billion trust certificate issuance program
Tenor	Five years
Issuance price and profit rate	Issue price: 100% Profit rate: 2.92% per annum
Spread over MS	125bps
Payment	US$21.9 million on annual basis
Maturity date	3rd June 2020
Joint lead managers and bookrunners	Dubai Islamic Bank, First Gulf Bank, HSBC, Maybank, National Bank of Abu Dhabi and Standard Chartered Bank
Co-managers	Arab Banking Corporation, Abu Dhabi Islamic Bank, Sharjah Islamic Bank and Union National Bank
Governing law	English and UAE law
Legal advisors	Issuer: Allen & Overy Managers: Clifford Chance
Listing	Irish Stock Exchange and NASDAQ Dubai
Underlying assets	Financial contracts of the Bank
Rating	'Baa1' (Moody's)/'A' (Fitch) (equivalent to DIB's issuer rating)
Shariah advisors	DIB, HSBC Saudi Arabia and Standard Chartered Bank
Structure	Sukuk Wakalah
Tradability	Standard secondary trading
Investor breakdown	Not publicly available

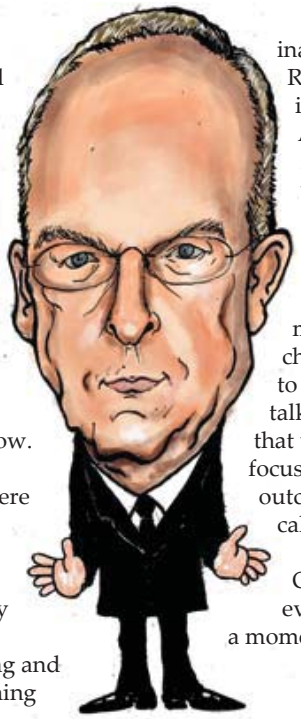
Daud speaks

Firstly, Eid Mubarak to all of our readers.

Ramadan, as always, has been a period of both deep reflection and action, on personal and professional fronts.

During the first few days of fasting, I was required to attend a steering committee meeting in London and also took the opportunity to cement a collaboration agreement in Belgium. It was the first time in quite a while that I had experienced the long European summer days and it was a real test of resolve to maintain the fast throughout. However, I was successful in that sphere as well as in the business sphere. All in all a worthwhile trip, with a lot of emphasis on the newfound phrase of 'responsible finance'.

As I have indicated in several earlier articles, the nomenclature of 'responsible finance' appears to be gaining some traction and it is certainly helping to get messages across to a different audience in both North America and Europe. This is an area where developments, particularly in the light of the Greek/Euro crisis and comments made by the Pope during his recent visit to Bolivia, could be telling in the weeks and months to follow. A tipping point may well have been reached and there is a possibility that there could be a groundswell of opinion that favors a return to the real economy and one that is based much more on risk-sharing and ethical values. The upcoming inaugural meeting of the Responsible Finance Institute in Edinburgh, at the end of August, could well provide some pointers where the topic will be debated by many thought leaders.



There is no doubt in my mind that there is a growing momentum building for change. The challenge will be to convert the words and the talk into deeds. Especially deeds that will take us in an aligned and focused direction with positive outcomes for the planet that we call home.

Once again Eid Mubarak and as ever, there is much to do and not a moment to lose!

Brunei stock market in 2017

BRUNEI

By Dr Aimi Zulhazmi Abdul Rashid

When the Authoriti Monetari of Brunei Darussalam (AMBD) recently announced that the Sultanate would have its own stock exchange, the news was well received by the media and financial communities. Being a wealthy country that largely depends on oil and gas for decades, the diversification of its economy especially into Islamic banking and finance would be accelerated by the establishment of the stock market.

Nonetheless, at the initial stage, the equity market is expected to spearhead the establishment of the stock market, followed by the debt market. Potentially, the Brunei stock market would be the first fully-fledged Shariah compliant exchange in the world. Not only would the stock exchange boost the Sultanate's financial industry, the AMBD said, but it would also provide an alternative funding source for small and medium businesses and improve the country's corporate governance. Besides the financial industry that makes up 5% of the country's GDP, the government would also like to develop sectors such as tourism, the Halal industry and manufacturing by beefing up the small and medium business sector, which presently account for almost 10% of the country's GDP.

AMBD understands that managing a stock exchange requires a great deal of capital, expertise and controls, hence it has been planning carefully beginning with the new securities legislation in February 2015. It is also a sign of the Sultanate opening its economy wider to the global financial market and tapping investment to support Brunei's intention to diversify its economy beyond oil and gas.

It is likely that three main segments would provide the new listings: State-owned companies that would tap the equity and debt markets to support their regional expansion, such as Brunei Telekom and Bank Islam Brunei Darussalam; multinational companies operating in Brunei; and small and medium companies using the stock exchange for equity funding as an alternative to loans from the few domestic banks.

Based on the AMBD plan, by 2017, Brunei will no longer belong to the list of 40 countries which do not have a stock exchange. Some may argue it is overdue but it is certainly not too late especially under the present challenging global economic condition as it will propel the Sultanate to new economic heights.

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National Bank of Commerce launches new Islamic finance product

TANZANIA

By Yassir Masoud

Islamic banking within the National Bank of Commerce (NBC) was established in May 2010 following a study and identifying the need to have alternative banking solutions for customers who wanted Shariah compliant banking products.

NBC launched its Islamic banking services under a 'window' model and it is one of only two banks in Tanzania which had launched such a service to the public.

Since its introduction, NBC had offered only liability products under the Qard structure of Islamic finance. The products ranged from individual savings and cheque accounts, to business and corporate cheque accounts.

Following numerous requests by customers and the general public, the bank recently launched the Islamic Personal Finance product, the first lending product in its product portfolio, which caters to customers seeking

Shariah compliant lending for their personal financing needs.

The unsecured lending facilities extended to salaried employees and operate on the Murabahah principle (cost plus mark-up) of Islamic finance. They require the bank to enter into an undertaking agreement with an institution, otherwise known as the employer, where it is agreed that the bank will extend finance facilities to its employees in return for the organization's commitment to remit to the bank monthly installments owed to the bank by employees who have received financing.

The facility has been made available to customers across all 52 NBC branches in Tanzania; however, owing to demographics and the demand distribution, the most activity has been in predominantly Muslim populated regions.

The NBC Islamic Personal Finance product enables customers to access finance facilities from as little as TZS1 million (US$439.22) up to TZS80 million (US$35,137.5), payable up to 60 months, depending on the customer's net monthly income. The facility can be used to purchase a range of Shariah compliant items ranging from household items and electronics to motor vehicles and machinery.

In the eight months since the product was launched, the bank has issued finance facilities close to the tune of TZS1 billion (US$439,219) to customers from various organizations.

Yassir Masoud is the head of Islamic banking and retail banking at the National Bank of Commerce. He can be contacted at yassir.masoud@nbctz.com.

Islamic syndications update for the first half of 2015

SYNDICATED FINANCE

By Elina Khayrullina

Based upon seasonal market analysis for the previous periods, June is viewed as a typical peak of the Islamic syndicated loans issues by number and volume. Although, according to Bloomberg data, in June there were few public Islamic syndications revealed so far.

Among the latest deals were the two transactions of Emirates National Oil Co maturing in 2024, and five-year loans involving Stanford Asia Holding Co and Future Pipe Industries Group. Also, it is on record that Turkiye Finans Katilim Bankasi hired HSBC Bank Middle East, Saudi British Bank, Boubyan Bank and Standard Chartered for a loan denominated in US dollars and euros.

The essential nature of the instrument under review is evidenced in its relatively stable market dynamics. There were 42 public deals fixed so far within the first half of 2015 (according to Bloomberg) which is quite comparable in nominal terms over the corresponding period in the previous year (over US$12 billion v almost US$11 billion year-on-year). The median of the loan volume increased by about half making US$206 million for the period.

Saudi Arabia, the UAE and Malaysia are traditionally dominant throughout the first half of the year. Industry dominance shifted from real estate towards exploration and production this time.

There is US$759.72 million-worth of Islamic public syndication globally due to mature within the period from July until December with healthcare facilities (38%), banks (14%), oil and gas (14%) being in the top three. It is possible to assume that the comparable amount of loans will require refinancing. Relevant market participants have no misgivings about the growth prospects of the field although, despite the sector's potential, there are still some concerns among the global business community.

Meanwhile, the Fed's forecast regarding its short-term federal funds rate within the second half of the year is 0.625%. If that is the case, it is reasonable to expect global debt capital markets to be affected implying an increase in funding costs, including those in alternative currency, even for high credit rating issuers. It will be interesting to monitor the events' developments as we enter the third quarter.

Elina Khayrullina is the investor relations manager at AK BARS Bank. She can be contacted at elinakh@akbars.ru.

The questions behind mergers and acquisitions in Islamic finance

MERGERS & ACQUISITIONS

By Tushar Garg

"Sometimes your best investments are the ones you don't make". Donald John Trump Sr, an American business magnate, investor, television personality, author, and politician, made this thoughtful statement.

"Risk comes from not knowing what you're doing". Warren Edward Buffett, the most successful investor of the 20th century, made this equally compelling statement.

If we merge the two thoughtful pieces together, a joint statement would read something like: "Sometimes your best investments are the ones you don't make provided you know what you're doing." This really simple enough rule of thumb has the potential to be a game changer for any organization and industry, Islamic finance being no exception, and extends to all forms of transactions including mergers and acquisitions (M&As). If the benefits of M&As are misjudged, it is a risk; if the shortcomings of M&As are misjudged, it is also a risk. If a well-deserved M&A is missed, it is a risk; if a less deserving M&A materializes, it is also a risk.

Therefore, from a regulatory perspective, it is no surprise that M&As between two or more entities very often have to go through a rigorous test of times. Fair trade and antitrust regulators check its appreciable adverse impact on competition in the market, whereas capital market regulators ensure that interests of stakeholders are well guarded.

From the point of view of the Islamic finance industry, it seems to be highly consolidated at the moment. There are a limited number of Islamic finance institutions and their capabilities are more or less similar in nature. The extent of innovation across organizations is also small. A lack of standardization is often attributed as a key challenge. Why not respect it as an essential ingredient of sustainable success called 'diversity' which is the key foundation element of M&As in any form? It is not a mere coincidence that in the world of physics we all realized that like poles repel, and

opposite poles attract. If organizations are a mere replica of each other, then there is no real point in executing an M&A apart from achieving operational economies of scale, which is a very myopic view.

Islamic finance institutions should leverage their distinct characteristics and origins, create differentiation and then choose the right M&A entities. Ajay Pal Singh Banga, global CEO of MasterCard while speaking at the convocation ceremony of the New York University Stern School of Business, said: "Nature penalizes [us] for not being diverse enough. [The] giant panda may go extinct if it were to rely only on bamboo as its food source. IBM missed the PC revolution and Kodak missed the digital revolution by not being diverse enough." Islamic finance institutions are diverse by geography and on the basis of the school of thought that they pursue. It is just a matter of leveraging this diversity, and preparing for a future opportunity called M&A.

By the way, the most demonstrative analogy of M&As in the world stems from Malaysia, the land of Islamic finance. The PETRONAS Twin Towers in Kuala Lumpur, apart from being skyscrapers that are engineering marvels, categorically give us a very meaningful message: "If you have to grow and grow big and big enough, then at some point in your journey, you need to merge and then grow and rise collectively." The world's tallest twin towers will stand firm forever, and if Islamic finance institutions are interested in replicating this sustainable and successful model, they need to get the basics right as much as the PETRONAS Twin Towers got the fundamentals and foundation right.

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Proposition for ACCA to launch Islamic finance variant

Established in 1904 in the UK, the Association of Chartered Certified Accountants (ACCA) currently is a leading global professional accountancy body of nearly 170,000 members and 436,000 students in 180 countries. About 78% of students of this largest UK chartered accountancy body are located outside the UK and the Republic of Ireland. ACCA supports its members and students through an unrivaled network of 91 offices and active centers across the world. In this article, MEZBAH UDDIN AHMED provides an overview of how ACCA can further expand the Islamic finance content in its qualification.

ISLAMIC FINANCE EDUCATION

By Mezbah Uddin Ahmed

The ACCA qualification brilliantly combines internationally accepted excellence with market and sector relevance. As stated in its Annual Integrated Report 2013-14, ACCA recognizes that, as economies around the world develop in different ways, it needs to better tailor its offerings so that it meets the specific skills needs of sectors and markets. This means being more flexible in its offerings and even more responsive to stakeholder needs. One way ACCA recognizes the regional differences in its qualification is by introducing different tax and law-based variants for several of its papers that suit the local needs in some of its key markets.

