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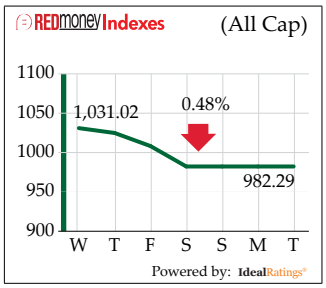


COVER STORY

26th August 2015 (*Volume 12 Issue 34*)

The Importance of Being Equal: How women are winning in Islamic finance

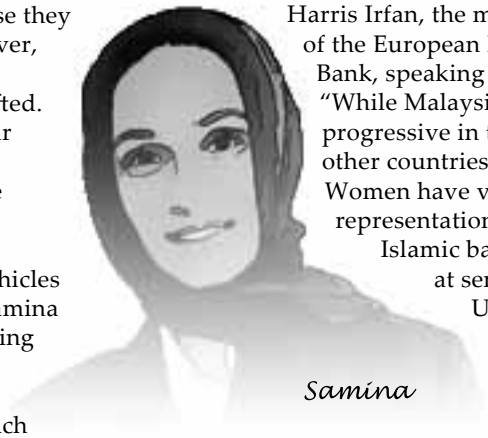
Last month, the Women in Islamic & Ethical Finance Forum (WIEFF) was launched, marking the latest in a line of encouraging activity to support female involvement in Islamic finance at both the practitioner and customer level. LAUREN MCAUGHTRY looks at the role women can play in the industry, and how this is being supported across the financial landscape through multiple channels, platforms and inspirational initiatives.

An influential opportunity

Women are becoming an increasingly powerful force, both in terms of industry talent and client targets. In the GCC for example, women's net worth could grow up to 15% to US$258 billion by 2023 (according to estimates from the Kuwait Financial Center) — and yet the gender gap still exists.

While initiatives exist to encourage female clients, Islamic banks have done much less to attract female talent through their doors. This is especially true in the Middle East, where a combination of cultural, economic and corporate influences has left the region some way behind several of its peers in promoting the inclusion of women in the Islamic finance workforce. Yet with the proportion of working women in the GCC jumping to 38% last year (according to the World Bank), the opportunities are more exciting than ever.

"We as humans need role models. Someone we can follow. Someone whom we can look up to. Someone we can aspire to. There are many female role models in the industry. Having platforms where we can highlight their contributions and achievements is extremely important. Not particularly because they are women. However, because they are smart, talented, gifted. They achieved their position because of their knowledge and hard work. Inspirational role models are also vehicles to change," said Samina Akram, the managing director at Samak Consultants, a former Merrill Lynch banker and founder of the Women in Islamic & Ethical Finance Forum, speaking to IFN.



A leading figure in the area is Malaysia, which has multiple female CEOs including Fozia Amanulla, CEO of Alliance Islamic Bank, and Raja Teh Maimunah Raja Abdul Aziz, CEO of Hong Leong Islamic Bank. Three of the 11-member central bank Shariah Advisory Board are women, while Dr Zeti Akhtar Aziz has been governor of the Malaysian central bank since 2000. "Much work needs to be done on closing the gender gap," commented Harris Irfan, the managing director of the European Islamic Investment Bank, speaking on the WIEFF. "While Malaysia is impressively progressive in this regard, many other countries are lagging. Women have virtually zero representation at board level in Islamic banks and very little at senior management. Unless this issue is addressed, the culture of Islamic finance

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DEALS

Almarai plans Sukuk of up to SAR2 billion (US$532.88 million); due to meet private investors last week

Indonesia holds sovereign Sukuk auction on the 25th August 2015

National Commercial Bank to sell SAR2 billion (US$532.51 million) perpetual Sukuk to raise capital

Nu Sentral disburses profit on Islamic notes

Turkish Treasury raises TRY1.59 billion (US$540.83 million) through Sukuk

International Islamic Liquidity Management Corporation reissues US$990 million short-term Sukuk facilities

Axiata Group plans to restructure US$590 million loan into local currency-denominated partial Sukuk

NEWS

Faisal Islamic Bank of Egypt to participate in central bank's housing initiative; receives approval to finance low-income units

Large funding potential if state-owned enterprises go public, says **Otoritas Jasa Keuangan**

Indian government engages consultants to develop Waqf properties nationwide

Sunway Treasury Sukuk proposes replacement of rating agency for its current RM2 billion (US$485.38 million) Islamic facility

Islamabad Chamber of Commerce and Industry urges Islamic banks to support development of SMEs

Abdul Rahman Law Corporation becomes **ISFIN** exclusive partner in Singapore

Sukuk rating criteria update has no effect on existing ratings, says **Fitch**

IFSB and **Bahrain Institute of Banking and Finance** to organize second Islamic Finance Executive Program series in October 2015

IFSB to organize FIS workshops for banking, Takaful and Islamic capital market in Kuala Lumpur

Dentons relocates to new premises in Abu Dhabi

Mawarid Securities obtains **NASDAQ Dubai** membership

Master's degree in Islamic finance included in list of new programs by **Dubai International Academic City**

Gulf Finance House receives regulatory approval to acquire treasury shares

Muzn Islamic Banking expands footprint in Salalah

Warba Bank contributes KWD14 million (US$46.15 million) to National Industries Group's three-year loan to refinance existing debts

AAOIFI invites nominations for its technical boards

Emirates REIT looks to more acquisitions despite property market slowdown in Dubai

ASSET MANAGEMENT

London Central Portfolio unveils Shariah compliant super fund, London Central Apartments III, targeting investment in private rented sector

TAKAFUL

Al Falaah Takaful's customer base reaches 5,000 after one year in operation

Egyptian Takaful Insurance Company mulling acquiring stake in a new carbon black company

Orient Takaful Insurance Company-Egypt eyes bigger investment portfolio following 39.4% expansion in 2014-15 fiscal year

EFU Life Assurance and **Askari Bank** sign bancaTakaful partnership under Hemayah brand

RATINGS

RAM reaffirms **Batu Kawan**'s Islamic facility rating at 'AA1/Stable'

TIME dotCom plans RM1 billion (US$244.25 million) Sukuk to expand fiber footprint

RAM reaffirms **Axis REIT Sukuk**'s Second Sukuk Issue ratings

MARC withdraws rating on **Cagamas MBS**'s RM515 million (US$125.46 million) Tranche 4 Sukuk

Singapore receives 'AAA' foreign currency sovereign rating

RAM reaffirms **Bank of Tokyo-Mitsubishi UFJ Malaysia**'s entity and Sukuk ratings

MOVES

Salim Khamis Al Maskari assumes new role as head of **Sohar Islamic**

Ishrat M Kiyani joins **Mashreqbank** as new regional head of **Mashreq Gold**

Morgan Lewis expands structured finance team with two new partners

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will be little different to the culture of conventional finance."

Abayomi Alawode, the head of Islamic finance at the World Bank Group, is equally supportive. "Islamic finance is a growth area for the World Bank Group's Finance and Markets Global Practice and we are keen to enhance our focus on how Islamic finance can benefit women in our client countries, especially in terms of improved access to financial services," he said. "We are also interested in fostering links between the Islamic and ethical finance industries and will be working with WIEFF to explore opportunities for collaboration in these areas."

> ***"Women have virtually zero representation at board level in Islamic banks and very little at senior management. Unless this issue is addressed, the culture of Islamic finance will be little different to the culture of conventional finance"***

A room of one's own

The WIEFF is one of the first platforms set up to promote the inclusion of women in Islamic finance, but its ambitions go beyond simply organizing seminars and connecting women — with the eventual hope of becoming an active think tank for the industry. "Over the years I have come to realize that there are many hidden stereotypes and prejudices we all have. When we challenge those stereotypes not through aggressive or hostile means, but just by being good at what we do, we soon begin to break down those barriers and the very people who stood in our way will begin to respect us and will become our greatest supporters," said Samina. "My personal struggle in the industry made me realize the obstacles women face and what we need to overcome them. This is where the Women in Islamic Finance idea came from, the journey had been a slow, frustrating one. However, it was time to help other ladies and to ensure their path into the industry would be much easier and smoother than mine."

With over 5,500 members, the Forum officially launched on the 30th July this year to an international audience, supported by leading organizations including IFN, KPMG, the British Bankers Association, UK Trade and Investment and The Chartered Institute for Securities and Investment. The event featured a keynote speech from world-renowned scholar Sheikh Nizam Yaquby, who noted the important role of women and emphasized Lady Khadija tul Kubra's contributions to business, trade and Islamic finance.

This involvement, emphasized Samina, was of particular value. "Lady Khadija tul Kubra was the beloved wife of the Prophet Mohammad. She was an extremely successful and powerful businesswoman… It was extremely humbling and inspiring to hear Sheikh Nizam's talk on what a great role model Lady Khadija was and how some of the transactions we use in modern day Islamic finance can be traced back to her. When we highlight such incredible, inspiring role models to the world, this is how we will change attitudes and this is our ultimate goal. Gandhi said: 'In a gentle way we can shake the world'. Change is never aggressive or forceful - it's always gentle, with its own timing."

Industry encouragement

The situation has not always been as encouraging, however, and many women in the industry have struggled with feelings of isolation. "Over the past few years, we are beginning to see more and more women playing an increasingly important role in the development of the industry," confirmed Samina. "When I first entered the sector we would hardly see women at industry conferences. However, now we see more women visible at events and speaking on stage as major contributors bringing about key innovation and industry development".

A lack of communication and collaboration was a significant contributor to the problem — with many large international banks suffering from their own size and failing to successfully market or promote its Islamic finance initiatives. Samina got into the area through diversity platforms including the South Asian Network at Merrill Lynch, but noted that in many investment banks, many employees may not be aware of the opportunities. "Recognizing the business opportunity for Shariah compliant investments in my day-to-day job. I organized an introductory lunch time seminar on Islamic finance, taking advantage of the South Asian Networks internal reach within the organization [Merrill Lynch]. We marketed the event throughout the firm including overseas offices. Over 200 employees attended the event in London and many colleagues listened in from abroad. This event had a huge impact in the company and I somehow became the face of Merrill's Islamic finance business. When working in such a big organization it's difficult to even sometimes know they have expertise in niche markets. Here we can see a diversity forum highlight an important business opportunity."

And now, organizations are slowly starting to recognize the importance of encouraging women to enter the industry. A pioneer in this area is Abu Dhabi Islamic Bank (ADIB), which this year launched its Tamkeen Women in Leadership Program to prepare and develop a new generation of leaders. "The Women in Leadership Program will strengthen your abilities to manage people, multiple roles that you fulfill in the workplace,

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community and is uniquely tailored to equip you to transition into more challenging leadership roles," it tells its participants.

The first banking women leadership program in the GCC and the first Women in Banking Forum in the GCC and MENA region, the program focuses on personal development ('the character factor') as well as team leadership, management development, banking fundamentals, executive coaching and business projects.

The first wave of the 12-month project runs from May 2015-16 and includes 40 participants in four groups, with participants restricted to UAE female nationals with a minimum of four years' experience at ADIB. "We wanted to make sure the ladies at the bank are given a career path with training so that if they have been forgotten or looked over, then they are now in the spotlight," CEO Tirad Mahmoud commented on the program.

Client collaboration

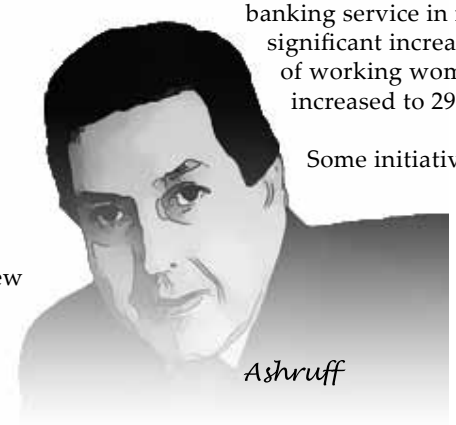
However, few other institutions have followed in ADIB's footsteps to institute specific programs to encourage female involvement — and this could start to look short-sighted, given the increasing focus on women as a customer segment. "We are seeing a lot of initiatives to get female customers in, as well as on the employment side, and the two are driving each other," commented Ashruff Jamal, Global Islamic Finance leader at PwC Middle East. "More women working in Islamic finance could certainly attract more female customers, and that is where the synergy lies: you cannot look at the two in isolation."

According to a recent report from PwC surveying banking customers in the GCC: "One of the key differentiating factors for Islamic banks has been their embrace of services designed exclusively for women. Although this has developed as a result of cultural and religious factors, it can be extremely beneficial to Islamic banks."

Women are more loyal customers than men, with the survey finding that 35% of women would not consider changing their bank accounts, compared to 25% of male respondents. More women than men visit bank branches, yet the majority of female respondents also said their preference was online banking, suggesting that a digital platform could be a significant factor in attracting new clients.

> ***"One of the key differentiating factors for Islamic banks has been their embrace of services designed exclusively for women. Although this has developed as a result of cultural and religious factors, it can be extremely beneficial to Islamic banks"***

"Islamic banks could do well to focus more attention on understanding what women customers want and how to better serve them," highlighted Ashruff, one of the authors of the recent report. "The assumption that women are best served via female-only branches could soon become outdated and a better model could be developed around a robust digital strategy. A compelling digital offering could be a far more significant factor in attracting new female customers than a much costlier effort to develop a network of women-only branches. Bricks and mortar investment to segregate branches will increasingly lose value as women use more services online."



However, banks will have to ensure that this digital platform offers women what they want — and that will be much easier if they can utilize the experience of their female employees. "The research suggests that rather than a single online offering for both genders, men will be more receptive to a product that saves time and effort, while women want a platform that is easy to use and offers security in an emergency," noted PwC.

Yet there is still a significant opportunity to attract more customers. Women are far less active clients than men, and use every banking channel less than their male counterparts. Only 40% of women use internet banking at least once a week, for example, compared to 60% of men — and 8% of women do not have their own independent bank accounts.

Banks in the region are recognizing this and going to ever-greater lengths to capture market share. Dubai Islamic Bank has had a dedicated female segment called Johara since 2000, and currently operates seven exclusive female-only branches, which CEO Adnan Chilwan calls "very profitable". ADIB also has a dedicated female segment called Dana, with over 130,000 customers, women's only branches, dedicated female areas in regular branches and female relationship managers to manage their banking relationships. In October last year, Oman's Bank Nizwa launched a female banking service in response to a significant increase in the percentage of working women — which increased to 29% in Oman in 2013.

Some initiatives might seem more extreme than others. This year, Al Hilal Bank launched Laha, a perfumed credit card that lets off a scent from an absorbent pad

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in the corner and comes with a free bottle of perfume. "Today's modern woman wants to send out a strong message about her individuality and her capacity to become a productive member of society while staying true to her heritage," said Mariam Yousef Ahli, the bank's head of corporate communications, to The National.

Yet despite its encouraging initiatives, the bank continues to have limited female representation at a senior level, with Mariam the only woman on the 13-member management board despite a recent reshuffle last month.

"We are beginning to see more women coming in, but they need to come in more at the senior management levels," said Ashruff. So what is getting in the way? "I think there is a perception issue. It is not that the banks don't want to employ women, but women may think that Islamic finance is not for them," he suggested. "I don't think there is any actual bias, but the barriers need to come down. More communication from the Islamic institutions to encourage and welcome female practitioners would be useful."

Areas of opportunity

It can sometimes seem as if institutions are simply paying lip service to the concept of gender equality, but for women in the Islamic finance industry these initiatives represent a very real benefit that they should take advantage of — particularly as the market is so niche. "Islamic finance is a very niche area and much work still needs to be done, especially in areas such as human capital development," pointed out Samina. "The industry suffers hugely from lack of credible headhunters. I've been fortunate to have had the opportunities to travel, network and speak at industry conferences. However, not everyone has this level of visibility. As an industry still in its infancy stages, we can't afford to lose talent. Over the years, we have been losing much talent to conventional finance. Not out of choice, but because industry specialists didn't know how to find work in the Islamic finance industry. We are hoping our forum will serve as an important platform to retain and develop existing talent."

> ***"We hope to see more initiatives such as WIEFF and Tamkeen emerging as the industry embraces the importance of equality"***

Females also represent a huge entrepreneurial pool, which is currently not being supported to the extent it could be. "The participation of women in the GCC Islamic finance sector is improving. More and more women are entering the sector. When it comes to job functions, the banks have no issues in hiring women at the admin, secretarial, investor relations, public relations, recruitment and HR. However, we see very few women at the managing director or CEO level of Islamic banks," highlighted Samina. "More generally, women in the GCC are increasingly taking up senior roles in business. For example within the family run business space, daughters are being encouraged to sit on company boards or take up executive roles. More women in the GCC are also pursuing the entrepreneurial route choosing to run their own very successful firms. However, banks and financial institutions fail to recognize their needs. They must do more to offer Islamic financial solutions to this growing female segment who desperately welcome the idea of investing in Shariah compliant/ethical financial products."

Everyone has different talents, and women can approach business in a very different way to their male counterparts. Whether by attracting female clients or by offering new skills; whether by bringing new talent to the table or developing the existing opportunities, women have a very real contribution to bring to the Islamic finance industry.

It is enormously encouraging to see the steps that are being taken across the global landscape to encourage this — but there is still a long way to go, and much work to be done. Collaboration, communication and education are the essence of success — and we hope to see more initiatives such as WIEFF and Tamkeen emerging as the industry embraces the importance of equality.

Kuwait's robust economy bodes well for KIB's debut syndicated Murabahah facility

Kuwait International Bank (KIB) this week concluded its maiden syndicated Murabahah financing facility to phenomenal response. VINEETA TAN takes a closer look at the Kuwaiti Shariah financier's landmark deal.

