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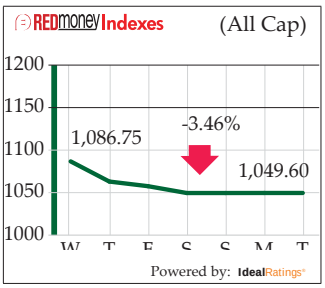


COVER STORY

22nd July 2015 (*Volume 12 Issue 29*)

Stairway to heaven: Saudi takes first steps to international success

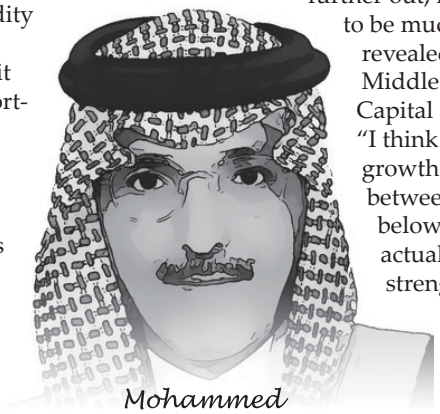
In June this year, Saudi Arabia opened its stock market to foreign investors in a long-awaited move that it hopes will elevate and optimize its operations. With the recent sovereign bond issuance and confirmation of further regulatory reforms to provide credit ratings and develop the debt capital market, prospects look promising. But ongoing issues of oil price volatility and regional instability, combined with a soaring fiscal deficit and cautious investor sentiment, make the steps to success steeper than expected. LAUREN MCAUGHTRY cuts through the commotion to ask what we can really expect from this regional giant.

A strengthening economy

There is no doubt that currently the story is looking good despite the economic and geopolitical concerns in the region. According to Capital Economics, its economy grew by around 4% in the first quarter of 2015, up from 2.2% in the fourth quarter last year, while its stock market is already up by around 16% year to date.

Much of this is down to the oil sector, which appears to have returned to growth after acting as a drag on the economy towards the end of last year. Activity in the non-oil sector has also strengthened as the Kingdom strives to diversify away from petrochemicals, and a boost to consumer spending was received earlier this year in the form of an accession bonus paid to public sector workers following the ascension of King Salman to the throne in January.

"Despite the drop in oil prices, the Saudi government continues to have very strong foreign reserves, and we expect it to continue its expansionary spending policy albeit maybe at a lower pace. The demographics in Saudi as the biggest GCC population and with a relatively low proportion of expats and a youth bias creates a strong demand for products and services which is very positive for a wide range of sectors and industries," predicted Majed Kabbara, the head of asset management for EFG-Hermes Saudi Arabia, speaking to IFN. "Oil is a complicated commodity that is influenced by numerous factors and it is difficult to take a short-term view. We think that given the strong financial situation for the Saudi government with its strong reserves and low debt, the Saudi government has the resources to easily survive a few years of low oil prices. So unless the low oil price environment become sustained for much longer, it is unlikely to be a concern."



Growing concerns

However, not everyone is so optimistic and concerns are developing over the slowing growth and soaring state deficit. The government has already acknowledged that spending on public sector wages is going to be rationalized in the coming years, while with plentiful global oil supplies (and Iran looking increasingly likely to start pumping oil back onto the international market), there is limited scope for Saudi Arabia to raise output much further.

"Looking ahead, we think that growth will slow sooner rather than later, [while] further out, fiscal policy is likely to be much less supportive," revealed Jason Tuvey, Middle East economist at Capital Economics, to IFN. "I think that going into 2016, growth is set to slow to between 1.5-2%. This is well below consensus, which actually expects growth to strengthen."

While oil prices have made a

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DEALS

Central Bank of Bahrain's Sukuk Ijarah oversubscribed by 194%

Arab National Bank to arrange private offering of up to SAR2 billion (US$533.07 million) Sukuk

International Islamic Liquidity Management reissues US$860 million Sukuk at a profit rate of 0.58%

Bank Muscat fails to gain approval for Sukuk plan

National Commercial Bank completes SAR2 billion (US$533.11 million) Tier 1 Sukuk issuance

Tenaga Nasional plans RM9.5 billion (US$2.49 billion) Sukuk

Turkiye Finans looking to issue dollar Sukuk to boost Tier 2 capital

West Coast Expressway to raise RM1 billion (US$262.29 million) from Sukuk to finance highway

NEWS

Kyrgyz government agrees to introduce Sukuk

Turkish Airlines seeks to raise US$3 billion in loans to purchase aircraft; open to Islamic financing among others

Arcapita acquires phase one of Saadiyat Beach Residences

IDB to increase funding for Sustainable Development Goals to US$150 billion over the next 15 years

Islamic indexes trail conventional counterparts in the second quarter as the financial segment outperforms other sectors

Asian Infrastructure Investment Bank to use Hong Kong as bond-issuing platform due to the latter's edge in Sukuk issuance

Alizz Islamic Bank deploys innovative software-based teller at the Sultanate's Grand Mall

Bank Nizwa's special Shariah compliant auto financing Ramadan campaign well received

Al Mazaya transforms all loans into Shariah compliant financing to reduce interest obligations

Ithmaar Bank unveils Shariah compliant prepaid e-Card for online payments

Emirates Motor Company secures US$175 million syndicated Islamic finance facility

Prudential BSN Takaful's new business delivers strong quarter in 2015 with a 56% increase year-on-year

Bank Muscat posts net profit of OMR89.82 million (US$232.47million), a 4% year-on-year growth

Bank Dhofar's Islamic banking net profit surges 537.21% to OMR1.12 million (US$2.91 million) in the first half of 2015

Bursa Malaysia registers 4.9% rise in profit in the first half of 2015 due to growth in Islamic markets

Emirates Islamic realizes 97% expansion in net profit for the first half of 2015

SME Bank's profit up 64% to RM163.6 million (US$42.97 million) in 2014 supported by growing Islamic banking business

Qatar Islamic Bank grows by 23% in net profit amounting to QAR895 million (US$245.55 million) for the period ended the 30th June 2015

Bank ABC Islamic closes first half with 47% growth in profit

Sabana REIT announces 1.2% rise in distributable income for the second quarter

TAKAFUL

Cobalt Underwriting extends Takaful coverage for major UK property portfolio

RATINGS

Gulf International Bank's ratings withdrawn

Capital Intelligence assigns initial ratings to **Alizz Islamic Bank**

Moody's upgrades **Qatar International Islamic Bank** to 'A2'; revises outlook

Singapore gets banking outlook upgrade to stable as credit growth moderates and real estate market eases

Capital Intelligence upgrades **Boubyan Bank** with a stable outlook

Capital Intelligence cuts **Kuwait Finance House**'s ratings

Solid business profile and strong track record gain **Saudi Arabia Insurance Company** 'A-' rating

MOVES

Mohamed Jamil Berro resigns as **Al Hilal Bank**'s CEO

Chairman of **Standard Chartered Saadiq** to leave this year amid major business restructuring

Saturna appoints **Heddy Hussain** as new institutional sales and marketing head

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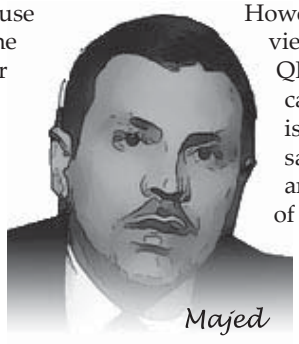
recovery, the drop has in fact hit Saudi Arabia harder than it might appear – especially in its public pocket. While the Kingdom is still in a strong position, it is unlikely to be able to afford to continue the current trajectory of state spending. In fact, some suggest the government may even turn to subsidy cuts to limit the impact of oil prices on public finances – although based on historical activity, it is more likely that capital spending in areas such as infrastructure would be hit first.

Either way, if oil prices stay at their current levels, government revenues are estimated to be around SAR300 billion (US$82 billion or 8% of total GDP) lower than 2014. With public spending also on the rise, the budget shortfall is estimated to shoot up seven-fold, from 2.3% of GDP in 2014 to 17.5% this year – making it the Kingdom's largest budget in over 20 years, according to Capital Economics. "Looking ahead, even after this year's one-off expenditures are taken out of the equation, the budget deficit is likely to remain large, at more than 10% of GDP," said Tuvey.

Equity encouragement

This is having an inevitable impact on the capital markets, especially in the areas directly related to the drop. "A big segment of the market is in petrochemicals and banking, and these two sectors are facing headwinds at the moment – petrochemicals because of oil prices and banking because of interest rates," explained Omar Bassal, the head of asset management at Saudi-based MASIC, to IFN. "The more interesting part of the market is in sectors like construction, real estate, insurance, consumer, healthcare. These are more attractive, but they do not constitute a significant weight in the benchmark."

"With the expected increase in interest rates in the US, investors are concerned about capital outflows from emerging markets. This is something that is not relevant to Saudi because of the Saudi riyal peg to the US dollar which is another attractiveness of investing in Saudi equities," Majed adds. "At this stage we think the banking sector is interesting, given the riyal peg to the dollar and the expected increase in interest rates in the US which will be followed by a similar increase in the Saudi rates. This will have a positive effect on the earnings of banks, given that the bulk of deposits in Saudi banks are non-interest bearing deposits. Also, the expected new sovereign bond issuance will offer a new investment instrument for local banks and should improve their yield on investment. We also have a positive view on consumer, health care, and education related companies given the country's strong demographics."



Yet despite this note of caution, the market is still looking strong. Equity market capitalization currently stands at around US$570 billion, equivalent to about 70% of GDP, and the Tadawul in dollar terms is one of the largest stock markets in the emerging world. "The Saudi market is the largest in the Middle East and as of April 2015 it had a market capitalization larger than Mexico, Malaysia and Russia with average traded values comparable to exchanges such as Brazil and India," pointed out Mohammed Al-Jadaan, the chairman of the Capital Market Authority (CMA), speaking to IFN. "Consequently, it is clearly important to introduce significant changes in a measured manner."

Foreign participation

And changes there have most certainly been – the most significant of which was of course the opening up of the Tadawul to foreign investors on the 15th June this year. With its current account deficit meaning that the Kingdom is now essentially dependent on foreign currency to fund domestic spending (whether from overseas investment or its own foreign currency reserves), this move comes at an opportune time. "An influx of foreign capital on the back of the stock market opening up would help to plug some of the external shortfall and slow the pace at which Saudi Arabia is drawing down its reserves," pointed out Tuvey.

However, the CMA takes a different view. "The primary aim of the QFI framework is not to attract capital – the Saudi market is already well capitalized," said Mohammed. "Since the announcement of [the] opening of the Saudi Stock Exchange to qualified foreign investors, we have seen a gradual increase in foreign holdings in Saudi-listed businesses as anticipated and this is expected to continue. However, it is important to note that the primary rationale for attracting these investors is not to attract capital, but to gain access to expertise."

> ***"An influx of foreign capital on the back of the stock market opening up would help to plug some of the external shortfall and slow the pace at which Saudi Arabia is drawing down its reserves"***

Regulatory support

The move should also contribute to further development of the market in terms of larger trading volumes, higher liquidity and – perhaps most importantly, an increasing influence of institutional investors, in a market currently dominated by the retail market, which accounts for around 90% of current trading and is often blamed for excess volatility in the Saudi equity market. "In terms of the regulatory environment, the main objective of the opening of the market to foreigners is to increase the institutionalization of the market, which is currently around 90% dominated by retail investors. So opening the market to qualified financial institutions should increase the percentage of institutional involvement in the market, which should increase disclosure, transparency and improve governance and research availability – there are a lot of benefits that come with institutional participation," noted Majed.

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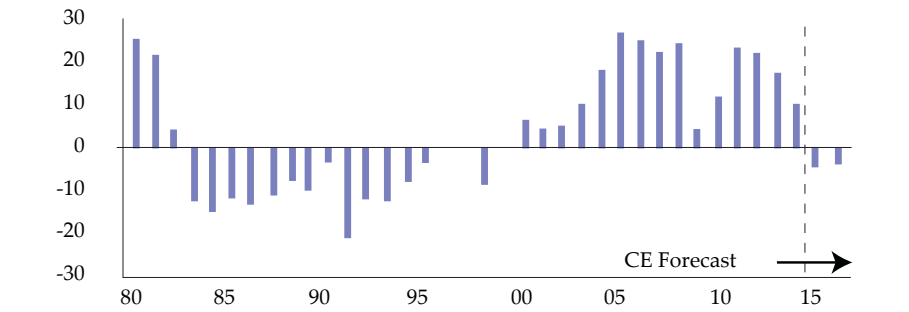
The authorities are certainly keen for these benefits to translate, and the opening of the stock market comes as part of a consistent and concerted effort to expand the Kingdom's capital markets. "For Saudi Arabia itself, increased foreign investment will improve economic diversification and strengthen growth," said Mohammed. "This is the first step in what will be a long process that is aimed at improving corporate governance and transparency, reducing volatility and improving research and knowledge within the market. We have been encouraged by the initial response that we have seen from international institutional investors – the sort of investors that we believe can help to encourage these changes – but it is a very early stage."

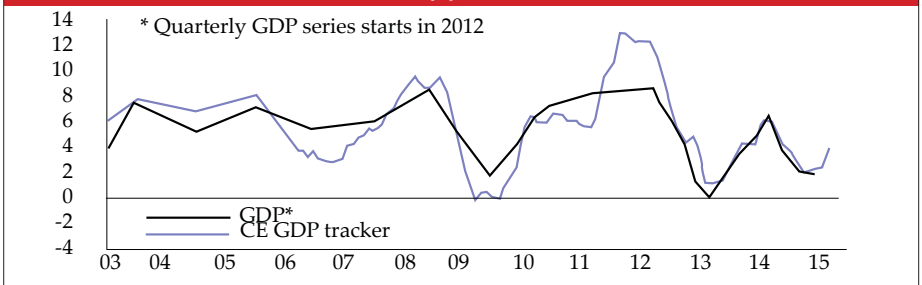
> ***"We have been encouraged by the initial response that we have seen from international institutional investors — the sort of investors that we believe can help to encourage these changes — but it is a very early stage"***

Chart 1: Saudi Arabia current account balance (% of GDP)



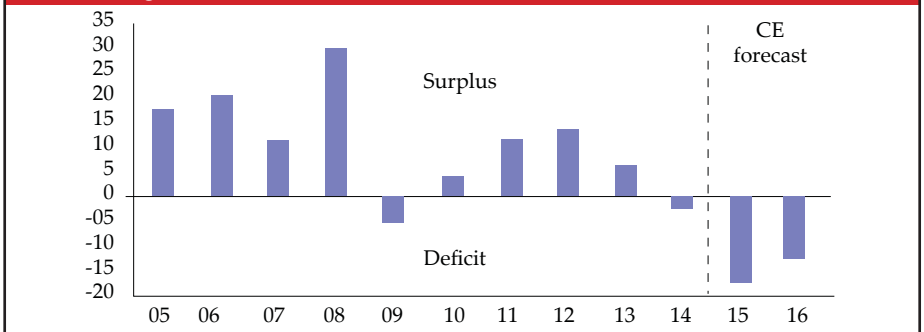
Souces: CEIC, Capital Economics

Chart 2: Saudi GDP & CE GDP tracker (% y/y)



Sources: CEIC, Thomson datastream, Capital Economics

Chart 3: Budget balance (% of GDP)



Souces: CEIC, Capital Economics

Baby steps

This seems to be the general consensus – that while the move to open the Tadawul is positive, it is only the first step on a long staircase. Most market participants seem to be waiting not for this year's opening to foreign investors, but for the eventual subsequent inclusion of Saudi Arabia in MSCI's emerging markets index – which the provider has stated will be unlikely to take place before 2017, although it did recently re-launch its stand-alone indices for the country. "The impact is limited because it is still early in the process and a lot of the investors were already in the market through participatory notes," said Omar. "We've always believed that the bigger impact would be the inclusion into the MSCI indices rather than the opening up of Tadawul. The market environment today is not one of big risk-taking, therefore not many managers are going to be keen to jump into off-benchmark investments."

"The other thing to bear in mind is that there are still heavy restrictions in place on foreign equity ownership, so although it is obviously encouraging, Saudi is doing this very gradually," pointed out Tuvey. "These restrictions may also prevent smaller boutique fund managers that specialize in the Middle East or frontier markets." Heavy restrictions remain in place on foreign equity ownership that have prevented a flood of foreign capital surging into the stock market since June. Each qualified foreign investor can own no more than 5% of the shares of any company, while in total foreign investors can own no more than 20% of a company's shares, and only institutions managing over US$5 billion with a track record of over five years can invest.

"There is a lot of local interest in the

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Saudi equity market. The opening of the market to foreigners has been one of the major catalysts for the market. We weren't actually very optimistic as to the effect of the opening of the market, but we do see that the opening has opened the door for the potential inclusion in the MSCI Emerging Markets Index in two-three years – this would be a major catalyst and the market should perform very strongly in the 12-18 month period leading to this inclusion," Majed added.

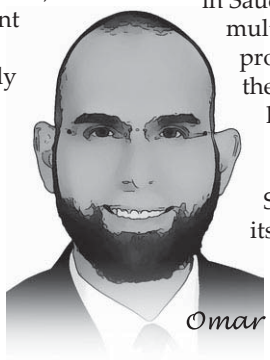
In addition, the stock exchange has kept some limitations of its own – although these may change in time. For example, shares in five major Saudi companies (Jabal Omar Development, Taiba Holding, Knowledge Economic City, National Shipping Company of Saudi Arabia, and Makkah Construction & Development) remain closed to foreign investors – possibly to protect the domestic construction sector especially around the holy sites of Mecca and Medina, in which most of the firms are involved.

Unwarranted optimism?

So the latest move is not going to change the market overnight, it seems. "We think some of the optimism surrounding the opening up of the Saudi stock market is overdone," said Tuvey. "While it is clearly a step in the right direction, there are reasons to think that it will not be the spur for a wave of foreign investment into the Kingdom, nor a marked rally in the stock market, as some seem to think."

This may come as a disappointment to those who were expecting a peak in prices – which looks unlikely to arrive any time soon. Saudi valuations are already stretched in historical terms, with equities currently trading at more than 20 times 12-month trailing earnings, according to Capital Economics – significantly above the long-term average. In addition, petrochemical firms account for over 20% of the stock market, making it indirectly reliant on the subdued oil price for a fifth of its earnings performance.