It has been a number of years since ACCA introduced Islamic finance in its F9 Financial Management and P4 Advanced Financial Management papers. The F9 syllabus includes a discussion on major differences between Islamic finance and the other forms of business finance, the concept of Riba (interest) and key Islamic financial instruments. The P4 syllabus includes an assessment of Islamic finance as a source of finance, the rationale for its use and identifying its benefits and deficiencies. ACCA probably is the first UK professional accountancy body that included Islamic finance as part of the mainstream syllabus, which clearly shows inclusiveness of the ACCA qualification.

Islamic finance has already established its presence in not fewer than 70 countries, and has the potential of significant growth. According to the Islamic Financial Services Industry Stability Report 2015 of the IFSB, the global Islamic finance industry has been in an upward trajectory, evidenced by its assets compound annual growth rate (CAGR) of 17% between 2009 and 2013. As of 2014, the assets of the global Islamic finance industry are estimated at US$1.87 trillion. In several countries, Islamic banking represents a significant share of the country's total banking assets. For instance, besides Iran and Sudan where Islamic banking holds a 100% market share, Islamic banking assets represent around or more than 20% of total banking assets in Saudi Arabia, Kuwait, Brunei, Yemen, Qatar, Malaysia, the UAE, and Bangladesh. In Bahrain, Jordan, and Pakistan, the Islamic banking share of total banking assets is around or more than 10%.

Table 1: ACCA members and students in selected Muslim-majority countries

Country	Number of members	Number of students
Malaysia	11,030	34,982
Pakistan	2,517	42,554
Bangladesh	103	8,735
The UAE	1,331	4,599
Oman	186	1,489
Bahrain	210	1,380
Saudi Arabia	319	1,321
Qatar	205	866
Indonesia	36	225
Total	15,937	96,151

Source: ACCA Annual Integrated Report 2013-14

> ***"Now is the right time for ACCA to actively consider expanding the Islamic finance content in its qualification"***

ACCA has established a strong presence in many of the countries where the market share of Islamic finance is already significant and on the rise. Table 1 shows the number of ACCA members and students in selected Muslim-majority countries where Islamic finance has a great growth potential.

While Islamic banking and insurance tend to be concentrated in the Muslim-majority countries, an increasing number of non-Muslim-majority countries are becoming interested in Sukuk (Islamic bonds). The following most recent sovereign Sukuk issuances have various sizes: GBP200 million (US$310.33 million) by the UK, EUR200 million (US$219.97 million) by Luxembourg, US$1 billion by Hong Kong, and US$500 million by South Africa. The US-based Goldman Sachs issued a US$500 million corporate Sukuk in 2014.

In addressing the evolution of ACCA's strategy and the drivers behind it, Helen Brand, CEO of ACCA, commented that: "We are seeing new economies and sectors emerging and developing at faster rates". Clearly, Islamic finance is emerging and developing at faster rates in different markets across the world. Hence, without a doubt, now is the right time for ACCA to actively consider expanding the Islamic finance content

Continued

in its qualification. For example, ACCA can include more on Islamic finance in its F9 and P4 papers and introduce issues related to financial reporting of Islamic financial institutions in the F7 Financial Reporting and P2 Corporate Reporting papers.

ACCA can also further introduce or expand on the following: the requirements of Islamic commercial law in the F4 Corporate and Business Law paper; the concept of Shariah audit of Islamic financial institutions in the F8 Audit and Assurance and P7 Advanced Audit and Assurance papers; and governance and ethics from an Islamic perspective, the role and functions of the Shariah Supervisory Board, and risks unique to Islamic financial institutions in the P1 Governance, Risk and Ethics paper.

> ***"ACCA can achieve expansion of its Islamic finance content by including Islamic finance topics in its primary syllabuses, or by offering an Islamic finance variant"***

ACCA can achieve expansion of its Islamic finance content by including Islamic finance topics in its primary syllabuses, or by offering an Islamic finance variant. It can also consider introducing an optional paper in its Professional level program that will solely focus on different branches of Islamic finance, eg Islamic banking, Takaful (Islamic insurance) and the Islamic capital market.

Mezbah Uddin Ahmed is a member of ACCA and a researcher of Islamic finance and accounting. He can be contacted at mezbah.ahmed@hotmail.co.uk.

Issue of Bai Wa Salaf in Islamic banking products

The Islamic banking industry has become more complex and sophisticated with each passing year. The days of structuring products based on a single contract have passed and the industry has instead focused on structuring products by combining several of them to make it more attractive and to maximize business opportunities. However, an issue arises if these contracts are combined with a loan contract, for example, the combination of a Murabahah with Qard. Combining exchange contracts with a loan will bring forth the classic issue of Bai Wa Salaf which is prohibited in Shariah. ADI HANIF MOHAMED and SYED MUHAMMAD NAJMI SYED SHAHRAN delve further into the basis of its prohibition and issues that surround it.


BAI WA SALAF

By Adi Hanif Mohamed & Syed Muhammad Najmi Syed Shahran

Introduction

Bai Wa Salaf literally means 'sale and lending'. It refers to a contract that constitutes a normal sale combined with lending which is inter-conditional. Classical jurist Al-Qarafi has stated that it is prohibited with the consensus of the Ummah due to the fact that it is a means to Riba. The prohibition is also clearly mentioned in a Hadith of the Prophet (p.b.u.h.): "Abdullah bin Amr mentioned that the Messenger of Allah - peace and prayer of Allah be upon him - said: 'It is not permissible to transact a loan combined with a sale, or to stipulate two conditions in one transaction, or to make a profit on something that you do not possess, or to sell something that is not with you.'"

Shariah views on Bai Wa Salaf

The reason behind this prohibition, which was discussed by the early and contemporary scholars, lies with the issue of Qard Jarra Naf'an (loan with attached benefits) and also the possibility of price manipulation when combining these two (2) contracts to profit from the loan given.

This can be further clarified with the following example: A (a seller) is giving a RM1,000 (US$262.57) loan to B with the condition that B buys an item from A for RM5,000 (US$1,312.84) which is originally priced at RM3,000 (US$787.7).

Here, the loan will only be given if the item is bought which shows a condition to the sale with attached benefits to the loan. Furthermore, the profit gained clearly exhibits Riba since a loan is involved and is made as a pre-condition with the sales contract.

A majority of scholars agree that this type of transaction is prohibited since the prohibition is explicitly mentioned. Many contemporary jurists have also affirmed this prohibition which include AAOIFI in their Shariah standards where they have stated that it is not permissible to stipulate a contract of Bai (exchange, sale) or Ijarah or other commutative contracts within the contract of Qard.

> ***"It is not permissible to transact a loan combined with a sale, or to stipulate two conditions in one transaction, or to make a profit on something that you do not possess, or to sell something that is not with you"***

However, there are some scholars such as Imam Malik, Al-Nafrawi and Al-Imrani who deem such contracts as permissible with the condition that both are not pre-conditioned, not interconnected and are independent of one another. Thus, one would argue that by conforming to these conditions, there would be no issue of amalgamating the sale and loan contracts.

An example to reflect this would be as follows: X (a seller) sells to Y an item worth RM2,000 (US$525.13) and Y bought the item, concluding the

transaction. Two days after that X gives a RM1,000 loan to Y.

The Shariah Advisory Council (SAC) of Bank Negara Malaysia (BNM) and the Securities Commission Malaysia have also come out with resolutions on Bai Wa Salaf affirming the impermissibility of such contracts. In addition to this, the SAC of the Securities Commission Malaysia has laid out several requirements for a combined contract to be categorized as Bai Wa Salaf which are:

1) There is interconnectivity between the sale and loan contracts, and/or
2) There is an opportunity by the contracting parties to take advantage or manipulate the pricing for the benefit of the creditor from the loan contract that has a connection with Uqud Mu`awadhat (contracts of exchange).

Bai Wa Salaf in Islamic banking products

There are several proposed features and structures in Islamic banking products that may bring about the issue of Bai Wa Salaf as follows.

1. For instance, there was a proposal to earmark commodity Murabahah deposit (CMD) products with a Wadiah current account and savings account (CASA). The proposal would offer clients higher returns in a CMD with the condition that some amount of money in the CASA needs to be maintained at a certain level and for a specific period. In this

Continued

arrangement, clients deposit their money in the Wadiah CASA on the basis of Yad Dhamanah (guarantee on safekeeping).

Therefore, the bank's utilization of the money will be on the basis of Qard. On the other hand, the holding condition will be translated into a higher selling price (increase in profit rate) in the Murabahah contract for a CMD. It is evident that this proposal combines a Murabahah contract with Qard. Furthermore, the condition where higher returns will be offered for keeping a deposited amount of money at a certain level and for a specific period puts the whole contract under the category of Bai Wa Salaf.

2. There is also another case which was brought to the attention of BNM on the advanced profit payment feature in a CMD. The proposal was to enable depositors to request for an early profit payment from their deposited amount in a CMD instead of waiting for the maturity date. In this case, the advanced profit will be given out using the bank's money which will later be set off against the deposit amount that will be transacted under commodity Murabahah (CM). The advanced profit payments were proposed to be given out on the basis of Qard. The SAC of BNM has deemed such a practice impermissible as the issue of Bai Wa Salaf appears.

3. Another example that is related to Bai Wa Salaf is the home financing product with 'flexi' features. This product uses CM as its underlying contract and it is linked to the Wadiah current account. CM is used as a financing line to enable clients to purchase their desired house and at the same time, allow customers to enjoy the flexibility of depositing or withdrawing money from the Wadiah account.

The bank will have the benefit of utilizing this money for its investment purposes and it will be done on the basis of Qard. On every deposit made in the Wadiah account, Ibra (rebate) will be given by the bank on the total selling price of the house. Therefore, the more money deposited by the customer, the bigger the rebate given on the CM selling price. Since a CM transaction is linked to the Wadiah current account and customers would benefit via rebates given, this combination would also trigger the issue of Bai Wa Salaf.

Conclusion

In conclusion, Bai Wa Salaf is a contentious issue and needs to be addressed accordingly and thoroughly. While Shariah allows the provision of a combination of contracts, the involvement of Qard within an exchange of contracts will trigger the issue of Bai Wa Salaf unless it is carried out in accordance with the Shariah guidelines laid out. This further shows that although innovation, in general, does not have limits and boundaries, in the realm of Islamic banking and finance, it needs to be done within the parameters that have been established by Shariah.

> ***"Although innovation, in general, does not have limits and boundaries, in the realm of Islamic banking and finance, it needs to be done within the parameters that have been established by Shariah"***

Adi Hanif Mohamed is the head and Syed Muhammad Najmi Syed Shahran is an executive of the Shariah Advisory & Research Department at RHB Islamic Bank. They can be contacted at adi.hanif@rhbgroup.com and syed.najmi@rhbgroup.com respectively.

In Islam, CSR is more than just about giving

In the true sense of the human mind, there is a 'normative' spot that always remains throughout the centuries: the teaching of preserving good deeds to others. After the concept of 'social responsibility' proposed by Howard Bowen in the 1950s that catapulted him to be the 'father of CSR', the understanding (and the debate) of corporate social responsibility (CSR) has been evolving. RIZKY WISNOENTORO takes a look at the role CSR plays in Islamic finance.

CORPORATE SOCIAL RESPONSIBILITY

By Rizky Wisnoentoro

However, the plethora of jargon for CSR nowadays has bubbled up the three letters to gain more prominence than its essential meaning. So the tug of war continues. On the one hand, companies need CSR. However, on the other hand, there is a challenging idea of whether CSR can ensure the income for the company in return. Nevertheless, it seems to be a common understanding that CSR is a 'new' moral code for businesses. Failing to conduct CSR means an agonizing reality: public rejection that intrigues the risk of business sustainability in the long run.

At the same time some parts of the world are experiencing the atrophy of capitalistic business, especially after the fall of two giants - Enron in 2001 and Lehman Brothers in 2008, the Islamic financial industry is showing rapid development. EY in the World Islamic Banking Competitiveness Report 2013-14 highlighted a global scenario where Islamic banking assets are expected to grow to US$3.4 trillion by 2018. It is led by the QISMUT countries (Qatar, Indonesia, Saudi Arabia, Malaysia, the UAE and Turkey). Moreover, these markets could grow from US$662 billion in 2013 to US$1.6 trillion by 2018. The optimism grows, where in their 2014-15 report, EY highlighted that total assets of global Islamic banking will potentially reach US$1.8 trillion across QISMUT markets by 2019.