KIB's debut facility was well received by regional and global players as the facility was launched at an initial target of US$100 million and upsized by more than three-fold to US$320 million. "The syndication received a significant oversubscription supported by a high quality group of 13 regional and international-based banks reflecting strong relationship support for KIB and confidence in the Kuwaiti banking market," said John McWall, the group head of syndications at Bank ABC, which along with Bank ABC Islamic acted as the transaction's initial mandated lead arranger and coordinating bank.

To be used for the Islamic bank's general funding purposes, the strong take-up of the three-year facility is attributed to Kuwait's optimistic economic landscape. Sheikh Mohammed Jarrah Al-Sabah, the chairman of KIB, relayed this by explaining that the overwhelming participation of regional and international financial institutions goes beyond the bank's fundamentals. "This not only confirms the trust and reputation of KIB in the international financial arena backed by the resilient and robust economy of Kuwait, but also the increasing global acceptance of Shariah compliant products and structures."

> ***"The resources garnered through the deal are in line with the bank's strategy to diversify its additional funding sources required for pursuing the asset growth plans"***

Having agreed and put into motion a new five-year development plan which will see Kuwait spending some KWD34.15 billion (US$113.21 billion) on various infrastructure projects, the Arab nation's economy is anticipated to be significantly boosted with its banks riding on the positive trajectory bolstered by increased corporate financing opportunities and subsequently stronger profitability. Kuwait in 2014 registered the greatest growth for project activity in the region with KWD7.3 billion (US$24.04 billion)-worth of contracts awarded — a figure that was almost four times higher than in 2013 and larger than the last three years combined, according to the National Bank of Kuwait.

The retail and real estate sectors have also benefited from this bullish outlook for the project and infrastructure market and this has had significant impact on bank lending. According to Fitch Ratings, great demand in the consumer and property sectors stimulated bank lending in Kuwait by 11.5% in 2014, the sharpest hike in the previous five years – and this bodes well for banking players, including KIB.

"2015 will be a milestone year for KIB. The resources garnered through the deal are in line with the bank's strategy to diversify its additional funding sources required for pursuing the asset growth plans."

Germany: A worthy contender with Sukuk on the cards

Over the last year, Germany has undoubtedly upped its game positioning itself as a permanent industry player in the Islamic finance space. In the span of only one year, the country managed to enhance its Islamic retail and wholesale banking side along with a potential corporate Sukuk in the pipeline. What now appears to be a burgeoning market that is ripe for the picking, NABILAH ANNUAR provides a comprehensive update of the latest advancements in Germany's flourishing Islamic finance market.

One of the main highlights of the year is the debut of the country's first Islamic bank. KT Bank, a wholly-owned subsidiary of Kuveyt Turk, which is in turn wholly owned by Kuwait Finance House began to procure its license from German financial regulator, Bafin, to operate in Germany earlier in March this year. Offering Shariah compliant deposit and credit finance facilities, it launched its operations in Frankfurt later in July and subsequently opened new branches in Mannheim and Berlin, with a view to expand to Dusseldorf, Hamburg and Munich.

Being the first Islamic bank to be established in continental Europe, Ugurlu Soylu, the chief representative of the bank exclusively revealed to IFN in June that it expects to issue a EUR100 million (US$113.02 million) Sukuk within its first two years of operation, indicating the bank's confidence of its growth in the country. Testament to the success of the opening of its first Islamic bank in Germany, Kuveyt Turk (according to local reports) most recently announced that it is considering penetrating the Dutch market if its expansion stabilizes.

On the wholesale banking side, pbb Deutsche Pfandbriefbank, a conventional real estate and public investment finance specialist in July provided Saudi Arabia's SEDCO Capital with a EUR76 million (US$87.35 million) Shariah compliant medium-term refinancing facility for a mixed-use portfolio comprising of eight assets with 75% located in Berlin. The transaction is said to be part of a growing trend of Shariah compliant real estate deals taking place in the country which is seeing significant interest from Middle Eastern investors who are increasingly asking for Shariah-friendly products.

SEDCO Capital has three investment funds with exposure to the German real estate market: it has two funds invested in a diversified portfolio of properties and another fund (the Euro Commercial Property I) which holds six income-generating buildings in Germany fully leased to Deutsche Telekom.

> ***"The second and third generation of Muslims in the country are very attractive to bankers, both conventional and Islamic. They are born in Germany, better educated, and have higher income levels than the first generation"***

German players have also tapped the Islamic microfinance market. In November last year, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the government's international development agency, instituted a series of German-fund studies and pilot projects to study, develop and implement Islamic microfinance in developing countries.

GIZ has collaborated with Washington-based Consultative Group to Assist the Poor on a study of Islamic finance products to find a way to reduce costs and is also working on a study to explore demand factors and plans to sponsor a study to compare Islamic finance regulations. Such niche

initiatives evidently demonstrate the country's serious interest in developing its Islamic finance capabilities, enabling them to penetrate each aspect of the Shariah compliant industry.

It should not be forgotten that the nation also has the FWU Group, a reputable European insurance provider which also offers Takaful products. Apart from providing global Takaful solutions, the company has tapped the Sukuk market twice: in 2012 and 2013. Its most recent Sukuk offering in 2013 incorporated an innovative structure in which the bonds were backed by Takaful contracts (see IFN Report Vol 10 Issue 44: 'FWU Group Sukuk: The first to be backed by Takaful contracts'). However, this was not the country's first Sukuk issuance. More than a decade ago, the German state of Saxony-Anhalt tapped the Sukuk market, raising EUR100 million in 2004.

With approximately four to five million Muslims holding an estimated wealth of EUR18-25 billion (US$20.69-28.73 billion) (according to market figures), industry experts find that the second and third generation of Muslims in the country are very attractive to bankers, both conventional and Islamic. They are born in Germany, better educated, and have higher income levels than the first generation. The country's economic growth experienced a slight improvement in the second quarter on rising exports. Together with Germany's current economic climate and an encouraging track record in Islamic finance, there is very little doubt that the German market would make it as a worthy competitor in global Islamic markets.

Company Focus: Raouda Finance

Ivory Coast has long been an African investment darling to the international community and its capital, Abidjan, is regarded as one of the most sophisticated economic capitals in West Africa where commercial banks outnumber microfinance institutions — an uncommon phenomenon in the West African Economic and Monetary Union where microcredit providers generally dominate the financial landscape in terms of branch network. And while the environment is challenging, this has not deterred Raouda Finance from pioneering the Islamic microfinance sector in the Republic. Speaking to the young organization, VINEETA TAN provides an exclusive insight into Ivory Coast's sole Shariah microfinancier.

Licensed in June 2014, Raouda Finance opened its doors in January this year and has since then received phenomenal demand and interest from both the public and conventional microfinancing peers attracted by its ethical proposition.

"The essential mission of Raouda Finance is to be a regional leader in the alternative financial system and in socially responsible investment, that is to say provide the best ethical finance. This partnership [is synergistic] with all the components of Ivorian society," shared Stephanie Awa Bamba, the manager of Raouda, with IFN.

And the socially responsible tenets of its service resonate well with the population, both Muslims and non-Muslims with non-Muslims representing 40% of the institution's clientele. In the eight months since its opening, Raouda has extended over CFA221.26 million (US$380,702)-worth of financing through 166 facilities to approximately 3,000 individuals.

Another driving force for the positive take-up is government support. Bamba explained that promoting microentrepreneurship has been on the government's agenda as a means to reduce unemployment and this elevates Raouda's and other microfinanciers' position as a critical bridge to those wishing to enter the realm of microentrepreneurship. Especially important is the wide access of microcreditors to areas beyond the bank-clustered city of Abidjan, reaching out to the underserved rural population.

Microfinance institutions in Ivory Coast generally adopt a cooperative model and Raouda is no exception. Apart from granting financing, the firm also offers long-term savings products.

"The strategic objectives are to create opportunities for broad social layers, to contribute to the efforts of production and transformation of the poor by living forces of society through the implementation of microcarriers based on the use of financial tools based on the principle of sharing profits and losses, and factors of production available in each environment," said Bamba.

Like many pioneers, Raouda too is ambitious and enthusiastic about what the future holds, and is especially eager to be part of a movement that is likely to democratize access to financing while contributing to nation-building – and judging by the responses thus far, the Shariah microfinancier may well be on its way toward that.

Proposed Hollywood-backed venture leaning toward Takaful insurance

Paramount Studios recently made London-based Shariah compliant Cobalt Underwriting its preferred insurer for its upcoming entertainment resort in Kent. VINEETA TAN writes how this is indicative of the rising demand for Shariah compliant products in the Western world as Islamic investors from the Arab Gulf channel investments into major developments in the UK and Europe.

"There are an increasing number of major projects that have been announced this year in London, the UK and Europe which are backed by Middle Eastern and Islamic investors," confirmed Richard Bishop, CEO of Shariah compliant managing general agent Cobalt Underwriting based in London, which was recently engaged as the insurer of preference for the UK's first Nationally Significant Infrastructure Project in Kent.

The project — the proposed London Paramount Entertainment Resort worth GBP3 billion (US$4.7 billion) and backed by Hollywood giant Paramount Studios — was awarded the Nationally Significant Infrastructure Project status due to the grand scale of the undertaking which is expected to greatly bolster the Kent economy by means of investments and job creation which will transform the Swanscombe peninsula. Positioned to rival Euro Disney as a major family attraction, the venture — whose initial stages are largely funded by Middle Eastern wealth — is anticipated to create some 27,000 jobs.

With the possibility of Islamic investors financing the entire project, these investors are keen to proceed with the venture in a Shariah compliant manner including with regards to insurance and this has opened up opportunities for the country's Takaful segment. "We feel sure that the demand for Shariah compliant options when it comes to insurance will continue to grow and we are working with leading underwriters both inside and outside of Lloyd's and the London market to provide the capacity to meet these demands," shared Bishop, who also cautiously explained that: "Cobalt will have the opportunity to provide the Shariah compliant options for clients to consider and will always be asked to at least provide terms on each risk. We will, however, need to be competitive."

Bishop revealed that the first insurance covers are already in place and contracts for property owners' liability as well as environmental impairment liability have been issued.

Work on the London Paramount Entertainment Resort is expected to commence in two years' time in time for its opening in 2020. The resort builds on the other GBP17 billion (US$26.64 billion) investment opportunities highlighted by the UK Trade and Investment specifically for Shariah investors.

Russian opportunities

Islamic finance continues to gain momentum in Russia, with interest gathering despite limited action so far at a federal level. LAUREN MCAUGHTRY looks at the latest developments in a country struggling with economic challenges, global sanctions, industrial contraction and a plummeting GDP.

In the second quarter of this year, Russia's economy contracted by 4.6% compared to the same period in 2014 — the biggest decline since 2009 and a sign of the country's first real recession since the financial crisis. Exacerbated by low oil prices and economic sanctions, the contracting economy has seen real income fall for the first time in Putin's presidency, along with declines in retail sales, industrial output and currency value and with foreign investment slowing to a trickle. So where can the country look for financial support? Islamic finance has long been promoted as a solution, but its implementation would require substantial changes to Russian federal law. Is the country finally at a point where this is a viable option?

It was recently reported by the TASS news agency that a parliamentary task force has been created with the aim of implementing Islamic banking in Russia and updating the banking laws to accommodate the alternative system — led by Dmitry Savelyev, the deputy chairman of the State Duma Committee on Financial Markets. Could this be the tipping point the country needs to propel it into full participation?

With a Muslim population of around 15% of the population and around two million more Muslim workers and immigrants, the opportunities could be substantial. In addition, the western sanctions are making Islamic institutions an attractive target for Russian entities desperately seeking financing. "The Muslim countries have not taken part in the attempts to isolate our country on the international stage, and the latest developments in the world economy have shown that Islamic banks can withstand various global crises and complement the global financial system," said Rustam Minnikhanov, the president of Tatarstan, at the KazanSummit Economic Forum in June this year. Tatarstan has been a major driver of Islamic finance activity in the region, including some of the first Murabahah deals in 2014 and 2015 from AK BARS Bank.

> ***"There are still problems with taxation and the lack of qualified personnel, but with the help of our colleagues in the Russian government, we will be able to make this process more dynamic"***

Minnikhanov has emphasized that while Islamic finance may not be able to completely substitute western credit, it has the potential to provide an important additional channel and alternative financial instruments for Russian firms. "There are still problems with taxation and the lack of qualified personnel, but with the help of our colleagues in the Russian government, we will be able to make this process more dynamic," he commented.

So far, attempts to incorporate Islamic banking at a federal level have been unsuccessful, and earlier this year the finance ministry reportedly rejected a draft law to open the way for alternative financial solutions including Islamic finance. However, activity is once more picking up and as momentum grows, increasing numbers of supporters are jumping on board — sometimes from surprising angles. Last month, the Tatarstan president signed a cooperation agreement with state-owned Sberbank, Russia's largest lender, to develop Islamic banking in the region: while earlier this year local insurance firm Alliance also began selling a Shariah compliant option called Halal Invest. And in perhaps one of the strongest displays of support for the industry, the Russian Orthodox Church in June also confirmed its involvement in promoting Islamic finance: and is currently working with parliament to develop a system of non-interest-based banking.

The road may be long and the obstacles high, but Russia continues on its journey.

Omani Islamic banking growth on the uptrend — deposit base quadrupled

Six years since the introduction of Islamic banking in Oman, the latest adopter of Shariah finance in the GCC has managed to quadruple its Islamic banking deposit base and grow its assets to OMR1.8 billion (US$4.66 billion), commanding 6.3% of the total banking market share. These developments are, as VINEETA TAN writes, a clear demonstration of strong demand and positive growth momentum for Shariah compliant financial products in line with industry expectations of a double-digit market share for Islamic banking entities in the next few years.

Adopting the best practices of older industry players — an advantage gained by the Sultanate due to its late entry to the Islamic banking and finance scene — Oman was able to implement effective strategies to spread awareness and spur demand while its Islamic banking community continuously engineer suitable products to meet the needs of its customer base. This is evident in the performance of Islamic banking entities during the first six months of the year which saw the two fully-fledged Shariah banks and six Islamic windows double their extension of credit to OMR1.4 billion (US$3.62 billion) from OMR700 million (US$1.81 billion) a year ago and attracted OMR1.2 billion (US$3.1 billion) in deposits from customers — a surge from OMR300 million (US$776.06 million) outstanding as at the end of June 2014.

Central bank data shows that the growth rate experienced by Islamic banks outstrips their conventional peers, although it must be noted that the figures for Shariah entities stem from a lower base. In the first half of 2015, conventional commercial banks realized an 8.9% expansion in credit disbursement to OMR17.8 billion (US$46.05 billion) while total assets were up 11.2% to OMR27.4 billion (US$70.88 billion).

These positive six-month data comes at a time of significant stress to the Sultanate's macroeconomic indicators due to headwinds at a domestic and global level. In the first quarter, Oman's GDP at current prices sank 14.2% against an appreciation of 2.7% in the corresponding period in 2014 while the annual inflation rate measured by movement in the average CPI for the Sultanate hovered at 0.24% in the January-June 2015 period.

Rated 'A1' by Moody's, the investment grade rating, however, is pinned with a negative outlook premised upon uncertainty involving the effectiveness of government measures with regards to a multi-year period of soft oil prices. In the first three months of the year, the petroleum sector plunged 36.8% while the non-petroleum sector was up 4.1%. Nonetheless, Moody's in its rating reaffirmation earlier this year believes that Oman's intrinsic economic and fiscal strengths buoyed by solid government asset buffers would not be significantly undermined over 2015/16 in its base case oil price scenario.

Indonesia's decision to ramp up infrastructure investments in 2016 opens doors for Sukuk

With its currency in a rut and capital account adversely affected due to slowing global and domestic economic growth, Indonesia has drafted a budget designed to boost 2016 macroeconomic figures by increasing infrastructure spending and slashing subsidies while capping fiscal deficit at 2.1% of GDP. VINEETA TAN explores how this creates an avenue for Islamic finance.

Premised upon assumptions of 5.5% GDP growth and 4.7% inflation (modest and realistic projections), the world's largest Muslim nation's 2016 draft budget is viewed as credit positive and its strong focus on infrastructure investment opens huge opportunities for Sukuk to meet this financing gap. For 2015 alone, the government set a target to raise IDR79 trillion (US$5.66 billion) via Sukuk to finance the state budget deficit and reduce its reliance on external market funding – a prudent strategy given increasing international capital volatility.

However, while the proposed fiscal measures are viewed in optimistic light, analysts have noted challenges for the government to implement the plan. "Although we see some downside risk to the growth forecast, the greater risk to budget outcomes stems from the government's own administrative capacity constraints, which have resulted in lower-than-expected infrastructure spending this year, and a smaller-than-expected increase in tax collections," opined Moody's Investors Service.

Such difficulties in executing the proposed state budget is predicated upon the government's performance thus far this year which has yet to see it achieving its 2015 fiscal goal of driving up infrastructure investment using subsidy savings despite being well in the third quarter of the year. "Lower-than-forecast infrastructure spending has led to smaller-than-expected growth in the first half of the year. Rather than accelerating, as the government had forecasted at the beginning of the year, GDP growth slipped to 4.7% in the first half of 2015 from 5% in 2014," explained Moody's.

The Indonesian government intends to shore up infrastructure spending to IDR313.5 trillion (US$22.48 billion) next year from IDR290.3 trillion (US$20.81 billion) this year and moderate subsidy spending by 5.1% to IDR201.4 trillion (US$14.44 billion) which would include pulling back electricity subsidies by 31.6% and offsetting it with an increase in allocation for oil and gas and non-energy subsidies.