"The Saudi market is not the cheapest market – it is trading at a premium compared to many other markets, so I am not sure we should expect significant price appreciation from these levels, given the existing valuations," noted Omar. There are also further steps that need to be taken to ease the path for institutional investors. "We are hopeful that the regulator will make some changes with respect to trading operations – for example right now you cannot purchase a block of shares for multiple clients. You have to purchase specific shares for each individual client, and that makes it more difficult for institutional investors to participate."



> ***"While it is clearly a step in the right direction, there are reasons to think that it will not be the spur for a wave of foreign investment into the Kingdom, nor a marked rally in the stock market, as some seem to think"***

Asset management opportunity

While equity market activity may remain muted, however, other areas are surging forward. Asset management in Saudi Arabia is picking up, with multiple new fund launches and product development picking up the pace. EFG-Hermes, one of the leading investment banks in the region and one of the first foreign institutions to get a license in Saudi Arabia in 2006, quadrupled its product portfolio in 2015. "This year we are active in product development in Saudi – the focus was initially on building a strong track record, and now that we have a very strong and consistent track record of more than five years, we are seeing increasing appetite for our investment management services in the Saudi market," commented Majed. "Given the size, diversity and liquidity of the market, coupled with the fact that it is now opening for direct foreign investment for qualified institutions, we have a very positive view on the market in the medium to long term and therefore we have introduced several new products this year, bringing our total funds up from one to four including two white labeled funds."

These include the original EFG-Hermes Saudi Arabia equity fund started in 2008, while on the 1st July the firm also launched the EFG-Hermes Hasad Freestyle Saudi Equity Fund, a Shariah compliant Saudi focused equity fund with a freestyle strategy, giving the fund manager more ability to take exposure or cash positions, depending on the market view, and has more flexibility in taking concentrated positions.

"The IPO fund we launched in cooperation with Muscat Capital in March is currently around US$100 million in size, and the Shariah compliant Hasad Freestyle fund just launched on the 1st July 2015 and is currently around US$15 million in size. We expect very decent growth in the AUM of Hasad, given the strong appetite in Saudi for Shariah compliant products. If you look at the mutual funds universe in Saudi you see in general the Shariah compliant funds are much bigger in size than the conventional funds. So we expect this fund to surpass our conventional fund, which is around US$30 million, relatively quickly," said Majed.

An IPO explosion?

The other major growth area is the IPO sector, which has seen increasing attention from regulators. EFG-Hermes created a white label IPO fund in March this year in partnership with Muscat Capital which has already reached US$100 million in assets, and has another white label IPO fund set to launch in early August. This illustrates a wider trend in the Saudi market, with around 10-15 new IPO funds launching in the last 12 months.

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"Another way of increasing institutional involvement is through the recent change in IPO allocation. Historically, IPOs were split 50/50 between institutional and retail investors. The CMA announced in its five-year strategic plan last year, that over the coming five years they will have 100% of IPOs allocated to institutions, and this year they already started giving 60% to institutions and 40% to retail. So they have already increased the allocation to institutional investors by 10% and over the next four years we should see a further 10% each year for the next four years until 100% is allocated to institutions. Mutual funds, including IPO funds, will get 90% of the institutional allocation, which means funds are the best way to get exposure to IPO opportunities in Saudi," noted Majed. "IPO funds can get a better allocation but mutual funds can also access them, so this supports the mutual funds business from a regulatory point of view."

However, the boom is really a local phenomenon and foreign investors are unlikely to see much initial benefit. "The problem is that the locals are so competitive in this market that it is unlikely that foreigners will make a significant dent," explained Omar. "What has happened is that we have seen so many new IPO funds launch in the past few months that they are really crowding out the market." IPOs in Saudi Arabia are attractive, he noted, because: "They will always see valuations boost up because the regulator enforces very conservative valuations on new companies, therefore once they become listed it's almost a guarantee they will shoot up in their first few days of trading."

Continuing the journey

The regulator continues to demonstrate its commitment and the latest steps are by no means the last. "The CMA's mission is to make the Saudi capital market more stable and supportive of the national economy and more open and supportive of international investment," said Mohammed. "The opening of the stock exchange to qualified foreign investors on June 15th was the first step – it was not the end of the journey."

For example, the CMA recently approved the Credit Rating Agency Regulations, which are due to come into force on the 1st September 2015, with applications for licenses already open. A draft of the Special Purpose Entity (SPE) Regulations is also at an advanced stage, according to the CMA, which will provide a regulatory framework for SPVs to encourage the issuance of Sukuk and securitized products – thus expanding the range of financing available for institutions and corporates, and developing the debt market further.

> ***"In recent years, we have witnessed even stronger demand for Islamic finance products in Saudi Arabia, in particular Sukuk"***

Plugging the gap

This debt market development is the cause of considerable excitement in the Kingdom – especially since the government recently issued bonds to local banks worth SAR15 billion (US$4 billion) in its first sovereign issuance since 2007. While there is an argument that the government is attempting to raise funds in order to avoid tapping its savings yet further to sustain public spending in the face of low oil prices, the main purpose, according to Mohammed, is in fact to strengthen and develop the debt market itself. "As part of our strategy to develop capital markets in Saudi Arabia, the CMA is looking to enhance the debt market as well as the equity market including current plans to speed up the application processing for new public debt offerings," he confirmed. As part of its five-year strategic plan, the CMA has put in place a number of initiatives including creating a strategic national, improving and facilitating the procedures for Sukuk offerings, deepening the secondary market and providing education to potential issuers on the requirements, procedures and application process.

This could be a very attractive proposition. Saudi Arabia's capital markets are relatively undeveloped by regional standards and issuing government debt would undoubtedly provide a wider range of assets to investors. "The authorities certainly have plenty of scope to issue more bonds – at the end of last year, gross government debt stood at just 1.6% of GDP, down from more than 100% of GDP in the late 1990s," noted Tuvey. "It is hoped that greater government debt issuance will prompt corporates in the Kingdom to also make use of capital markets in order to raise financing. All told, this would help to make the bond market more attractive if, as seems likely, it follows the stock market in being opened up to foreign investors."

Strong demand

While there is a long way to go, the commitment from the authorities is encouraging – as is the increased focus on Shariah compliance, which should boost the Islamic aspect in the market. "In recent years, we have witnessed even stronger demand for Islamic finance products in Saudi Arabia, in particular Sukuk," commented Mohammed. "There has been also very significant growth in Shariah compliant securities – a trend that we predict will continue and which we are putting in place steps to encourage." These steps include a number of initiatives in the latest strategic plan to encourage growth, as well as the development of a national strategy to develop the Sukuk market.

Majed also opined: "Now for the first time in many years we have two young princes in the line of succession to the throne. This is seen as a very positive development that will provide political stability at a time when, given the regional geopolitical situation, it is very much required."

With a new king, a new succession and a new direction, the future looks bright for Saudi Arabia despite its current economic and geopolitical challenges. And with strong regulatory support and a wealth of international interest waiting for the starting pistol to fire, the Saudi capital markets are also gathering momentum. The first steps have been taken, and the journey continues.

Interview with Mohammed Al-Jadaan, chairman, Capital Market Authority, Saudi Arabia

This week, IFN brings you an exclusive interview with Mohammed Al-Jadaan, the chairman of the Capital Market Authority of Saudi Arabia to discuss the impact and challenges of opening up the Tadawul to foreign investors and what can be expected for 2015-16.

1. How has the opening of the Tadawul affected the Saudi Arabian capital market – and is this the impact you expected/hoped for?

This is the first step in what will be a long process that is aimed at improving corporate governance and transparency, reducing volatility and improving research and knowledge within the market.

So whether or not the qualified foreign investors (QFI) framework is a success will be determined by whether this is happening in the coming years. We have been encouraged by the initial response that we have seen from international institutional investors – the sort of investors that we believe can help to encourage these changes – but it is a very early stage.

The Saudi market is the largest in the Middle East and as of April 2015, it had a market capitalization larger than Mexico, Malaysia and Russia with average traded values comparable to exchanges such as Brazil and India. Consequently, it is clearly important to introduce significant changes in a measured manner.

2. What were the biggest challenges in opening up the Tadawul to foreign investors – and what are the biggest benefits you hope will emerge from it?

The opening up of the Saudi Stock Exchange (SSE) to QFIs is a crucial first step in a journey to develop the Saudi capital market into one of the leading exchanges in the world. It was important that we got it right and we spent a lot of time talking with market participants as part of the process.

To develop the rules for QFIs the Capital Market Authority (CMA) undertook a comprehensive consultation exercise and collected more than 500 comments from 33 domestic and international entities. Domestic entities included, for example, other government bodies, brokerage firms, both local and the local branches of foreign firms, law firms and individual investors. Foreign entities included, for example, banks, brokerage firms and portfolio managers.

For Saudi Arabia itself, increased foreign investment will improve economic diversification and strengthen growth. The opening of the SSE also represents a strong opportunity for Saudi businesses looking to gain access to the knowledge and experience of foreign investors, helps to improve transparency, financial information disclosure and governance practices, and raises the level of professionalism of market participants.

Increased exposure to the global financial market will also improve the regulatory system and enhance market efficiency by raising the level of research on listed companies and macroeconomic issues. Companies operating out of Saudi Arabia will therefore benefit from higher quality information and assistance in the future.

3. Have you seen fund flows increase, and do you have any plans to stimulate this further?

The primary aim of the QFI framework is not to attract capital – the Saudi market is already well capitalized. Since the announcement of opening of the SSE to QFIs, we have seen a gradual increase in foreign holdings in Saudi-listed businesses as anticipated and this is expected to continue. However, it is important to note that the primary rationale for attracting these investors is not to attract capital, but to gain access to expertise.

The CMA will continue to work to create the right environment for investors in Saudi Arabia as well as grow the confidence by reinforcing transparency and disclosure standards in all listed companies, and protecting investors and dealers from illegal acts in the market.

4. What goals do you have to develop Saudi Arabia's capital market further, and what strategies will you employ to pursue them?

The CMA's mission is to make the Saudi capital market more stable and supportive of the national economy and more open and supportive of international investment. The opening of the stock exchange to QFIs on the 15th June was the first step – it was not the end of the journey. We see these investors as having an important role to play, alongside our existing guiding principles and regulations on corporate governance, in improving standards over the medium to long term.

Indeed, this framework is part of a wider strategic plan covering the period 2015–19 and which works in conjunction and supports the Kingdom of Saudi Arabia (KSA)'s 10th Development Plan. Through this plan, the CMA aims to ensure the Saudi capital market earns the trust of investors and delivers fairness, efficiency and transparency in securities transactions.

5. I understand the CMA is developing new rules for credit rating agencies and guidance for special purpose vehicles – where are you on this, when can we expect them, and are there any other initiatives like these that you are in the process of pursuing/developing?

The Credit Rating Agency Regulations were approved as an implementing regulation of the CMA and published by the CMA through resolution number 3-58-2014 dated 10th November

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2014. They can be viewed on the CMA website here: http://www.cma.org.sa/En/Documents/Credit%20Rating%20Agencies%20Regulations%20-%20English%20Translation.pdf. The CRA Regulations will be effective and in full force as from the 1st September 2015. Applications for licenses can now be filed with the CMA.

As a summary of the main points, the CRA Regulations provide the regulatory framework for authorization of credit rating agencies for the conduct of credit rating activities as prescribed in the regulations, and provides provisions for regulating the maintenance of authorization requirements, the conduct of business, the systems and controls and the registered persons requirement for functioning as a credit rating agency in KSA. We see credit ratings agencies as having the potential to play an important role in enhancing research and knowledge in the market – bringing benefits to both investors and to listed businesses.

A draft of the Special Purpose Entity (SPE) Regulations is in an advanced stage and will soon undergo a full and comprehensive market consultation. The draft SPE Regulations are expected to provide a regulatory framework towards the incorporation, operational and business conduct of special purpose entity companies which will facilitate the issuance of debt/Sukuk and securitized products. This will enable businesses to access a range of options in terms of their financing in an efficient manner while ensuring that investors are protected.

6. Will Saudi Arabia open up its corporate debt markets following the Tadawul move? What impact might this have on the country's financial markets? Will we see an increase in Sukuk issuance? What initiatives are you pursuing on this? (Regulations? Private placement rules?)

As part of our strategy to develop capital markets in Saudi Arabia, the CMA is looking to enhance the debt market as well as the equity market including current plans to speed up the application processing for new public debt offerings.

7. What is your five-year strategy to encourage bond issuance and how can the debt capital market be made more attractive compared to bank loans?

Currently, the Sukuk and debt instrument market in the Kingdom of Saudi Arabia is relatively small, especially when compared to some of its peers in emerging markets. It represents a small percentage of bank finances and GDP and there is clearly potential for it to be developed further and allow firms greater variety in funding options – although it should be noted that currently firms on the exchange are generally well capitalized.

Development of this market requires joining forces and collaboration among several entities that affect its growth, sustainability and appeal to investors and issuers. The importance of Sukuk and debt instrument market lies on completing the set of investment products for different categories of investors, enabling them to diversify their investments, and creating financing alternatives for both public and private sector projects.

Therefore, as part of its five-year strategic plan the CMA has put in place a number of strategic initiatives, including creating a strategic national direction for this market, improving and facilitating the procedures of Sukuk and debt instrument offerings and deepening the secondary market, increasing awareness and knowledge among authorized persons and companies on debt instrument offering procedures, supporting the CMA's capacities to handle applications for Sukuk/debt instrument issuance and developing regulatory infrastructure to support securitization.

8. How have the volatile oil prices impacted the market in Saudi Arabia and what can we expect for 2015-16?

Saudi Arabia is diversifying its economy away from oil with the aim that instability in the oil price is far less a determinant of stock market activity. Looking at the region, the SSE is one of the most diversified markets in the Gulf and wider Middle East, with its listed companies ranging from petrochemicals and retail through to financial services and products, construction and telecommunications.

Clearly, market trends demonstrate that there has been some correlation between oil prices and market sentiment – but as a regulator we would not be in a position to comment on likely market movements in the coming years.

9. Saudi Arabia is a leader in the region and one of the biggest Shariah compliant finance markets in the world. What are its unique traits and strengths, and where can it act as a benchmark and leader for the rest of the world to develop Shariah compliant opportunities?

What differentiates Saudi Arabia compared to other Shariah compliant finance markets is the high demand for Shariah compliant products and services and the widespread acceptance and penetration of Islamic finance among the general public.

Saudi Arabia's leadership in this sector comes from its central location in the Muslim world and its legal system and constitution which are aligned with the Shariah.

It is the 'Land of Two Holy Mosques' – Mecca and Medina- and the home to the IDB Group, the most prominent multilateral development bank of the Muslim world. It is also a major hub for Islamic education and the host of the Organization of the Islamic Cooperation. Moreover, it is a member of the G20 (biggest global economies) and has a stable monetary policy and a sound and developed banking sector.

In recent years, we have witnessed even stronger demand for Islamic finance products in Saudi Arabia, in particular Sukuk. There has been also very significant growth in Shariah compliant securities – a trend that we predict will continue and which we are putting in place steps to encourage. In the last three years, Saudi Arabia has proved to be one of the main players in global Sukuk issuance.

The CMA has reflected the increasing popularity of Islamic finance by introducing a number of initiatives to encourage growth in the sector in its strategic plan (2015-19). The CMA has been working closely with other governmental agencies to unify a national strategy to direct the future development of the national Sukuk market.

China: The time is now

China's undisputable economic prowess has made it a global powerhouse to watch for years and while it has been on and off the Islamic finance radar, VINEETA TAN writes that the world's fastest-growing economy is once again back in the Shariah finance sphere not only because of the innate potential its population affords, but also because of the great strides by the Chinese and international players alike.

Modern Islamic finance may have found its way into China as early as 2006 with several Shariah compliant investments reaching its shores and when Islamic banking products were made available in 2009; however, the development has since then been largely stagnant. Things took a huge turn, however, in 2014 when Hong Kong – viewed by many as the gateway into China – approved Sukuk legislation igniting once again the interest of global participants and even attracting serious consideration from domestic players.

> ***"There are several Chinese investors already in discussions with international players on the possibility of introducing Shariah funds to the domestic market"***

Hong Kong at the forefront

With two successful Sukuk offerings under its belt, Hong Kong has silenced sceptics and placed China on the Islamic finance map as a serious contender. The Special Administrative Region took home the honor of being the first ever 'AAA'-rated government to issue a US dollar Sukuk in 2014 and followed suit the next year with another issuance based on a different Islamic structure.

Although Hong Kong's Sukuk debut was part of the Sukuk race rush which saw other non-traditional markets eager to leave their mark in the Islamic finance universe including the likes of the UK, Luxembourg, South Africa and Senegal, however, the Chinese island state put itself in a different league altogether with its sophomore offering, demonstrating to the world that its Sukuk ambition extends beyond lip service as it is not a one-time offering.

Above that, its decision to use a different Shariah contract for its second Sukuk (Wakalah as opposed to Ijarah) showcased its willingness and capabilities to engineer and market various Shariah compliant debt products. It is for these reasons and its sound financial system, that the mainland-led Asian Infrastructure Investment Bank is looking to make Hong Kong its bond-issuing platform according to John Tsang, Hong Kong's financial secretary.

Mainland catching up

Yet for all the attention Hong Kong has gathered as the Islamic finance torchbearer for China, the mainland itself has been steadily building its own repertoire.

Take for example, Chinese brokerage Southwest Securities which earlier this year forged a partnership with Qatar International Islamic Bank to pave the way for Islamic finance transactions in the country. The Qatari bank also confirmed with IFN that it will leverage on this MoU to develop an Islamic finance framework for China – an infrastructure when in place, would be sure to open the floodgates for Islamic finance activities in the Chinese market.

Islamic finance gained another strong supporter this year as the Chinese banking giant, the Industrial and Commercial Bank of China (ICBC), also the world's largest bank by assets, through its leasing arm entered into a collaborative agreement with the Islamic Corporation for the Development of the Private Sector (ICD). The covenant between ICBC Financial Leasing and the IDB unit promises to see them working together across multiple lines to develop Islamic capabilities and opportunities and assist economic evolution across ICD member countries.