In Indonesia, the most populous Muslim country in the world, Islamic finance has a promising future with only less than 5% market share at the moment. In other words, the industry has a great potential to seize a larger market in upcoming years. The ramification of CSR as the new moral code, however, is a different perspective in the Islamic financial world: there's a blurred line between the acts of CSR and other acts of giving such as Zakat, let alone the potential of funds raised from Zakat, Sadaqah, and other forms of Islamic givings to empower the public at large. There is also an immense need for public education in Islamic financial concepts among Islamic financial institutions nationwide.

So the main questions are: How does Islam view CSR? Is it enough if Islamic financial institutions claim Zakat as their CSR? Should CSR be positioned 'head-to-head' with Zakat and other forms of giving in Islamic teachings? Now that the essence of CSR is rooted from the era of Aristotle, should it even be contradicted by the Quranic teachings? Nonetheless, there has to be a distinctive way to perceive CSR from the Islamic point of view.

> ***"These Quranic pillars are consciously and unconsciously embraced by both Muslims and non-Muslims and are non-exhaustive and not mutually exclusive"***

In this regard, the Masyarakat Ekonomi Syariah/Indonesian Islamic Economic Society (MES/IIES) and Otoritas Jasa Keuangan/Indonesia Financial Services Authority (OJK/Indonesia FSA) attempted to delve into these problems by commencing a discussion forum entitled "International Best Practices in Islamic Corporate Social Responsibility (CSR) Programs and Business Ethics". Held in Jakarta on the 24th June 2015, the forum featured Associate Professor Reevany Bustami from the Center for

Policy Research and International Studies of Universiti Sains Malaysia as the main speaker.

Interestingly, the discussion harnessed one ultimate idea: From the Islamic point of view, CSR is not just a form of 'giving'. As Reevany explained, the interpretation of 'good deeds' should be subsequently derived. Thus, there are seven pillars of the so-called Islamic CSR, which include 'giving' as one of them. What makes it more distinctive is that these Quranic pillars are consciously and unconsciously embraced by both Muslims and non-Muslims and are non-exhaustive and not mutually exclusive. Furthermore, this concept criticizes the general perception that CSR should be served externally to the public only and not anchored to the core of the organization or linked to the organization reason of being. In this regard, the Almighty is positioned as the supra-structure and the eternal stakeholder to whom the company officials should answer.

The first pillar is the principle of ethics or ethical rationality whereby in Islam, it means to do the right thing for the right reason. Firstly is the intention ('Niat' in Bahasa Indonesia/Malaysia, adapted from the Arabic language) underlying the business existence. Intention, in this context, is the starting line that will derive the objective of all subsequent acts. In Islam, man's intention should be for the sake of Allah the Almighty. This concept requires that intention must precede an act. In other words, in the context of ethical rationality, an act without an intention to gain the blessings from Allah will not be recognized.

Continued

The second pillar is the principle of Amanah of Khalifa. Born as the vicegerents of God on earth, man have to bear obligations and responsibilities on their shoulders. Those responsibilities are not just limited to the external atmosphere of the company, but also to the internal workplace, environment, and the product itself. For example, management can initiate the 'fun work atmosphere' throughout the company.

The third pillar is the principle of truthfulness, following what had been done by the Prophet Muhammad. This includes the willingness to disclose the company's cost of production when it comes to negotiating the price with customers. There is also another challenge of disclosing the weakness of the company's products instead of highlighting only the positives. At this point, there is nothing wrong in publishing the CSR program, but the truthfulness of the program itself should be well maintained.

The fourth pillar is the principle of Halal and Thayyiban. This may bring a subsequent concern that a product that is Halal (legal, based on Islamic law) may not be enough as the product must also be Thayyib or good to be consumed. For example, chicken is basically Halal. However, with too much antibiotics, growth hormones, and other modified technologies or genetical engineering procedures, the chicken may not be Thayyib for human consumption.

The fifth pillar is the principle of fairness. Fairness prevails in everything, such as in the distribution of wealth, gender equality, or between management and workers. Islam promotes a fair trade with the company's supply chain. An act of lowering the supplier's price when a company is to purchase raw materials may be seen as normal but it is against the principle of fairness if the company then sells the product at an exorbitant price to the end-user.

> ***"Companies should not view CSR as giving to charity only. Instead, there is also an immense need to focus CSR internally – not just externally to the public - and on other needs to preserve the ethical business conduct, all in the name of Allah the Almighty"***

The sixth pillar is the principle of authentication, documentation, verification and certification. Indeed, it reflects the credibility of the product that relates to public acceptance. Independent bodies such as regulators, academicians and NGOs play important roles and they are all connected in this regard.

Lastly, the seventh pillar is the principle of giving. There are several kinds of giving in Islam, and they are generally mandatory depending on the property owned as well as sincerity. This pillar includes Zakat, Sadaqah, Infaq, Waqf, and other forms of giving in Islam.

In a nutshell, from an Islamic perspective, the CSR concept touches a wide span of acts/principles. Therefore, companies should not view CSR as giving to charity only. Instead, there is also an immense need to focus CSR internally - not just externally to the public - and on other needs to preserve the ethical business conduct, all in the name of Allah the Almighty.

Indeed, these pillars are elaborated in the Quran. If we embrace the essence of deontology, it is our duty as human beings to profoundly make a more concerted effort to study it and not just read it as it is essential in order to improve the knowledge and practices of CSR from an Islamic perspective. Therefore, more systematic pillars might possibly be invented in the future as the concept embraces Muslims and non-Muslims in reality.

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The UK's Islamic banks: Divergent strategies, divergent fortunes

Just as conventional banks have many different strategies, so do Islamic banks. Ten years after the first UK Islamic bank commenced operations, their accounts reveal their different strategies and different fortunes. MOHAMMED AMIN explores.

UK

By Mohammed Amin

All of the banks have issued financial statements for the year ended the 31st December 2014 and a brief description is shown in Table 1.

Table 1: Summary of banks' financial statements for the year ended 31st December 2014

Bank	Shareholders' equity (GBP million)	Total assets (GBP million)	Profit (loss) before tax (GBP million)	Pre-tax return on equity (%)
Abu Dhabi Islamic Bank (ADIB) (UK)	23.6	94.0	(3.7)	(15.68)
Bank of London and the Middle East (BLME)	243.7	1,385.5	0.9	0.37
European Islamic Investment Bank (EIIB)	122.2	138.4	1.5	1.22
Gatehouse Bank	125.5	263.5	4.1	3.27
Al Rayan Bank, formerly known as Islamic Bank of Britain	103.1	647.9	0.5	0.48
Qatar Islamic Bank (QIB) (UK)	30.5	226.4	1.2	3.9

ADIB (UK)

ADIB (UK) is a wholly-owned UK subsidiary of Abu Dhabi Islamic Bank. It has a clearly stated strategy: "Provides banking services in London to high-net-worth individual (HNWI) customers of ADIB Group (ADIB and all of its subsidiaries)." A review of the accounts suggests that the loss is due to ramping up operating costs while income is limited due to low fee income and assets that primarily earn a return equivalent to today's low market interest rates. The 2013 and 2014 accounts show a very high level of turnover of senior staff, which always indicates an organization having problems.

BLME

BLME states that it focuses on two objectives: corporate banking and wealth management which includes asset management, Islamic capital markets and private client services. Unlike ADIB, BLME has been a model of management continuity, with the same CEO and CFO since it opened for business in 2007. Corporate banking is a risky business, illustrated by the GBP7.1 million (US$10.92 million) additional impairment provision which led to the 2014 accounts being revised. However, even if that additional impairment provision had not been required, the pre-tax return on equity would have been only 3.3% showing how difficult it is to make a reasonable return on banking in today's low interest rate environment.

EIIB

EIIB describes itself as an asset management group. That is consistent with its balance sheet, which shows few liabilities, none of which looks like deposit-taking. Accordingly, although EIIB has a banking license and calls itself a bank, at present it is not engaged in banking as generally understood, but rather in investing its own equity.

Gatehouse Bank

Gatehouse Bank does not state its strategy explicitly. However, its main focus appears to be the financing of commercial real estate transactions. That activity appeals to Islamic banks even more strongly than it appeals to conventional banks, but carries the risk of excessive concentration on one sector, especially when there is a major fall in real estate prices. Banking history is littered with crises arising from a fall in real estate prices.

Al Rayan Bank

Islamic Bank of Britain (IBB) was established in 2004 as the first Shariah compliant bank in the UK or indeed Europe. Its strategy was to be a retail bank but it lost significant amounts of money in every year of its operations. It was initially taken over in 2010 by Qatar International Islamic Bank. However, that bank was not able to provide the level of support needed, and in 2014 IBB was acquired by a different Qatari institution, Masraf Al Rayan which added share capital of GBP75.8 million (US$116.57 million) taking total equity of up to GBP103.1 million (US$158.55 million). The extra assets the increased equity base allowed the bank to take on led to it reporting its first-ever profit in 2014.

QIB (UK)

QIB (UK) is the UK subsidiary of Qatar Islamic Bank. Its accounts report a change of strategy away from investment banking to instead providing "niche private banking services". However, apart from serving HNWIs from the Middle East (which is obviously core to the strategy), its business lines also include providing senior and mezzanine finance for commercial and development property, and trade finance. Accordingly, the strategy is not as focused as its strategic statement first suggests.

Summary

None of the UK Islamic banks are earning adequate rewards for its shareholders, although heavy losses seen before appear to have ended; unless of course, there is another economic downturn.

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Ireland: Aircraft leasing and Islamic finance

Ireland has made some important announcements and provided enhancements to facilitate Islamic finance transactions over the past number of years. Activity in Ireland in recent years centered on discussions about the listing of a US$2 billion Goldman Sachs-backed Sukuk on the Irish Stock Exchange; CIMB-Principal Islamic Asset Management launching a Malaysia-based Islamic UCITS fund platform in Ireland; and Amanie Advisors, a leading advisory firm specializing in Islamic finance solutions, establishing an advisory office in Dublin. YVONNE THOMPSON and BRIAN LEONARD give an update on Islamic finance developments in Ireland focusing on aviation leasing.


IRELAND

By Yvonne Thompson & Brian Leonard

Looking back to the listing of the first Sukuk transaction on the Irish Stock Exchange in 2005, it has not only enhanced Ireland's profile in the global Islamic finance industry, but is a perfect illustration of the flexibility of the Irish Stock Exchange towards Shariah compliant products.

The Irish tax authorities confirmed that Shariah compliant funds, Ijarah (leasing) and Takaful (insurance) arrangements were to be taxed on the same basis as comparable conventional financial products under existing tax legislation and where there were some gaps in relation to other Shariah products, legislation was updated in subsequent years to facilitate these alternative financing arrangements.

Ireland's proactive, positive, innovative and friendly approach makes it easy for Ireland to be a gateway to Europe.

Aircraft leasing and Islamic finance

While many Islamic finance-based transactions feature a form of proportional actual or beneficial ownership in an asset or a pool of identified assets, the underlying assets must also be Shariah compliant in both nature and use.

In the Islamic finance world, there is a growing interest in aircraft and aircraft leases as they are capable of satisfying both tests in addition to representing an attractive and alternative investment class of asset.

This is demonstrated by the GECAS Sukuk transaction a number of years ago; various Middle Eastern airline transactions; and most recently, the launch of the Shariah compliant aircraft leasing fund, ALIF Fund. This particular deal consisted of arranging debt and equity financing to acquire 50 aircraft to be leased to Saudi Arabian Airlines within a fund structure. This is Saudi Arabian Airlines's largest-ever aircraft leasing deal.

Why Ireland

As the proven international center of excellence, Ireland is the aircraft leasing location of choice. Over 50% of the world's commercial aircraft fleet is managed from Ireland (over US$125 billion in assets). The 12.5% corporate tax rate together with the eight-year write-off of capital spend (compared to a typical 20-25 year economic life) mean significant planning opportunities.

Ireland's wide network of double tax treaties (72 signed to date) deliver favorable withholding tax results for aircraft leasing lessors and their clients. Ireland has treaties with many existing Islamic finance centers and new treaties with Turkmenistan, Azerbaijan, Jordan, Kazakhstan and Ghana are at various stages as Ireland continues to grow its treaty network.

This coupled with the ability to structure Islamic finance deals in a tax-efficient manner in Ireland under its tax legislation, makes Ireland a good choice for this activity.

OECD developments

The Organization for Economic Co-operation and Development (OECD)'s Base Erosion and Profit Shifting (BEPS) project was launched in July 2013 with a highly ambitious 15 Point Action Plan which proposed to address perceived abuses of international tax rules within a two-year time frame. The aircraft leasing industry and indeed, all industries that operate internationally await while each action is finalized and each territory makes their interpretations.

It is likely that international tax authorities will be emboldened by the key themes emanating from the BEPS reports, and with the increased availability of information, tax authorities globally are likely to increase their scrutiny of same. The premise of BEPS is to ensure profit allocation arises to the jurisdiction where functions and substance reside.