"The 2016 budget continues the policy direction set in the 2015 budget of keeping fiscal deficits low, but shifting spending to capital investment to generate growth, while lowering subsidy spending so that market price signals, rather than government intervention, determine domestic demand," said Moody's.

Sovereign Sukuk: Liquidity management papers

Slightly on the uptick this week, the sovereign Sukuk market witnessed three issuances made from three different countries: Turkey, Indonesia and Bahrain. Mainly regular issuances for liquidity management purposes, the Sukuk issued all ranged between US$100-500 million. As usual, NABILAH ANNUAR keeps up with the latest developments in the sovereign arena.

The Turkish treasury on the 19th August issued a lira-denominated Sukuk worth TRY1.6 billion (US$555.21 million) through a direct sale method. Maturing on the 16th August 2017, the Sukuk was issued to diversify borrowing instruments, broaden investor base and increase domestic savings.

This was followed by Indonesia's issuance, which was made by the Ministry of Finance on the 25th August 2015. The government auctioned its sovereign Shariah securities project-based Sukuk series PBS006 (reopening), PBS008 (reopening) and PBS009 (reopening), and Islamic treasury bills series SPN-S 05022016 at an indicative target of IDR2.5 trillion (US$179.25 million).

Upcoming sovereign Sukuk

Country	Amount	Expected date
Ivory Coast	XOF300 billion	Fourth quarter of 2015
Sindh Province	US$200 million	TBA
Oman	US$1 billion	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
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

Having made its announcement on the 24th August 2015, the Central Bank of Bahrain sold its monthly issue Sukuk Al-Salam Islamic securities worth BHD43 million (US$113.02 million). Carrying a maturity of 91 days, the Sukuk was oversubscribed by 155% and is due to mature on the 25th November 2015. The expected return on the issue, which begins on the 26th August 2015 is 1.35% compared to 1.2% for the previous issue on the 22nd July 2015.

AFC makes initial foray into Islamic finance

Africa Finance Corporation (AFC), the second-highest investment grade-rated multilateral financial institution in Africa which is tasked to drive private infrastructure investments in the region, has made its debut foray into the Islamic finance space with a US$50 million facility secured from the IDB. VINEETA TAN reports.

The agreement is a result of six years of discussions which began with an MoU between AFC and the IDB's Islamic Corporation for the Development of the Private Sector to explore potential collaboration and build cooperation. Equipped with a 'A3/P2' credit rating reaffirmation by Moody's and years of track record in various project financing including a transport infrastructure initiative connecting South Africa's industrial heartland to the nearest water port in Mozambique, AFC finally won the IDB financing which marks a milestone in AFC's development strategy and a testament to the increasing utilization of Shariah compliant facilities to meet growing Islamic finance demand in the region.

"As AFC's first Islamic finance loan, this agreement represents an important step for the corporation," affirmed Andrew Alii, the president and CEO of AFC. "The Islamic finance sector is responding to high demand and rapidly expanding, with a large number of Islamic finance institutions establishing operations here as a result of Africa's significant Muslim population. There is enormous growth potential within this industry."

The US$50 million 15-year line of financing will be channeled toward developing projects (particularly infrastructural and agricultural endeavors) within IDB member countries, several of which are also AFC member states, in line with both the organizations' goal of unlocking regional economic growth potential.

Equally significant, the African institution also views this venture as an important avenue to establish a vital bridge connecting African and Middle Eastern entities in the near future and hopes that this would lead to enhanced collaboration.

IFN Weekly Poll: Malaysian courts are deliberating if non-Muslims should be allowed to practice as Shariah lawyers in the country. In the context of Islamic finance, should non-Muslims be allowed to become Shariah scholars?

In light of Malaysia's recent legal debacle on whether a non-Muslim should be allowed to practice Shariah law, IFN takes the notion a step further asking the industry if they should be allowed to become Shariah scholars. With close-call poll results and varying industry opinions, NABILAH ANNUAR explores if this is a valid premise.

The Federal Court of Malaysia, the country's highest and final appellate court on the 13th August 2015 announced that its decision on the law governing the appointment of Shariah lawyers will be revealed on a date to be determined later. The apex court will deliberate on whether a non-Muslim lawyer, Victoria Jayaseele Martin, 53, who obtained a Diploma in Shariah Laws and Practice from the International Islamic University, Malaysia in 2004 should be admitted as a Shariah lawyer in the Federal Territories. In an extremely crucial decision that would become a legal precedent for the country and perhaps other Muslim states as well, the Federal Court would have to consider an individual's constitutional rights and the respective Shariah and Malaysian laws that govern Shariah lawyers.

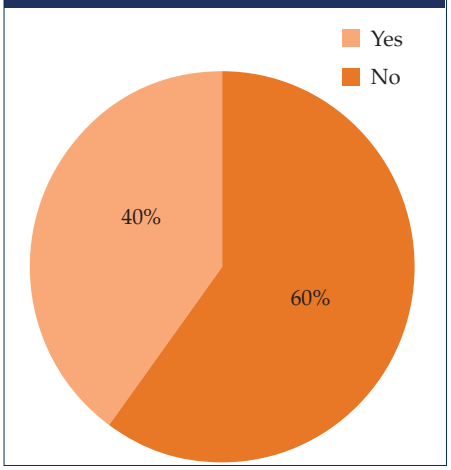
In the event where non-Muslims are allowed to become Shariah lawyers, on an analogical basis, could this mean that they can also become Shariah scholars? Slightly leaning towards the conservative side, the poll results this week had a majority of the industry voting against the idea (60%). Also of this majority view, Dr Shariq Nisar, the director of Taqwaa Advisory and Shariah Investment Solutions explained to IFN: "Shariah is not just a law that can be practiced through references of the past. It is basically an understanding of Islamic law (in its true spirit) which often time requires Ijtihad [independent reasoning] on the part of the scholar. A non-believer technically does not qualify for it. It is just like asking, can a non-believer scholar/Hafiz/Qari lead prayers in mosques?"

Supporting this view, Dr Noor Suhaida Kasri, the head of the Islamic Capital Market Unit in the Research Affairs Department at the International Shariah Research Academy for Islamic Finance conveyed: "To become a Shariah scholar requires you to have the ability and capacity to comprehend the Arabic primary and secondary source, Usul Fiqh, Fiqh Muamalat and other fundamentals in Islamic finance, so that application of Shariah principles on Islamic finance matters could be made fairly and justly in accordance with the word and spirit of Islam. By professing the religion of Islamic finance, Islam, a Shariah scholar would be deemed to perform his responsibilities more effectively and efficiently."

From a more liberal point of view, Adil Hussain, a partner and global head of Clyde & Co, told IFN: "Some of the best Islamic finance practitioners that I work with (whether lawyers or bankers) are non-Muslim and have a good understanding of Islamic finance principles. I therefore see no reason why non-Muslim lawyers should be prevented from working on Shariah compliant transactions." However, he asserted that the role of the lawyers should not be confused with the role of a Shariah scholar. Lawyers (unless they are qualified Shariah scholars that have [an] 'Ijazah') should not give a Fatwa on Shariah compliant products despite having a good understanding of Islamic finance principles as the role of giving a Fatwa should remain with Shariah scholars as they are the only ones competent to give such pronouncements.

Similarly, commenting on the matter objectively, Ferzana Haq, a lawyer at Singapore-based HS Legal, opined: "Firstly, from a practical point of view, it is very difficult to be a Shariah scholar. A scholar must have studied and should have in-depth knowledge of the sources of Shariah law (Holy Quran and Hadith) which requires an understanding of

Malaysian courts are deliberating if non-Muslims should be allowed to practice as Shariah lawyers in the country. In the context of Islamic finance, should non-Muslims be allowed to become Shariah scholars?



classical Arabic. Additionally, a scholar should be versed in the proper techniques used of forming an opinion on Shariah matters. A scholar should also understand secular law and modern commercial banking and how it interacts with Shariah principles. If a scholar can satisfy these requirements, it should not matter, practically speaking, whether he or she is a Muslim or not. However, on another level, in Islam, Shariah scholars also have a moral and spiritual responsibility to take care in advising on Shariah law. A Muslim knows that this is a serious obligation both in this world and the next. The question is whether a non-Muslim can fulfil this responsibility if he or she does not also believe in the moral and spiritual consequences of his actions."

Evidently, it is of majority opinion that Shariah legal officers, be it lawyers or scholars both require a degree of educational and spiritual dogma to qualify. Taking all aspects into consideration, the Malaysian Federal Court ruling could be a determining factor in further opening up the Islamic market to a wider audience.

Djibouti: Connecting Africa and the Middle East

Djibouti is widely known for its strategic importance afforded by its geographical position to the world's busiest shipping routes. This has opened a slew of economic opportunities for the country. What about for Islamic finance? VINEETA TAN explores.

Economic background

Heavily reliant on the service sector, Djibouti's strategic location as a Red Sea transit point in close approximation with the world's busiest shipping lanes naturally positions it as a burgeoning commercial center. The African nation serves as a major refueling and transhipment hub as well as a site of various foreign military bases.

As port activities increase and foreign direct investments continue to flow into the Republic, Djibouti is seeing its economy grow steadily in the past few years, bolstered by a significant investment program designed to elevate the country to becoming a regional platform of commercial, logistical and financial services. According to data from African Development Bank, Djibouti in 2014 registered an economic growth rate of 5.9%, up from 5% the year before and this positive momentum is expected to endure in the coming few years with the figure reaching 6% in 2015.

> *"Apart from expanding in the domestic market, local Islamic banks are also making a foray into new markets"*

Regulatory landscape

The government of Djibouti is supportive of the development of Shariah compliant finance which led to a passing of dedicated laws for Islamic financial transactions in January.

Banking and finance

Out of 11 banks in the country, four are Islamic: Saba Islamic Bank, Salaam African, Dahabshill Bank International and Shoura Bank. With a predominantly Muslim population, the take-up for Islamic banking products has been steadily growing.

Some figures show that Shariah banking assets constitute up to 20% of the country's overall banking assets, with the number poised to grow further as some conventional banks are reportedly mulling over Islamic window operations. Apart from expanding in the domestic market, local Islamic banks are also making a foray into new markets. Dahabshill Bank International for example anchored in Somali in 2014.

A significant Islamic finance transaction in Djibouti was the US$427 million facility supported by the World Bank's Multilateral Investment Guarantee Agency (MIGA) and funded by Dubai Islamic Bank and Standard Chartered to develop the Doraleh Container Terminal. The deal, whose reinsurance was covered by Islamic Corporation for the Insurance of Investment and Export Credit, was MIGA's first ever Islamic deal.

Microfinance is another area the country is exploring. In February 2013, the government launched a pilot Islamic microfinance scheme through the Islamic Djibouti Social Development Agency to promote access to Islamic financing for 10,000 households with no alternative income source.

Table 1: Macroeconomic indicators

	2013	2014 (e)	2015 (p)	2016 (p)
Real GDP growth	5	5.9	6	6.2
Real GDP per capita growth	3.5	4.4	4.5	4.7
CPI inflation	2.4	3.6	3	3.2
Budget balance % GDP	-3.1	-2.6	-0.5	-0.1
Current account balance % GDP	-23.8	-19.6	-15.5	-16.1

Source: African Economic Outlook

Table 2: Islamic banks in Djibouti

	Date of establishment	Capital (in DJF)	Majority shareholders
Saba Islamic Bank	June 2006	300 million	Yemen (85%), Dubai Islamic Bank (15%)
Salaam African	December 2007	600 million	
Dahabshill Bank International	October 2009	3.16 billion	Dahabshill Group
Shoura Bank	June 2010	300 million	Shoura Group

Source: Central Bank of Djibouti

Takaful

Djibouti in October 2013 adopted an executive decree of Islamic insurance law as part of the government's strategy to further enhance the country's Islamic financial industry. And while there has yet to be a dedicated Takaful operator in the market, Kenya's Takaful Insurance Africa — the first Islamic insurer in East and Central Africa — has expressed keen interest in creating a Djiboutian presence.

Challenges and prospects

Despite being predominantly Muslim, Djibouti's population still lacks Islamic finance awareness which poses an obstacle to the expansion of the industry. Nonetheless, the government and market players recognize the country's Islamic finance potential due to its demographics and are keen to develop the segment further at multiple levels including human capital. The University of Djibouti, for example, offers Islamic finance courses. The Republic's commitment is also reflected in its membership in the General Council for Islamic Banks and Financial Institutions, effective 2015.

The country's strong ties with the GCC and its strategic position with controlling access to the Red Sea and the Indian Ocean present exciting opportunities for Shariah compliant finance.

Aviation and marine financing in Islamic finance

Over the last couple of years, the Shariah compliant scene began to see an uptick of transactions originating from the aviation and marine sector. From Sukuk to financing facilities, these logistic companies have started to position themselves across the Islamic finance market. NABILAH ANNUAR provides a comprehensive roundup of the latest developments in Shariah compliant aviation and marine financing.

Marine

One of the first notable marine financing deals in the Islamic finance space was in 2007 when Asian Finance Bank and Malaysia's AmanahRaya Investment Bank joined hands in setting up the country's first Islamic marine fund. The fund incorporated an Ijarah structure, designed as a core-plus marine fund, investing in performance-proven vessels with potential for capital and income enhancement in the medium to long term through redeployment strategies. Since then, Shariah compliant marine financing gradually began picking up pace across the globe.

Last year the sector witnessed deals made in Kuwait and Saudi Arabia. Kuwait Finance House early last year launched a promotional campaign providing a minimum of KWD250 (US$825.08) financing for the purchase of boats and marine equipment. Saudi Arabia saw the National Shipping Company of Saudi Arabia (Bahri)'s acquisition of Saudi Aramco's marine unit, VELA; and Saudi Hollandi Bank's SAR121.5 million (US$32.38 million) Murabahah and Ijarah financing scheme to Specialized Marine Services, a joint venture between Ports Development Company and National Port Services.

This year, the UAE's Topaz Energy and Marine in May secured one of the largest ship finance deals which consisted of a mix of Islamic and conventional components. The US$550 million multi-tranche facility will be used to refinance existing debt and fund expansion plans, through three tranches ranging between five and seven years.

The following month, Stanford Asia Holding Company, a subsidiary of the UAE's Stanford Marine Group (SMG), secured a AED1.2 billion (US$326.7 million) Murabahah financing facility. The deal will help to merge SMG's existing conventional and Islamic facilities into a single tranche facility and also to further support SMG's efforts to reduce its overall cost of finance and contribute to the group's profitability and cash flows.

Aviation

More Shariah compliant transactions have perhaps been made in the aviation sector. The industry saw its big debut in 2006 when Malaysia's AirAsia secured a US$230 million Islamic financing facility which was used to pay for six of 100 Airbus 320 planes that the airline committed to buy. This subsequently sparked a trend in the aviation industry as it witnessed a growing trend for Islamic financing facilities as well as Sukuk issuances.

In 2014, the sector saw Islamic aviation deals from Saudi Arabia, Bahrain, the UAE and Ethiopia. In Saudi Arabia, the government was contemplating raising funds for the new airport in Taif by issuing Sukuk. Bahrain's Khaleeji Commercial Bank signed an MoU with Bahraini Aero Gulf Group to provide Islamic finance for an aviation investment program.

In the UAE, Dubai Aviation Corporation (trading as flydubai) launched its five-year US$500 million debut Sukuk last November; while Etihad Airways secured Shariah compliant financing facilities from Abu Dhabi's FGB and Saudi-based National Commercial Bank to fund the acquisition of several Boeing 787-9 Dreamliner aircraft.

Over in Africa, Ethiopian Airlines has concluded a US$100 million Islamic financing deal with Bahrain-based Ibdar Bank for the lease of four Bombardier Q400 NextGen planes. Ethiopian Airlines has been in talks with other regional carriers (in Africa and the GCC) to expand their fleet while Ibdar Bank seeks to develop attractive new products within this market segment for investors. At the end of the year, Malaysia Airports Holdings priced its maiden perpetual non-call 10-year subordinated Sukuk worth RM1 billion (US$242.69 million).

The second quarter of 2015 saw Emirates Airline in April, via its SPV Khadrawy, auction its US$913.02 million Sukuk. The paper was guaranteed by Her Britannic Majesty's Secretary of State acting by the Export Credits Guarantee Department (currently operating as UK Export Finance). In the same month, Saudi Binladin Group marketed a 364-day Sukuk issue to local investors in the Kingdom raising up to SAR1 billion (US$266.26 million), to fund the King Abdulaziz International Airport project.

In June, Kuwait Airways secured an Airbus A330-200 aircraft under a Shariah compliant leasing deal facilitated by Warba Bank. The aircraft is part of an inaugural transaction for International Airfinance Corporation (the fund manager of the US$5 billion Aircraft Leasing Islamic Fund) of five of the same aircraft to be leased to the airlines. The next month, Saudi Arabia's flagship airline carrier, Saudia, expanded its fleet by Shariah compliant financial means through its largest aircraft leasing deal. Arranged by Dubai's Quantum Investment Bank and Palma Capital, the transaction sees the sale of 30 Airbus A320-200 and 20 A330-300 aircraft by the French manufacturer to Alif Fund, an Islamic aircraft leasing fund of which Airbus and the IDB are anchor investors and strategic partners.

Outlook

According to separate data from the International Air Transport Association and Boeing Capital (which provided similar findings), the industry will grow by approximately 7.3% overall in terms of capacity added but 15.6% in the Middle East region. Active in both banking and capital markets, Islamic financing across the aviation industry is set to see a spike in transactions. The World Takaful Conference 2014 has also highlighted that the idea of Takaful or re-Takaful companies coming together to provide the capacity for large projects in areas such as marine and aviation is seen as an inevitability for the market.