The ICD has clearly made China an important target market as in less than two months, it again entered into partnership with another Chinese organization: the China International Contracts Association (CHINCA), a contractor trade organization that acts as a link between the Chinese government and CHINCA's 1,300 members who operate in over 180 countries – a sign that the demand and interest for Islamic finance extends beyond the banking community.

In fact in February 2014, China-based Dagong Global Credit Rating Company, in collaboration with Russia-based RusRating and US-based Egan-Jones Ratings, launched the Universal Credit Rating Group; with the aim of encouraging global Islamic institutions to join and have a greater influence on the international rating sector through participation in the rating governance process. Dagong Global Credit Rating also signed an MoU with the Islamic International Rating Agency (IIRA) agreeing the joint management of ratings of Islamic financial institutions, economic research and to improve the level of ratings coverage in Islamic countries, as well as more investment from Chinese companies in Islamic countries.

International appeal

Global Islamic finance players are well aware of the gathering momentum in the Chinese market, both in Hong Kong and in the mainland, and have already made their moves to enter the market. Apart from Malaysian banks looking to launch and list Islamic funds in China, IFN also understands that there are several Chinese investors already in discussions with international players on the possibility of introducing Shariah funds to the domestic market. Several Hong Kong corporates are also in talks to issue Sukuk.

With concerted efforts from both the Chinese and global participants to push the Islamic finance proposition in China now translating into concrete developments, the prospects for the industry is looking extremely attractive and it would be interesting to see what will transpire in the next few years.

Sovereign Sukuk: The usual and the new

In the preceding week, the sovereign Sukuk space saw rather interesting developments. Apart from the Central Bank of Bahrain's double offering, the Sukuk markets were graced with news from potential new player Kyrgyzstan. As usual, NABILAH ANNUAR provides the latest updates in the sovereign Sukuk space.

Maintaining liquidity in its domestic market, the Central Bank of Bahrain has over the last week made two offerings of its regular Sukuk. On the 14th July, the central bank completed the issuance of its short-term Sukuk Ijarah that was oversubscribed by 194%.

Subscriptions worth BHD50.5 million (US$133.02 million) were received for the BHD26 million (US$68.49 million) issue, which carries a maturity of 182 days. The expected return on the issue, which began on the 16th July 2015 and matures on the 14th January 2016, is 1.28%.

Subsequently on the 16th July 2015, the apex bank concluded the sale of its Sukuk Salam. Oversubscribed by 330%, the BHD43 million (US$113.2 million) issue carries an expected return of 1.2% and matures on the 21st October 2015.

Upcoming sovereign Sukuk

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

In Central Asia, the government of Kyrgyzstan has approved the project on introduction of Sukuk, reported local daily AKIpress quoting state Secretary Abduhalik Shamshiyev at the board meeting of the State Service for Financial Market Regulation and Supervision on the 18th July 2015.

Cementing its interest in the Shariah compliant market, the country last year began to introduce legislation to implement principles of Islamic finance. Additionally, the Islamic Corporation for the Development of the Private Sector (ICD), the corporate financing arm of the IDB is currently in the process of establishing an Ijarah company in Kyrgyzstan.

Over in Malaysia, according to Bond Pricing Agency Malaysia figures, Shariah compliant government securities dominated the Malaysian landscape in the first half of 2015, buoyed by outstanding Shariah compliant debt securities (see IFN report page 13 — 'Malaysian Islamic government securities take major market share in the first half, displacing conventional bonds').

Company Focus: World Bank

The World Bank may not be a name strongly associated with Islamic finance, but the international financing giant has long been cognizant of the overlapping propositions they both advocate. VINEETA TAN takes a look at the World Bank's Islamic finance journey thus far and sees what else it has in store.

"Although the World Bank operates primarily as a conventional financial institution, we strongly support the growth of Islamic finance," Michael Bennett, the head of derivatives and structured finance at the World Bank, tells IFN. "The fundamental purpose of Islamic finance is to create more inclusive, resilient and fair financial systems as well as to expand access to finance to all — goals that are clearly in line with the objectives of the World Bank."

And these common aspirations have led the World Bank to support the development of Islamic finance at multiple fronts: from raising public awareness and deepening the Islamic finance research body to increasing the utilization of Shariah compliant financial products internationally.

The World Bank has for years lent strength to promote the Islamic finance cause through seminars and conferences, as well as publish research on various related subject matters. In fact, it also hosts a global Islamic banking database that compiles financial information on Shariah financial institutions worldwide

in an attempt to provide the industry with much-needed data and analysis.

Public awareness and academia aside, the powerhouse in recent times has also carved a stronger presence in the financing and technical sides of business. Beyond expanding Shariah compliant modes of financing in its operations at a group level, the organization has also assisted world governments including that of Egypt and Turkey to design Islamic finance frameworks to tap the SME segment. The institution's commitment to Islamic finance was further cemented in the form of its very first dedicated Islamic finance representative office in Istanbul, the World Bank Global Islamic Finance Development Center, launched in 2013.

Last year, it stepped up its game raising US$500 million through the Islamic capital markets. Proceeds from the Sukuk Murabahah were used to fund health programs by the International Finance Facility for Immunisation (See Case Study Vol 12 Issue 01: 'IFFIm — Sukuk for a charitable purpose'). And it seems that the Sukuk would not be the World Bank's last.

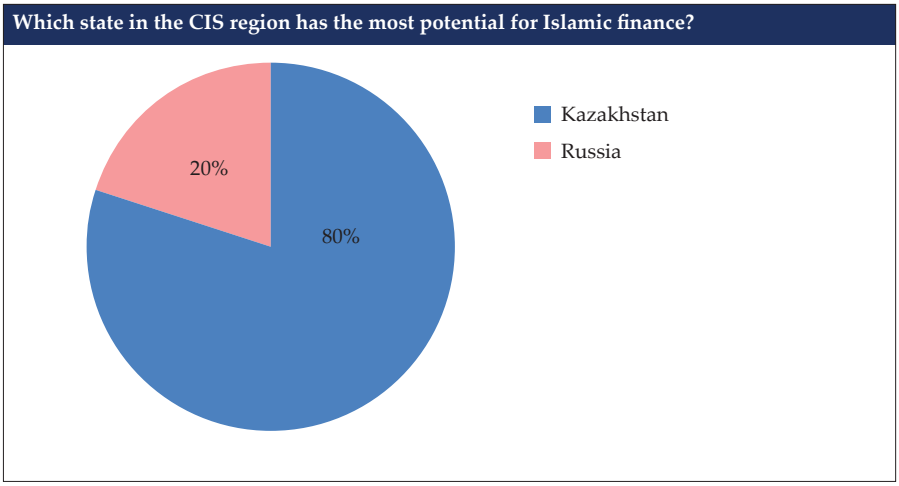
"At the Treasury of the World Bank, we are looking at possible Sukuk structures that would allow us to diversify our investor base to include Islamic institutions," hinted Bennett.

Collaborating with the likes of the IDB and AAOIFI, the World Bank most recently formed a partnership with the General Council for Islamic Banks and Financial Institutions whereby both entities will, in the words of Abayomi Alawode, the head of Islamic finance, finance and markets global practices at the World Bank, "strengthen the institutional foundations of Islamic finance, enhance regulatory and supervisory frameworks, and share sound practices and lessons of experience in the industry, including sound practices relating to business practices, risk management and market development". Following this MoU, the World Bank last week pushed for Islamic finance as an instrument to achieve sustainable development goals at the United Nations's third international conference on financing for development — a clear indication of its commitment to expand this sector.

Whether enhancing the regulatory landscape, or contributing to product development or even participating in the market itself, it is certain that the Islamic finance industry can expect to witness greater participation from the World Bank.

IFN Weekly Poll: Which state in the CIS region has the most potential for Islamic finance?

In this week's installment of the weekly poll, IFN takes a trip to Northern Asia exploring the true potential of Islamic finance across the CIS states. Year after year, several nations in the region such as Russia, Kazakhstan, Tatarstan and Azerbaijan heighten initiatives to implement Islamic banking finance in their respective countries. As the industry speaks, the poll narrowed down two countries with the most potential for Shariah compliant activities. NABILAH ANNUAR explores.



Conveying a resounding opinion, industry players believe that Kazakhstan has the most potential for Islamic finance (80%). S&P in a review on the country in June last year relayed that Islamic finance in Kazakhstan is still in its infancy. This is due to insufficient product offerings, a need for regulatory fine-tuning to spur Islamic finance offerings as well as an estimation of market demand and potential for Islamic financial services in the country, and a lack of the ability to offer competitive products compared with conventional finance products.

S&P further highlighted five key drivers that could propel the growth of the industry: (1) securing the political and business community's willingness and support; (2) establishing a central Shariah supervisory body; (3) pricing competitively; (4) introducing liquidity management instruments; and (5) educating human resources on Islamic finance specificities; factors derived from successful development of Islamic finance in countries such as Malaysia and the UAE.

The government has since then intensified its efforts in pushing Islamic finance in the country. Having approved its Islamic finance laws in the first quarter of the year, the Finance Ministry is expected to propose a new draft law on Sukuk with an intention to tap the Islamic debt capital markets in 2016. In terms of manpower, the government and the central bank has agreed to provide technical and financial aid to train human capital as part of the country's efforts to develop its Islamic finance industry.

Testament to this progress, local bank Zaman Bank has announced its intentions to offer Islamic banking services this year following a mandate issued by the Islamic Corporation for the Development of the Private Sector for the conversion of Zaman Bank into an Islamic bank. As for foreign investment, local reports revealed in May that Saudi Arabia and Kazakhstan reached an agreement to form a joint Islamic bank or fund to finance projects quoting Asset Issekeshev, the minister for investment and development of Kazakhstan. The country currently has only one Islamic bank, Al Hilal Bank Kazakhstan.

Cementing its position as a constituent of the Shariah compliant industry, the country also recently became members of multilateral Islamic finance associations. In December last year, the National Bank of Kazakhstan was officially welcomed as a member of AAOIFI, building on the Republic's focus and commitment towards developing its nascent Islamic banking and finance industry, driven by the growing optimism and appetite for Shariah compliant financial products from its Muslim-majority population. Just last month, the nation was admitted to the General Council for Islamic Banks and Financial Institutions.

Russia is the runner-up with the most potential for Islamic finance (20%). The draft law that removes barriers for implementing Islamic banking in Russia was submitted in the State Duma in March to the lower house of the Federal Assembly of Russia. If the document is accepted by the parliament, the appropriate amendments will be made in the federal law on banking activity in the country. Currently under review, the country reportedly aims to introduce a comprehensive legislative framework for Islamic banking in the second half of 2015. The International Bank of Azerbaijan (IBA) has, however, in December 2014 begun providing Shariah compliant financial services to customers in Russia through its Russian unit, IBA-Moscow.

Local media have indicated that the Federation is likely to welcome its first Islamic bank this year, an endeavor reportedly supported by the IDB, with possible participation by Malaysia. It has also been suggested that the new Shariah bank, to be headquartered in Tatarstan, would either be a new entity itself, or an offshoot of an existing bank. Apart from AK BARS Bank (which concluded two Islamic syndications thus far), other banks that have also expressed keen interest in furthering the Islamic finance proposition include Sherbank and VTB Bank.

Malaysian Islamic government securities take major market share in the first half, displacing conventional bonds

The cease of Bank Negara Malaysia (BNM)'s Islamic issuance may have hampered global and domestic Sukuk volumes but Bond Pricing Agency Malaysia figures show that Shariah compliant government securities dominated the Malaysian landscape in the first half of 2015 — a complete reversal from a year ago. VINEETA TAN explores.

There is no denying that the first six months of the year have seen a rather dispirited bond and Sukuk market in Malaysia due to persisting monetary management uncertainties as well as lingering volatility at a global level. Private debt securities (PDS) tumbled (14.3% year-on-year fall in issuance value) as corporate issuers remain circumspect of the environment while quasi-government securities declined by 21.26% in the first half as compared to the same period in 2014. Government offerings, however, were up 5.2% to RM62.7 billion (US$16.45 billion) as at the end of June 2015, with Shariah compliant facilities accounting for 54.4% of total issuance — a marked improvement from the year before when Islamic securities were the minority.

And although PDS numbers have shrunk and are anticipated to remain tepid for the rest of the year (according to RAM Ratings), outstanding Shariah PDS still outnumber the conventional with month-on-month gross Islamic issuance leading slightly over its non-Shariah counterpart at RM3.1 billion (US$814.14 million) in June versus RM2.9 billion (US$761.66 million). The Sukuk market share is likely to receive a major boost should Tenaga Nasional's planned Islamic debt offering of up to RM9.5 billion (US$2.5 billion) — the biggest so far in 2015 — come to market before December.

"As financing cost edges up and the banking sector remains fiercely competitive, there is no respite in sight in the second half, in line with our revised projected gross PDS issuance amid a more subdued corporate bond market this year overall," commented RAM Ratings. The rating agency also added in its latest bond report that: "Despite all the noise and fluctuations in currency and cross-border capital flows, however, foreign investor sentiment and domestic investment have not fared too badly."

RAM noted a 1.7% accretion from May to June in holdings of foreign debt securities with a continuous uptrend in foreign holdings of Malaysian government securities. On a month-to-month basis, the Islamic markets, however, saw a decline in foreign participation as foreign investments in Shariah government securities dropped 10.4% and Islamic BNM facilities plunged 52.9%. As at the 30th June 2015, the percentage of foreign holdings (Islamic) to total outstanding bonds stood at 4.2% (government), 24% (BNM) and 1.6% (PDS and quasi-government securities).

CIMB Islamic CEO resigns

Badlisyah Abdul Ghani, widely acknowledged as one of the leading stalwarts of the global Islamic banking and finance industry, has tendered his resignation as CEO of CIMB Islamic Bank and as a board member, effective the 15th August. His resignation follows an internal inquiry with regards to him questioning the validity of documents used by The Wall Street Journal in its exposé of misappropriated funds involving the Malaysian prime minister and controversial sovereign wealth fund 1MDB. VINEETA TAN takes a look at the legacy he leaves behind.

Assuming the helm of CIMB Islamic at age 36 almost a decade ago, Badlisyah has over the years successfully transformed the CIMB Islamic brand to become an international and regional household name steering many pioneering initiatives which supported Malaysia in becoming a global Islamic finance powerhouse.

The meteoric rise of CIMB Islamic under Badlisyah's leadership cannot be denied. In the first five years as CEO, he managed to boost revenues to cross the RM1 billion (US$263.37 million) benchmark — an unprecedented feat then — and today, CIMB Islamic is not only the world's largest Sukuk arranger by the number of deals (and second-largest by volume), but it also holds the title of the world's largest Islamic bank by branch network and the second-largest Shariah bank in ASEAN by assets.

"For the past 10 years IFN has followed, reported and marveled at watching Badlisyah break down barriers and build bridges across divides many didn't think possible. He's a true pioneer and advocate of the modern-day Islamic finance industry and no doubt won't be out of the spotlight for long," commented Andrew Morgan, the managing director and publisher of REDmoney Group, the parent company of IFN.

In his capacity as the country head for the Middle East and Brunei for CIMB, Badlisyah has also been instrumental in building ties with the Middle East and encouraging bilateral investment flows. Trained in law, the veteran banker's clout extends beyond his stint in CIMB through his association with the industry at large. Not only does he sit on the Islamic Capital Market Consultative Panel of Bursa Malaysia, but Badlisyah is also the president of the Association of Islamic Banking Institutions Malaysia and chairman of the Islamic Capital Market Committee of the Malaysian Investment Banking Association. He is also associated with the Standing Group on Accounting for Islamic finance at the Malaysian Accounting Standards Board, Islamic Finance Committee of the Malaysia Institute of Accountants and Law Harmonization Committee of Bank Negara Malaysia.

Senior managing director and deputy CEO of CIMB Islamic Mohd Safri Shahul Hamid has been named as person-in-charge of the bank until the next CEO is identified.

Russia's largest bank launches Islamic finance pilot project as country seeks to tap Gulf wealth

Sberbank of Russia, the country's largest bank, has launched a pilot project in partnership with the Republic of Tatarstan designed to develop Islamic finance in the region, a move that is likely to broaden financing avenues for the sanctions-slapped country. VINEETA TAN writes.

As international sanctions continue to weigh heavily on Russia driving it to seek alternative financing options and forge new relationships with non-Western nations, Islamic finance has increasingly gained prominence as a viable solution affording the Federation the leverage it needs to tap the wealth of the Middle East.

Islamic finance activities in the country have been generally minimal and sporadic; however, the past two years have seen a greater push from both the authorities and domestic players. Although a draft law which would have eased Shariah compliant financial transactions was rejected by the Finance Ministry earlier in May, the lower house of parliament is, however, seeking to re-propose legal amendments to facilitate Islamic finance activities, with the Russian Orthodox Church as part of the committee negotiating the legal changes.

Holding one-third of aggregate banking assets in Russia and owning the largest distribution network in the country, Sberbank's formal commitment to Islamic finance could prove instrumental in propelling the Federation's Islamic finance sector forward.

"Sberbank values the prospects for developing Islamic finance. Cooperation in this area will promote the socioeconomic development of the Republic of Tatarstan," affirmed Herman Gref, CEO and chairman of the executive board of Sberbank, in a statement. Through this agreement, both Sberbank and the Tatar government will study options and issue proposals to develop the sector.

In a region whose Islamic finance development has perhaps been overshadowed by the likes of other CIS countries such as Kazakhstan and Azerbaijan, Tatarstan is giving its neighbors a run for their money with this landmark agreement with powerhouse Sberbank. And with strong support from the government, including the Republic's acting president Rustam Minnikhanov, the global market can expect concrete developments from this part of the world in the near future.

Iran's nuclear deal to cause seismic shift

The long-awaited Iranian nuclear deal has finally been sealed, in a move that promises to see a shift in the international economic landscape brought on by imminent changes in the global play of oil supply, as well as the entry of a market long isolated but many deem abound with opportunities. VINEETA TAN reports.