What next?

Over the past decade, Ireland as a key leader in the European Islamic finance arena has explored and successfully profited from opportunities to increase their presence in the global Islamic financial market, with extensive double-tax treaties, the listing of Sukuk on the Irish Stock Exchange and fiscal facilitation.

As outlined previously, with the recent launch of Saudi Arabia Airlines's largest-ever aircraft leasing deal through a Shariah compliant fund, aircraft leasing and finance in the Shariah form is continuing its stellar growth. The challenges coming down the tracks in the guise of the OECD developments focus on substance and will have an impact on how financing and other structures are developed.

Ireland, as the number one location for aircraft leasing and finance, together with its success to date in the Islamic finance arena and its actual real and genuine substance in this industry (which can no doubt be leveraged by those interested in same), means it is the natural home for future growth in these compatible industries over the coming years.

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Islamic and ethical finance — A case for the UK

Although Islamic financial assets worldwide have shown phenomenal growth, there has been considerable resentment from certain quarters that these products lack the actual spirit of Islamic teachings. Moreover, as the Islamic finance industry starts to expand, especially in non-Muslim countries, there should be a strategy shift to make Islamic financial products more appealing to the non-Muslim demographic. In light of the progression of Islamic finance in the UK and the design of innovative financial products, MUJTABA KHALID opines the next frontier is to attract customers and investors from all quarters.

UK

By Mujtaba Khalid

The past 15 years or so have seen a shift among the psyche of consumers, especially in the UK, who prefer products and services which are 'environmentally friendly' or 'socially responsible'. A growing section of the financial sector is also beginning to reward businesses which identify the link between doing business and being environmentally friendly. This is evident from the increase in what is known as socially responsible investing (SRI).

Islam as a religion emphasizes the betterment of society and goodwill among people; therefore all activities of Muslims are to be centered on upholding the highest ethics and social responsibility.

Shariah are a set of rules derived from the primary and secondary sources of Islamic jurisprudence which cover areas relating to all aspects of a Muslim's religious, political, social, domestic and private life. On many occasions, Islamic teachings emphasize the duties of Muslims towards humanitarian and social welfare. The Surat An-Nahl (16:90) states: "Indeed, Allah orders justice and good conduct and giving to relatives and forbids immorality and bad conduct and oppression. He admonishes you that perhaps you will be reminded."

It is interesting to note from the verse that Muslims are not only forbidden from bad conduct and immorality but are ordered to actively do good.

UK regulatory environment to promote ethical finance

On the 3rd July 2000, the secretary of state for social security introduced the 'SRI Pension Disclosure Regulation', an amendment to the 1995 Pension Act. The law required pension funds to explain their investment principles, also with respect to SRI. Due to this regulation, pension funds started to demand more accurate information from companies they invested their money in, regarding social, environmental and ethical performance. The SRI Pension Disclosure Regulation is considered to be a major driver for the growth of SRI in the UK. It is interesting to note here that the National Employment Savings Trust (NEST) set up in 2012 to support auto-enrolment pensions also ran a Shariah compliant fund that has provided returns of 29% in its first two years – outperforming NEST's mainstream funds by about five percentage points.

In 2011, the UK regulator set out its ambition to support the SRI market when it unveiled the document, 'Growing the Social Investment Market: a Vision and Strategy'. It highlighted that, in order to grow, the market requires the following:

> ***"The SRI Pension Disclosure Regulation is considered to be a major driver for the growth of SRI in the UK"***

- **Increased supply**: More individual and institutional lenders that are willing and able to invest in social ventures based on both social and financial returns.
- **Increased demand**: Social ventures that are both willing and able to take on finance based on their social and financial returns.
- **An enabling environment**: Infrastructure that enables transactions between the social and financial sector through investment platforms and standards.

From 2012-13, the primary focus was on market-building. This saw the establishment of many essential elements of government support that underpin a functioning market, such as Big Society Capital (2012), the Investment and Contract Readiness Fund (2012), and the Social Outcomes Fund (2012). To help the market scale, from 2013-14 there were activities to raise awareness of the field. This included marketing campaigns around the Social Value Act (2013), setting up the Social Impact Investment Taskforce (2013) and establishing the UK's first Social Investment Trade Association (2014). A new social investment tax relief (2014) was also introduced to drive more investors and social ventures to take up social investment. These activities have helped contribute to one of the world's most developed social investment markets.

Islamic finance, SRI and the UK

Shariah compliant investing and SRI have similar principles — for example, the Financial Times Stock Exchange (FTSE) Global Shariah Index excludes the following parameters in deeming shares Shariah compliant:

1) Conventional financial firms (non-Islamic banks, finance and insurance, etc)
2) Alcohol and pork-related products
3) Unethical entertainment (casinos/gambling, pornography, etc)

Continued

4) Tobacco
5) Weapons, arms and ammunitions-related products.

Islamic infrastructure financing has already seen immense success in the UK: London's skyline has been transformed by Shariah deals — the Shard, Chelsea Barracks, Harrods, Olympic Village, all financed in whole or in part by Islamic finance. In June 2014, the UK Treasury launched a GBP200 million (US$310.15 million) issue of Sukuk (Islamic bonds), making the UK a pioneer among non-Muslim countries and the issue was 10 times oversubscribed.

> ***"Islamic finance and the ethical finance industry in the UK can find extensive synergies for mutual benefit if properly exploited"***

The collaboration between Islamic finance and SRI and ethical finance has started to garner momentum — since 2010, the Islamic Finance Council UK (IFC UK) together with Tods Murray (now Shepherd and Wedderburn) have held the Edinburgh Ethical Finance Roundtable series. There is also work being done on structuring Shariah compliant social impact bonds.

Islamic finance and the ethical finance industry in the UK can find extensive synergies for mutual benefit if properly exploited. As discussed earlier, real Islamic financial investing is inherently based on the principles of ethics and this should be promoted more to structure products which are attractive to Muslim and non-Muslim investors alike.

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Why Takaful is more successful in personal lines than commercial lines

While various reports and statistics show an optimistic outlook on the Takaful sector, one of the most eye-catching phenomenons is that the global Takaful industry is still significantly dominated by personal lines such as Family Takaful and personal General Takaful, which cover motor, personal accident, medical and householder/houseowner, and fire. DELIL KHAIRAT writes.

TAKAFUL

By Delil Khairat

On the other hand, commercial lines make up only a small segment in Takaful. It seems like Takaful has not been able to position itself successfully in the global commercial line segment as compared to personal lines. This may be due to the inability of Takaful operators in getting the support from re-Takaful to provide capacity for large commercial risks.

Why is Takaful less effective in dealing with commercial lines? To understand this, we can examine two areas: the characteristics of a risk portfolio and the characteristics of customers.

> ***"The ultimate objective of the Takaful scheme is to ensure the money pooled in the risk fund is adequate to pay for losses if that occurred"***

Before doing that, let's align our understanding on Takaful as opposed to conventional insurance. As we know, Takaful provides protection against risk under the risk-sharing principle instead of using risk transfer. Risks are shared among owners of similar risks instead of transferring it to the insurance companies. The insurance companies' role has been reduced from being a risk bearer to a Takaful scheme manager, for which they are eligible for remuneration. Under the Wakalah model, for example, this remuneration is given by way of a Wakalah fee.

Under Takaful, the insured or participants collectively act as risk-bearers, not the Takaful operator. The risk-bearing capability of each participant is pooled and financially reflected though a risk fund or a Tabarru' fund managed by a Takaful operator. The ultimate objective of the Takaful scheme is to ensure the money pooled in the risk fund is adequate to pay for losses if that occurred. If the money is inadequate, in principle, either the claimant receives a smaller payment or all the participants will have to top-up the fund.

Characteristics of a risk portfolio

Risks from personal lines generally have the characteristics of a low range or less variation of the sum insured, a relatively low average sum insured, a large number of population and homogenous in terms of the risk nature and features. As the risk is homogenous, it is easy to understand how it may transform into a loss. All these characteristics lead to low volatility and a more predictable outcome. This type of portfolio can be managed more easily by a simple pooling system of Takaful. This also explains why Takaful has managed to grow in the personal lines segment rapidly.

Risks from the commercial portfolio have complete opposite characteristics. It has a high range or a high variation of the sum insured, a relatively high average sum insured, a small number of population and heterogeneous in terms of the risk nature, type, features and behavior. All these produce a rather complex loss model. As the risk is heterogeneous, it is not easy to understand how it may transform into a loss as many factors may interact with each other in a variety of ways, leading to many loss scenarios that can prevail.

These lead to high volatility and a more unpredictable outcome. The pooling system of Takaful may become less effective in managing this kind of portfolio. It is theoretically possible for Takaful to handle commercial risks if it can have a very big pool to absorb the high volatility of risks. Building a large Takaful and re-Takaful pool that is capable of absorbing high volatility of risks is therefore the main challenge and not an easy task. Even in a conventional insurance and reinsurance, which is actually based on a virtual pool, a large enough pool can never be reached.

Perhaps, due to the risk transfer principle, building such a pool in conventional (re)insurance is easier than in (re)Takaful. The capacity may shrink at some point of time, especially after certain major events such as a huge natural catastrophe or an economic crisis. However, there will always be a new breed of investors who are willing to pour capital into the (re)insurance industry looking for a handsome profit.

In addition, as Takaful works on a risk-sharing basis, it may look less 'sexy' than conventional insurance from the investors' point of view. Acting as a mere manager of the risk-sharing scheme limits the possible revenue of an operator to just the fee-based income, such as the Wakalah fee, whereas under conventional insurance, all revenues are fee-based and its underwriting profit and investment belong to the company as all the risks are transferred to the company.

Continued

The concept of Qard creates another complication and makes Takaful even more less attractive to investors. Qard is a benevolent loan provided by the (re) Takaful operator (shareholders' fund) to the risk fund in the situation where the risk fund is in deficit. The loan needs to be paid back from the future surplus of the risk fund.

Some critics argue that Qard has fundamentally changed the nature of Takaful, converting risk-sharing Takaful back into a risk transfer insurance.

Characteristics of customers

Participants or the insured of personal lines are individuals. Each individual is responsible for making a decision on how they are going to handle their risk, whether to buy conventional insurance or participate in a Takaful scheme. This decision is very much shaped by their personal beliefs and values. A Muslim will be driven or influenced by his or her Islamic religious beliefs and values. Therefore, if he or she is given two choices, conventional insurance or Shariah compliant Takaful, the probability that the person will opt for Takaful is very high.

Even for someone who is not that religious and who tends to be rational rather than emotional in their decision-making, he or she may still lean towards using a Takaful solution when given both options with similar values. The consideration to be Shariah compliant may not be too critical for the individual, but that can be considered as a bonus factor.

Unlike personal lines, the insured or participants of commercial lines are organizations, and mostly commercial organizations. The element of religion cannot be used as a consideration for these organizations, unless in rare circumstances where the corporation is strongly controlled by very religious individuals. The Shariah compliance sentiment is irrelevant. Almost all decisions are rational and financially driven.

In these organizations, the conventional mind-set of "acquiring at the lowest possible cost" applies. They tend to have the mind-set of "grabbing the upside values as much as possible and letting the other party swallow all downside risks". Therefore, it is very much a risk-transfer mentality. Marketing a Takaful solution to them using the personal line approach by addressing religious and social sentiments may not be effective. Henceforth, the Takaful operator needs to show that Takaful can provide a financially efficient solution in dealing with risk, as the alternative to conventional insurance.

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DEALS

100% subscription for Bahraini Sukuk

BAHRAIN: The Bahraini government's 10-year Sukuk Ijarah program worth BHD200 million (US$526.61 million), issued via the Central Bank of Bahrain, has been fully subscribed. The bank said in a statement that the facility (the 23rd of the long-term Sukuk Ijarah series) carries an expected return rate of 5% and will mature on the 9th July 2025.

High demand for Saudi Binladin's Sukuk

SAUDI ARABIA: Saudi Binladin Group's fifth short-term SAR1 billion (US$266.45 million) Sukuk Murabahah facility has been issued to a high level of demand, confirmed Clifford Chance who advised the transaction's joint lead managers and bookrunners. BNP Paribas Investment Company and GIB Capital acted as the deal's joint lead managers and bookrunners with Saudi Fransi Capital as payments administrator and Sukukholders' agent. Gulf International Bank acted as the onshore security agent for the 364-day Sukuk, which will pay an annual profit rate of 2.5%.

PIAC Sukuk's repayment period extended

PAKISTAN: The Economic Coordination Committee has considered and approved the Aviation Division's proposal for the extension of the debt repayment period of the government-guaranteed PIAC Sukuk certificates of PKR6.8 billion (US$66.13 million) by five years, according to an announcement by the finance ministry.