With the financing parameters and asset value characteristics of commercial aircraft marine logistics well suited to Shariah principles, there is no doubt that the market will see a healthy pipeline.

Turkey's largest lira Sukuk: Kuveyt Turk

Kuveyt Turk Participation Bank on the 30th June auctioned the country's largest lira Sukuk to date through a public offering. The bank raised TRY160 million (US$55.52 million) from the 189-day lease certificate. Issued via Kira Sertifikaları Varlık Kiralama, the Sukuk is the biggest local currency offering by the private sector in the domestic market, topping its previous offering of TRY150 million (US$52.05 million). Speaking to Kuveyt Turk, NABILAH ANNUAR provides a detailed account of the transaction.

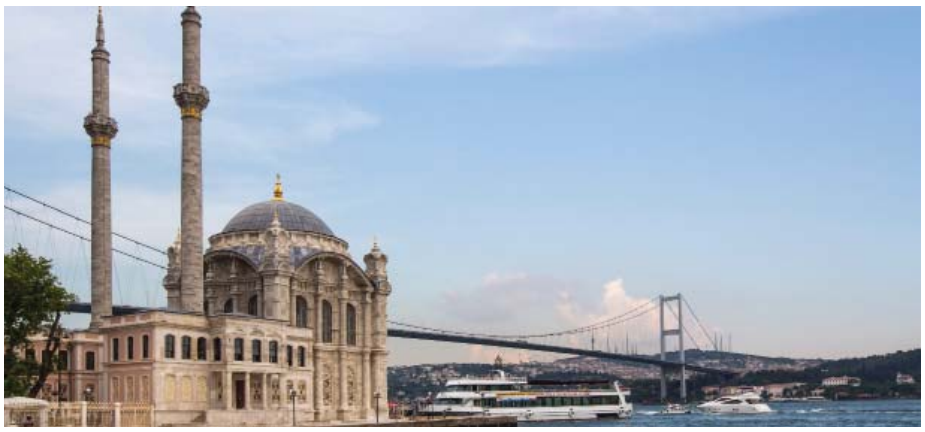
> ***"The issuance was realized at post-election and despite the politically unstable environment, the deal was closed very successfully"***

Employing a hybrid structure, the Sukuk incorporates the Wakalah and Murabahah principles. According to the bank, a number of structures could be used in this transaction but the hybrid structure was selected to provide additional flexibility in dealing with the underlying assets. The bank aimed to allocate the funds raised under the program with favorable conditions and costs in financing the short-term requirements of its corporate, commercial as well as small and medium enterprise clients.

Commenting on the challenges faced during the transaction, the bank said: "The issuance was realized at post-election and despite the politically unstable environment, the deal was closed very successfully." Issued locally in a public offering format, the Sukuk was sold to domestic institutional (45.88%) and individual (54.12%) investors. "It was a domestic issue and the first public offering of 2015. This deal is the largest ever amount (to date) in Turkish lira on an interest-free basis as realized in Turkey by a Turkish issuer," explained the bank, highlighting the importance of this transaction to the global Islamic finance landscape.

This deal is part of a TRY1 billion (US$347 million) Sukuk program in Turkey and was the first tranche of the new program of 2015. Due to its high credibility, the bank elucidated that it was not obligated by Turkish law to procure a rating for the issuance. Kuveyt Turk completed several international Sukuk issuances including a three-year US$100 million issuance in 2010 and five-year issuances of US$350 million in 2011 and US$500 million in 2014 respectively. The bank tapped the Malaysian market with an RM800 million (US$195.4 million) issuance this year, under its RM2 billion (US$488.5 million) Sukuk Wakalah program.

Pioneering the Sukuk market in Turkey by selling the first-ever lease certificates (as Sukuk is colloquially known) in 2010, the latest sale brings the aggregate value of Sukuk (both domestic and international) issued by Kuveyt Turk to approximately TRY4.2 billion (US$1.56 billion).



Public offering

TRY160 million (US$55.52 million)

30th June 2015

Issuer	KT Kira Sertifikaları Varlık Kiralama
Obligor	Kuveyt Türk Katılım Bankası
Size of issue	TRY160 million (US$55.52 million)
Mode of issue	Public offering
Purpose	To allocate the funds to short-term requirements of its corporate, commercial as well as small and medium enterprise clients
Tenor	189 days
Issuance price	100
Profit rate	10.63% (per annum)
Payment	Once with principal at maturity
Currency	Turkish lira
Maturity date	5th January 2016
Lead managers and bookrunners	Halk Invest, BMD Securities
Principal advisor	Halk Invest
Governing law	Capital Markets Board of Turkey
Legal advisor	Mutlu Avukatlık Ortaklığı
Listing	Borsa Istanbul
Underlying assets	Ijarah assets, Murabahah, tangible investment Sukuk
Shariah advisor	Shariah Board of Kuveyt Türk Katılım Bankası
Structure	Hybrid (Wakalah and Murabahah Sukuk)
Tradability	Tradable Sukuk
Investor breakdown	45.88% of institutional investors and 54.12% of individual investors

Saudi CMA passes new regulations for privately placed real estate funds

SAUDI ARABIA

By Nabil A Issa

Most Saudi Arabian Capital Market Authority (CMA) funds are Shariah compliant and the overwhelming majority of those funds focus on real estate acquisitions or developments. The CMA recently issued a resolution dated 11/10/1436H, corresponding to the 27th July 2015, which sets out the revised requirements of offering of units of real estate investment funds in a private placement.

> ***"The custodian of a CMA real estate fund must be independent of the fund manager. In turn the custodian must take steps to segregate the assets of the fund from any of its assets"***

This is exciting news for the Shariah compliant funds community in Saudi Arabia as an informal moratorium was placed on private real estate funds since late March 2015. The CMA has already begun the process of approving new privately placed real estate funds. It is expected that there will be a surge in the number of Shariah compliant real estate funds that shall be offered through the end of 2015.

One of the biggest changes is that the CMA has made it clear that the custodian of a CMA real estate fund must be independent of the fund manager. In turn the custodian must take steps to segregate the assets of the fund from any of its assets. The regulations provide comfort to investors in the fund by clarifying that creditors against a fund manager or a custodian have no right to the assets of the concerned fund.

The new regulations also endeavor to improve the governance of CMA real estate funds by requiring that a third of the fund board consists of independent members with no fewer than two independent members and limit the ability of related parties to buy or sell units after the subscription period. The new regulations also clarify that the fund board is to act in the best interests of investors of the fund and outline some guidelines for the fund board.

Furthermore, there is a requirement for regular valuations by at least two evaluators of assets and a requirement for clarity on all fees charged to investors. The private placement memorandum of the fund must include a provision stating that the approval of the unitholders owning more than 75% of the total units shall be required for the following changes: (i) change of the fund objectives or nature or period, (ii) change in factors affecting the riskiness of the fund, (iii) changes that would substantially increase the total payments from fund assets, and (iv) changes adversely impacting the rights of unitholders in the fund.

The improved governance measures are expected to be welcomed by the Shariah compliant investment community.

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Displaced commercial risk: The case for restricted investment accounts

RISK MANAGEMENT

By Dr Ken Baldwin

Displaced commercial risk (DCR) relates to the absorption of excess risk by Islamic bank shareholders in respect of assets funded by profit-sharing investment accounts (PSIAs). Contractually, all of the risk of assets funded by PSIAs should vest with PSIA holders. However, either due to regulatory or commercial pressure or both, bank shareholders assume some of this risk and subsidize PSIA returns so as to match them to conventional deposit benchmarks.

> ***"DCR should be better managed and should invite more creative solutions to mitigate its effects"***

This practice begs a natural question. Rather than provide PSIA holders with participation opportunities in the same asset pool as bank shareholders, would it not be more efficient — given divergent risk appetites and capacity to absorb risk — to define a different sub-portfolio of total assets in which the PSIA holders would invest? For example, an asset mix with a risk-return profile more closely matching PSIA investor risk appetite.

After all, DCR is a consequence — at its root cause — of divergent risk appetites between bank shareholders and PSIA holders, for if it were not, then PSIA holders would accept the same risk of lower returns as shareholders, with no need for return subsidies.

This idea is no different to that of restricted Mudarabah accounts in which PSIA holders select assets to which they seek exposure. In practical terms, this arrangement could be formalized by bank relationship managers detailing the investible wealth of PSIA holders and asset exposures they seek.

However, this activity is one of wealth management. And because it involves significant investment in time and effort on the part of banks to execute effectively, it directs this product offering to higher net-worths, leaving lower net-worths excluded and only able to access unrestricted PSIAs with all its problems.

However, in terms of scale, it has the potential to change the game. Structuring PSIAs to match risk appetites, even if only for higher net-worths, would reduce the extent to which Islamic banks are exposed to DCR, and therefore, resulting in the longer term viability and sustainability of this account structure. And given the individual account sizes of high net-worths typically far exceed that of low net-worths, even if they are counted fewer in number, they could conceivably be higher in aggregate volume.

So why is this approach not more extensively followed? Possible reasons include complexity — perhaps Islamic banks find it easier to manage DCR than to bifurcate PSIA holders and offer more individualized restricted account structures. Perhaps some Islamic banks divert this activity to their wealth management arms away from retail banking operations given a better fit within the former.

However, what seems to be the case is that Islamic banks and standard setters may be assuming DCR is unavoidable. DCR should be better managed and should invite more creative solutions to mitigate its effects.

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An update of global Islamic syndications

SYNDICATED FINANCE

By Damir Galiev

According to Bloomberg, the market for public Islamic syndications for the first seven months of 2015 made approximately US$15.8 billion, corresponding to an increase of more than 50% year-on-year. The absolute leader among the countries is Saudi Arabia (42%), with the UAE (36%) running a close second, and Malaysia rounding off the top three with 10%.

Saudi Arabian Oil Co raised US$2.99 billion in total and formed the largest share of public transactions making 18.9% for the period under review from January to July 2015. The deals were settled on the 26th March, and the weighted average duration was 3.3.

Industry breakdown showed mining (22%) heading the list, followed by construction (11%) and transport and logistics (7%). Other branches are tightly dispersed by market share. Thus, the fourth position with 5-6% of the market is shared among banks, financial services and consulting, consumer services, education and processing.

The syndicated Islamic loan average life is 6.85 years (as of the beginning of August). The duration of transactions tied to LIBOR did not exceed 4.5 years with an average margin of 130bps (from the minimum of 90bps to 145bps) for companies with comparable issuer quality. The first half of the year demonstrated a demand for 'long money' from time to time with the duration of the deals worth more than US$3.4 billion (22% of the market) exceeding 11 years.

Among the deal arrangers, the top spot was taken by Dubai Islamic Bank (11.2% of the market share), second was shared by three financial institutions: Alinma Bank, National Commercial Bank and Riyad Bank with an equal share of 10.4% each. Third place went to Noor Bank with 9.89%.

July 2015 was notable for two large public transactions by GEMS Education and Shuaa Energy 1. The first company, operating in the education sector, announced three transactions totaling more than US$816 million with a duration of 6.67 years. The second company is in the renewable energy industry and raised US$124 million for 25 years. Both are located in Saudi Arabia.

A quick view of the seven months also gives an idea of the development of the industry. There was an increasing number of deals with increasing volumes, with new economic sectors being involved. Also, considering the total volume of transactions for previous half-years, it can be assumed that with the remaining tendencies, in the second half of 2015 the public offerings will exceed US$16 billion.

The Islamic loans market, being part of the global debt capital markets, is expected to be impacted by the Federal Reserve in terms of the key rate. A rise in the value of money will apparently have an effect on the Islamic loans market growth rate. However, recent intentional (by the regulator) renminbi devaluation may introduce certain adjustments to the Federal Reserve plans. Significant market capacity may remain as the growth driver in the long term.

Damir Galiev is the portfolio manager at AK BARS Bank. He can be contacted at damir.galiev@akbars.ru.

Pakistan takes a step back

CAPITAL MARKETS

By Suhail Ahmad

The federal government of Pakistan unexpectedly reversed the capital market reforms that had been introduced to break the monopoly of stockbrokers and make it easier for new entrants.

In what appears to be an attempt to protect the interest of influential and large brokers, the Ministry of Finance has proposed amendments to the Corporatization, Demutualization and Integration of Stock Exchanges Act 2012 and extended the deadline for enactment from December of this year to the end of 2017.

This proposal is not supported or endorsed by the Securities and Exchange Commission of Pakistan (SECP) as the SECP chairman Zafar Hijazi and the Securities Division commissioner were of the view that there was no need to extend the deadline beyond 2015. "The purpose of issuing new TRE certificates is to open avenues for the new players," stated Zafar.

The SECP has been proactive in pushing for greater participation in the financial markets and support for the non-banking sector to get involved in developing the capital markets in Pakistan.

Zafar is an ardent proponent of Islamic finance and in less than a year since becoming the chairman of the regulator, he has introduced sweeping reforms including a new streamlined Shariah board, the creation of a dedicated Islamic finance department, and the development of an Islamic capital markets roadmap.

The interference by the Ministry of Finance may also hinder the SECP's drive to get Pakistan re-categorized as an 'emerging market' from its current status as a 'frontier market' by the MSCI. The country was downgraded by the MSCI from emerging to frontier status in 2008 when, in response to the market collapse, the SECP shut down the Karachi Stock Exchange for nearly three months.

Despite being one of the world's largest Muslim nations, Pakistan's Islamic banking assets only command 10.4% of the total market share and Shariah mutual funds account for only 5% of the total mutual fund industry, according to official figures.

Suhail Ahmad is CEO of Hikmah Capital Corp. He can be contacted at suhail.ahmad@hikmahcapital.com.

Ijarah companies can still thrive by focusing on their product base

LEASING

By Youssef Aboul-Naja

A common misconception in the leasing industry is that banks are their primary rivals. This mistaken belief permeates most companies, irrespective of the mode they offer; including the ones extending Ijarah services. What this results in is leasing companies engaging in endless losing battles of 'price wars', as banks will always have access to cheaper funds.

That being said, leasing companies do not exist in their own universe; banks are present in their operational space. But once leasing companies really understand their clients' needs, along with the attributes of their products, it becomes clearer that banks are not their direct competitors. In order to appreciate this view, leasing companies must embody the notion that: "The customer's perspective is your reality" (Kate Zabriskie).

So what do customers want when they seek a leasing company? The tip-of-the-tongue answer is 'financing', which happens to be what banks also offer, thus resulting in the aforementioned confusion. Although, if one digs deeper, the right question to ask is: Why do individuals seek financing from leasing companies, knowing that banks would offer them lower rates? To answer this, we must look at the features that characterize the leasing industry. A leasing company (and its accompanying instrument(s)) usually extend the following benefits:

- Higher likelihood of approval, as leasing companies are less risk-averse compared to banks.
- Faster processing time, given the complexity of the product. Accordingly, leasing tends to appeal to time-sensitive clients, such as the construction industry.
- Fewer documentation requirements compared to government grants or bank loans. This works in favor of SMEs, as the task of satisfying financial institutions with the required documentation can be burdensome and time-consuming.
- No collateral needed since the underlying asset serves as the collateral for the transaction. This again works in favor of SMEs and start-ups, as their asset base tends to be limited.

> ***"Although banks may offer lower rates and a wider range of products, leasing companies can still thrive by focusing on their product base"***

- Higher flexibility in terms of structuring transactions. It follows that it is easier to cater to key clients' requirements, considering that special approvals are simpler to attain; leasing companies are usually privately held entities with only a handful of shareholders. Additionally, in many developing countries, leasing is still not regulated by the central bank. This provides management with further flexibility in their ongoing affairs.
- Leaner balance sheet and lower taxes in the case of the operating lease. According to the International Financial Reporting Standards, International Accounting Standards (IAS) #17 states that: "Assets held for operating leases should be presented in the balance sheet of the lessor [financing entity]".

  Subsequently, "lease payments should be recognized as an expense in the income statement" of the lessee (the customer). This feature also extends to Ijarah and Ijarah Muntahia Bittamleek, since according to AAOIFI, Financial Accounting Standard No. 9 states that both modes are treated similar to an operating lease; when the lessee happens to be in one of jurisdictions that follow AAOIFI, namely: Dubai, Indonesia, Pakistan, South Africa and Syria.

To that respect, when we start enumerating the features of leasing, a stark difference emerges compared to that of banking instruments. An example can be seen in a case from the technology industry. Apple products, when compared to their rivals, always seem to be offering a subset of the available features at the time. Yet, part of what sets their products apart, is that they deliver unparalleled user experience. What this creates for Apple is a niche customer base.

This scenario should exemplify the aspiration of the leasing industry as a whole. Although banks may offer lower rates and a wider range of products, leasing companies can still thrive by focusing on their product base. "Excellence is the unlimited ability to improve the quality of what you have to offer" (Rick Pitino).

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Islamic ETFs: A right fit for Shariah investing

Islamic or Shariah compliant exchange-traded funds (ETFs) have been around for almost a decade globally, yet the size and number of funds issued pale in comparison to the phenomenal growth of ETFs as a whole. To date, there are only 16 Shariah equity ETFs issued worldwide with total assets under management of around US$355 million compared to the overall ETFs which have recently touched US$3 trillion, growing from only US$70 billion in 2000. Identifying the issues and pointing out the demand and supply of Islamic ETFs is an intertwined issue. For ETF issuers, the lack of interest from market participants may hold them back from issuing new funds, whereas for investors the limited product range and perceived liquidity are among the key deterrents to investing in Islamic ETFs. MAHDZIR OTHMAN aims to provide insight into some of the contemporary issues among retail and institutional investors and illustrate the benefits of Islamic ETFs as an alternative investment tool.