"In terms of growth potential, the region's sleeping giant is about to wake up. With its young and sophisticated population, rich natural resources and diversified economy, Iran has always been a market with great opportunities waiting for an opening," explained Ramin Rabi, CEO of Turquoise Partners which manages over 90% of all foreign portfolio investment on the Tehran Stock Exchange, to IFN. "With this deal in place and [the] subsequent removal of sanctions, Iran could turn into an engine of economic growth for the whole region."

Some global powers may be less enthusiastic about the prospects of Iran expanding its regional influence but this has not deterred others from reaching out to the Middle Eastern country in the hopes of capitalizing the immense economic opportunities this relatively untapped investment base offers (See IFN Report Vol 12 Issue 21: 'Iran — wait and see'). This is particularly true for participants of the Islamic finance industry enticed by Iran's standing as the world's largest Shariah compliant financial market (See IFN Analysis Vol 12 Issue 19: 'Iran: Waiting to be unleashed').

Hailed as a landmark deal after a protracted period of tug-and-war over its nuclear ambitions, Iran nonetheless has monumental challenges to overcome as it rejoins the mainstream arena and seeks to return to its previous level of oil production. The nation's oil exports currently stands at about 1.1 million barrels per day (mmbbl/d), half of what it was before 2012 (approximately 2.5 mmbbl/d).

"Iranian crude oil production is likely to increase in 2016 but will take a number of years to reach its previous peak," opined Fitch Ratings. "Details of the condition of Iran's production infrastructure are sketchy, but with limited investment as sanctions have been increased it is likely that only a portion of this capacity can be brought back on line without material investment." The rating agency expects the increase in production in 2016 would be less than half of the full 1.4mmbbl/d that was lost.

And as the return of Iranian crude oil into global markets is likely to delay recovery of oil prices, Fitch expects an improvement in prices next year as demand grows and the cuts in investment since the price collapsed show through in areas other than US shale. "We believe it will take two-three years for prices to recover to their marginal cost of around US$80 (Brent) a barrel."

As expected, the transition may not be smooth with political, economical and social fundamentals at play; nonetheless, this development as Rouzbeh Pirouz, the executive chairman of Turquoise Partners, puts it: "Is a historic moment which represents a breakthrough opportunity for global investors to invest in one of the most exciting markets of the future."

Palestine: There is still cause for optimism

Despite the lack of an Islamic banking legislation and a troubled economy brought on by ongoing conflict, the Palestinian Islamic financial community seems to be achieving steady growth. VINEETA TAN zooms in closer.

Economic background

The Palestinian economy has long struggled and the Gaza conflict has strained it further. Latest figures from the Palestine Monetary Authority (PMA) show that unemployment stood at 20.6% in the second quarter of 2013 and the World Bank puts average yearly economic growth between 2007-11 at 8% but declined dramatically to 1.9% in 2013, reaching -1% in the first quarter of 2014.

The West Bank is divided into three areas: A (self-rule), B (ruled by Palestine and Israel) and C (governed by Israel). Natural resources of the West Bank are primarily found in Area C and the World Bank has stated that at least US$3.4 billion could be added to the Palestinian economy if businesses were able to access Area C, though currently the manner in which Area C is administered essentially precludes Palestinian businesses from investing there.

Regulatory landscape

The Basic Law, enforced in 2002, governs Palestine and is based loosely on the Islamic Shariah; however, the country's banking system is a combination of both conventional and Islamic modes. There is not a separate legislation for Shariah compliant financial transactions as all financial activities, which are regulated by the PMA, fall under the same statutes, namely the Law of Jordan of 1966 and the Palestine Monetary Authority Law of 1997.

Despite the political situation in Palestine, the PMA collaborates with other central banks and regulatory bodies. In October 2013, official delegations from Bolivia and Palestine signed a letter of intent at the Annual Meetings of the World Bank Group to expand collaboration and share lessons learned on applying monetary policy and issues associated with financial development. The PMA also attends meetings of the Board of Governors of Arab Central Banks and Monetary Institutions and it has been indicated that the Palestine Capital Market Authority (PCMA) will be given a full International Organization of Securities Commissions (IOSCO) membership in February 2014.

Banking and finance

Islamic financial institutions began setting up shop in Palestine in the 1990s beginning with the Palestinian Finance House Corporation in 1994. Other Islamic banks followed suit: Cairo Amman Bank Islamic, Arab Islamic Bank (AIB), Palestine Islamic Bank (ISBK) and Al Aqsa Islamic Bank.

Acquisitions took place in the 2000s, however, which resulted in Cairo Amman Bank Islamic (2005) and Al Aqsa Islamic Bank (2010) being absorbed by ISBK, leaving it and AIB the only two licensed Shariah banks in Palestine. Islamic National Bank in Gaza is another Shariah bank but it is, however, not licensed by the PMA.

Together, AIB and ISBK command about 10% of the total banking share, according to shareholder Palestine Investment Fund (PIF) which owns a stake of 13.3% and 34.18% in the respective banks. In terms of assets, deposits and total financing as well as shareholder equity, AIB is the larger Islamic bank among the two (despite ISBK's dual acquisition) with a 45% market share and is also the fifth-largest Palestine Group bank and second-largest national bank with branches (nine) across the West Bank and Gaza Strip; while ISBK has 17 branches.

Although Islamic banking is a minority in Palestine, demand for Shariah compliant services currently outstrips supply by at least twice, according to PIF estimates. There have been talks for a new Islamic bank supposedly to open doors in 2015; however, no news have been forthcoming. PIF and ISBK in partnership with the Islamic Corporation for the Development of the Private Sector established the first Islamic leasing company in Palestine to meet the demands and needs of SMEs (See Special Report Vol 11 Issue 27: 'ICD launched an Ijarah company in Palestine').

Microfinance

Shariah compliant microfinance products are available in Palestine through approximately nine institutions. A majority of these fundings are provided for by non-governmental organizations such as the Palestinian Businesswomen's Association, the Arab Center for Agricultural Development, Palestine for Credit and Development and the IDB-funded Deprived Families Economic Empowerment Program.

Takaful

There are currently two Takaful operators in Palestine: Al Takaful Palestine Company (2007) in West Bank and Al Multazem Insurance Company (2012) in Gaza. Al Takaful Palestine in 2014 opened a new headquarters in Ramallah and announced plans to increase its Palestinian market share to 20% from 12%, representing a growth rate of at least 20% annually over the next few years.

Challenges

The ongoing conflict continues to loom over Palestine, affecting every facet of society including foreign investment and the availability of opportunities for Islamic finance. And market players are facing the challenges arising from the lack of a dedicated Islamic banking and finance. However, despite the less than conducive conditions, domestic participants are still able to realize growth, and demand for Shariah compliant financial services is growing, signaling opportunities as recognized by the ICD.

Table 1: Islamic banking indicators as of the 30th October 2014 (in US dollar)

Indicator	Percentage of Islamic banks to total banks	Islamic banks	All banks
Paid-up capital	10.6	100	946.2
Net worth	0.095	133	1,400
Deposits	11.6	954	8,200
Credit facilities	16.6	578.4	3,487
Total assets	0.097	1,120	11,597

Islamic syndications picking up pace

Over the past 12 months, syndicated financing in the Shariah compliant space is witnessing a distinct acceleration. A fair amount of deals have transpired in prominent Islamic finance regions such as Asia and the Middle East. A few deals were also made in Europe and Central Asia gradually moulding a preference for Islamic syndicated financing. NABILAH ANNUAR brings a roundup of the transactions that have taken place in this particular area of the industry.

Asia

In Central Asia, the industry saw Islamic banks from two countries – Azerbaijan and Turkey venturing into the syndications market. In February this year, the International Bank of Azerbaijan secured a US$150 million Islamic one-year receivable-backed syndicated financing facility with participation from international and Middle East banks. Over in Turkey, Albaraka Türk Katılım Bankası closed a US$268 million syndicated Murabahah financing facility on the 9th April which was initially worth US$150 million, but was raised to US$268 million due to significant oversubscription from 14 institutions from Europe and MENA. Kuwait Finance House (KFH)—Turkey in January concluded a US$350 million syndicated club Murabahah facility, with participation of 12 banks.

Moving to Southeast Asia, Bank Islam Brunei Darussalam last October was reportedly arranging a benchmark-sized Islamic syndicated loan for a petrochemical project within the country.

Malaysia saw two deals at the end of 2014 where Danajamin Nasional, CIMB Islamic and RHB Islamic Bank provided syndicated financing of RM420 million (US$125.35 million) to Malaysian Resources Corporation where RM220 million (US$65.67 million) was Islamic. Bank Kerjasama Rakyat Malaysia and Affin Islamic Bank, arranged a RM595.5 million (US$169.9 million) syndicated term loan for a specialist children's hospital developed by Zecon. This year in April, two deals transpired: Impian Bebas, a joint venture company between KLCC Holdings and Sapura Resources procured a 15-year RM1.08 billion (US$296.92 million) syndicated Islamic term financing agreement with Maybank Investment Bank, Public Islamic Bank and RHB Islamic Bank. Local developer Cititower also obtained a RM3.2 billion (US$867.51 million) syndicated Islamic term financing for a mixed commercial development project.

Europe

In October last year, the UK saw its largest Islamic deal for London's Battersea Power Station where a Malaysian consortium concluded a syndicated debt facility of GBP1.35 billion (US$2.17 billion) of which GBP467 million (US$751.25 million) was Islamic. Russia's AK BARS Bank in Januray 2015 raised US$100 million through a syndicated Shariah compliant financing facility.

Middle East

TNS Middle East in a recent study found that there is a high interest in Islamic banking, specifically for credit facilities, such as bilateral and syndicated loans, as well as project financing in the UAE. Testament to these findings, the emirate witnessed the most syndicated deals over the last 12 months.

In June, Stanford Asia Holding Company, a subsidiary of Stanford Marine Group secured a AED1.2 billion (US$326.7 million) Murabahah financing facility, closed by Noor Bank which has arranged more than US$2.1 billion syndications in the past two years. Emirates National Oil Company concluded a US$1.5 billion nine-year syndicated financing comprising of both Islamic and conventional facilities. In May, Pacific Controls closed a AED750 million (US$204.14 million) syndication transaction, a combination of conventional and Islamic facilities.

Sharjah Electricity & Water Authority in March concluded a US$500 million syndicated Ijarah facility, guaranteed by the government of Sharjah. In the same month, Ajman Bank secured a US$155 million syndicated Islamic financing facility which incorporated a hybrid Murabahah and Wakalah structure with a two-year tenor, following a US$200 million facility it secured in January. Gulf Finance Corporation at the beginning of the year obtained a AED500 million (US$136.09 million) senior secured term loan facility which included an unfunded AED50 million (US$13.6 million) standby letter of credit and is one of the largest syndications in the UAE in the preceding 12 months.

In Bahrain, Gulf Finance House secured a US$105 million financing facility from KFH to redeem two syndicated debt facilities and allow the release of some the bank's major assets.

Over in Kuwait, Kuwait International Bank is in the process of concluding its first syndicated Murabahah financing facility worth US$100 million. Carrying a tenor of three years, the syndication was launched on the 10th June and is expected to close by the first week of August. In May, the International Airfinance Corporation raised US$400 million through senior secured Murabahah financing facilities to fund the acquisition of five A330-200 aircraft on an operating lease to Kuwait Airways.

Moving to Qatar, the state in December last year witnessed its largest infrastructure syndication: a Shariah compliant financing facility of over QAR3.65 billion (US$1 billion) for Qatar's Gold Line Metro Rail project was concluded for a joint venture comprising Greece-based Aktor, India's Larsen and Toubro, YapiMerkeziInsaatVeSanayi and SezaiTurkesFeyziAkkaya Marine Construction of Turkey, and Al Jaber Engineering of Qatar. Barwa Bank was its sole bookrunner and lead arranger together with First Gulf Bank and Qatar International Islamic Bank.

Saudi Arabia saw two syndications in March: 1) Arab Petroleum Investments Corporation's financing facility worth US$950 million with the first tranche (SAR3 billion (US$800 million) five-year facility) arranged by SABB, National Commercial Bank, Samba Financial Group, Riyad Bank and Banque Saudi Fransi, and the second tranche (US$150 million three-year facility) arranged by First Gulf Bank, HSBC Middle East and National Bank of Abu Dhabi; and 2) Takween Advanced Industries's SAR1.3 billion (US$346.46 million) Murabahah financing facility arranged by a syndicate of banks including Arab Bank, Samba Financial Group and Bank AlBilad.

ICD's largest financing to date

The Islamic Corporation for the Development of the Private Sector (ICD) in June successfully secured a Murabahah financing facility. At US$300 million, the deal was the ICD's largest financing to date. Speaking to the multilateral development financial institution, NABILAH ANNUAR provides a rundown of the transaction.

Engineered based on the commodity Murabahah structure, the 13-month US$300 million Islamic Murabahah facility was procured through a club financing deal from Dubai Islamic Bank, First Gulf Bank, Mizuho Bank (Malaysia) and Mizuho Bank Nederland. The private sector arm of the IDB Group will channel the proceeds toward general purposes of the organization, including repaying some existing borrowings.

According to the ICD, the facility is its largest financing transaction to date and is part of its US$1.2 billion global resource mobilization program for 2015. Prior to this deal, the multilateral development financial institution completed a three-year US$100 million facility with the Bank of Tokyo-Mitsubishi Malaysia in September 2014 and a 13-month US$100 million facility with National Commercial Bank, Saudi Arabia.

Dubai Islamic Bank acted as the sole coordinator of the facility and is the mandated lead arranger together with First Gulf Bank, Mizuho Bank Malaysia and Mizuho Bank Nederland. This particular transaction was not rated as it was carried out on a club deal basis. The ICD itself is rated 'AA/F1+' by Fitch and 'Aa3/P-1' by Moody's. The Jeddah-based institution is a member of the IDB which has a rating of 'AAA'/'Aaa'/'AAA' from S&P, Moody's and Fitch, respectively.

> *"The IDB unit is also considering a capital increase as it expands its economic development activities"*

The ICD in November last year was reportedly seeking to raise as much as US$1.2 billion in long-term funds, with both syndicated financing and Sukuk as options, during its current financial year, according to Reuters. The IDB unit is also considering a capital increase as it expands its economic development activities.

ICD's Islamic Murabahah financing

US$300 million

Issuer and obligor	ICD
Size of issue	US$300 million
Mode of issue	Commodity Murabahah
Purpose	General purposes
Tenor	13 months
Issuance price	Par
Profit rate	Confidential
Payment	Bullet
Currency	US dollar
Maturity date	21st June 2016
Lead managers	Dubai Islamic Bank First Gulf Bank Mizuho Bank Malaysia Mizuho Bank Nederland
Governing law	English
Legal advisor	Allen & Overy
Listing	Not listed
Underlying assets	Commodity
Rating	Not rated
Shariah advisors	DIB and ICD Shariah Boards
Structure	Commodity Murabahah

Iran: What will probably result afterwards?

IRAN

By Majid Pireh

After 12 years of conflict in terms of nuclear power, finally on Tuesday the 14th July 2015, a deal was finalized after more than two weeks of furious diplomacy in Vienna between Iranian diplomats and major world powers. According to published documents, considerable amount of sanctions would be lifted from many Iranian financial institutions. This will help money flow into the Iranian financial markets. Now, the question is how shall this deal affect the Islamic financial industry in Iran?

To find the answer, at the first stage it is noteworthy to consider that in Iran after the Islamic revolution in 1979, the new constitution emphasized on the necessity of following Shariah principles in structuring financial products. As a result of financial sanctions, there were huge bans for money flowing into the Iranian financial markets. While many Shariah compatible financial instruments were issued in the Iranian financial system, sanctions posed considerable limitations for both international investors and Iranian companies.

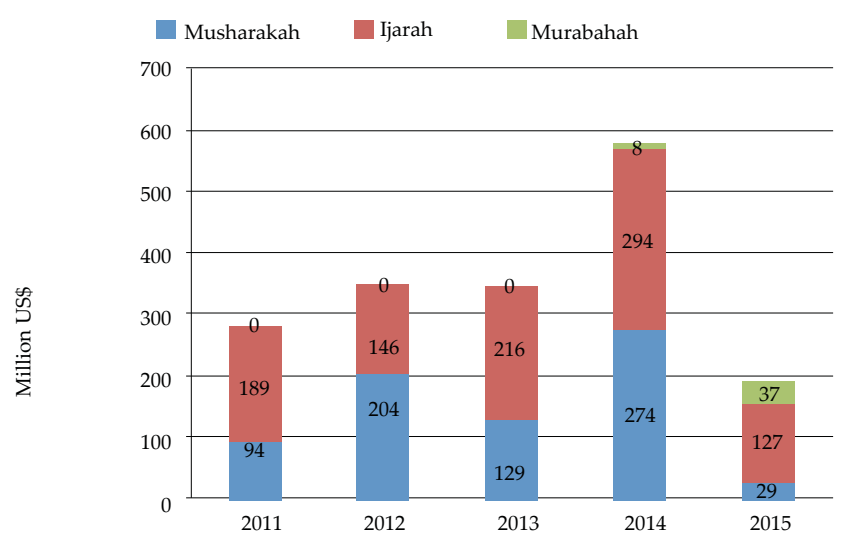
In terms of the capital market, the low price-earnings ratio made many Iranian Islamic equities attractive for making a Shariah compatible investment portfolio. Nevertheless, regarding Sukuk in the capital market and banking system, desirable profit rates with low default risks would make an attractive investment option for many international investors. Chart 1 shows the outstanding Sukuk value in the Iranian capital market.

Clearly, the Sukuk shown in the chart (and the value) were mainly done during the sanctions period. During that time, many Iranian companies lost the Sukuk issuance chance as a fundraising option. In terms of Sukuk profits in Iran, normally a fixed income Sukuk in the Iranian capital market would bring around a 19% profit rate annually for investors. Moreover, bank guarantees in Iranian Sukuk would get the default risk in fixed income Sukuk decreased. International investors are likely to take this as a noteworthy investment option.

Iranian financial market participants as well as international investors are looking at new horizons after the new nuclear deal. The new outlook shall not only benefit Iranian companies but also bring more Shariah compatible investment options for international investors.

Majid Pireh is an Islamic finance senior expert at Iran's Securities and Exchange Organization. He can be contacted at m.pireh@seo.ir.