Emaar makes profit payments

UAE: Emaar Sukuk has announced on NASDAQ Dubai's website the payment of its periodic distributions. For its US$500 million trust certificates due 2019, the profit will be disbursed on the 20th July 2015 at a rate of 6.4% for the total amount of US$16 million, whereas for its US$500 million trust certificates due 2016, Sukukholders will receive their profits on the 3rd August 2015 at a rate of 8.5% for the total amount of US$21.25 million.

DEAL TRACKER Full Deal Tracker on page 37

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

BoZ still working on Islamic finance

ZAMBIA: The Bank of Zambia (BoZ) has not set any time frame to roll out Islamic banking in the country, according to the Zambia Daily Mail, quoting Denny Kalyalya, the central bank's governor. However, BoZ has embarked on a process of developing a regulatory framework to facilitate the introduction of Islamic finance in the country.

Ugandan government under pressure

UGANDA: The government of Uganda has been pressured by financial industry players to accelerate the legislation process on Islamic banking, according to the Daily Monitor. Emmanuel Kikoni, the executive director of Uganda Bankers Association, states that it would only be introduced to the mainstream banking sector once legislation is endorsed and passed by the parliament. Crane Bank reportedly already has products in place and is waiting for regulations to take effect. Several banks have expressed an interest to provide Islamic banking services in the country, including possibly three banks from the Middle East.

NBC extends Islamic banking products in Zanzibar

TANZANIA: The National Bank of Commerce (NBC) has extended its Islamic banking products in Zanzibar, according to Tanzanian online news portal, Daily News. More than 10 Islamic banking products for businessmen, government employees and individuals have been introduced including the Islamic Affluent Current Account.

Wajir County launches Islamic revolving fund

KENYA: The county government of Wajir has launched a KES50 million (US$479,741) Shariah compliant revolving fund that seeks to empower women, youth and the disabled, according to NepJournal, with the county governor, Ahmed Abdullahi, assuring area residents that the figure will increase in the next financial year.

ADIB arranges financing for Evergrow

EGYPT: Evergrow for Specialty Fertilizers is looking to secure EGP1.3 billion (US$165.44 million) in financing comprising both conventional and Islamic facilities, to fund the expansion of its factory complex in Sadat, pending regulatory approvals. According to Daily News Egypt, the eight-year facility is being arranged by Abu Dhabi Islamic Bank (ADIB) and Arab African International Bank in their capacity as mandated lead arrangers with the National Bank of Egypt acting as security agent.

AMERICAS

Azzad's clients make charitable giving

US: Azzad Asset Management has announced in a press release that the annual Zakat amounts of its Muslim clients are expected to be nearly US$3.2 million with an additional US$500,000 in purification dues. The calculation for purification to determine the exact figure of Zakat is based on the AAOIFI Standard Number 21.

ASIA

IBank seeks investors' help

THAILAND: Several Asian and Middle Eastern financial institutions have expressed interest in state-owned Islamic Bank of Thailand (IBank) which is seeking help from private investors to rehabilitate its business, reported Gulf Times, quoting chairman Chaiwat Uthaiwan. Any stake sale, however, can only take place next year after the bank separates its good and bad assets, said Uthaiwan. At present, the bank is trying to restructure US$1.7 billion-worth of bad loans out of total loans amounting close to US$3 billion. IBank registered a net loss of around US$300 million in 2014. The country's State Enterprise Policy Office has agreed to allow local or foreign private investors to acquire more than a 50% stake in IBank.

Mandatory certification for Shariah advisors

MALAYSIA: The Association of Shariah Advisors in Islamic Finance Malaysia is in discussions with Bank Negara Malaysia to make the Continuing Professional Enhancement program a mandatory qualification for aspiring Shariah experts of the Islamic financial industry, according to Bloomberg.

Amana partners with Digital Commerce Lanka

SRI LANKA: Sri Lanka's premier Islamic bank, Amana Bank, has partnered with Digital Commerce Lanka, the operator of leading online site www.wow.lk, to offer the bank's Easy Payment Plan scheme, according to a press release. The scheme facilitates customers to purchase a variety of goods valued from a minimum of LKR25,000 (US$182.94) to a maximum of LKR300,000 (US$2,195.28) and pay on an installment basis sans a credit card with a payback period ranging from six to 36 months.

Philippines looks to global Islamic investors

PHILIPPINES: The creation of a Shariah compliant list at the Philippines Stock Exchange (PSE) is expected to enhance its listings as investment options to attract investors in ASEAN countries and the global Islamic community. According to the Philippine Daily Inquirer, the PSE expects to launch an Islamic sub-index in the future to assist fund managers who may want to launch mutual funds or exchange-traded funds. The bourse has collaborated with IdealRatings to screen companies for Shariah compliance in accordance to AAOIFI standards. The roster thus will be different from the main stock barometer, the PSE index.

Islamic banking license for NRSP Microfinance

PAKISTAN: NRSP Microfinance Bank has become the first microfinance institution to have been granted approval by the State Bank of Pakistan to extend Islamic banking solutions as part of a six-month pilot project. According to The News quoting central bank spokesman Abid Qamar, the license will be issued after the completion of the pilot run and when other conditions are fulfilled.

GLOBAL

MCB to acquire Kabul Bank

GLOBAL: Afghanistan's Kabul Bank, which offers Islamic banking services, is said to be close to being acquired by Pakistan's MCB Bank, according to Bloomberg. The Pakistani lender is also reportedly negotiating to buy a Tanzanian bank.

World Bank signs MoU with CIBAFI

GLOBAL: The General Council for Islamic Banks and Financial Institutions (CIBAFI) has signed an MoU with the World Bank, under which they will jointly develop the Islamic finance industry through cooperation in the areas of knowledge generation and dissemination, encouraging research and promoting awareness, and distilling and sharing lessons of experience. According to a joint statement, CIBAFI and the World Bank will also work on enhancing supervisory and regulatory frameworks.

BTMU to offer Islamic financing in the UAE

GLOBAL: The Bank of Tokyo-Mitsubishi became the first Japanese bank to obtain approval from regulators to conduct Islamic finance business outside Japan as it secured a license from the Dubai Financial Services Agency on the 8th July to operate an Islamic window, the bank said in a statement. This follows recent reforms in Japan's supervisory guidelines to ease the provision of Islamic finance by Japanese entities.

ADIB to expand in North Africa

GLOBAL: The UAE-based Abu Dhabi Islamic Bank (ADIB) has reportedly applied for a license from the central bank of Morocco to invest in the Moroccan Islamic banking sector in 2016, according to Morocco World News. ADIB has also applied for licenses in Algeria, Libya and Tunisia as part of its plan to expand in North African markets.

GFH's possible delisting and listing actions

GLOBAL: Gulf Finance House (GFH) has in a press release confirmed that GFH is currently studying the possibility of delisting from the Kuwait Stock Exchange and listing on Tadawul.

MIDDLE EAST

Barwa refinances debt

QATAR: Barwa Real Estate Group has secured an Islamic financing facility worth US$175 million from the International Bank of Qatar to refinance the company's outstanding Islamic financial liability, according to a statement. The Shariah compliant financing will last for seven years from the date the company draws down on the facility.

QIB conducts bank-wide training

QATAR: Qatar Islamic Bank (QIB) has introduced a bank-wide e-learning program to increase awareness on operational risks, according to a statement on its website. All bank employees were required to pass an exam at the end of the course. Complementing the e-learning initiative, classroom training courses on branch operational risk management have been organized for employees in all branches. The training programs are in line with QIB's strategy to train its employees and to support and promote their capabilities and develop a sound risk-management culture.

Islamic repos for Dubai

UAE: NASDAQ Dubai is looking to offer Sukuk to retail investors and is working on introducing Islamic repurchase agreements to boost both the primary and secondary Sukuk markets, according to NASDAQ Dubai CEO Hamed Ahmed Ali, reported Reuters.

Meethaq approves Sukuk certificates

OMAN: The Shariah Supervisory Board of Meethaq, the Islamic window of Bank Muscat, has reviewed the bank's financial performance in the first half of 2015, Takaful insurance products, banking policies and the audit report. According to the Muscat Daily, the board has also approved certificates for Sukuk and new products and is planning to expand the branch network.

Zain asked to pay additional Zakat and withholding tax

SAUDI ARABIA: Mobile Telecommunications Company Saudi Arabia (Zain) has received a letter from the Department of Zakat and Income Tax (DZIT) requesting an additional payment of SAR619 million (US$164.99 million), of which SAR352 million (US$93.82 million) is related to Zakat and SAR267 million (US$71.17 million) to withholding tax for the financial years of 2009 to 2011, according to a bourse filing.

ASSET MANAGEMENT

Manulife unveils new Islamic fund

MALAYSIA: Manulife Asset Management Services has unveiled its sixth fund under its Flexi Series, the Manulife Investment-ML Shariah Flexi Fund, according to a statement. The fund seeks to provide long-term capital appreciation of at least five years to investors through investments in a diversified portfolio of Shariah compliant instruments. The initial offer price is 25 Malaysian sen (6.6 US cents) per unit and runs until the 20th July 2015 with a minimum initial investment of RM1,000 (US$263.52) and a minimum additional investment of RM100 (US$26.35).

SC relaxes fund management rules

MALAYSIA: The Securities Commission Malaysia (SC) has announced in a press release the liberalization of rules governing the fund management industry to enhance competitiveness. With immediate effect, companies with niche fund management expertise can be licensed as boutique fund management companies with a paid-up capital of RM500,000 (US$131,284) as compared to RM2 million (US$525,134) for a fully-fledged fund management licence. Boutique fund management companies can manage assets up to RM750 million (US$196.92 million) with a clientele of not more than 50 sophisticated investors in line with the SC's regulatory philosophy.

UBL launches Islamic fund

PAKISTAN: UBL Fund Managers (UBL Fund) has launched the Al-Ameen Islamic Active Allocation Plan-II and it is open for subscription, according to the Pakistan Observer. The two-year term plan will be invested and disinvested between equities in the Al-Ameen Shariah Stock Fund, and income/money markets via the Al-Ameen Islamic Sovereign Fund and/or Al-Ameen Islamic Cash Fund.

RESULTS

Al Rajhi Bank

SAUDI ARABIA: According to Al Rajhi Bank's interim financial statements, the Islamic bank realized a net profit of SAR1.94 billion (US$516.91 million) in the second quarter, a 0.41% year-on-year decline and a 27.78% rise as compared to the last quarter. For the first half of the year, the bank saw year-on-year net profit tumble 5.34% to SAR3.46 billion (US$921.91 million). Total assets as at the 30th June 2015 stood at SAR327.07 billion (US$87.13 billion).

Alinma Bank

SAUDI ARABIA: Alinma Bank recorded an 18% growth in second quarter net profit to SAR365 million (US$97.29 million) as compared to the corresponding period in 2014. The Islamic bank said total assets rose to SAR81.8 billion (US$21.8 billion) as at the end of June, marking a 16% expansion from the year before.

Bank Albilad

SAUDI ARABIA: Bank Albilad recorded a 1.08% growth in net profit for the second quarter of the year to SAR206.5 million (US$55.04 million). Quarter-on-quarter that translates into an 18.61% increase. According to the Islamic bank's financial statements, for the first half of the year it made a net profit of SAR380.6 million (US$101.45 million), a 0.69% accretion while total assets were up 19.93% to SAR49.14 billion (US$13.1 billion).

Bank Aljazira

SAUDI ARABIA: For the April-June 2015 period, Bank Aljazira realized a 340.72% year-on-year increase in net profit to SAR736 million (US$196.18 million), according to a bourse filing. For the first six months of the year, net profit surged 195.4% to SAR963 million (US$256.69 million) attributed to growth in core banking activities as well as an increase in operating and other non-operating income. Total assets rose 2.78% to SAR67.63 billion (US$18.03 billion).

Riyad Bank

SAUDI ARABIA: Riyad Bank saw a 0.7% year-on-year decline in second quarter net profit to SAR1.12 billion (US$300.64 million) and a 3.75% drop as compared to the previous quarter. According to the bank's financial statements, net profit for the period ending on the 30th June 2015 stood at SAR2.3 billion (US$613.02 million), a 3.79% increase as compared to the corresponding period in 2014. Total assets rose 3.97% to SAR222.48 billion (US$59.3 billion).