ISLAMIC ETF

By Mahdzir Othman

Revisiting Islamic ETFs

ETF is a combination of a unit trust and a stock. Typically, an index tracker fund, it is an open-ended collective investment scheme but is listed on the stock exchange just like an individual stock. An ETF tracks a benchmark index and that means the fund mimics the underlying holdings of a benchmark index thus following its movement. The benefits of investing in an ETF include high transparency, tradability and liquidity, diversification, precise market exposure and most importantly, its low total expense ratio for investors.

Islamic or Shariah compliant ETFs are structured in a similar way to any other physically-backed ETFs that exist within the conventional space. The only difference is the underlying assets which are Shariah compliant securities as approved by the Shariah advisors of the fund, the benchmark index and the manager. For Shariah compliant ETFs, synthetic securities or derivatives are not allowed to replicate the fund against the benchmark index as compared to conventional ETFs. An important advantage of Shariah ETFs is that they provide investors with convenience and access to the transparent methodologies from leading global index providers in terms of investment process and Shariah filtering and monitoring. Index methodologies established by the index providers are based on rigorous research and proven to reflect specific exposures that the indices are supposed to present. The extent of research would require large resources and is costly for investors to undertake.

As mentioned earlier, there are currently only 16 Shariah compliant ETFs listed globally with total assets under management of around US$355 million (see Table 1). This figure is still a meager number in comparison to the conventional ETFs which totaled around US$2.95 trillion. At the moment, the Islamic ETFs available are equity-based funds that provide exposure for investors to various markets.

Table 1: Total assets of Shariah equity ETFs issued worldwide

No.	Name	Manager	Underlying assets	Listed	Total asset US$ (M)
1	Ishare MSCI World Islamic	BlackRock	Global Equities	Dec 2007	96.11
2	MyETF Dow Jones Islamic Titans 25	*i*-VCAP	Malaysia Equities	Jan 2008	72.73
3	Premier ETF Syariah JII	Indo Premier	Indonesia Equities	Apr 2003	43.22
4	Ishares MSCI USA Islamic	BlackRock	US Equities	Dec 2007	39.64
5	EasyETF DowJones Islamic Market Titans 100	BNP Paribas	Global Equities	Jan 2007	30.3
6	DBX Dow Jones Islamic Market Titans	Deutsche Asset	Global Equities	Jan 2008	23.55
7	Ishares MSCI Emerging Markets Islamic	BlackRock	Emerging Markets Equities	Dec 2007	20.6
8	Falcom Saudi Equity	Falcom	Saudi Equities	Mar 2010	7.97
9	MyETF MSCI SEA Islamic Dividend	*i*-VCAP	Southeast Asia Equities	May 2015	5.77
10	MyETF MSCI Malaysia Islamic Dividend	*i*-VCAP	Malaysia Equities	Mar 2014	5.72
11	Falcom Petrochemical ETF	Falcom	Saudi Equities	June 2010	3.79
12	HSBC Amanah Saudi 20 ETF	HSBC	Saudi Equities	Nov 2011	2.71
13	Newfunds Shariah Top 40 ETF	Absa Capital	Africa Equities	Apr 2009	2.57
14	Falah Russell-Ideal Ratings US	Falah Capital	US Equities	Oct 2014	1.3
15	Dow Jones Islamic Market Turkey	Bizim Menkul Degerler	Turkey Equities	Feb 2006	0.72
16	Goldman Shariah ETF Bees	Goldman Sachs	India Equities	Mar 2009	0.33
				Total	357.03

Information as at the 28th July 2015
Source: Bloomberg

Continued

Value propositions for Islamic ETFs

An ETF is a relatively safer investment in comparison to investing in the market directly. As the markets have different volatility levels, there are various ETFs with different underlying assets that can be used to take advantage of the different stages of market cycles.

For Shariah ETFs, investors have the advantage of a lower risk to their investment. The financial ratios used to filter for Shariah compliant stocks look at the level of debt, interest-bearing securities and account receivables against the value of shareholders' equity or total assets of the company. This is akin to quality filters adopted by market practitioners, way before the idea of Shariah investing emerged in the capital market. Hence, the investible universe will by default consist of stocks that are strong in fundamentals with a low debt-to-equity ratio, a natural avoidance of riskier assets especially during bear market periods. Given the low risk and ethical investment profile, most Shariah ETFs tend to perform favorably over the long term when compared to their conventional counterparts of a similar underlying type or theme.

Another relatively low-risk feature of a Shariah ETF is the fact that it allows only physical assets to back the fund. Hence, investors are not exposed to counter-party and funding liquidity risks which are the by-products of derivatives or swap-based ETFs.

Apart from the cost efficiency and lower risk elements, investors can also enjoy a more transparent Shariah investment through ETFs as the daily closing net asset value (NAV), indicative optimized portfolio value and the underlying Shariah compliant securities are published to the public on a daily basis.

Application of Islamic ETFs

Islamic ETFs can be used by all investors but the most likely would be those that have to comply with the Shariah mandate. These may include Takaful funds, Shariah sovereign funds, Shariah pension funds and Shariah wealth planners. Islamic ETFs can also be considered as a form of savings for retail investors as its low cost, low risk and diversification provide an excellent investment product over the long term. For fund managers, they can use ETFs as a tactical asset allocation tool. Fund managers who wish to have positions in markets that are rather difficult to access directly may buy into the relevant ETFs to gain exposure to such investments. While they expect the Islamic ETF to perform positively, detailed research can be conducted on specific securities within that sector or region. Once identified, they can then switch out of the Islamic ETF and into the Shariah compliant securities. On the other hand, if they are indifferent to security selection, they may utilize ETFs to gain exposure to a particular country or region which they expect to perform as a group without any preference for specific securities.

Strategically, ETFs in general also serve as an excellent investment tool in allowing a blend of active and passive management. There are a number of investment strategies that can be utilized for ETF investment for both institutional and individual investors such as core satellite, cash equitization and dollar cost averaging. Various core-satellite combinations can be generated to cater to strategic and tactical asset allocation objectives, depending on the asset-liability profile of an investor. For instance, dividend-based equity Islamic ETFs can be positioned as the core portfolios alongside Sukuk instruments for the purpose of meeting fixed liabilities, while sector-based or country-specific Islamic ETFs could be used as the active satellite portfolios for potential alphas. Another simple illustration is by holding a Global Shariah Equity ETF as the core investment while adding Shariah compliant securities of the US, the UK and Japan to overweight the portfolio in those countries (see Diagram 1).

Diagram 1: Example 1 of the core satellite investment strategy

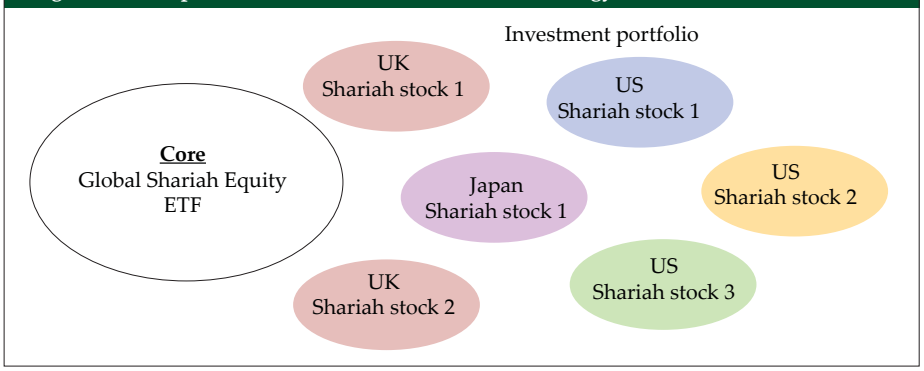
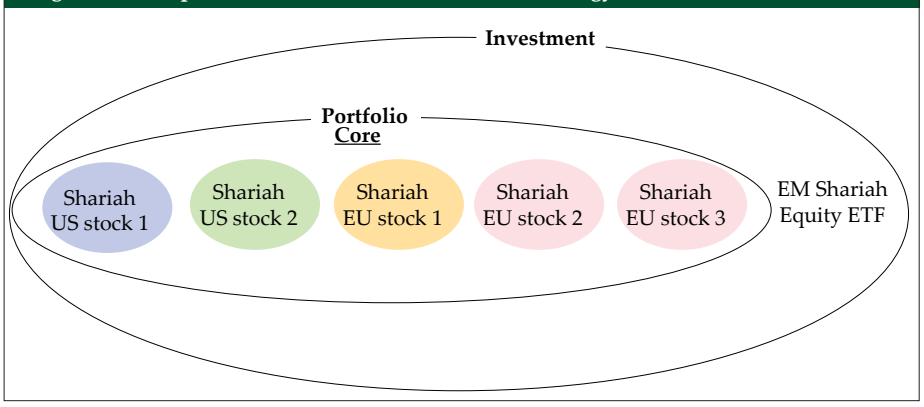


Diagram 2: Example 2 of the core satellite investment strategy



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To read the rest of this article, please log on to www.islamicfinancenews.com

Islamic finance in Russia: Recent developments

Western markets are effectively closed for most Russian companies because of the European and American sanctions imposed due to the Ukrainian crisis, so the Russian government and Russian companies have been actively exploring alternative methods of accessing financing. GRIGORY MARINICHEV and ALEXEY CHERTOV provide an overview of recent developments in the Russian Islamic finance space.


RUSSIA

By Grigory Marinichev & Alexey Chertov

The Islamic finance market is considered by Russian financial institutions as one of the most attractive options to obtain finance, both locally and globally, largely for the following reasons:

- The global Islamic finance market is reportedly growing at nearly 20% yearly, and according to the IMF's calculations, by 2020 the global volume of the Islamic finance market is expected to reach US$6.1 trillion.
- According to the official census, Russia's Muslim population exceeds 15 million, which evidences the high potential for the development of the internal Islamic finance market in Russia.

> ***"The development of an Islamic finance market could have the potential to develop the Russian economy, by increasing investments from both local and international Islamic and other investors"***

The Russian Islamic finance market

Admittedly, the Russian Islamic finance market is still in its infancy. In the absence of a regulatory framework and clear political support, the Russian Islamic finance market comprises the activity of a very limited number of investment companies and Shariah compliant transactions undertaken by regional banks and other companies (mostly in Tatarstan and Bashkortostan, the regions of Russia with the highest Muslim populations).

Highlights from the Russian Islamic finance market include:

- Murabahah facilities of US$100 million (2013) and US$60 million (2011) received by AK BARS Bank for Shariah compliant assets and investment projects in the Republic of Tatarstan. The US$100 million facility was arranged by Citi, Commerzbank Aktiengesellschaft and Emirates NBD Capital.
- The issuance of Islamic insurance policies by the Information Insurance Company Euro-Policy.
- The provision of Shariah compliant financial services to Russian customers by IBA–Moscow, the Russian unit of the International Bank of Azerbaijan and Asia Bank (Moscow).
- Shariah compliant investment services being rendered by Amal Financial House, Tatarstan International Investment Company, Open Mutual Investment Fund BKS – Halal Fund (Kazan) and LaRiba Finance.
- The signing in July 2015 of a memorandum of cooperation for Islamic finance services in Tatarstan between Sberbank of Russia and the Republic of Tatarstan.

These examples clearly indicate a solid foundation for the development of the Islamic finance market in Russia.

Draft law

In March 2015, a draft law to amend Russian law No. 395-1 'On Banks and Banking Activities' dated the 2nd December 1990 (the Banking Law) was introduced to the Russian State Duma. The proposed amendments were aimed at allowing banks to carry out trade operations which are fundamental to Islamic financing that are not currently possible under the Banking Law. However, the State Duma rejected the draft law, following which a working group was created to prepare a revised draft of changes to the Banking Law to permit the functioning of Islamic finance in Russia.

Although this legislative initiative is a positive step towards developing the Islamic finance market, there are complex issues involved and a comprehensive reform of the Russian finance system is required for the proper development of the Islamic finance market. The following major obstacles will have to be resolved by this reform.

Excessive tax burden

- Unlike a conventional bank, Islamic financial institutions are entering into transactions with real assets rather than with funds. Under Russian law, transactions with assets are usually subject to VAT (18%).
- In an Islamic trade finance (Murabahah) transaction, a financial institution purchases assets and sells them to a client (borrower) with a margin, subject to deferred installment payments. In this situation, Russian law would require the seller to pay income tax on the margin, as soon as the transaction is made, regardless of when the margin is ultimately received by the seller (and regardless of whether the margin will in fact be received). On the contrary, under Russian law, conventional banks are only required to pay income tax upon the actual receipt of income (being the interest on the loan).

Continued

- Bank depositors have to pay tax on the interest income only when the interest rate exceeds 18.5%, while investors in Islamic (and any other) investment companies have to pay income tax on any income.

- Many Russian companies which provide Islamic finance services function through several legal entities: an investment company, such as a limited partnership, which can attract and use investments with fewer restrictions than conventional banks; a bank or a branch of a bank, which provides payment and cash services; and a separate trade or leasing company. The use of these structures creates various administrative and tax issues. For instance, income tax may be payable by one company even if the group of companies as a whole is not profitable.

The excessive tax burden on these transactions, which are typical in the Islamic finance market, increases the cost of funding provided by Islamic finance companies, and makes these structures less attractive compared to standard banks. The development of the Islamic finance market would require Islamic finance operations to be given similar tax treatment to standard banking operations.

Banking law and regulatory issues

- The key feature of Islamic finance funds is that income and risk are shared by the finance institution and its investors (depositors). Because of this, Islamic finance institutions are not in a position to guarantee the return of the principal amount of investments. However, the Banking Law requires that the principal amount of a bank's deposit should be returned to an individual depositor in any event (subject to Russian insolvency laws).

- Russian law provides that the payment of interest is an essential element of loan and deposit transactions. This conflicts with one of the fundamental principles of Islamic finance, being the prohibition of interest payments (Riba).

- Because Islamic finance institutions are dealing with real assets, these assets must be shown on their balance sheets. The Bank of Russia regards these assets to be non-core assets, which in turn negatively affects a bank's own capital requirements and creates regulatory risks.

To promote the development of the Islamic finance market, the current regulatory framework would need to be substantially amended to exempt Islamic finance institutions from the aforementioned restrictions.

Conclusion

In the current political and economic environment in Russia, the development of an Islamic finance market could have the potential to develop the Russian economy, by increasing investments from both local and international Islamic and other investors.

However, a comprehensive reform of Russian banking, civil, tax and other laws and regulations would be required in order to remove the existing legal barriers to the development of the Islamic finance market.

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BLME market commentary

Recent research by Fitch Ratings has shown that despite a slow first half to 2015 in both the Sukuk and bond markets, the market share of Islamic finance continues to grow at a faster rate than seen in several years.

This growth is important and demonstrates that both corporates and financial institutions are turning to the local loan market for funding via Islamic finance.

> *"The slowdown has been caused by the volatility in global markets due to the anticipated hike in US rates, the weakening price of oil and the Greek bailout negotiations"*

Market volatility

Despite this growth there has been a decline in Sukuk issuance, but this is in the context of a slowdown in bond issuance out of the Middle East and wider emerging markets. The slowdown has been caused by the volatility in global markets due to the anticipated hike in US rates, the weakening price of oil and the Greek bailout negotiations.

Indeed, we had seen an increase in volatility in our funds over the year-end due to the selloff in global markets in December. However, to manage this we have run down our funds' duration throughout 2015 to manage our exposure to a likely interest rate hike in the US and this has resulted in a declining trend in the volatility of our funds.

China

China's devaluation of the yuan this week roiled global markets as the move would weaken demand for foreign goods, causing commodities to sell off and dampening the outlook for inflation further. This has caused US government yields to decline as Fed fund futures imply a lower probability of a September rate hike. However, Federal Reserve members who have spoken in public since the move from China remain fairly hawkish and reiterated their stance of monitoring economic data.

The downward pressure on yields has widened spreads and brought back some value to the Sukuk market. Lower benchmark yields may also ease funding pressures of upcoming Sukuk issuers should credit spreads not widen considerably from current levels.

Government responses to the lower oil price

Oil-exporting countries have begun to take steps in adjusting to the lower price of oil as the Iran deal may bring about a prolonged bout of weakness. To that end, the UAE has decided to remove fuel subsidies in a bid to improve the government budget as it becomes strained. In a similar move, Kuwait had attempted to remove diesel subsidies in January but public pressure stalled the move. However, Kuwait may tap the Sukuk market instead to finance a stretched budget.

Outlook

BLME expects issuance to pick up in the second half of the year as sovereigns look to finance their budget deficits. To that end, several governments in the MENA region are developing their regulatory framework in order to issue Sukuk. We have already seen the Saudi government borrowing in the local bond market a few times this year and Arab National Bank receiving regulatory approval to raise SAR2 billion (US$532.97 million) of Tier 2 capital via a private placement Sukuk. We would welcome more Sukuk issuance in the hard currency public markets.

DEALS

Almarai confirms new Sukuk program

SAUDI ARABIA: Dairy company Almarai was due to conduct Sukuk roadshows last week for its planned riyal-denominated senior Sukuk worth up to SAR2 billion (US$532.88 million). The company confirmed in a bourse filing that the private Sukuk offering is part of its SAR21 billion (US$5.6 billion) capital investment program. HSBC Saudi Arabia and Samba Capital & Investment Management Company have been mandated as joint lead managers.