Chart 1: Outstanding Sukuk in the Iranian capital market as of the 15th July 2015



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Resilience of the Australian Islamic and Shariah compliant funds after the global market turbulence

AUSTRALIA

By Dr George Mickhail

The first 10 days of July 2015 witnessed a bloodbath on the global financial markets due to fears of a Grexit from the EU and a Chinese market meltdown. The Thomson Reuters Global Index lost 0.74% of its value in these first ten days, with the Dow Jones Industrial Average losing 0.19% of its value by comparison to 9.90% lost on the Shanghai Composite Index. The Australian All Ordinaries Index lost about 1.96% of its value due to the impact of the Chinese market on the Australian resources sector. Chart 1 shows a summary of the performance of these indices.

Islamic and Shariah compliant funds were certainly not immune from the global onslaught, with the Thomson Reuters IdealRatings Islamic Global Index losing 2.44% of its value.

However, the Australian Islamic and Shariah compliant funds were more resilient than their global counterparts with the Thomson Reuters IdealRatings Islamic Australia Index losing only 2.04% by comparison to the global index.

The loss of 2.04% by the Thomson Reuters IdealRatings Islamic Australia Index, which was a bit higher than the 1.96% lost by the Australian All Ordinaries Index, was due to the concentration of companies from the resources sector on the index. Approximately 25% of the Thomson Reuters IdealRatings Islamic Australia Index is made up of companies from the resources sector which were responsible for 60% of all losses to the index. This was in accordance with the overall Australian market losses that were driven by the Chinese maket losses that had primarily affected the resources sector.

Despite the recent turmoil, Australia's Islamic Index ranked at fourth place on the 10th July 2015 in the top 10 Islamic indices ahead of the more established markets like Indonesia, Qatar, Kuwait, Bahrain and Oman.

Australia is one of the most efficient and competitive financial sectors in the Asia Pacific region and the recent resilience of its Islamic and Shariah compliant funds compared to the global market means that it is an attractive option for Islamic banks seeking new safe investment opportunities outside the Middle East. The likely consequence of this is that Australian institutions will, in turn, expand their provision of Islamic financial products and services.

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Chart 1: Summary of performance of selected indices in first 10 days of July 2015

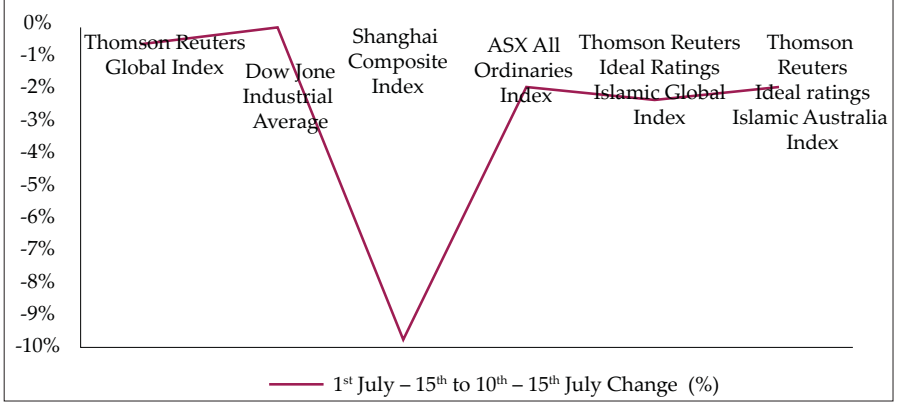
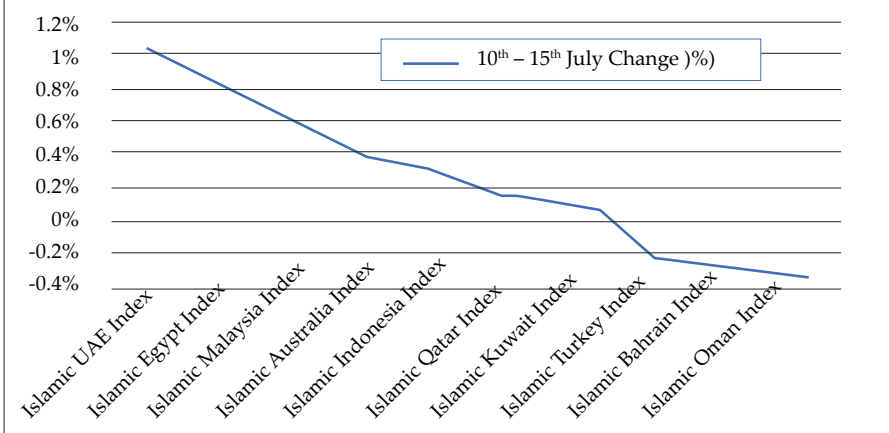


Chart 2: Top 10 Islamic indices



Source: Author's analysis of Thomson Reuters markets

Saudi Arabia welcomes foreign investors

DEBT CAPITAL MARKETS

By Suhail Ahmad

For the first time last month the Tadawul, Saudi Arabia's stock exchange, opened up to foreign investors. The Tadawul is not only the largest stock market in the Middle East with a total market capitalization of over US$550 billion but is one of the largest of the emerging market exchanges.

Foreign investors interested to trade on the Tadawul must first register with the Saudi Capital Market Authority (SCMA). At this time only the larger financial institutions with at least US$5 billion in assets and five years of investment experience will be provided access. Even then, foreign investors will not be permitted to own or control more than 49% of any Tadawul-listed company.

So clearly, the SCMA is targeting established institutional investors for the Saudi market. This will help promote market stability and reduce volatility as the SCMA stated last month that it hopes to "…raise their performance by improving the level of transparency, financial information disclosure and governance practices".

Saudi Arabia's Tadawul All-Share Index (TASI), since being made accessible to foreign investors, has made little progress as global markets have been rattled with the Greek debt crisis and the collapse of the Chinese stock markets. Despite the global pressures, the TASI continues to be one of the best performing indices in

the world with a solid 13.2% return year to date.

The relatively strong performance of the TASI may help the Saudi market attract foreign investors. However, investors will likely be cautious given the depressed petroleum prices which will continue to put a strain on regional economic growth. In addition, the civil unrest and Saudi military action in neighboring Yemen adds increased geopolitical risk to Saudi markets.

Several firms including the world's largest asset manager, Blackrock, are already planning for a Saudi Arabian exchange-traded fund to be listed either in Europe or the US. This would enable smaller financial institutions and retail investors to participate in the Saudi markets. It is also just a matter of time before the MSCI benchmarks add Saudi Arabia to its emerging market indices and direct billions of dollars in investment assets to the market.

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Critical analysis of Islamic banking

It is always challenging to have innovative products and services. The challenges vary from country to country and from one school of thought to another. If an individual customer needs an alternative credit card from an Islamic bank in Pakistan, he or she cannot get it. If some SME firm requires financing against account receivables, in the Hanafi school of thought they cannot get it. In the Malaysian model, it can be done through Bai Dayn but strict monitoring is still required. Sometimes, the software does not support Islamic banking transactions and sometimes the law of the land presents obstacles. To solve all these issues, SHAH FAHAD YOUSUFZAI opines there is a need for standardization of the parameters and practices for every Islamic bank globally.

ISLAMIC BANKING

By Shah Fahad Yousufzai

Islamic banks are struggling for some software to support their Shariah innovative products like Islamic factoring, Islamic derivatives (Istighlal, Istijrar, Urbon), Salam in currency, Tawarruq Asli (commodity), Salam (personal finance), Musharakah running finance and Ijarah Mausofah Fiz Zimmah (construction projects-advance rental). Some Islamic banks are maintaining most of the innovative and complex transactions manually (out of system), which is quite inadequate.

> ***"Every government should support Islamic banks by waiving taxes upon investing in projects of alternative energy. It is important for the country as well"***

Double taxation is the main problem in countries like Thailand where they have civil law. In Islamic banking which is based on real trade (buying and then selling the asset to customers), double tax is levied which further makes the transaction more expensive than conventional banks' pricing in the market.

In Pakistan, the Islamic banking industry still has a lot of Murabahah role to play over transactions. The concerned branch managers are supporting their customers

and protecting their portfolios from default but on the other hand, what are they compromising on?

The finance experts in head offices along with branch managers are committing to a fixed rate with corporate customers on the deposit side, i.e. fixing the rate at 13% at the time of deposit and making it exactly the same after a month or so through reverse engineering/calculations.

How would the Shariah advisor know what the branches and head office finance officials committed with corporate customers?

Favorable conditions for Islamic banking

The following conditions are needed to enable Islamic banking to operate smoothly:

1. The law of the land must support Islamic banks, i.e. central banks must have special regulations for Islamic banking with some exemptions and relaxed regulations.

2. Software solutions must support all Islamic banking transactions. There should be no manual registration of the transactions. Some banks are doing profit calculations and the distribution of liability products manually.

3. Shariah advisors must refine the concepts. A collective effort and consensus are required for standardization and harmonization. The role of the Shariah advisor and Shariah supervisory boards are more important than we think. Sitting in the head office for a few days would not make the transactions Shariah compliant. Credit managers, operations and finance representatives are dodging them very technically because the Shariah experts' business knowledge is scarce.

4. Spiritual satisfaction should be part of the employee's KPI.

Untapped market of alternative/renewable energy via venture capital

This is the most attractive sector for any Islamic bank to invest in. Islamic banks must focus on venture capital and target the sector of alternative energy. There is great margin in this very sector. After studying solar energy, windmills, hydropower plants, the recycling industry, furnace and tree-generated energy, banks must go into venture capital. It is lucrative for both parties.

Islamic banks should send their staff for field training in renewable/alternative energy so that the bank can easily tap this particular sector for venture capital. Bankers generally have a lack of expertise in this sector but they can overcome this through proper training. Some countries have regulation problems in private equity and venture capital. Every government should support Islamic banks by waiving taxes upon investing in projects of alternative energy. It is important for the country as well. Musharakah is the best concept to use venture capital.

How to compete with conventional banks

To compete with conventional banks, Islamic banks must come up with innovative products and services.

Continued

Unfortunately, Islamic banks lack Islamic banking experts who know Shariah and who have proper competence to develop products. If capable staff are available who can design new products like the Kafalah charge card, Istijrar working capital, Arbon, Istighlal and Salam for some derivatives, etc, then it's possible to compete with conventional banks.

In every Islamic bank in the product development department, there must be a group of think tanks who can come up with innovative products and services on a daily, weekly and monthly basis and it should be part of their job description.

Shariah compliancy

It is the basic duty of Islamic banks to offer Shariah compliant products. Some experts in the Islamic banking industry are associating the success of Islamic banking with assets establishment. If billions of assets and liabilities are generated but most of the transactions are non-Shariah compliant, can it be considered a success story? It is probably worse than conventional banking; at least conventional banking is not using the name of some religion. The mission and vision of Islamic banks should be designing Shariah compliant products and services based on value and pricing. Assets formation, business development, marketing strategies and profit earning must be secondary when practicing Islamic banking.

Role of Shariah scholars

Shariah scholars have a key role to play in innovation in the Islamic finance industry. They must refine the gloomy concepts like Istighlal, Istijrar, Salam future contracts, Jua'la cum Istisnah future contracts, hedge funds through Salam and Arbon, currency swap and commodity swap through Wa'ad contracts and commodity Murabahah and Al Heyal, etc. One statement of Mufti Taqi Usmani had shaken the whole Islamic banking and finance industry. He said: "Most of the Sukuk transactions are fake". All those transactions were approved by Shariah scholars though.

In the case of Pakistan, the Shariah advisors are employees of the concerned banks and they get lucrative packages from those Islamic banks in Pakistan. Hence, Shariah advisors can be biased if they are employees of the banks. Instead, all Shariah advisors should be employees of the central banks to avoid any biases.

The other important aspect is how much do the Shariah advisors know about banking transactions? How committed are the Shariah advisors? No one is allowed to commercialize Islam to benefit themselves.

Focusing on profitability and portfolio formation can lead Islamic banks astray. Recently, there were Mudarabah scandals in Pakistan where Shariah scholars were involved.

> ***"No one is allowed to commercialize Islam to benefit themselves. Focusing on profitability and portfolio formation can lead Islamic banks astray"***

Islamic banks need to innovate otherwise they will lose their customer base until 2025. If conventional banks are progressing and Islamic banks are not competing with them in terms of products and services, then obviously Islamic banks will be on the losing side. There are solutions for everything but who will take the lead? Shariah technical experts are needed who know Shariah as well as banking so that at least innovative products can be developed on old concepts like Murabahah, Mudarabah, Wakalah, Salam and Istisnah, etc.

Shah Fahad Yousufzai is the chief of Islamic banking at Bakhtar Bank. He can be contacted at shahfahad303@hotmail.com.

Evolution of Islamic finance in Senegal

The National Assembly of Senegal voted unanimously for Bill N° 272015 related to Waqf on the 24th April 2015. This bill is intended to formalize all Waqf in this West African country where Waqf has been practiced for many centuries. So after its establishment, the High Authority of Waqf will take charge of the registration of old Waqf as well as the new ones. It is expected with the creation of this Waqf institution that the third sector of the economy will be revived. Indeed, this bill represents a major step toward the creation of a favorable environment for the development of Waqf with a greater impact on the socio-economic field. ABDOULAYE MBOW takes a look at this new development in Senegal.

SENEGAL

By Abdoulaye Mbow

Senegal adopts bill on Waqf

The first role of Waqf is mobilization and redistribution of wealth. Secondly, Waqf can significantly support the government in the management of expenditure in strategic sectors such as education and health. Finally, one of the innovative applications of Waqf is its integration into the financial system by offering services to the poor through microfinance institutions, insurance and guarantees. This integration is likely to make it a more inclusive and diversified financial system.

However, to get the maximum benefit from the potential of Waqf, it is important to take into account certain considerations. Waqf management must be an example of rigor, integrity and transparency, to win the confidence of potential donors who voluntarily decide to give up part of their assets in favor of public utility services. Good communication should also be taken into consideration to allow the population to be aware of the benefits of Waqf toward the development.

Senegalese experts discuss Shariah aspects of Islamic finance

A forum held in Dakar on the 26th May 2015 focused on Shariah aspects related to Islamic finance. The forum, which was chaired by a representative of the Senegalese prime minister, was jointly organized by ACOFFIS (a consultancy firm in Islamic finance) and a parliamentary group for the promotion of Islamic finance. Besides the representatives of various departments in the Senegalese government, the forum was also attended by renowned Shariah scholars. The forum made a few resolutions such as:

- The necessity of having a Shariah board in all Islamic financial institutions to ensure Shariah compliance and gain stakeholders' confidence.

- The best position for the Shariah board is between the general assembly of the shareholders and the board of directors, or at least between the board of directors and management.

- The need to establish a national Shariah body. The institutional position, roles and authority of such a body should be studied by an ad hoc committee.

With the perspective of adjusting the regulatory framework in the West African Economic and Monetary Union to take into account the specificities of Islamic finance, the forum can be seen as a good opportunity to raise awareness on the importance of Shariah governance for a healthy development of the Islamic finance industry. It was also a good start for preparing the future Shariah board members for their tasks and functions.

The IDB and the Senegal government collaborate to promote Islamic microfinance in the country

On the 8th and 9th April 2015, the government of Senegal and the IDB organized an exchange forum on innovations which comprised of three workshops: Fael Khair Waqf, PROBASE technology and Islamic microfinance. The event was chaired by the minister of finance Amadou Ba. He noted that these three areas are included in the Emergent Senegal Plan or Plan Sénégal Emergent (PSE) which aims to increase the productivity of Senegal's economy in the public and private sectors. He added that the IDB has already fulfilled 38% of its PSE financing commitments.

In the workshop related to Islamic microfinance, the Sudan model was the main point of discussion. As a reminder, in September 2012, in order to strengthen the Islamic microfinance sector in Senegal, the IDB signed an MoU with the Senegalese government which covers the development of the legal framework, capacity-building, and the experts exchange program for Islamic microfinance in Senegal. From this workshop, an action plan to develop this sector has been highlighted with the following points:

- Identification and prior screening to cover all obstacles and bottlenecks

- Implementing a gradual regulation of Islamic microfinance

- Pooling of interventions, projects, and programs of the government in the sector

- Using the IDB model in Sudan as a benchmark to promote Islamic microfinance in the country.

From this workshop, it seems that Islamic microfinance is the most flexible sector to promote Islamic finance in Senegal. One may hope that in the near future, a fully-fledged Islamic microfinance institution will be launched.

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Dakar: Potential Islamic finance hub

In developments matching all expectations, Islamic finance is taking shape in the Senegalese capital. Already many programs and projects have been experimenting with financial products available to populations in different areas. These programs have finally convinced the authorities of the relevance of these instruments in development policies. MANSOUR NDIAYE writes.

SENEGAL

By Mansour Ndiaye

Already a long upgrade phase, knowledge sharing could enable the various players to overcome fears and doubts about the Islamic finance industry.

In this phase, the consulting firms (ASCODEV, IIFA, ACOFIS, etc.) established for the Collective Emergence of Islamic Finance (CEFIS) had to do a lot of training seminars for the participants. In total, over 350 participants have been trained and/or sensitized on the instruments and the relevance of their introduction into the financial landscape of the country.

Two major sessions were conducted by ASCODEV and emphasized the following:

- The relevance of Islamic microfinance in developing programs on behalf of the project PALAM Senegal and the five other programs in the sub-region
- The relevance of Islamic microfinance for ministerial units of the eight countries of the WAEMU and the Central Bank. This training was funded by the IDB and carried out by ASCODEV.

In addition, various training sessions were conducted at microfinance institutions to instill the beginnings of a financial practice devoted to a paradigm shift.

Sukuk launch: An expression of political will

In the momentum of the Senegal Emergent Program and the mobilization of available resources for the development of the country and its progress toward being an emerging economy, the Republic has successfully launched a XOF100 billion (US$165.15 million) Sukuk. This Sukuk represents a new era in the use of Islamic financing instruments in public policies. This

innovative mechanism was supervized and done by the human resources department, aided by international experts.

The workshop organized by the IDB and the Ministry of Economy and Finance on the 8th and 9th April 2015 marked a turning point in the financial landscape related to microfinance. Indeed, for the first time under the aegis of the Directorate of Supervision, all stakeholders were invited to the discussion exercise around three themes:

- Operationalizing Islamic microfinance in Senegal
- Regulatory aspects, and
- Support services for the emergence of Islamic microfinance.