SABB

SAUDI ARABIA: According to the Saudi British Bank (SABB)'s interim financial statements, the bank made SAR1.13 billion (US$303.16 billion) in net profit for the second quarter of the year, a 1.71% drop as compared to the same quarter in 2014. Quarter-on-quarter saw a 2% increment. For the period from January to June, SABB registered a 0.66% year-on-year net profit increase to SAR2.25 billion (US$600.35 billion) and total assets stood at SAR192.32 billion (US$51.26 billion).

Masraf Al Rayan

QATAR: Masraf Al Rayan reported a 10.46% growth in year-on-year net profit to QAR998 million (US$273.59 million) for the first half of 2015, whereas its total assets reached QAR81.31 billion (US$22.29 billion) compared to QAR74.21 billion (US$20.34 billion) as of the 30th June 2014, an increase of 9.57%. According to a press release, the bank's operational efficiency ratio continues to be one of the best in the region and the world at 21.16%.

Saudi Hollandi Bank

SAUDI ARABIA: Saudi Hollandi Bank registered a 12.27% year-on-year growth in net profit for the second quarter of 2015 to SAR539.19 million (US$143.71 million). According to the bank's financial statements, it made a net profit of SAR1.07 billion (US$287.35 billion) for the first half of 2015, a 20.16% increase from the previous year while total assets were up 14.28% to SAR102.27 billion (US$27.25 billion).

Ajman Bank

UAE: Ajman Bank in the first half of the year more than doubled its net profit to AED53.2 million (US$14.48 million) from AED24.5 million (US$6.67 million). The Islamic bank said in a statement that its balance sheet was up 46.38% to AED12.9 billion (US$3.51 billion) as compared to the June 2014 balance sheet driven by an increase in customer deposits, Islamic financing income and other incomes.

Faisal Islamic Bank of Egypt

EGYPT: Faisal Islamic Bank of Egypt disclosed an 8.5% expansion in total volume of business for the first six months of 2015 to EGP53.84 billion (US$6.85 billion) as compared to the corresponding period in 2014. According to a statement on its website, total assets also grew by 8.5% to EGP53.23 billion (US$6.77 billion) while total balances of financing and investment were up 7% to EGP49.13 billion (US$6.25 billion).

Banque Saudi Fransi

SAUDI ARABIA: Banque Saudi Fransi in a statement announced a net profit of SAR2.06 billion (US$550.65 million) for the first half of 2015, an 18.74% year-on-year increase. Net profit for the second quarter of 2015 reached SAR1.01 billion (US$270.79 million), a 14.93% growth as compared to the same quarter of the previous year.

TAKAFUL

PIDM to create consumer awareness campaign

MALAYSIA: Perbadanan Insurans Deposit Malaysia (PIDM), in collaboration with the Lion Clubs International District 308 B1 Malaysia, will be organizing financial awareness seminars to create awareness for consumers on financial protection and management, according to a press release. The briefings on the deposit insurance system and the Takaful and insurance benefits protection will be held at various locations nationwide.

RATINGS

JCR-VIS maintains FNBM's ratings

PAKISTAN: JCR-VIS Credit Rating Company, according to a press release, has maintained the entity ratings of First National Bank Modaraba (FNBM) at 'A/A-1'. The ratings draw strength from the implicit support of the National Bank of Pakistan (NBP) which owns National Bank Modaraba Management Company, the management company of FNBM. The outlook on the rating has been revised to negative from stable on account of continuing losses resulting in considerable equity erosion and increase in leverage indicators.

UMW keeps Sukuk ratings

MALAYSIA: UMW Holdings's RM300 million (US$78.77 million) Islamic commercial paper/medium-term note program (2010/2017) has been reaffirmed at 'AAA/Stable/P1' by RAM while its RM2 billion (US$525.13 million) Islamic medium-term note program (2013/2028) is maintained at 'AAA/Stable'.

DHTI's senior notes facility ratings withdrawn

MALAYSIA: MARC in a statement has withdrawn its ratings of 'MARC-1ID/AAID' on DHTI Capital's RM110 million (US$28.98 million) Islamic commercial paper/medium-term note (MTN) facility (senior notes facility) as the company has made full redemption and cancellation of the RM5 million (US$1.31 million) senior notes outstanding on the 29th May 2015. MARC's analytical coverage is now limited to the RM10 million (US$2.63 million) junior Islamic MTN facility which expires on the 30th May 2016. The junior notes facility is rated 'A+ID' with a negative outlook.

'AA' ratings for Abu Dhabi

UAE: Fitch in a statement has maintained Abu Dhabi's long-term foreign and local currency issuer default ratings (IDRs) at 'AA' together with its senior unsecured foreign and local currency bonds. The outlooks on the long-term IDRs are stable. Fitch has also affirmed Abu Dhabi's short-term foreign currency IDR at 'F1+' while the UAE's country ceiling, which applies to Abu Dhabi and Ras Al-Khaimah, has been affirmed at 'AA+'.

OCBC's ratings maintained

MALAYSIA: RAM in a statement has reaffirmed OCBC Bank's RM200 million (US$52.75 million) Islamic subordinated bonds (2006/2021) at 'AA1'. The outlook on the issue is stable. RAM has also reaffirmed OCBC's financial institution ratings at 'AAA/Stable/P1'. RAM notes that the one-notch rating differential between OCBC's 'AAA' long-term financial institution rating and the 'AA1' ratings of its subordinated bonds reflects the subordination of the debt facilities to the bank's senior unsecured obligations.

SI Capital's BaIDS reaffirmed

MALAYSIA: SI Capital's RM167 million (US$43.98 million) Bai Bithaman Ajil Islamic Debt Securities (2004/2017) (BaIDS) rating has been reaffirmed at 'AAA/Stable' by RAM in a statement premised upon the strength of the agreements which govern the payment obligations of SI Capital's counterparty — the Sarawak state government — the tight structural features and restrictive covenants of the financing facilities, as well as the predictability of the company's cashflow.

Moody's revises Bahrain's banking system outlook

BAHRAIN: Moody's in its report titled 'Banking System Outlook: Bahrain' has changed the outlook for Bahrain's banking system to negative from stable. The rating reflects its view that a slowdown in economic growth owing to the impact of lower oil prices and associated lower government revenues and spending will weigh on the banks' funding and profitability over the next 12-18 months. However, Moody's also considers that the banks' strong liquidity and capital buffers will continue to provide financial flexibility to adapt to these conditions.

ADB maintained at 'Aaa'

GLOBAL: Moody's according to a statement has maintained Asian Development Bank (ADB)'s issuer rating at 'Aaa' with a stable outlook. The rating agency clarifies that besides strong capital adequacy, prudent liquidity management and sustained, healthy asset performance, the assessment is also underpinned by the strong ability and willingness of members to provide extraordinary support.

MOVES

Ibdar Bank

BAHRAIN: Ibdar Bank has appointed **Ahmed Al-Rayes** as chief investment officer, according to a press release. Al-Rayes was most recently the head of academic, Islamic finance and quality assurance at the Bahrain Institute for Banking and Finance prior to joining Ibdar Bank.

QFB

QATAR: Qatar First Bank (QFB), according to an announcement on its website, has appointed **Ziad Makkawi** as CEO with immediate effect. Prior to joining the Islamic bank, Ziad was CEO of Istithmar World, the private equity investment arm of Dubai World.

First Security Islami Bank

BANGLADESH: First Security Islami Bank has promoted **Md Mustafa Khair** to deputy managing director, according to an official announcement. Md Mustafa was previously a senior executive vice-president at the bank.

Emirates NBD Asset Management

UAE: Emirates NBD Asset Management has appointed **Tariq Hendi** as its new CEO, according to a press release. Tariq will succeed **David Marshall** who will move into the newly created position of general manager — products and advisory, wealth management within the firm's parent bank Emirate NBD's retail banking and wealth management division. Tariq was previously with the Commercial Bank of Dubai.

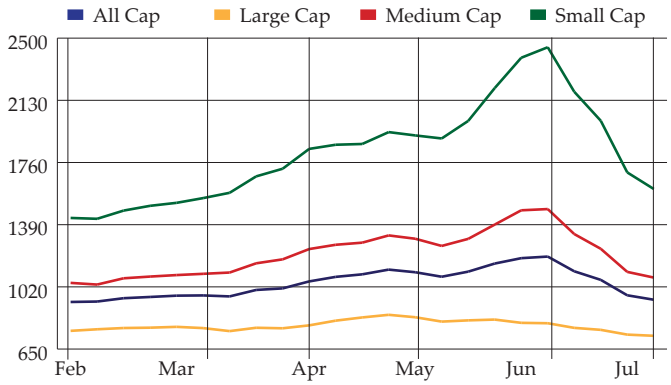
PruBSN

MALAYSIA: **Aman Chowla** has been appointed as CEO of Prudential BSN Takaful (PruBSN), replacing **Azim Mithani** who moved on to become the chief operating officer (COO) of Prudential Corporation Asia, effective the 1st July. The operator said in a statement that Aman previously served as COO of PruBSN before being appointed as COO of Prudential Assurance Malaysia last year.

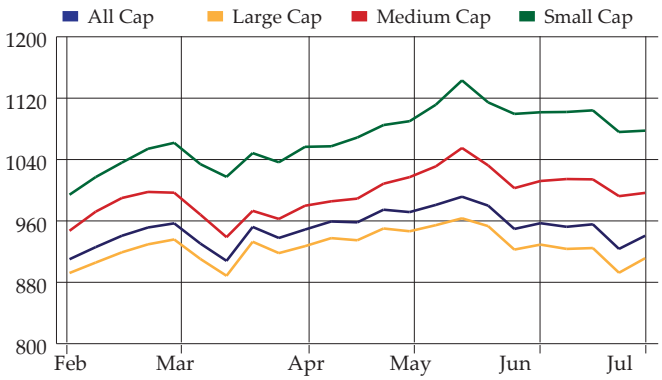
Expected date	Company's name	Size	Structure	Announcement Date
TBA	International Islamic Liquidity Management	US$860 million	Sukuk	3rd July 2015
TBA	Arab Petroleum Investment Corp	US$3 billion	Sukuk	1st July 2015
TBA	Noor Bank	US$500 million	Sukuk Wakalah	1st July 2015
TBA	Eskom	TBA	Sukuk	25th June 2015
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