Indonesia auctions Sukuk

INDONESIA: In a statement on the Ministry of Finance's website, the government of Indonesia was due to hold the auction of its sovereign Shariah securities project-based Sukuk series PBS006 (reopening), PBS008 (reopening) and PBS009 (reopening), and Islamic treasury bills series SPN-S 05022016 on the 25th August 2015. The indicative target is IDR2.5 trillion (US$179.25 million).

NCB to sell perpetual Sukuk

SAUDI ARABIA: The National Commercial Bank (NCB) will be selling a SAR2 billion (US$532.51 million) Sukuk as part of its plan to raise as much as SAR7 billion (US$1.86 billion) of capital before the end of 2015, according to Reuters. The Sukuk is structured with a perpetual tenor but with a clause in the documentation which allows the bank to redeem the Islamic bond after a certain date. The offer, which enhances the bank's Tier 1 (core) capital, is compliant with Basel III banking regulations and will be privately placed with one or more government-owned investment funds.

Nu Sentral disburses profit

MALAYSIA: Nu Sentral has announced on Bank Negara Malaysia's website that the semi-annual profit payment of its Islamic medium-term note program of up to RM600 million (US$146.17 million) in nominal value for the stock code VK110322 will be due and payable on the 26th August 2015.

Separately, the firm will also be making the semi-annual profit payment for the stock codes VJ130088, VI140034, VK120066, VJ120335 and VI130239 under its Islamic medium-term note program of up to RM600 million (US$142.5 million) in nominal value on the 28th August 2015.

Turkey issues lira Sukuk

TURKEY: The Turkish Treasury on the 18th August issued TRY1.59 billion (US$540.83 million) in Sukuk. According to an official statement, the lease certificate will mature on the 16th August 2017.

IILM reissues

MALAYSIA: The International Islamic Liquidity Management Corporation (IILM) on the 20th August reissued US$990 million in Sukuk via two different tranches: a US$490 million three-month facility priced at 0.63% profit rate and US$500 million six-month paper priced at 0.93% profit rate, according to a press release.

Axiata plans loan restructuring

MALAYSIA: Axiata Group is planning to turn its US$590 million loan taken by its Indonesian unit into local currency-denominated partial Sukuk, according to The Star Online. The move would help the group manage its foreign exchange exposure, as volatility in the currency market rises, its chief financial officer Chari TVT said at a press conference.

CBB's Sukuk oversubscribed

BAHRAIN: The Central Bank of Bahrain (CBB) confirmed in a statement that the monthly issue of the Sukuk Al-Salam for the BHD43 million (US$113.02 million) issue, which carries a maturity of 91 days, has been oversubscribed by 155%. The expected return on the Islamic securities, which begins on the 26th August 2015 and matures on the 25th November 2015, is 1.35%.

DHTI announces early redemption

MALAYSIA: DHTI Capital (DHTI) has, according to an announcement on Bank Negara Malaysia's website, announced that it will make an early redemption for the RM10 million (US$2.35 million) junior Islamic medium-term note program on the 1st September 2015.

DEAL TRACKER Full Deal Tracker on page 32

EXPECTED DATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENT DATE
By 2017	KT Bank	EUR100 million	Sukuk	11th June 2015
Before end of 2015	National Commercial Bank	SAR2 billion	Sukuk	24th August 2015
TBA	TIME dotCom	up to RM1 billion	Sukuk	19th August 2015
TBA	Almarai	SAR2 billion	Sukuk	19th August 2015
2016	Government of South Africa	TBA	Sukuk	13th February 2015
TBA	Government of Niger	XOF150 billion	Sukuk	26th February 2015
Third quarter of 2015	Government of Tunisia	US$500 million	Sukuk	13th January 2015
2015	Al Baraka Turk Participation Bank	US$300 million	Sukuk	12th August 2015
2016	Al Baraka Bank (Egypt)	US$100 million	Sukuk	12th August 2015
2016	Jordan Islamic Bank	US$100 million	Sukuk	12th August 2015
2016	Al Baraka Bank (South Africa)	US$50 million	Sukuk	12th August 2015
Fourth quarter of 2015	Government of Ivory Coast	XOF300 billion	Sukuk	24th April 2015

AFRICA

FIB to participate in CBE's housing initiative

EGYPT: Faisal Islamic Bank of Egypt (FIB) was due to start the activation of a protocol signed with the Mortgage Finance Fund, which aims at financing low-income units with around EGP200 million (US$25.47 million), last week. According to Amwal Al Ghad, the bank plans to take part in the Central Bank of Egypt (CBE)'s new initiative to stimulate the mortgage sector and has obtained approval from the New Urban Communities Authority to finance low-income units according to Murabahah. In December 2014, CBE decided to double its mortgage initiative to EGP20 billion (US$2.54 billion) by 2015.

ASIA

OJK revives push for SOEs to go public

INDONESIA: Otoritas Jasa Keuangan (OJK) is reviving its push for state-owned enterprises (SOEs) and their subsidiaries to be listed on the Indonesia Stock Exchange as SOEs could benefit from broader funding sources, according to The Jakarta Post. Other advantages include improving the company's transparency and public image as well as enhancing the competitiveness and liquidity of the Indonesian capital market through issuance of shares or bonds (Sukuk or conventional).

Development of Waqf properties in India

INDIA: The government of prime minister Narendra Modi has accepted a long-pending demand of the Muslim community to protect and develop Waqf properties, according to dnaindia.com.

The minority affairs ministry has engaged Deloitte Consultants India to formulate plans for the development of Waqf properties all over India as institutional and commercial projects to make them profitable, with the goal of ploughing back profits to help the Muslim community.

STS to replace rating agency

MALAYSIA: Sunway Treasury Sukuk (STS) has, according to an announcement on Bank Negara Malaysia's website, proposed to replace RAM Rating Services with Malaysian Rating Corporation for its existing RM2 billion (US$485.38 million) Islamic commercial paper/ Islamic medium-term note program and is seeking to obtain the prior consent of Sukukholders for the replacement during the tenure of the Islamic facility. Based on the provisions as set out in the trust deed of the Sukuk program, STS requires the approval by way of an ordinary resolution.

ICCI urges Islamic banks to support SMEs

PAKISTAN: The president of the Islamabad Chamber of Commerce and Industry (ICCI), Muzzamil Hussain Sabri, has urged Islamic banks to focus on supporting the development of SMEs by creating better products and also enhancing branches as the insufficient branch network and lack of awareness in general masses were major hurdles in the growth of Islamic banking in Pakistan, according to Pakistan Today.

Muzzamil added that businessmen wanted to get rid of interest-based banking in starting new, and expanding existing, businesses.

GLOBAL

ISFIN and ARLC team up

GLOBAL: Islamic finance legal network ISFIN has teamed up with Abdul Rahman Law Corporation (ARLC), a boutique Singaporean law firm providing Islamic financial legal services, to welcome Islamic investment in the country, according to a statement.

Fitch updates its Sukuk rating criteria

GLOBAL: Fitch Ratings in its criteria report titled 'Rating Sukuk' has updated its Sukuk rating criteria but existing ratings will not be affected by the update. The report describes Fitch's approach to originator-backed (also called asset-based) Sukuk structures in which investors rely on obligor direct support features. Fitch's analysis is driven by the originator's rating, in addition to the clarity and strength of the contractual documentation binding the originator to the Sukuk. Without the necessary documentation, in line with Fitch criteria, Sukuk could be considered subordinated, or Fitch may choose not to rate the notes at all.

Fitch will monitor the evolution of Sukuk structures, particularly toward an increasing acceptance of originator-backed Sukuk, or toward an increased focus on asset-backed Sukuk with greater reliance on underlying assets and cash flows.

IFSB-BIBF to organize second IFEP series

GLOBAL: The IFSB and the Bahrain Institute of Banking and Finance (BIBF) will be organizing the second joint IFSB-BIBF Islamic Finance Executive Program (IFEP) series on the 5th-6th October 2015 in Manama, Bahrain. In a statement, the IFSB detailed that the program will focus on opportunities and challenges in driving Islamic capital markets (ICM) into the next phase of growth and development and also aims to promote an informed analysis and understanding of ICM through discussions of issues, prospects and challenges relating to ICM products and services.

IFSB to organize FIS workshops

GLOBAL: The IFSB will be organizing FIS workshops for banking, Takaful and the Islamic capital market sector in October and November 2015 in Kuala Lumpur, according to a press release. The workshops aim to enhance participants' understanding of the respective standards and guiding principles applicable to each sector, assist them in the practical application of the issues addressed in the particular standard through case studies, group exercises, and other interactive tools and also promote the sharing of experiences among regulators and market players on the implementation of the respective IFSB standards.

Dentons relocates to new premises in Abu Dhabi

GLOBAL: Global law firm Dentons & Co has relocated to new premises in Abu Dhabi as part of its ongoing commitment to strategic growth in the UAE, according to a statement. The firm is now located in Abu Dhabi Mall. In the Middle East region, the firm has offices in Egypt, Jordan, Lebanon, Oman, Qatar, Saudi Arabia and the UAE.

MIDDLE EAST

Mawarid Securities obtains NASDAQ Dubai membership

UAE: Mawarid Securities has become a trading member in NASDAQ Dubai and also obtained the individual clearing membership, which will enable the firm to connect its clients to various investment opportunities on the exchange, according to a press release. Mawarid Securities engages in the field of financial intermediation in the UAE and offers customers the opportunity to invest in Shariah compliant stocks listed on the Dubai Financial Market and the Abu Dhabi Securities Exchange.

DIAC offers Master's degree in Islamic finance

UAE: The Dubai International Academic City (DIAC) will be offering 54 new programs through its academic partners during the 2015/16 academic year. According to a statement, a significant inclusion in the list is The British University in Dubai's Master's degree in Islamic finance, following a direct response to the growing influence of Islamic finance in society. The program has been designed to help professionals gain the knowledge and skills needed to make a career move from conventional finance to Islamic finance.

GFH receives approval to acquire treasury shares

BAHRAIN: Gulf Finance House (GFH) has completed the formalities and received the regulatory approval for the acquisition of treasury shares, according to a press release. The bank, as per the approval, can execute the acquisition anytime within the next 90 days from the approval date. GFH will also consider the purchase depending on favorable market circumstances and conditions.

NBO opens Islamic branch in Salalah

OMAN: Muzn Islamic Banking, the Islamic banking window of the National Bank of Oman (NBO), has inaugurated its new branch in Salalah, according to Times of Oman. The new branch offers retail, corporate and institutional banking. The bank also aims to open more branches across the Sultanate.

NIG procures loan for debt refinancing

KUWAIT: National Industries Group (NIG) has taken out a three-year loan worth KWD105 million (US$347.4 million) to restructure its existing debts with several banks participating in the transaction including Shariah compliant Warba Bank which contributed KWD14 million (US$46.15 million), according to Reuters. Warba Bank expects to receive KWD1.5 million (US$4.94 million) in revenues and fees that will be reflected in its third quarter results.

AAOIFI invites nominations for its technical boards

BAHRAIN: AAOIFI will be splitting its Accounting and Auditing Standards Board into two new technical boards, namely AAOIFI Accounting Board, and AAOIFI Governance and Ethics Board, which will be responsible for its standards on accounting, auditing, ethics and governance. The AAOIFI Shariah Board will continue to oversee Shariah standards. In a statement, AAOIFI announced that it is seeking nominations for candidates to serve on the Shariah Board as well as the new technical boards, for a four-year term from 2016 to 2019, or until succeeding boards are appointed.

Emirates REIT sees opportunity in slow market

UAE: Shariah compliant real estate investment trust Emirates REIT has more than AED500 million (US$136.08 million) in funds for property acquisitions as the company takes advantage of the property market slowdown in Dubai.

According to The National, the company's loans to value ratio was 27% as at the end of June, which gives it room to borrow to fund acquisitions. Executive deputy chairman Sylvain Vieujot was quoted as saying that they are looking at something with a good cash flow that will help deliver better returns.

Alizz extends Islamic facility to Medco

OMAN: Alizz Islamic Bank has signed a strategic financial agreement with Medco (Oman), a subsidiary of Indonesian energy company Medco Energi Internasional (MedcoEnergi), with a focus on the exploration and production of oil and gas, according to Muscat Daily. The bank, which is the first to extend Islamic banking facilities to Medco, will provide MedcoEnergi a guarantee under the principle of Kafalah, favoring Petroleum Development Oman for the Karim Small Field project.

Warba Bank launches auto financing campaign

KUWAIT: Warba Bank, in partnership with Ford Motor Al Wazzan Company, has launched a 'pay in installments at the price of cash' campaign, an exclusive offer which provides customers who want to purchase from a select group of cars a chance to pay for the car in installments for up to three years at its original price along with free service for three years or 60,000 kilometers and full gold insurance for a year, according to a press release.

KIB closes debut syndicated facility

KUWAIT: Kuwait International Bank (KIB) secured a US$320 million syndicated Murabahah facility arranged by Bank ABC and Bank ABC Islamic in their capacity as initial mandated lead arrangers and coordinating banks.

The three-year facility was initially launched at US$100 million but expanded following great demand from 13 regional and international banks, according to a statement by KIB.

ASSET MANAGEMENT

LCP unveils Shariah compliant LCA III

UK: The London Central Portfolio (LCP) has announced the launch of its Shariah compliant 'super' fund, London Central Apartments III (LCA III), a publicly quoted company that invests in the mainstream private rented sector in Prime Central London offering investors shares in a seed portfolio of around 50 properties. The fund is targeting a GBP100 million (US$157.1 million) fund raise and is projecting returns in excess of 10% annually over a five-year period. LCA III is regulated by the Guernsey Financial Services Commission and is listed on the Channel Islands Securities Exchange, according to a press release.

RESULTS

Bank Nizwa

OMAN: Bank Nizwa announced a 46% growth in revenues for the second quarter of 2015 with assets rising to OMR300 million (US$776.06 million). In a press release, the Islamic bank confirmed that customer deposits over the period reached OMR136 million (US$351.81 million) while its financing portfolios stood at OMR205 million (US$530.31 million).

MBSB

MALAYSIA: As at the 30th June 2015, Malaysia Building Society (MBSB) recorded a growth in total assets of RM41 billion (US$10.01 billion), an 8.9% year-on-year increase. According to a press release, the non-bank lender achieved a pre-tax profit of RM129.3 million (US$31.58 million) for the second quarter ending June 2015, on the back of RM765.8 million (US$187.04 million) in revenue, which grew by 10.9% from the preceding quarter of 2015.

AMMB Holdings

MALAYSIA: AMMB Holdings reported a 7.3% year-on-year profit after taxation and Zakat from its Islamic banking business and double-digit growth in financing and deposits for the first quarter of 2015. The banking group said in a statement that excluding one-off divestment gains, it realized a 3.1% increase in profit after tax and non-controlling interests to RM339.5 million (US$82.39 million). For its life assurance and Family Takaful operations, the group registered a net loss of RM2.8 million (US$679,531) due to lower net premium and higher management expenses.

Emirates REIT

UAE: For the six-month period ending June 2015, Emirates REIT recorded a profit and total comprehensive income of US$35.11 million compared to US$34.15 million for the similar period last year. In a statement, the Shariah compliant real estate investment trust also observed an increase in total assets by 5.3% to US$625.87 million against US$594.15 million achieved as at the 31st December 2014.

KFH-Turkey

TURKEY: Kuwait Finance House — Turkey (KFH-Turkey) made a 17.5% increase in net profit in the first six months of 2015 to TRY206 million (US$70.5 million) against the corresponding period last year. Total assets rose 16.6% to TRY39.66 billion (US$13.57 billion) while shareholders' equity was up 5.6% to TRY3.19 billion (US$1.09 billion) in the first half, confirmed a press statement.

HabibMetro Bank

PAKISTAN: Habib Metropolitan Bank (HabibMetro Bank), which operates Islamic banking services Sirat, registered a profit before tax of PKR7.6 billion (US$73.45 million) in the six-month period ending June 2015, a year-on-year profitability boost of 147%. According to Pakistan's Daily Times, earnings per share augmented by 110% to PKR4.23 (4.09 US cents) as at the 30th June 2015 while total assets rose by 14.4% amounting to PKR454.7 billion (US$4.4 billion).

TAKAFUL

Al Falaah Takaful celebrates successful first year

SRI LANKA: In the first year of its operations, Al Falaah Takaful, the motor Takaful window operated by LOLC Insurance Company, has seen its customer base touching 5,000 and gross written contributions exceeding LKR125 million (US$910,707), according to a press release.

Egyptian Takaful eyes investment opportunity

EGYPT: The Egyptian Takaful Insurance Company is eyeing a capital contribution in an under-construction carbon black company in Alexandria. According to Amwal Al Ghad, the new company is set to be launched soon with a capital of EGP1 billion (US$127.7 million) and to be located in Borg El Arab.

Orient Takaful Insurance targets bigger investments

EGYPT: Orient Takaful Insurance Company-Egypt is looking to grow its investment portfolio to EGP405 million (US$51.58 million) by the end of the current fiscal year following a 39.4% increase in investments to EGP357.2 million (US$45.49 million) in the 2014-15 fiscal period against the previous year, reported Amwal Al Ghad quoting Mohamed Akef, the Takaful operator's deputy executive director of financial and administrative affairs.

EFU signs bancaTakaful contract with Askari

PAKISTAN: EFU Life Assurance (EFU) has entered into a bancaTakaful distribution agreement with Askari Bank, a commercial bank with an Islamic banking network, for EFU Life's window Family Takaful products under a dedicated brand 'Hemayah'. According to Pakistan Observer quoting Askari Bank's country head of Islamic banking services Fahd Sardar Khan, the bank is actively pursuing the growth of Shariah compliant banking in Pakistan under its new sponsors and management.