Following this workshop which saw presentations from Sudan, Bangladesh and Malaysia, it was decided a program will be set up to support Islamic microfinance in a burst of wide consultation and involvement of participants who were present. A monitoring committee has also been set up.

Dynamic projects integrating Islamic microfinance

The dynamism of the IDB cooperation projects is still present even if the results are mixed with a lack of clear regulations in the Islamic microfinance industry.

To recap, the IDB has financed the

> ***"Already a long upgrade phase, knowledge sharing could enable the various players to overcome fears and doubts about the Islamic finance industry"***

following programs: PALAM (literacy and entrepreneurship in poor areas), PDESOC (livestock financing) and PADEF (program for women).

The participants utilized a few openings in Law No. 2008/47 on equities to introduce savings and credit facilities. The commission that was set up after the joint IDB-Senegal workshop is in charge of the issues of law, GIS, the starting products and mechanisms of financing, etc.

Dakar is thus positioning itself as the continent's hub for Islamic finance. Various activities are being held including trainings and seminars for senior executives in the finance, investment and pilot projects in the Islamic finance industry.

Similarly, the strategy under the sector policy letter for microfinance already incorporates this aspect related to the diversification of financial products and the integration of Islamic microfinance as a viable and growing market.

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The search for yield continues

GCC capital markets have continued to see downward pressure exerted from lower oil prices in 2015. Although oil prices have rebounded slightly since March, OPEC action has curtailed any significant upward movement driving the GCC banking sector to focus on liquidity. ALEXANDER ARMSTRONG delves further.

SYNDICATED FINANCE

By Alexander Armstrong

In general, the fall in oil prices has impacted economic growth and curtailed lending despite global macroeconomic headwinds emanating from Europe (concerns over Greece and the knock-on effect in the eurozone) as well as China (Chinese stocks have plummeted 20% since mid-June).

The GCC debt capital markets remain resilient with spreads remaining well-behaved and yields suppressed. The banking sector remains liquid, as evidenced by strong uptake of bonds and in particular continued Sukuk issuance in the region, for example, the Central Bank of Bahrain has been a constant issuer throughout the year. In the conventional space, Emirates NBD tapped external markets with AU$450 million (US$334.51 million) and a euro-denominated issue worth EUR500 million (US$549.43 million). First Gulf Bank and the National Bank of Abu Dhabi both issued bonds worth US$750 million early in the year.

Therefore, those who believed that the macroeconomic climate and continued regional instability would translate into higher yields in the regional markets were mistaken. Banks in the region continue to compete fiercely to deploy the balance sheet, leaving a very attractive market for well-rated borrowers, and also with the sub-investment grade and the SME space having access to funds they would not normally have open to them.

This in turn has led to an increase in the number of mezzanine and high-yield transactions being structured in the GCC and, as a result, it has led to more innovation and product diversification in the Islamic space.

Islamic high yield

Recently, there has been a move away from traditional vanilla syndicated financing, and Islamic commercial banks are now considering much more innovative structured financing solutions in order to book assets with increased profit rates.

There is also an emergence of Islamic-based trade financing and sub-investment grade products being launched in the market, which has in turn raised some structural and technical issues, dealing with higher structuring fees. From a Shariah perspective, as a commercial bank moves down the credit spectrum, the amount of fees charged to borrowers commercially is expected to increase along with the risk of default. However, justifying how these are catered for, while maintaining Islamic principles, becomes more and more challenging as the transaction fees become higher.

The make whole concept

Typically in a conventional high-yield transaction, the risk of the borrower is based on an increase in short to medium-term credit risk which means that there is some form of short-term risk embedded into the credit, for example, a jump in management projections of EBITDA or the business restructures/undergoes a short-term cost-saving initiative or a new business or product line needs to be introduced which causes a revenue increase.

The problem for Islamic finance is that it is harder for Islamic institutions to create mechanisms that cater for those increased risks. For example, the concept of make whole is a well understood principle of high-yield conventional lending; however, using these concepts when applying Islamic principles is not straightforward. This can typically be done by setting the first Murabahah contract for a period that equates to the entire period of the make whole; however, this does not always work for the purchaser given that it results in a 'total upfront' cost being booked on the purchaser's balance sheet.

> ***"From a Shariah perspective, as a commercial bank moves down the credit spectrum, the amount of fees charged to borrowers commercially is expected to increase along with the risk of default"***

Mandatory prepayments

Most structured high-yield transactions have a concept of a mandatory prepayment. This is designed to cater to a business event risk that represents a material reduction in the credit, for example, an insurance event that causes business disruption. In this situation, it is prudent for the financier to be able to require the purchaser to use the proceeds received under the insurance payment to reduce the amount outstanding under the Murabahah. This is particularly difficult to do if the structure already has a long-dated fixed Murabahah applied for a make whole. In addition, the simple question of the seller obliging the purchaser to enter into a Murabahah based on external events, like an insurance payment or a material disposal of an asset, creates Islamic structuring issues.

Inter-creditor agreements/ step-in rights

When looking at structured finance in the conventional sense, there are often

Continued

many layers of debt on the balance sheet of borrowers. This leads to the need for inter-creditor agreements to cater to Islamic and conventional in one place, although historically these structures have been widely used in the syndicated loan market with Islamic tranches of conventional issues being raised. The issues of how to deal with step-in and cure rights are of greater importance in high-yield transactions than in larger syndicated loans and within themselves put Islamic banks at a disadvantage to conventional lenders as it is hard for an Islamic institution to step into a conventional loan.

Favorable supply and demand dynamics for Sukuk issuers continue to underpin the market. In May, Dubai Islamic Bank priced a US$750 million five-year Sukuk at a profit rate of 2.921%. The deal was finalized at a spread of 125bps over midswaps, well inside the initial price 140bps with an orderbook in excess of US$2 billion.

Foreign issuers have been able to take advantage of strong bank liquidity in the region. Hong Kong (rated 'AAA') issued its second Sukuk in early June, while Indonesia (rated 'BBB-') and Garuda (the national airline; unrated) raised US$500 million, both with strong orderbooks.

As we continue to operate in a low-yield environment, the need for innovation and structural solutions will continue to drive demand for new products, and the industry would do well to create template solutions for some of the challenges presented to Islamic bankers operating in higher yielding space. Perhaps a concerted effort to create an Islamic version of the Loan Market Association standards would be the next logical step to progress.

That being said, if these issues can be overcome from a drafting perspective, the Islamic high-yield space represents an innovative and important new asset class for Islamic banks to tap into, provided it is done with the right expertise and downside risk protection and it maintains the integrity of Islamic structuring principles.

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DEALS

CBB's Sukuk oversubscribed

BAHRAIN: The Central Bank of Bahrain's monthly issue of the short-term Sukuk Ijarah has been oversubscribed by 194%, according to a press release. Subscriptions worth BHD50.5 million (US$133.02 million) were received for the BHD26 million (US$68.49 million) issue, which carries a maturity of 182 days. The expected return on the issue, which began on the 16th July 2015 and matures on the 14th January 2016, is 1.28%.

Separately, the CBB's monthly Sukuk Salam has also been oversubscribed by 330%, according to an official announcement. The BHD43 million (US$113.2 million) issue carries an expected return of 1.2% and will mature on the 21st October 2015.

ANB plans private Sukuk

SAUDI ARABIA: Arab National Bank (ANB) has secured regulatory approval to issue a privately-placed Tier 2 Sukuk of up to SAR2 billion (US$533.07 million), according to a bourse filing. The 10-year paper will be redeemable after five years and proceeds will be used to boost the bank's capital base and financing lines.

IILM reissues Sukuk

MALAYSIA: International Islamic Liquidity Management Corporation (IILM) on the 9th July issued a three-month Sukuk program worth US$860 million at a profit rate of 0.58%. The IILM said in a press release that as at July 2015, the total amount of Sukuk issued and reissued by the organization is US$10.84 billion.

CBO rejects Bank Muscat's Sukuk proposal

OMAN: The Central Bank of Oman (CBO) has rejected Bank Muscat's OMR500 million (US$1.29 billion) Sukuk proposal over concerns of the latter's plans to use proceeds from the sale to increase personal lending, according to Reuters quoting unnamed sources. Bank Muscat will reportedly restructure the plan (which in the current form involved issuing OMR100 million (US$258.83 million) a year over the next five years) and re-apply for approval.

NCB issues Sukuk

SAUDI ARABIA: National Commercial Bank (NCB) has completed the issuance of a subordinated additional Tier 1 capital Sukuk to the tune of SAR2 billion (US$533.11 million). According to a bourse statement, the privately placed facility is perpetual with no fixed redemption date but the bank has the right to call the Sukuk on a predefined date. NCB Capital was the transaction's sole lead manager.

TNB plans Sukuk

MALAYSIA: Tenaga Nasional (TNB) is considering offering Sukuk to raise up to RM9.5 billion (US$2.49 billion), IFN has learned from one of the deal's managers. Proceeds raised would be channeled toward developing a power plant.

Turkiye Finans plans Tier 2 Sukuk

TURKEY: Turkiye Finans is looking to raise about US$400 million via a Tier 2 Sukuk issuance and has invited banks to pitch for the dollar-denominated Sukuk, according to Reuters quoting unnamed sources.

West Coast proposes Sukuk

MALAYSIA: West Coast Expressway will be raising RM1 billion (US$262.29 million) through Sukuk to fund a 316-km expressway. The Sukuk Murabahah program has been rated 'AAA(bg/fg) by RAM Ratings based on an irrevocable and unconditional Kafalah from 'AAA'-rated Bank Pembangunan Malaysia and Danajamin Nasional.

DEAL TRACKER Full Deal Tracker on page 31

EXPECTED DATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENT DATE
TBA	West Coast Expressway	RM1 billion	Sukuk	21st July 2015
TBA	Turkiye Finans	US$400 million	Sukuk	20th July 2015
TBA	Tenaga Nasional	Up to RM9.5 billion	Sukuk	16th July 2015
TBA	Arab National Bank	Up to SAR2 billion	Sukuk	16th July 2015
TBA	International Islamic Liquidity Management	US$860 million	Sukuk	3rd July 2015

ASIA

Kyrgyz Sukuk gets approval

KYRGYZSTAN: The government of Kyrgyzstan has approved the project on the introduction of Sukuk, reported local daily AKIpress quoting state secretary Abduhalik Shamshiyev at the board meeting of the State Service for Financial Market Regulation and Supervision on the 18th July 2015.

Turkish Airlines to raise loans for aircraft financing

TURKEY: Turkish Airlines is discussing with several banks to raise up to US$3 billion in loans for Airbus and Boeing aircraft financing with the aircraft to be delivered in 2016, according to Reuters. The state carrier, which is also open to other financing options including Islamic financing, is looking for funds in tranches with a maturity of 12 years and a minimum five-year lifespan. The airlines has asked banks to submit proposals by the 27th July 2015.

GLOBAL

Arcapita acquires phase one of Saadiyat Beach Residences

GLOBAL: Bahrain-based Shariah compliant alternative investment manager, Arcapita, has acquired phase one of Saadiyat Beach Residences located in Abu Dhabi from Mubadala Development Company, according to a press release. The transaction was partly funded by a Shariah compliant financing facility provided by Abu Dhabi Commercial Bank. The size of the purchase was not disclosed.

AIIB to use Hong Kong as bond-issuing platform

GLOBAL: The China-led Asian Infrastructure Investment Bank (AIIB) plans to make use of Hong Kong as a bond-issuing platform, according to Xinhua, quoting Hong Kong's financial secretary John Tsang. According to Tsang, this is due to the island state's sound financial system and experience in developing Sukuk. He added that Hong Kong is considering joining the AIIB after the bank accepted applications for non-sovereign membership and preparatory work was currently being done for the AIIB to set up an office in Hong Kong.

Islamic benchmarks down in second quarter

GLOBAL: The S&P Global BMI Shariah (-0.6%) and Dow Jones Islamic Market World Index (-0.8%) trailed their conventional counterparts by 60bps and 70bps respectively for the second quarter, as financials — which tend to be underrepresented in Islamic benchmarks — were a top-performing sector. According to Michael Orzano, the director of equity indices at S&P Dow Jones Indices, regional performance was tightly clustered as the S&P 500, S&P Pan Asia BMI Shariah, and S&P Europe 350 Shariah each declined less than 1%. MENA equity markets, however, showed relative strength as the S&P Pan Arab Composite Shariah gained 4.3%.

IDB announces increased funding for SDGs

GLOBAL: IDB will be financing US$150 billion for Sustainable Development Goals (SDGs)-related activities over the next 15 years (2016-30) through its 10-year strategic framework, according to a press release. The SDGs are expected to replace the Millennium Development Goals and could address major global challenges and promote financial inclusion especially to the underprivileged segment of society.

MIDDLE EAST

Alizz deploys interactive teller

OMAN: Alizz Islamic Bank has implemented the NCR Interactive Teller produced by NCR Corporation in the Muscat Grand Mall, according to a press release. The bank is the first to launch the interactive teller in the Sultanate which offers more services than can be conducted on an ATM or other self-service devices and will be operating nearly around the clock.

Bank Nizwa's CARnival gains traction

OMAN: Bank Nizwa's CARnival, which offers a reliable and seamless service with value-added benefits including fast approval and a reduced profit rate of 4.59%, has been gaining traction from customers. According to a statement, the special Shariah compliant auto financing Ramadan campaign runs until the 15th August 2015.

Al Mazaya makes loans Shariah compliant

UAE: Al Mazaya has successfully transformed its overall loans into 100% Shariah compliant loans, with all short-term borrowings transferred to medium to long-term loans effectively reducing the company's interest obligations, according to a press release. The real estate company posted a AED49.65 million (US$13.51 million) in net profit for the first half of 2015, a jump of 32.1% year-on-year.

Ithmaar launches prepaid e-Card

BAHRAIN: Ithmaar Bank has unveiled a new Shariah compliant prepaid e-Card that offers top-ups with a minimum of only BHD1 (US$2.63) and a daily top-up and utilization limit of BHD10,000 (US$26,344.9) which can be done in real time through the bank's e-Banking or e-Payment platforms. According to a press release, other features include a loyalty program, SMS notifications for transactions, monthly electronic statements as well as exclusive discounts on shipping charges through Aramex and a US$5 lifetime Aramex Shop and Ship membership.

EMC concludes financing

UAE: Abu Dhabi-based Emirates Motor Company (EMC), the authorized distributor for Mercedes-Benz in Abu Dhabi and Al Ain, and a subsidiary of Al Fahim Group, has procured a US$175 million syndicated structured finance facility, according to a press release. Noor Bank acted as the sole initial mandated lead arranger and bookrunner for the dual tranche structured finance facility, with participation from Al Khalij Commercial Bank, Bank ABC Islamic and the National Bank of Oman.

RESULTS

PruBSN

MALAYSIA: Prudential BSN Takaful (PruBSN) has delivered a strong quarter in 2015 with new business annual contribution equivalent seeing a growth of 56% year-on-year to produce RM118.4 million (US$31.1 million), further raising its market share to 39% to remain as the country's leading Family Takaful operator. According to a press release, the robust results were driven by solid and consistent performance across its multi-channel platforms in addition to technological advancement and customer-centric offerings.

Bank Muscat

OMAN: Bank Muscat, in preliminary financial statements, posted an overall net profit of OMR89.82 million (US$232.47 million) for the first half of 2015, a growth of 4% year-on-year. The bank's Islamic income registered a rise of 12% to OMR9.21 million (US$23.83 million) while Islamic deposits increased 184.9% to OMR510 million (US$1.31 billion) as compared to the corresponding period ended June 2014.

Bank Dhofar

OMAN: In its initial unaudited consolidated conventional and Islamic banking financial results, Bank Dhofar's Maisarah Islamic Banking Services has seen a surge of 537.21% in net profit to OMR1.12 million (US$2.91 million) as at the 30th June 2015 compared with a loss of OMR258,000 (US$667,754) in the same period last year. Total assets for conventional and Islamic banking stood at OMR3.38 billion (US$8.76 billion), up 18.61% year-on-year.

Bursa Malaysia

MALAYSIA: Bursa Malaysia in a statement confirmed that it has registered RM96.5 million (US$25.33 million) in profit after tax and minority interest (PATAMI) for the period ending the 30th June 2015, a 4.9% rise compared to the corresponding period last year due to higher operating revenue, which stood at RM240.4 million (US$63.12 million), up by 4.3% year-on-year. The exchange's CEO, Tajuddin Atan, clarifies that the positive PATAMI for the said period was due to the continued growth seen in its derivatives and Islamic markets, while costs remained steady. The Bursa Suq Al-Sila has seen soaring growth figures this year due to the conversion of bank deposits to Murabahah and the introduction of the tenor-based pricing early this year, added the chief executive.

Emirates Islamic

UAE: Emirates Islamic, according to a press release, has recorded an increase of 97% in net profit to AED447 million (US$121.67 million) for the first half of 2015. Total operating income registered an increase of 33% year-on-year to AED1.22 billion (US$332.07 million). The bank's 14th consecutive quarter of growth has been backed by strong overall performance and increased customer acquisition.

SME Bank

MALAYSIA: SME Bank witnessed a growth of 64% in year-on-year operating profit to RM163.6 million (US$42.97 million) in the financial year ended the 31st December 2014, according to a statement. The growth was supported by the bank's expanding Islamic banking business and ongoing efforts by the treasury business in maximizing non-banking revenue and maintaining an optimal funding cost structure.

Qatar Islamic Bank

QATAR: According to its financial statements, Qatar Islamic Bank (QIB) has seen a growth of 23% in year-on-year net profit amounting to QAR895 million (US$245.55 million) for the first half of 2015. QIB's total assets have also increased by 30%, standing at QAR116 billion (US$31.82 billion) as compared to the similar period in 2014. Total shareholders' equity also reached QAR12 billion (US$3.29 billion), a rise of 7%.

Bank ABC Islamic

GLOBAL: Bank ABC Islamic made US$10.9 million in profit for the first half of 2015, 47% higher than the year before. The bank noted in a statement that its second quarter net profit was 22% higher than the same period in 2014 at US$4.8 million. Total assets increased by 21% year-on-year to US$1.61 billion as at the 30th June 2015.