SHARIAH INDEXES

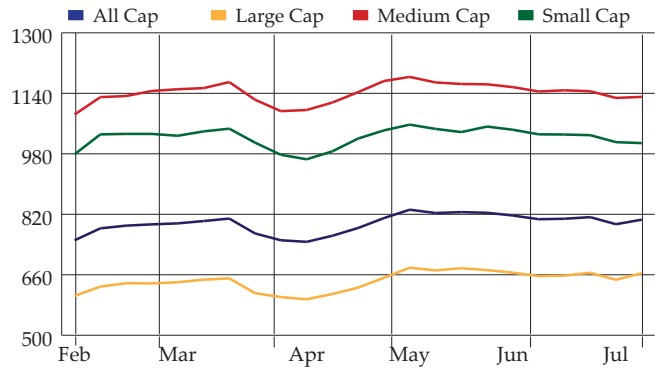
REDmoney Asia ex. Japan *6 Months*



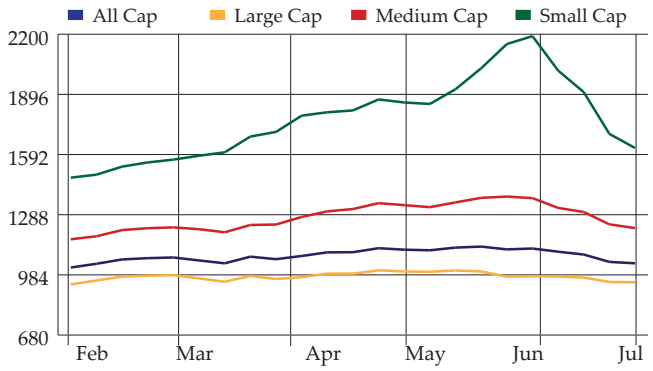
REDmoney Europe *6 Months*



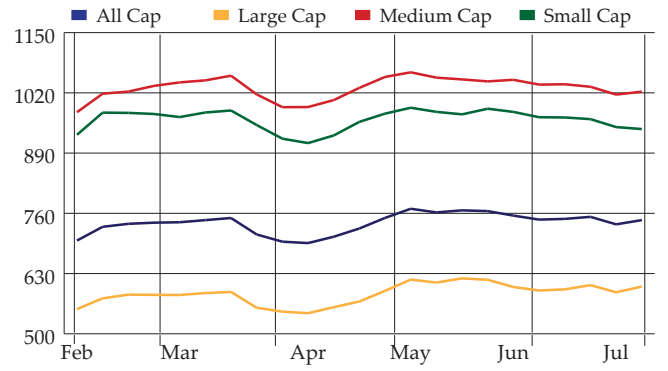
REDmoney GCC *6 Months*



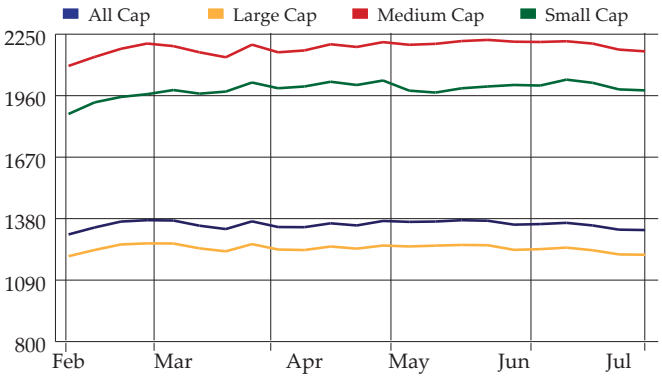
REDmoney Global *6 Months*



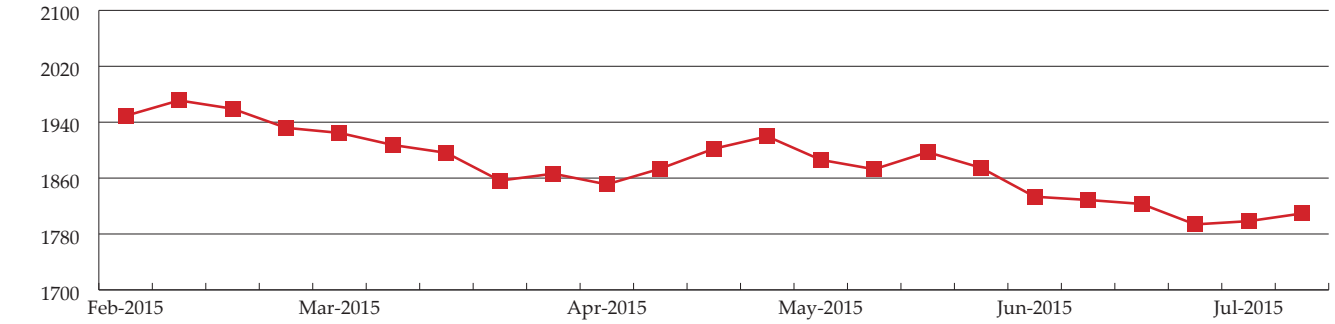
REDmoney MENA *6 Months*



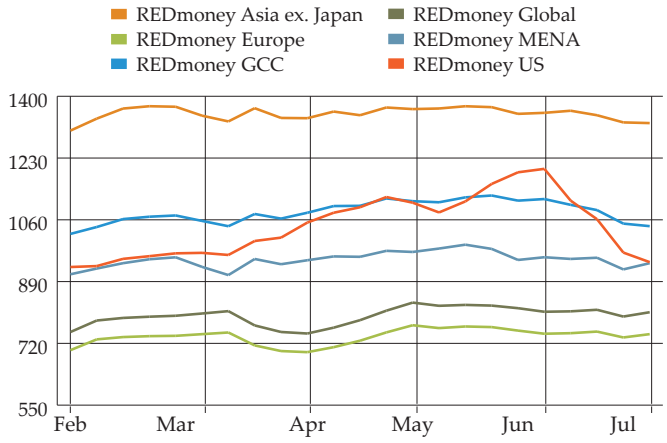
REDmoney US *6 Months*



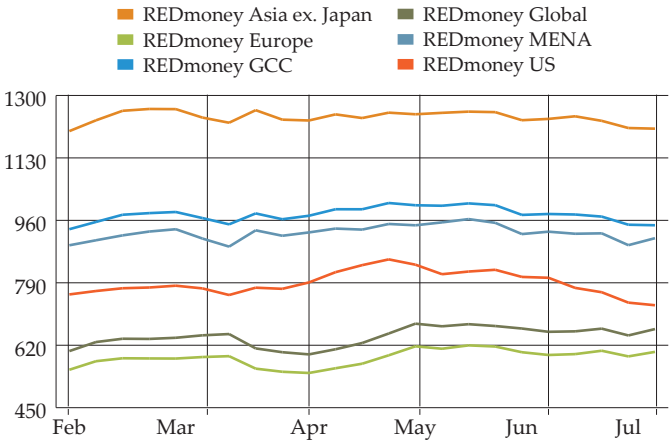
SAMI Halal Food Participation (All Cap) *6 months*



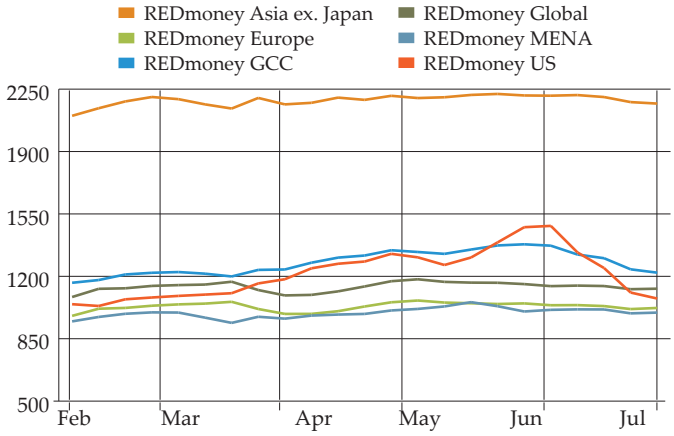
REDmoney Global Shariah Index Series (All Cap) *6 Months*



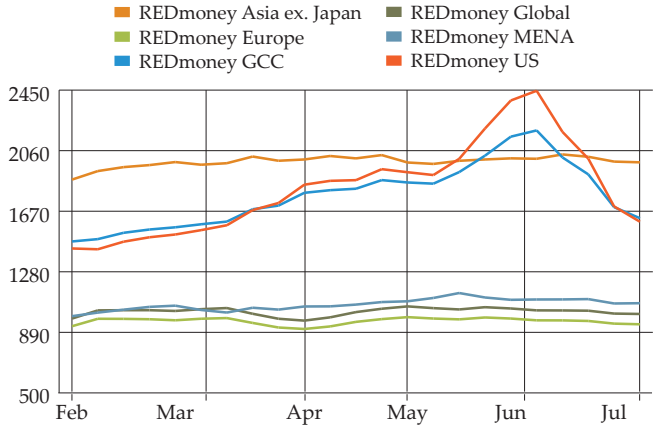
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



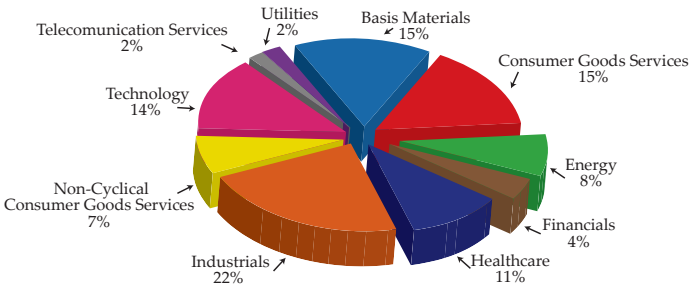
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



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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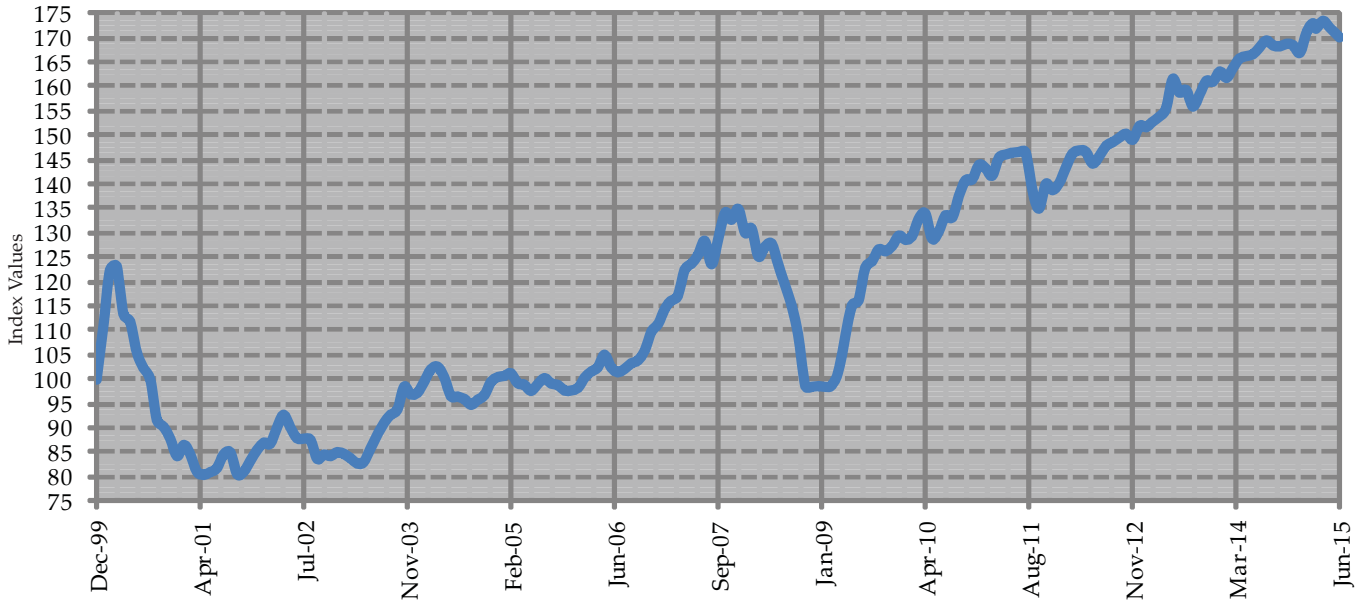
Eurekahedge Asia Pacific Islamic Fund Index



Top 10 Monthly Returns for Developed Markets Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	AmOasis Global Islamic Equity	AmInvestment Management	1.86	Malaysia
2	QInvest JOHCM Sharia'a	J O Hambro Capital Management	0.68	Cayman Islands
3	QInvest Edgewood Sharia'a	QInvest	0.23	Cayman Islands
4	Watani KD Money Market	National Bank of Kuwait	0.05	Cayman Islands
5	Watani USD Money Market	National Bank of Kuwait	0.01	Cayman Islands
6	Al Rajhi Commodity Mudarabah - USD	Al Rajhi Bank	0.00	Saudi Arabia
7	Jadwa Global Sukuk	Jadwa Investment	-0.06	Saudi Arabia
8	QInvest Sukuk	QInvest	-0.12	Cayman Islands
9	BLME Umbrella Sicav - SIF - USD Income - Class B	Bank of London and The Middle East	-0.18	Luxembourg
10	BLME Sharia'a Umbrella SICAV-SIF Global Sukuk - Class A USD	Bank of London and The Middle East	-0.22	Luxembourg
	Eurekahedge Islamic Fund Index		**0.23**	

Based on 70.00% of funds which have reported in the past three months

Top 10 Monthly Returns for Emerging Markets Funds

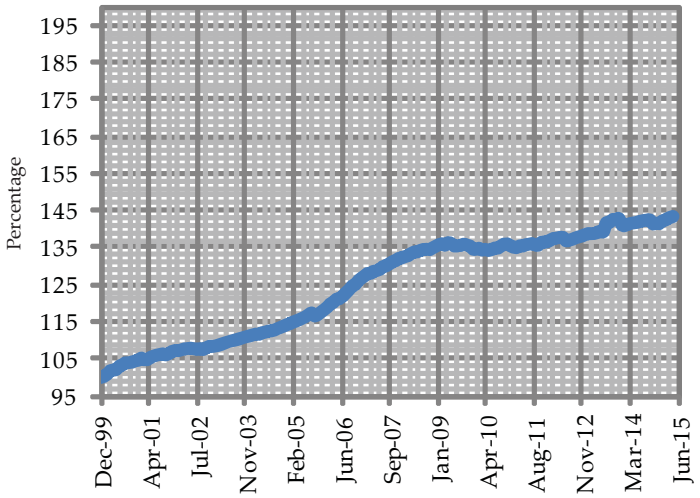
	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	5.56	Pakistan
2	Atlas Islamic Stock	Atlas Asset Management	5.25	Pakistan
3	Meezan Islamic	Al Meezan Investment Management	5.22	Pakistan
4	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	5.04	Pakistan
5	PB Islamic Asia Strategic Sector	Public Mutual	1.11	Malaysia
6	Meezan Islamic Income	Al Meezan Investment Management	0.56	Pakistan
7	Meezan Sovereign	Al Meezan Investment Management	0.52	Pakistan
8	PB Islamic Asia Equity	Public Mutual	0.52	Malaysia
9	AmBon Islam	AmInvestment Management	0.52	Malaysia
10	CIMB Islamic Asia Pacific Equity - MYR	UOB Asset Management	0.49	Malaysia
	Eurekahedge Islamic Fund Index		**2.48**	