KCB and T'azur inks insurance services agreement

BAHRAIN: Shariah compliant Khaleeji Commercial Bank (KCB) has inked an agreement with T'azur Islamic Insurance Company (T'azur) to provide comprehensive and third-party insurance services for vehicles, property, travel and tourism including other personal insurance products at KCB's branch in Budaiya. CEO of KCB Khalil Al Meer confirmed in a statement that the bank is planning to expand this partnership into other branches in the future.

Manulife and Muamalat partner in bancassurance

INDONESIA: Manulife Indonesia (Manulife) and Bank Muamalat (Muamalat) have launched Zafirah Save Link, a unit-linked Shariah compliant life insurance product, which is the first bancassurance product launched under their brand 'Zafirah', according to a press release. The launch marks the beginning of a long-term strategic partnership between the two companies and both will continue to offer a wide range of bancassurance products subsequently, including simple Shariah life insurance products for the mass market, term life insurance, and Shariah mortgage life insurance.

MOVES

Bank Sohar

OMAN: Bank Sohar has appointed **Salim Khamis Al Maskari** as the head of its Islamic banking window, Sohar Islamic, according to Times of Oman. Prior to assuming the new role, Salim was the senior assistant general manager of branches of the bank.

Mashreq Gold

UAE: **Ishrat M Kiyani** has joined Mashreq Gold, a segment of Mashreqbank (which also operates Mashreq Al Islamic), as the new regional head. According to a press release, Ishrat was the regional head of wealth sales at HSBC Bank Middle East for the MENA region prior to assuming his position at Mashreq Gold.

Morgan Lewis

UK: Morgan Lewis announced in a statement that it has expanded its London-based structured finance team with the hiring of structured finance partner **Theresa Kradjian** (joined on the 21st August) and corporate tax partner Paul Beausang (to join in October).

RATINGS

Batu Kawan's IMTN reaffirmed at 'AA1/Stable'

MALAYSIA: RAM has reaffirmed Batu Kawan's Islamic medium-term note (IMTN) program of up to RM500 million (US$122.12 million) (2013/2023) at 'AA1/Stable. The rating agency noted in a statement that the rating reflects the company's established position within the plantation and industrial chemical sectors with its subsidiary, Kuala Lumpur Kepong, among the top 10 largest planters globally.

RAM assigns preliminary rating to TIME's Sukuk

MALAYSIA: RAM in a statement has assigned a preliminary rating of 'AA3/Stable' to TIME dotCom (TIME)'s proposed RM1 billion (US$244.25 million) Islamic medium-term note program (2015/2035), which will be used to expand its fiber footprint, refinance existing debts and meet working capital requirements.

Axis REIT Sukuk reaffirmed

MALAYSIA: RAM in a statement has reaffirmed the respective 'AAA', 'AA1', 'AA2' and 'AA3' ratings of Axis REIT Sukuk (ARSB)'s RM155 million (US$37.76 million) Class A, B, C, and D Sukuk under its Second Sukuk Issue (collectively the Second Sukuk) with a stable outlook. The ratings are premised on collateral support generated by the assessed capital value of the transaction's underlying portfolio. The Second Sukuk had been issued via a commercial real estate-backed transaction involving the Properties, with a combined latest market value of RM401.8 million (US$97.88 million).

CMBS's Tranche 4 Sukuk rating withdrawn

MALAYSIA: MARC has withdrawn the 'AAAID' rating on Cagamas MBS (CMBS)'s RM515 million (US$125.46 million) Tranche 4 Sukuk issued under the RM2.05 billion (US$499.42 million) asset-backed Sukuk Musharakah issuance (CMBS 2005-1). In a statement, the rating agency said the rating withdrawal follows the full redemption of the tranche as confirmed by the facility agent. MARC's analytical coverage on CMBS 2005-1 is now limited to the outstanding RM810 million (US$197.33 million) under the remaining tranches of the issuance which are currently rated 'AAAID' with a stable outlook.

Top rating for Singapore

SINGAPORE: Singapore's foreign currency sovereign rating has been affirmed at 'AAA' with a stable outlook by MARC based on its national rating scale. The rating agency said in a statement that the rating is premised upon the government's ability to meet its foreign currency obligations in full and on time and reflects the city-state's macroeconomic strength.

BTMU Malaysia's ratings reaffirmed

MALAYSIA: RAM in a statement has reaffirmed the Bank of Tokyo-Mitsubishi UFJ Malaysia (BTMU Malaysia)'s financial institution ratings at 'AA1/Stable/P1' and the rating of 'AAA(bg)/Stable' of the securities issued under its US$500 million multi-currency Sukuk Wakalah Bi Al Istithmar program. The enhanced issue rating of the bank, wholly-owned by Bank of Tokyo-Mitsubishi UFJ (BTMU), reflects the irrevocable and unconditional guarantee extended by BTMU over the Sukuk Wakalah issued under the program, which enhances the risk profile of the securities beyond BTMU Malaysia's stand-alone credit profile. BTMU Malaysia's ratings also benefit from a strong likelihood of support from its parent.

RAM reaffirms NBAD

UAE: RAM in a statement has reaffirmed the 'AAA/Stable/P1' ratings of the National Bank of Abu Dhabi (NBAD) and concurrently reaffirmed the 'AAA/Stable' and 'AA1/Stable' ratings of its respective senior and subordinated medium-term notes (MTN), issued under its Islamic/conventional MTN program of up to RM3 billion (US$705.9 million) (2010/2030).

Mizuho Bank's ratings reaffirmed

MALAYSIA: RAM has reaffirmed the financial institution ratings of Mizuho Bank (the core entity of Mizuho Financial Group (Mizuho FG)) at 'AAA/Stable/P1'. The rating agency noted in a statement the ratings reflect Mizuho FG's strong domestic franchise, robust funding and liquidity profile and healthy loan quality. On balance, the ratings also incorporate the group's low profitability, higher exposure to market risks and moderate capitalization.

In addition, RAM views the likelihood of support from the Japanese government, if required, to be high given the group's systemic importance.

RAM reaffirms ProHAWK's IMTN

MALAYSIA: RAM in a statement has reaffirmed the rating of 'AA2/Stable' of Konsortium ProHAWK (ProHAWK)'s Islamic medium-term note program (IMTN) of up to RM900 million (US$213.75 million). The rating reflects that ProHAWK's strong debt-servicing ability that is backed by predictable contractual cash flow. ProHAWK is a single-purpose company established to design, finance, develop, construct and commission the Women and Children Hospital Project within Hospital Kuala Lumpur and to carry out asset management services for it, under a 30-year concession agreement with the government of Malaysia..

Saudi Arabia's outlook revised

SAUDI ARABIA: Fitch in a statement has revised the outlook on Saudi Arabia's long-term foreign and local currency issuer default ratings (IDRs) to negative from stable and affirmed its IDRs at 'AA'. Main factors that, individually or collectively, could lead to negative rating action are the absence of effective fiscal policy response to the lower oil price environment, continued erosion of fiscal or external buffers and spillover from regional conflicts or a domestic political shock that threatens stability or affects key economic activities. The country ceiling has been affirmed at 'AA+' and the short-term foreign currency IDR at 'F1+'.

Fitch downgrades Omani banks' ratings

OMAN: Fitch has downgraded the long-term issuer default rating of Bank Muscat to 'BBB+' from 'A-', whereas those of Bank of Oman, Bank Dhofar, Bank Sohar and Ahli Bank were downgraded to 'BBB' from 'BBB+', with a stable outlook on all the banks' long-term IDRs. The downgrades reflect Fitch's view that the Omani sovereign's ability to support the banking system has weakened, according to a press release.

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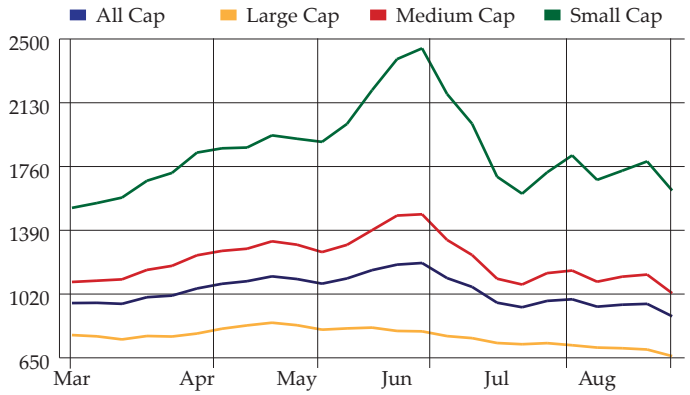
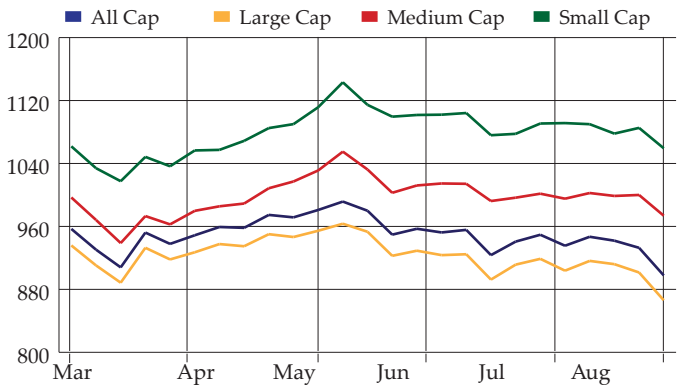
Third quarter of 2015	Government of Tunisia	US$500 million	Sukuk	13th January 2015
2015	Al Baraka Turk Participation Bank	US$300 million	Sukuk	12th August 2015
2016	Al Baraka Bank (Egypt)	US$100 million	Sukuk	12th August 2015
2016	Jordan Islamic Bank	US$100 million	Sukuk	12th August 2015
2016	Al Baraka Bank (South Africa)	US$50 million	Sukuk	12th August 2015
Fourth quarter of 2015	Government of Ivory Coast	XOF300 billion	Sukuk	24th April 2015
September	Government of Jordan	JOD200 million	Sukuk	17th June 2015
2015	Government of UAE	TBA	Green energy Sukuk	12th March 2015
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	Arab Petroleum Investment Corp	US$3 billion	Sukuk	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	1Malaysia Development	RM5 billion	Sukuk	18th June 2015
TBA	Toyota Capital Malaysia	TBA	Sukuk	17th June 2015
TBA	SapuraKencana Petroleum	RM7 billion	Sukuk Murabahah	16th June 2015
TBA	Sindh Province	US$200 million	Sukuk	15th June 2015
TBA	Grand Sepadu	RM210 million	Sukuk Murabahah	5th June 2015
TBA	Abu Dhabi Islamic Bank	US$3 billion	Sukuk	29th May 2015
2015	Government of Oman	US$1 billion	Sukuk	26th 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
Jun-15	Adira Dinamika Multi Finance	IDR500 billion	Sukuk	6th May 2015
2015/2016 fiscal year	Government of Egypt	TBA	Sukuk	5th May 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	Bank Muscat	OMR500 million	Sukuk	20th March 2015
TBA	Treet Corporation	PKR539.51 million	Sukuk	9th March 2015
TBA	Tulip Maple	US$750 million	Sukuk	4th March 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
Third quarter 2015	SGI-Mitabu	AU$150 million	Sukuk	13th February 2015
TBA	Qatar International Islamic Bank	QAR3 billion	Sukuk	10th February 2015
1st quarter 2015	Bank Islami Pakistan	PKR3.5 billion	Sukuk	15th January 2015

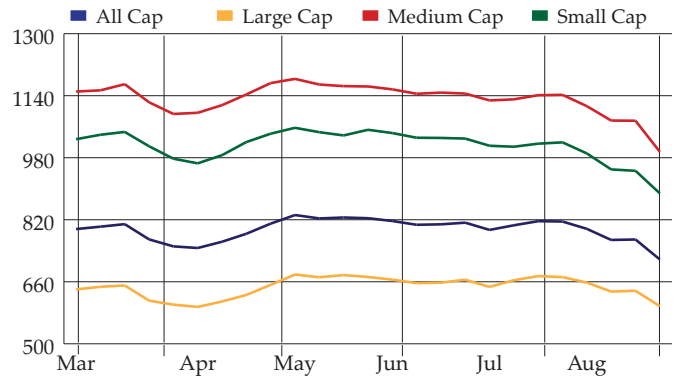
REDmoney Asia ex. Japan *6 Months*



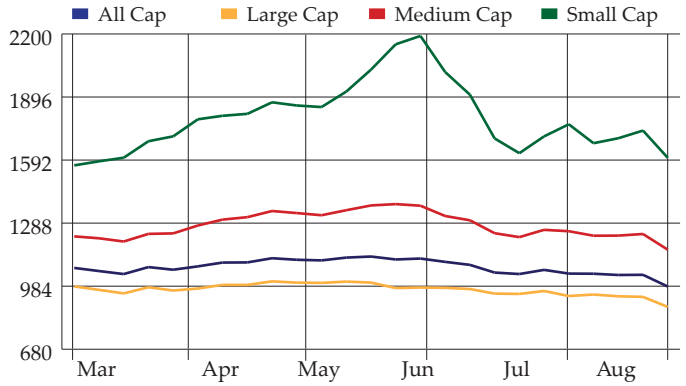
REDmoney Europe *6 Months*



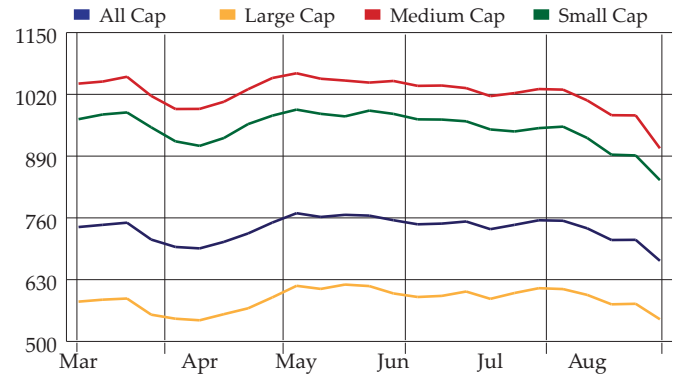
REDmoney GCC *6 Months*



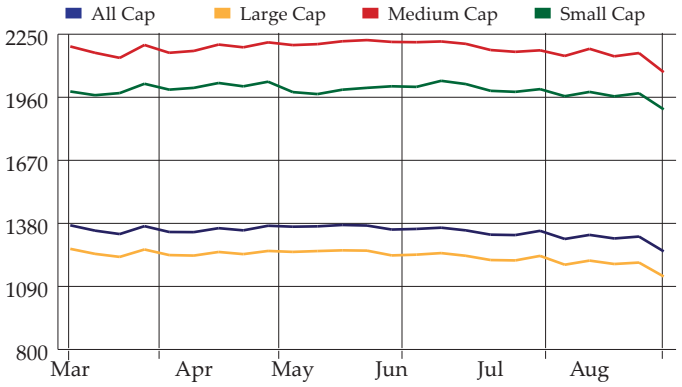
REDmoney Global *6 Months*



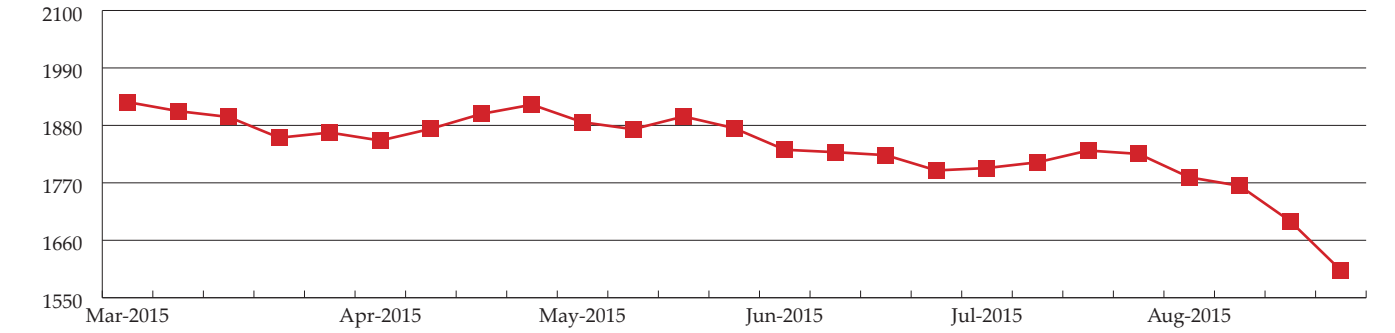
REDmoney MENA *6 Months*



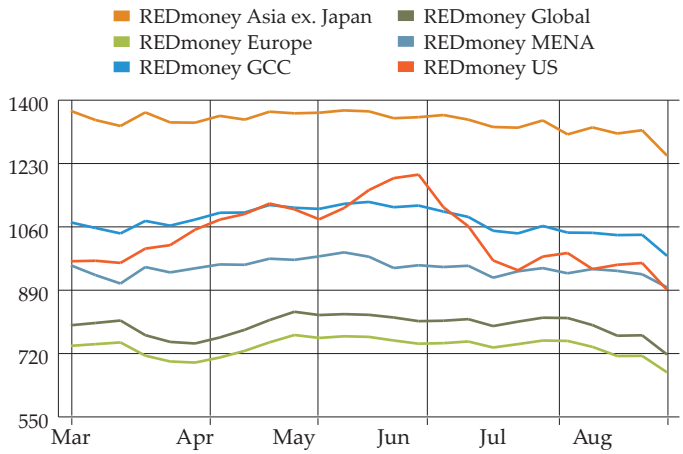
REDmoney US *6 Months*



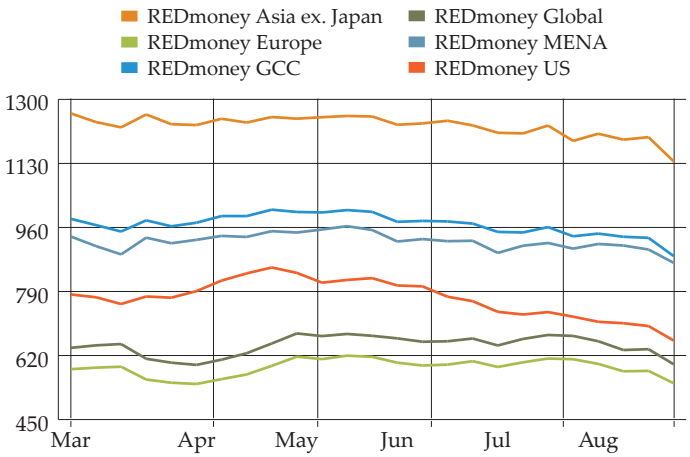
SAMI Halal Food Participation (All Cap) *6 months*