Sabana REIT

SINGAPORE: Sabana Shariah Compliant Industrial Real Estate Investment Trust (Sabana REIT) realized a distributable income of SG$13.2 million (US$9.65 million) in the second quarter, marking a 1.2% increase from the same period in 2014. According to a press release, Sabana REIT's gross revenue and net property income rose 0.2% and 0.5% respectively in the second quarter.

QIIB

QATAR: Qatar International Islamic Bank (QIIB) reported a net profit of QAR438 million (US$120.17 million) for the period ended the 30th June 2015, a 9% year-on-year increment. According to a press release, QIIB's total revenues for the first half of 2015 amounted to QAR740.7 million (US$203.22 million), indicating a growth of 3% as compared to the corresponding period in 2014. The bank's total assets reached QAR38.5 billion (US$10.56 billion) from QAR36.1 billion (US$9.9 billion) in the same period last year.

Asian Finance Bank

MALAYSIA: Asian Finance Bank made a net profit of RM3.41 million (US$895,601) in the first quarter of 2015, as compared to RM5.4 million (US$1.42 million) registered in the corresponding period of 2015. According to the Islamic bank's interim financial statements, total assets as at the 31st March 2015 stood at RM3.4 billion (US$892.97 million) against RM2.86 billion (US$751.15 million) recorded at the end of 2014.

Sharjah Islamic Bank

UAE: Sharjah Islamic Bank in an announcement on its website reported an increase of net profit to AED204.6 million (US$55.7 million) for the first half of 2015 compared to AED202.1 million (US$55.02 million) it made in the corresponding period last year. The bank's assets grew by 7% to reach AED27.8 billion (US$7.57 billion) at the end of the second quarter 2015 compared to AED26 billion (US$7.08 billion) at the end of 2014.

TAKAFUL

Takaful coverage for UK property

UK: Cobalt Underwriting has secured a major property portfolio placed by Lockton's Real Estate and Construction for Islamic real estate specialist 90 North, the Shariah compliant underwriting agency informed IFN.

RATINGS

GIB's ratings withdrawn

MALAYSIA: RAM in a statement has withdrawn the 'AA1/Stable/P1' financial institution ratings of Gulf International Bank (GIB). The rating agency has also withdrawn the 'AA1(s)/Stable' issue rating of the Gulf Sukuk I Company (the funding conduit of GIB)'s proposed Sukuk Wakalah medium-term note program of up to RM3.5 billion (US$919.37 million).

CI assigns initial ratings to Alizz Islamic Bank

OMAN: Capital Intelligence in an announcement has assigned an initial long-term rating on the Oman National Scale of 'omBBB-' and a short-term rating of 'omA3' to Alizz Islamic Bank with a stable outlook. The bank's strong non-financial factors and relatively short history reflect the assigned ratings. In financial terms, its substantial capital base and demonstrated ability to rapidly build its customer deposit base which is running ahead of budget support the ratings.

Moody's upgrades QIIB with a revised outlook

QATAR: Moody's has upgraded the long-term and short-term issuer ratings of Qatar International Islamic Bank (QIIB) to 'A2' from 'A3' and changed the outlook on the bank's long-term ratings to stable, according to a statement. The upgrade follows Fitch's ratings upgrade on the bank from 'A' to 'A+' with a stable outlook. QIIB's strong financial position and the quality of its portfolio in addition to its improved and consistently strong asset quality performance and solid capitalization entitled the bank to this rating, added Moody's.

Outlook upgrade for Singaporean banks

SINGAPORE: The negative outlook on Singapore's banking system (rated 'Aaa') has been upgraded to stable by Moody's on the basis of moderating domestic and cross-border credit growth as well as the local property market's soft landing. Moody's noted in its 'Banking System Outlook: Singapore' report that it expects the city state to continue benefiting from healthy — although lower — economic growth.

Boubyan Bank upgraded

KUWAIT: Capital Intelligence (CI) in a statement has upgraded Boubyan Bank's financial strength rating (FSR) to 'BBB+' from 'BBB'. The upgrade is supported by the bank's improved non-performing Islamic financing facilities ratio and enhanced Islamic financing facilities loss reserve coverage, the strong capital base and ratios as well as by the much-improved profitability at the net level. The outlook on the FSR is stable. Separately, in view of the upgraded FSR together with the higher support level, CI has raised the long-term foreign currency rating to 'A' from 'BBB+' and the short-term foreign currency rating to 'A1' from 'A2' with a stable outlook.

CI cuts KFH's ratings

KUWAIT: Capital Intelligence (CI) in a statement has downgraded Kuwait Finance House (KFH)'s financial strength rating (FSR) to 'BBB' from 'BBB+' as asset quality continues to be less than satisfactory in terms of both headline non-performing financing ratio. The long-term foreign currency rating has also been reduced to 'A', given the reduction in the FSR whereas the short-term foreign currency rating is maintained at 'A1'. The outlook on all ratings is maintained at 'stable'.

Damana receives strong ratings

BAHRAIN: Bahrain-based Saudi Arabia Insurance Company (Damana) has been assigned a financial strength rating of 'A-' and an issuer credit rating of 'a-' by AM Best, based on the operator's strong business profile and solid risk-adjusted capitalization as well as good track record of operating performance. According to a press statement, the ratings carry a stable outlook.

MOVES

Al Hilal Bank

UAE: **Mohamed Jamil Berro**, CEO of the Abu Dhabi government-owned Al Hilal Bank, has resigned due to personal reasons after seven years with the bank, according to a statement on the bank's website. **Sarie Asaad Arar** has been appointed the acting group CEO.

Standard Chartered

GLOBAL: Standard Chartered has announced a new management team led by group CEO **Bill Winters**, employing a new geographical structure rationalizing eight existing regions into four new regional businesses: Greater China and North Asia (led by **Ben Hung**); ASEAN and South Asia (led by **Ajay Kanwal**); Africa and Middle East (under **Sunil Kaushal**); and Europe and Americas (under **Tracy Clarke**). The structure will be phased in from the 1st October 2015, and will be fully in place by the 1st January 2016.

The bank also confirmed the departure of **Christos Papadopoulos**, regional CEO of Middle East, North Africa and Pakistan (MENAP) and chairman of Saadiq who will leave the organization by the end of the year once a smooth transition has taken place. He remains the CEO of MENAP until the 30th September 2015.

Kaushal, currently India and South Asia CEO, will remain as India CEO until the 1st October. A new CEO for India will be appointed and announced in due course.

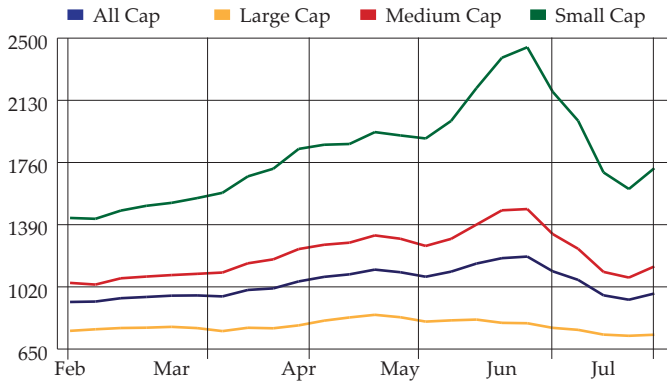
Saturna Malaysia

MALAYSIA: Saturna, a wholly-owned subsidiary of US-based Saturna Capital Corporation, in a statement announced the addition of **Heddy Hussain** as the director of institutional sales and marketing. Heddy holds an Investment Advisory License under the Securities Commission capital markets requirement and will focus on developing new relationships with institutional and high-net-worth investors and distribution partners, while also managing the overall sales for the firm.

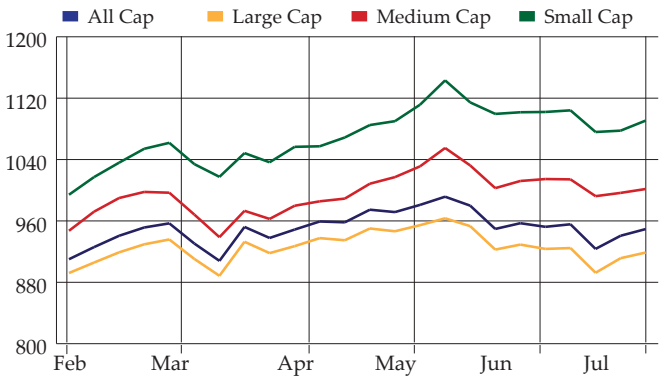
Expected date	Company's name	Size	Structure	Announcement Date
TBA	West Coast Expressway	RM1 billion	Sukuk	21st July 2015
TBA	Turkiye Finans	US$400 million	Sukuk	20th July 2015
TBA	Tenaga Nasional	Up to RM9.5 billion	Sukuk	16th July 2015
TBA	Arab National Bank	Up to SAR2 billion	Sukuk	16th July 2015
TBA	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
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	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
As early as April 2015	Government of UAE	TBA	Green energy Sukuk	12th March 2015
TBA	Treet Corporation	PKR539.51 million	Sukuk	9th March 2015
TBA	Tulip Maple	US$750 million	Sukuk	4th March 2015
TBA	Khazanah Nasional	RM1 billion	Sukuk	27th February 2015
2015	Gulf Finance House	US$230 million	Sukuk	26th February 2015
TBA	IDB	TBA	Sukuk	25th February 2015
TBA	Qatar Islamic Bank	QAR5 billion	Sukuk	23rd February 2015

SHARIAH INDEXES

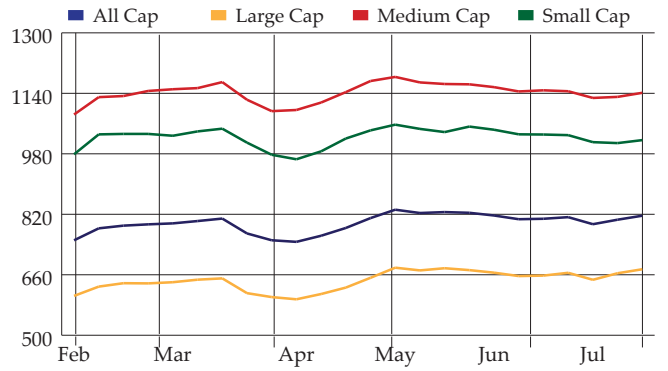
REDmoney Asia ex. Japan *6 Months*



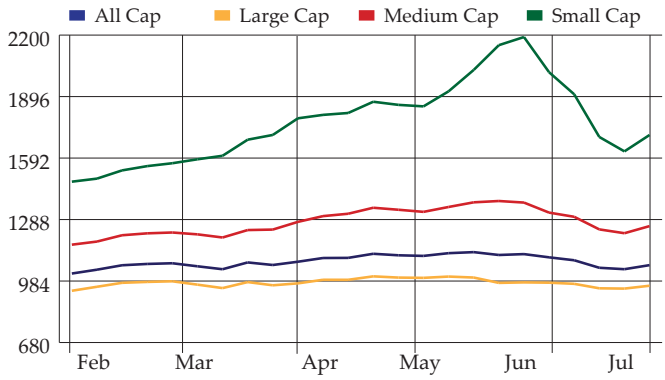
REDmoney Europe *6 Months*



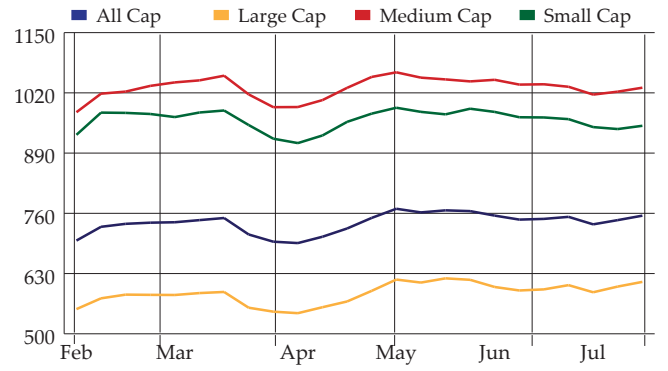
REDmoney GCC *6 Months*



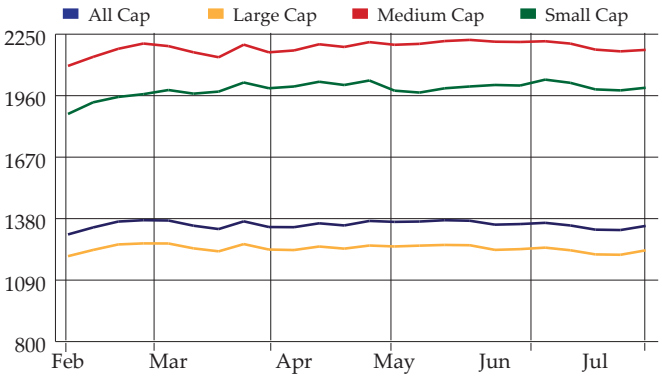
REDmoney Global *6 Months*



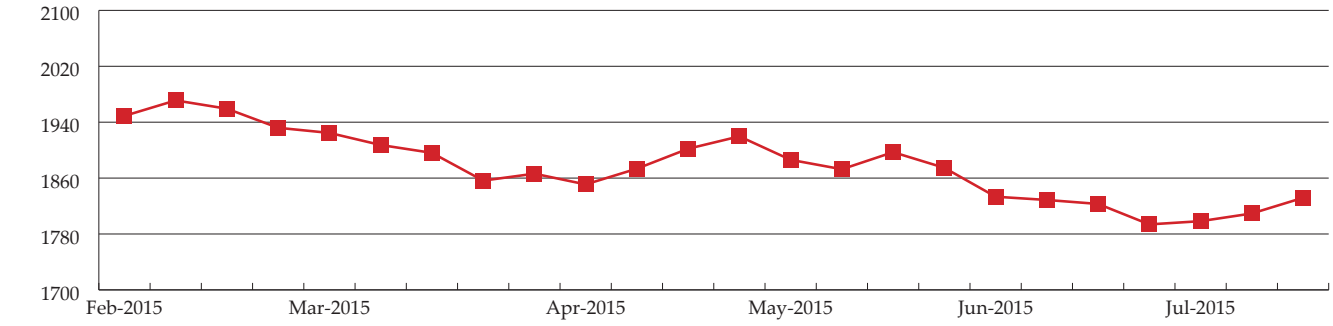
REDmoney MENA *6 Months*



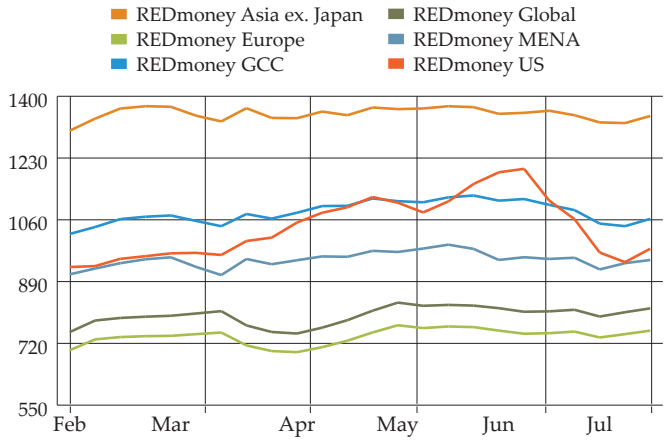
REDmoney US *6 Months*



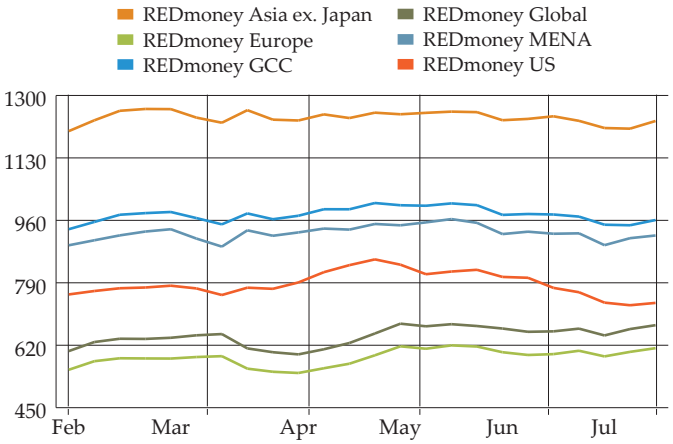
SAMI Halal Food Participation (All Cap) *6 months*



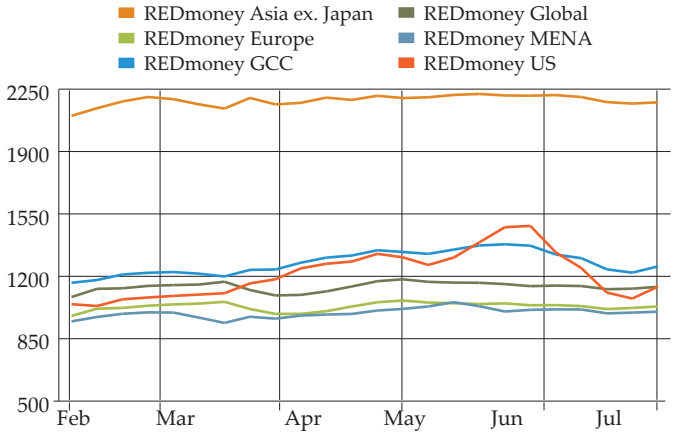
REDmoney Global Shariah Index Series (All Cap) *6 Months*



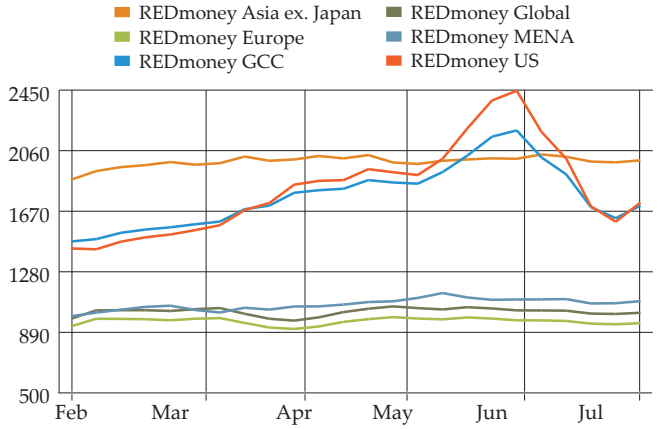
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