Based on 39.25% of funds which have reported in the past three months

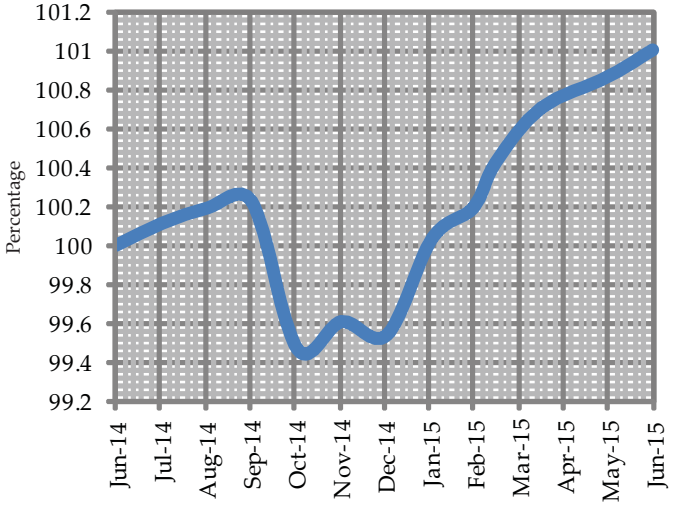
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity,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

FUNDS TABLES

Eurekahedge Islamic Money Market Fund Index over the last 5 years



Eurekahedge Islamic Money Market Fund Index over the last 1 year



Top 10 Islamic Money Market Funds for 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Meezan Tahaffuz Pension - Money Market Sub	Al Meezan Investment Management	1.59	Pakistan
2	Atlas Pension Islamic - Money Market Sub	Atlas Asset Management	1.58	Pakistan
3	PB Islamic Cash Plus	Public Mutual	0.77	Malaysia
4	PB Islamic Cash Management	Public Mutual	0.71	Malaysia
5	CIMB Islamic Money Market	CIMB-Principal Asset Management	0.18	Malaysia
6	Al Rajhi Commodity Mudarabah - USD	Al Rajhi Bank	0.14	Saudi Arabia
7	Watani KD Money Market	National Bank of Kuwait	0.14	Cayman Islands
8	Watani USD Money Market	National Bank of Kuwait	0.03	Cayman Islands
9	AmAl-Amin	AmInvestment Management	0.00	Malaysia
10	CIMB Islamic Deposit	CIMB-Principal Asset Management	-0.02	Malaysia
	Eurekahedge Islamic Fund Index		**0.58**	

Based on 38.46% of funds which have reported June 2015 returns as at the 13th July 2015

Top 10 Yield-to-Date Returns for Islamic Fixed Income Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Meezan Islamic Income	Al Meezan Investment Management	3.99	Pakistan
2	Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	3.91	Pakistan
3	Atlas Pension Islamic - Debt Sub	Atlas Asset Management	3.73	Pakistan
4	Insight I-Hajj Syariah	Insight Investments Management	2.88	Indonesia
5	Mega Dana Obligasi Syariah	Mega Capital Indonesia	2.73	Indonesia
6	PB Islamic Bond	Public Mutual	2.66	Malaysia
7	MAA Takaful Shariah Income	MAA Takaful	1.79	Malaysia
8	AmBon Islam	AmInvestment Management	1.49	Malaysia
9	QInvest Sukuk	QInvest	1.47	Cayman Islands
10	MAA Takaful Shariah Flexi	MAA Takaful	1.04	Malaysia
	Eurekahedge Islamic Fund Index		**1.11**	

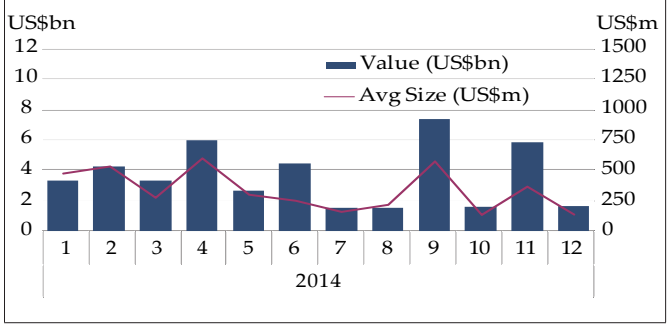
Based on 58.62% of funds which have reported June 2015 returns as at the 13th July 2015

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

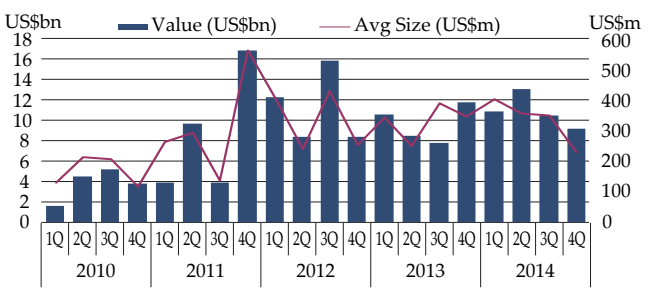
Most Recent Global Sukuk

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, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD, Al Hilal Bank, 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



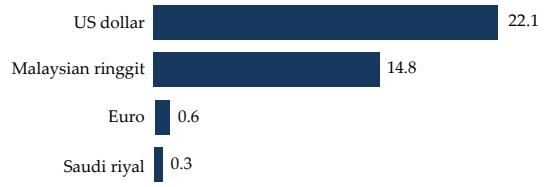
Top 30 Issuers of Global Sukuk *12 Months*

	Issuer	Nationality	Instrument	Market	US$ (mln)	Iss (%)	Managers
1	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	3,500	9.2	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	7.6	Standard Chartered Bank, Deutsche Bank, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Maybank, Gulf International Bank, Natixis, CIMB Group, Saudi National Commercial Bank, RHB Capital, Dubai Islamic Bank
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	4.0	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	2.0	Maybank, CIMB Group
17	Dubai International Financial Centre	UAE	Sukuk	Euro market public issue	700	1.9	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, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD, Al Hilal Bank, Warba Bank, Noor Bank
28	Rantau Abang Capital	Malaysia	Sukuk	Domestic market public issue	476	1.3	RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group
29	Bumi Armada Capital Malaysia	Malaysia	Sukuk	Domestic market public issue	474	1.3	RHB Capital, Maybank, CIMB Group, AmInvestment Bank
30	Jana Kapital	Malaysia	Sukuk	Domestic market public issue	434	1.2	RHB Capital
					37,891	**100**	

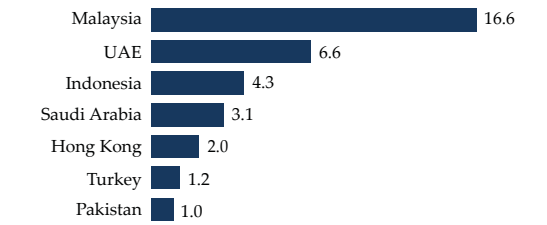
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	CIMB Group	6,662	57	17.6
2	HSBC	4,310	25	11.4
3	RHB Capital	3,580	47	9.5
4	Maybank	3,395	37	9.0
5	Standard Chartered Bank	3,372	23	8.9
6	AmInvestment Bank	1,946	27	5.1
7	National Bank of Abu Dhabi	1,838	13	4.9
8	Dubai Islamic Bank	1,638	11	4.3
9	Citigroup	1,149	6	3.0
10	Emirates NBD	1,110	9	2.9
11	JPMorgan	1,003	4	2.7
12	Deutsche Bank	745	5	2.0
13	Natixis	658	3	1.7
14	Al Hilal Bank	541	5	1.4
15	Affin Investment Bank	517	8	1.4
16	Noor Bank	475	5	1.3
17	BNP Paribas	462	4	1.2
18	Kenanga Investment Bank	428	10	1.1
19	Kuwait Finance House	407	4	1.1
20	First Gulf Bank	333	3	0.9
21	Sharjah Islamic Bank	316	3	0.8
22	Saudi National Commercial Bank	294	3	0.8
23	Bank Islam Malaysia	291	3	0.8
24	Mitsubishi UFJ Financial Group	287	2	0.8
25	Gulf International Bank	278	2	0.7
26	Abu Dhabi Islamic Bank	260	3	0.7
27	Hong Leong Financial Group	195	7	0.5
28	Standard Bank	167	1	0.4
29	Barwa Bank	163	2	0.4
30	QInvest	146	2	0.4
	Total	**37,891**	**136**	**100.0**

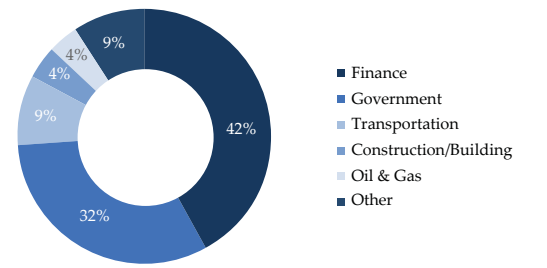
Sukuk Volume by Currency US$ (billion) *12 Months*



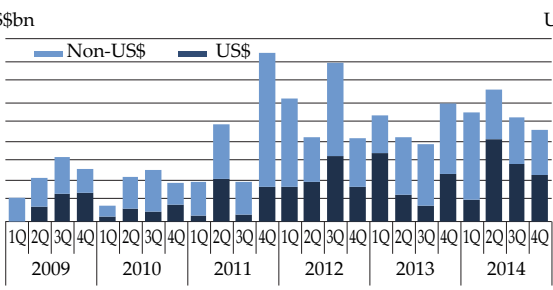
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



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	6.6
2	Samba Capital	1,087	4	6.4
3	National Bank of Abu Dhabi	1,032	7	6.0
4	HSBC	953	10	5.6
5	Banque Saudi Fransi	906	4	5.3
6	First Gulf Bank	768	9	4.5
7	Standard Chartered Bank	693	8	4.1
8	Saudi National Commercial Bank	644	3	3.8
8	Riyad Bank	644	3	3.8
10	Emirates NBD	574	8	3.4
11	Dubai Islamic Bank	531	5	3.1
12	Abu Dhabi Commercial Bank	491	3	2.9
13	Alinma Bank	490	2	2.9
14	Arab Banking Corporation	484	6	2.8
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	1.8
19	Commercial Bank of Dubai	311	3	1.8
20	Noor Bank	294	4	1.7
21	ING	269	2	1.6
22	Gulf International Bank	263	3	1.5
23	Barwa Bank	250	4	1.5
24	Maybank	247	2	1.4
24	AmInvestment Bank	247	2	1.4
26	UOB	215	1	1.3
26	CIMB Group	215	1	1.3
28	SABB	197	2	1.2
29	Al Hilal Bank	191	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

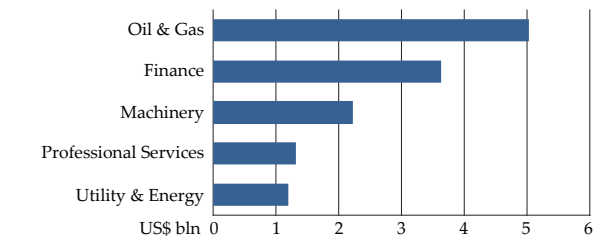
Top Islamic Finance Related Financing Deal List *12 Months*

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	UAE	706

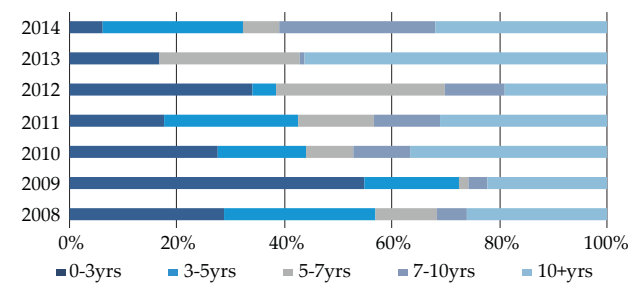
Top Islamic Finance Related Financing by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	UAE	5,916	13	34.6
2	Saudi Arabia	5,637	6	32.9
3	Malaysia	2,411	3	14.1
4	Turkey	1,661	4	9.7
5	Kuwait	661	2	3.9
6	Qatar	500	1	2.9
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

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
8th – 9th	Shariah Compliance & Audit for Islamic Banks	Dubai, UAE
8th – 10th	Islamic Treasury & Risk Management Products	Kuala Lumpur, Malaysia
8th – 10th	Structuring Islamic Financial Products	Kuala Lumpur, Malaysia

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