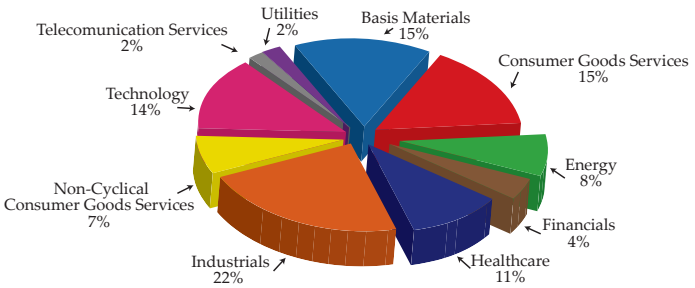
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



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®

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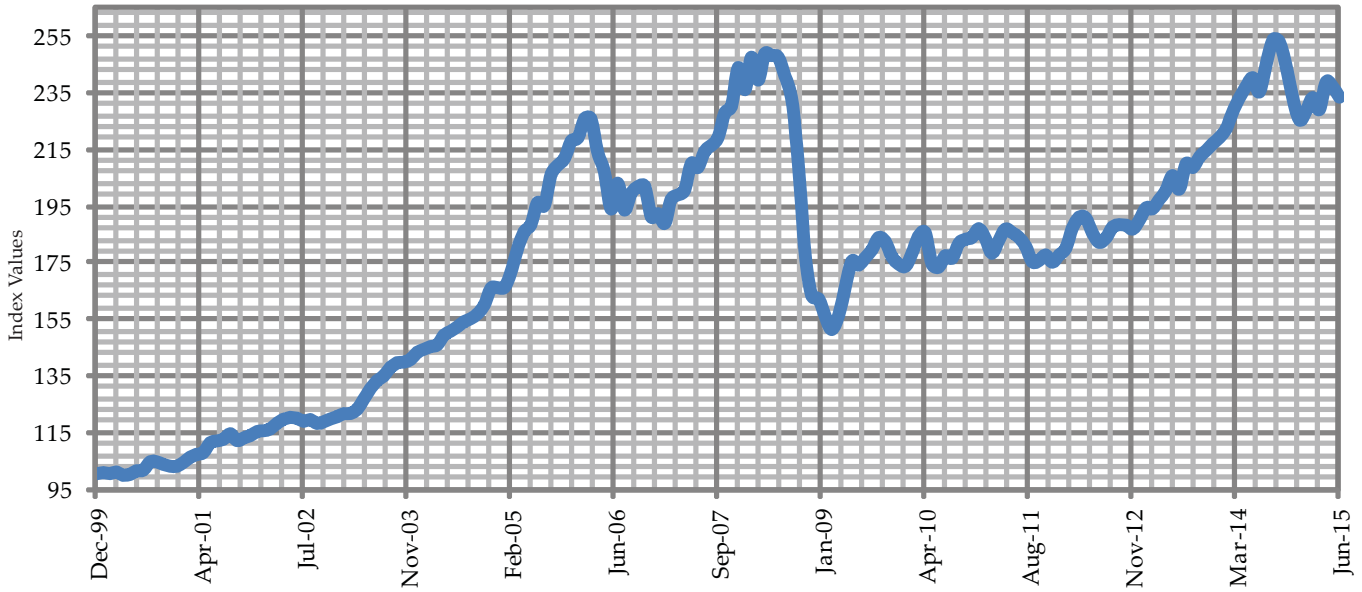
Managing Director, REDmoney Group

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

Eurekahedge Middle East/Africa Islamic Fund Index



Top 10 Monthly Returns for Asia Pacific Islamic Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Meezan Tahaffuz Pension Fund - 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	Public Islamic Asia Tactical Allocation (PIATAF)	Public Mutual	1.03	Malaysia
7	Public Asia Ittikal	Public Mutual	0.93	Malaysia
8	Public Islamic Select Treasures	Public Mutual	0.62	Malaysia
9	Meezan Islamic Income	Al Meezan Investment Management	0.56	Pakistan
10	Meezan Sovereign	Al Meezan Investment Management	0.52	Pakistan
	Eurekahedge Islamic Fund Index		**(1.12)**	

Based on 60.14% of funds which have reported June 2015 returns as at the 21st July 2015

Top 10 Monthly Returns for Middle East/Africa Islamic Funds

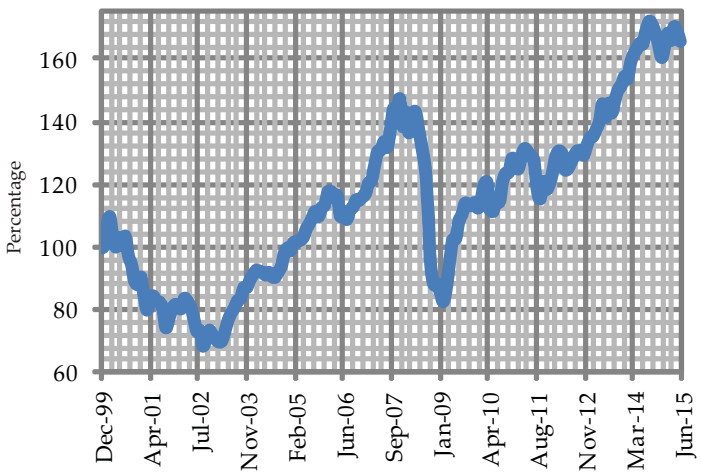
	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Wafa Gestion Cap Al Moucharaka	AttijariWafa Bank	1.80	Morocco
2	Riyad Gulf	Riyad Bank	1.51	Saudi Arabia
3	Al Rajhi Local Shares	Al Rajhi Bank	0.41	Saudi Arabia
4	Boubyan KWD Money Market	Boubyan Bank	0.10	Cayman Islands
5	Al Badr Saudi Riyal	Banque Saudi Fransi	0.06	Saudi Arabia
6	Boubyan USD Liquidity	Boubyan Capital Investment Company	0.05	Kuwait
7	Al-Mubarak SAR Trade	Arab National Bank	0.05	Saudi Arabia
8	Emirates Islamic Money Market Limited Institutional Share Class I USD	Emirates NBD Asset Management	0.02	Jersey
9	Al Rajhi GCC Equity	Al Rajhi Bank	-0.22	Saudi Arabia
10	Emirates MENA Opportunities	EIS Asset Management	-0.29	Jersey
	Eurekahedge Islamic Fund Index		**(1.54)**	

Based on 57.14% of funds which have reported June 2015 returns as at the 21st July 2015

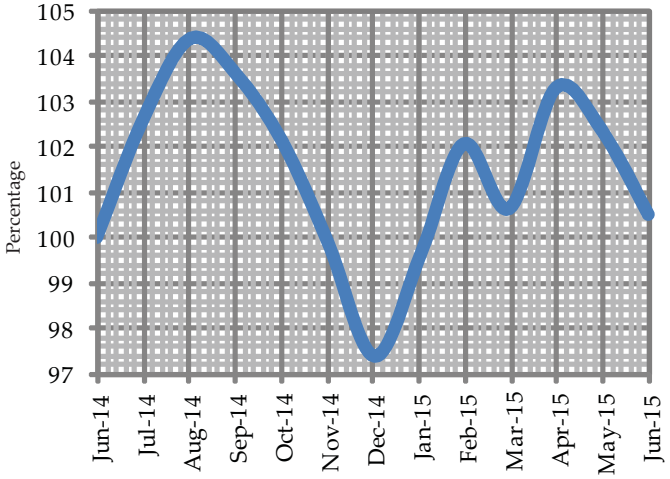
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity,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

FUNDS TABLES

Eurekahedge Islamic Equity Index over the last 5 years



Eurekahedge Islamic Equity Index over the last 1 year



Top 10 Islamic Global Equity Funds for 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	16.50	Pakistan
2	Atlas Islamic Stock	Atlas Asset Management	15.58	Pakistan
3	Meezan Islamic	Al Meezan Investment Management	15.30	Pakistan
4	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	14.52	Pakistan
5	Jadwa Arab Markets Equity	Jadwa Investment	13.02	Saudi Arabia
6	Jadwa GCC Equity	Jadwa Investment	12.37	Saudi Arabia
7	Jadwa Saudi Equity	Jadwa Investment	12.15	Saudi Arabia
8	Saudi Companies	The Saudi Investment Bank	10.83	Saudi Arabia
9	Al Meezan Mutual	Al Meezan Investment Management	10.07	Pakistan
10	Riyad Gulf	Riyad Bank	7.83	Saudi Arabia
	Eurekahedge Islamic Fund Index		**0.07**	

Based on 78.57% of funds which have reported June 2015 returns as at the 21st July 2015

Top 10 Globally Investing Islamic Funds for 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	EFH Islamic Financial Institution USD	QInvest	3.66	Luxembourg
2	QInvest JOHCM Sharia'a	J O Hambro Capital Management	3.03	Cayman Islands
3	AmOasis Global Islamic Equity	AmInvestment Management	2.94	Malaysia
4	Al-Mubarak Balanced	Arab National Bank	1.84	Saudi Arabia
5	WSF Global Equity - USD I	Cogent Asset Management	1.52	Guernsey
6	BLME Sharia'a Umbrella SICAV-SIF Global Sukuk - Class A USD	Bank of London and The Middle East	1.12	Luxembourg
7	QInvest Sukuk	QInvest	0.91	Cayman Islands
8	Emirates Islamic Global Balanced	EIS Asset Management	0.49	Jersey
9	CIMB Islamic Greater China Equity	CIMB-Principal Asset Management	0.44	Malaysia
10	Al-Mubarak Global Equity	Arab National Bank	0.33	Saudi Arabia
	Eurekahedge Islamic Fund Index		**(0.17)**	

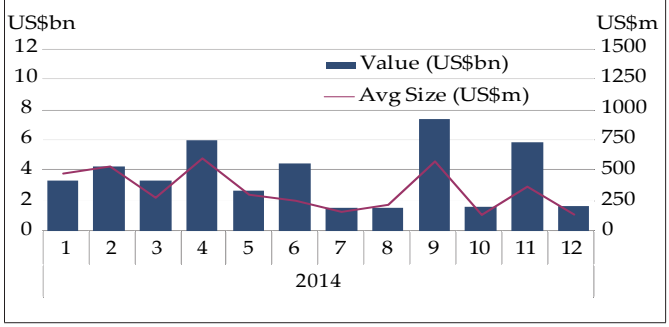
Based on 65.85% of funds which have reported June 2015 returns as at the 21st July 2015

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

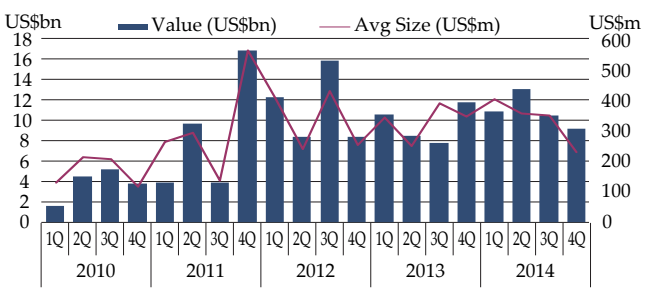
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
9th Jul 2015	Putrajaya Holdings	Malaysia	Sukuk	Domestic market public issue	237	Maybank, CIMB Group, AmInvestment Bank
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

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter



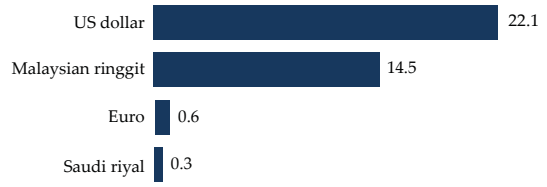
Top 30 Issuers of Global Sukuk *12 Months*

	Issuer	Nationality	Instrument	Market	US$ (mln)	Iss (%)	Managers
1	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	3,500	9.3	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	7.7	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	1,978	5.3	RHB Capital, Maybank, CIMB Group, Affin Investment Bank, AmInvestment Bank, Bank Islam Malaysia
4	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	1,750	4.7	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, Credit Agricole
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	2.7	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup
7	Hong Kong Sukuk 2015	Hong Kong	Sukuk	Euro market public issue	1,000	2.7	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	2.7	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	2.7	HSBC, CIMB Group, Citigroup
7	Government of Ras Al Khaimah	UAE	Sukuk	Euro market public issue	1,000	2.7	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
					37,638	**100**	

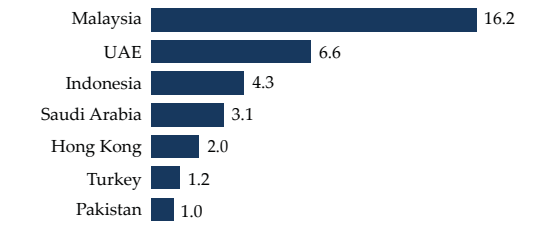
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	CIMB Group	6,640	57	17.6
2	HSBC	4,310	25	11.5
3	RHB Capital	3,416	44	9.1
4	Maybank	3,373	37	9.0
5	Standard Chartered Bank	3,350	23	8.9
6	AmInvestment Bank	1,909	26	5.1
7	National Bank of Abu Dhabi	1,838	13	4.9
8	Dubai Islamic Bank	1,638	11	4.4
9	Citigroup	1,149	6	3.1
10	Emirates NBD	1,110	9	3.0
11	JPMorgan	1,003	4	2.7
12	Deutsche Bank	745	5	2.0
13	Natixis	658	3	1.8
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	**37,638**	**135**	**100.0**

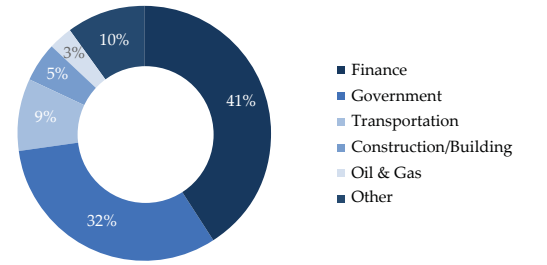
Sukuk Volume by Currency US$ (billion) *12 Months*



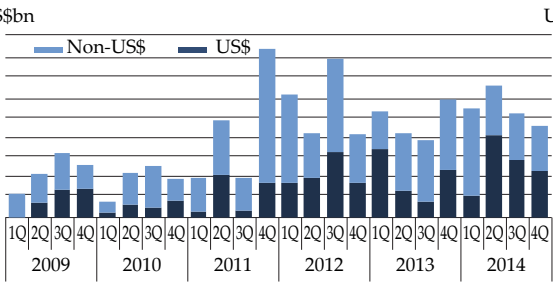
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



Global Sukuk Volume by Sector *12 Months*



Global Sukuk Volume - US$ Analysis



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

	Mandated Lead Arranger	US$ (million)	No	%
1	Sumitomo Mitsui Financial Group	1,414	2	16.4
2	HSBC	750	3	8.7
3	National Commercial Bank	651	3	7.5
4	Riyad Bank	584	2	6.8
5	Samba Capital & Investment Management	518	3	6.0
6	Mitsubishi UFJ Financial Group	414	2	4.8
6	Mizuho Financial Group	414	2	4.8
8	Al Rajhi Capital	356	3	4.1
9	Banque Saudi Fransi	346	2	4.0
10	National Bank of Kuwait	290	1	3.4

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

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

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

	Mandated Lead Arranger	US$ (mln)	No	%
1	Abu Dhabi Islamic Bank	1,135	6	6.5
2	Samba Capital	1,087	4	6.2
3	National Bank of Abu Dhabi	1,032	7	5.9
4	First Gulf Bank	984	11	5.6
5	HSBC	953	10	5.4
6	Banque Saudi Fransi	906	4	5.2
7	Saudi National Commercial Bank	717	4	4.1
8	Standard Chartered Bank	693	8	4.0
9	Riyad Bank	644	3	3.7
10	Abu Dhabi Commercial Bank	634	4	3.6
11	Emirates NBD	574	8	3.3
12	Dubai Islamic Bank	531	5	3.0
13	Alinma Bank	490	2	2.8
14	Arab Banking Corporation	484	6	2.8
15	Mashreqbank	388	4	2.2
16	RHB Capital	322	3	1.8
17	Union National Bank	319	5	1.8
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	1.5
22	Gulf International Bank	263	3	1.5
23	Barwa Bank	250	4	1.4
24	Maybank	247	2	1.4
24	AmInvestment Bank	247	2	1.4
26	UOB	215	1	1.2
26	CIMB Group	215	1	1.2
28	SABB	197	2	1.1
29	Al Hilal Bank	191	2	1.1
30	Citigroup	180	3	1.0

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

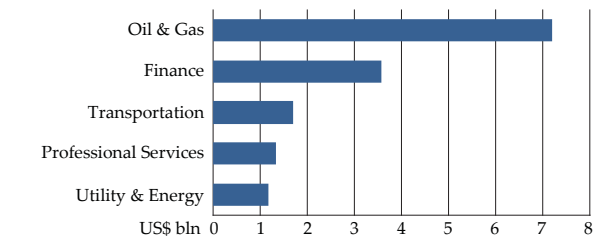
Top Islamic Finance Related Financing Deal List *12 Months*

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

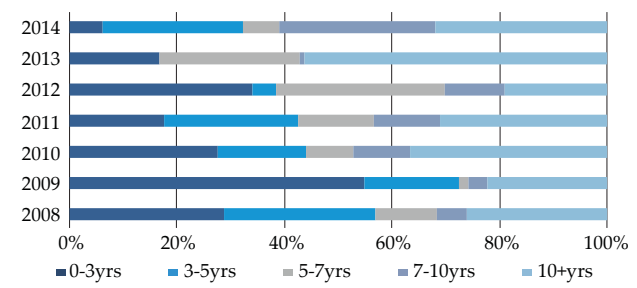
Top Islamic Finance Related Financing by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	UAE	6,346	15	36.2
2	Saudi Arabia	5,637	6	32.1
3	Malaysia	2,411	3	13.7
4	Turkey	1,661	4	9.5
5	Kuwait	661	2	3.8
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)
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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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