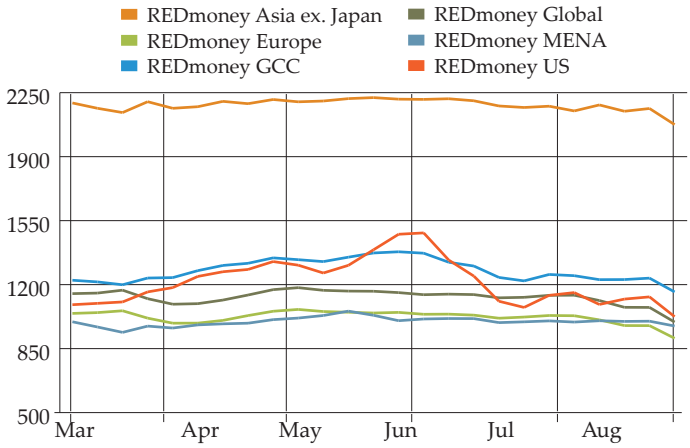
REDmoney Global Shariah Index Series (All Cap) *6 Months*



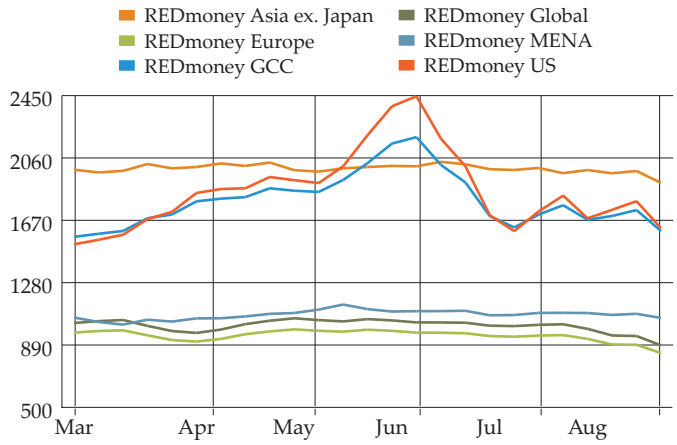
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



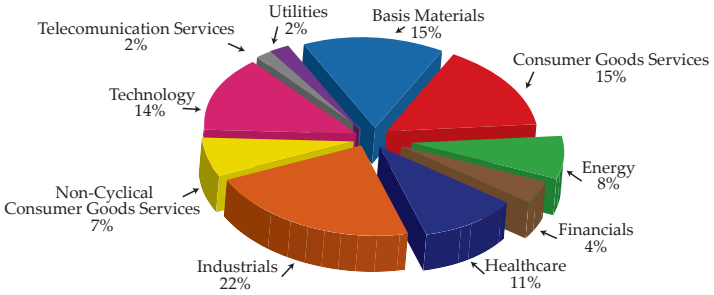
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



REDmoney Global Shariah

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

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



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

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

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

REDmoney Global Shariah Index Series

REDmoney Indexes IdealRatings®

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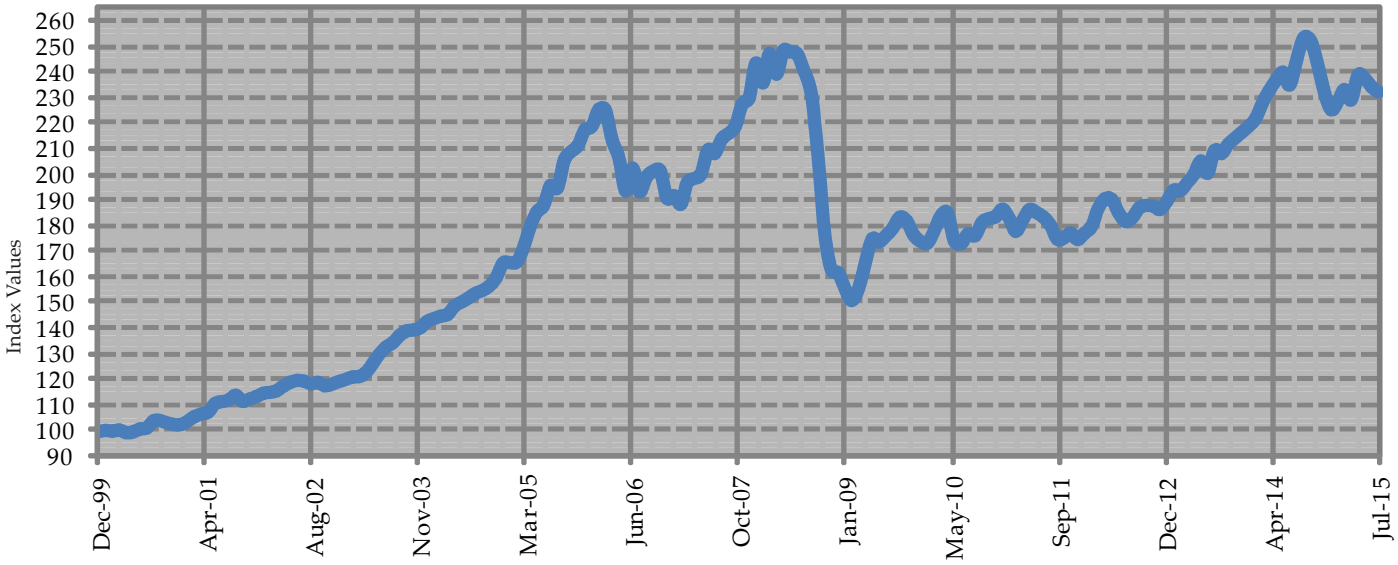
Tel +603 2162 7800

Eurekahedge Middle East/Africa Islamic Fund Index



Top 10 Monthly Returns for Asia Pacific Islamic Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	CIMB Islamic Small Cap	CIMB-Principal Asset Management	5.12	Malaysia
2	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	4.18	Pakistan
3	Al Meezan Mutual	Al Meezan Investment Management	3.69	Pakistan
4	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	3.16	Pakistan
5	CIMB Islamic Equity Aggressive	CIMB-Principal Asset Management	3.04	Malaysia
6	Meezan Balanced	Al Meezan Investment Management	2.73	Pakistan
7	MyETF Dow Jones Islamic Market Malaysia Titans 25 (MyETF-DJIM25)	i-VCAP Management	2.52	Malaysia
8	AmIslamic Balanced	AmInvestment Management	1.78	Malaysia
9	AMB Dana Yakin	Amanah Mutual	1.69	Malaysia
10	Pakistan International Element Islamic Asset Allocation	Arif Habib Investment Management	1.53	Pakistan
	Eurekahedge Islamic Fund Index		**(0.38)**	

Based on 58.33% of funds which have reported July 2015 returns as at the 24th August 2015

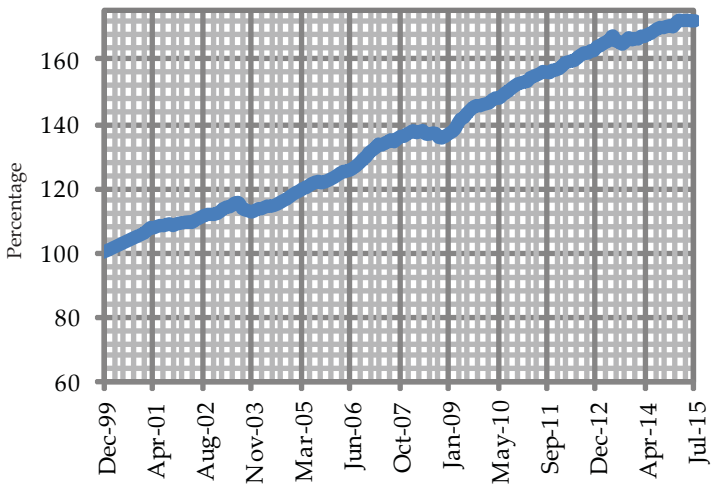
Top 10 Monthly Returns for Middle East/Africa Islamic Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Wafa Gestion Cap Al Moucharaka	AttijariWafa Bank	2.69	Morocco
2	Saudi Equity - (Al Raed)	Samba Financial Group	1.30	Saudi Arabia
3	IIAB Sukuk & Murabaha MENA	Al Arabi Investment Group	0.49	Guernsey
4	Riyad Gulf	Riyad Bank	0.35	Saudi Arabia
5	Emirates Global Sukuk Limited USD Institutional Share Class (Acc)	Emirates NBD Asset Management	0.30	Jersey
6	NBAD Islamic MENA Growth	National Bank of Abu Dhabi	0.24	UAE
7	Tharwa Islamic	Tharwa Investment Company	0.21	Kuwait
8	NBAD Sukuk Income	NBAD Asset Management Group	0.13	UAE
9	Al Rajhi Multi Asset Balanced	Al Rajhi Bank	0.10	Saudi Arabia
10	FALCOM SAR Murabaha Fund	FALCOM Financial Services	0.10	Saudi Arabia
	Eurekahedge Islamic Fund Index		**0.77**	

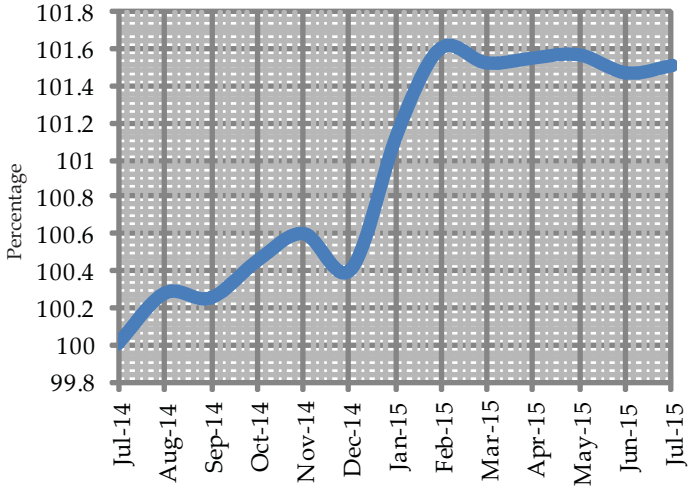
Based on 85.14% of funds which have reported July 2015 returns as at the 24th August 2015

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

Eurekahedge Islamic Fixed Income Fund Index over the last 5 years



Eurekahedge Islamic Fixed Income Fund Index over the last 1 year



Top 10 Islamic Fixed Income Funds by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Atlas Pension Islamic - Debt Sub	Atlas Asset Management	1.56	Pakistan
2	Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	1.43	Pakistan
3	AmBon Islam	AmInvestment Management	1.39	Malaysia
4	Public Islamic Bond	Public Mutual	1.19	Malaysia
5	QInvest Sukuk	QInvest	1.12	Cayman Islands
6	PB Islamic Bond	Public Mutual	1.03	Malaysia
7	Pacific Dana Murni	Pacific Mutual Fund	0.89	Malaysia
8	CIMB Islamic Sukuk	CIMB-Principal Asset Management	0.89	Malaysia
9	Public Islamic Select Bond	Public Mutual	0.78	Malaysia
10	Public Islamic Enhanced Bond	Public Mutual	0.23	Malaysia
	Eurekahedge Islamic Fund Index		**0.04**	

Based on 62.50% of funds which have reported July 2015 returns as at the 24th August 2015

Top 10 Sortino Ratio for ALL Islamic Funds since Inception

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	CIMB Islamic Money Market	CIMB-Principal Asset Management	58.81	Malaysia
2	Commodity Trading - SAR	Riyad Bank	50.40	Saudi Arabia
3	Atlas Pension Islamic - Debt Sub	Atlas Asset Management	25.53	Pakistan
4	Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	24.74	Pakistan
5	Public Islamic Income	Public Mutual	11.46	Malaysia
6	QInvest Sukuk	QInvest	7.93	Cayman Islands
7	PB Islamic Bond	Public Mutual	5.79	Malaysia
8	Public Islamic Select Bond	Public Mutual	5.77	Malaysia
9	Public Islamic Bond	Public Mutual	5.72	Malaysia
10	Oasis Crescent Balanced Stable Fund of Funds	Oasis Crescent Management Company	3.97	South Africa
	Eurekahedge Islamic Fund Index		**0.18**	

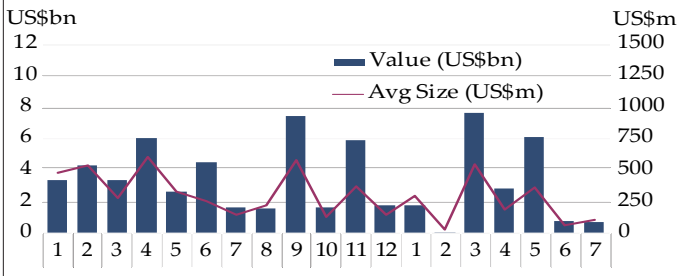
Based on 69.93% of funds which have reported July 2015 returns as at the 24th August 2015

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

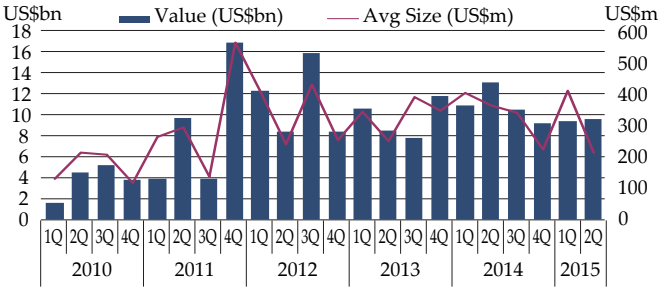
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
6th Aug 2015	Sarawak Energy	Malaysia	Sukuk	Domestic market public issue	386	RHB Capital, Kenanga Investment Bank, AmInvestment Bank
30th Jul 2015	Kuala Lumpur Kepong	Malaysia	Sukuk	Domestic market public issue	289	Maybank, CIMB Group
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

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter



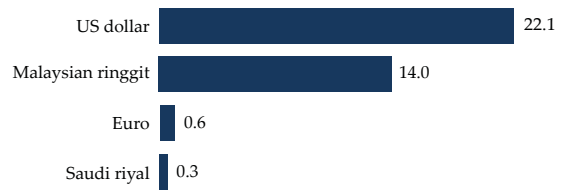
Top 30 Issuers of Global Sukuk *12 Months*

	Issuer	Nationality	Instrument	Market	US$ (mln)	Iss (%)	Managers
1	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	3,500	9.4	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	7.8	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	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
4	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	1,695	4.6	RHB Capital, Maybank, CIMB Group, AmInvestment Bank, Bank Islam Malaysia, Affin Investment Bank
5	Malaysia Sovereign Sukuk	Malaysia	Sukuk	Euro market public issue	1,500	4.0	Maybank
6	Petronas Global Sukuk	Malaysia	Sukuk	Euro market public issue	1,250	3.4	CIMB Group
7	Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	2.7	AmInvestment Bank Bhd
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	2.7	RHB Capital, CIMB Group
13	Bank Pembangunan Malaysia	Malaysia	Sukuk	Domestic market public issue	948	2.6	HSBC, CIMB Group
14	Khadrawy	UAE	Sukuk	Euro market public issue	913	2.5	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	Dubai International Financial Centre	UAE	Sukuk	Euro market public issue	700	1.9	Maybank, CIMB Group
17	Mumtalakat Sukuk Holding	Bahrain	Sukuk	Euro market public issue	594	1.6	Standard Chartered Bank, Deutsche Bank, BNP Paribas, Mitsubishi UFJ Financial Group
18	Jambatan Kedua	Malaysia	Sukuk	Domestic market public issue	560	1.5	RHB Capital, Maybank, Kenanga Investment Bank, AmInvestment Bank
19	Prasarana Malaysia	Malaysia	Sukuk	Domestic market public issue	541	1.5	RHB Capital, Kenanga Investment Bank, CIMB Group, Affin Investment Bank, AmInvestment Bank
20	Sharjah Islamic Bank	UAE	Sukuk	Euro market public issue	500	1.4	Standard Chartered Bank, HSBC, Kuwait Finance House, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank
20	Republic of South Africa	South Africa	Sukuk	Euro market public issue	500	1.4	BNP Paribas, Standard Bank, Kuwait Finance House
20	Noor Bank	UAE	Sukuk	Euro market public issue	500	1.4	Standard Chartered Bank, Dubai Islamic Bank, South Indian Bank, Citigroup, Emirates NBD, Al Hilal Bank, QInvest, Barwa Bank
20	JANY Sukuk	US	Sukuk	Euro market public issue	500	1.4	Saudi National Commercial Bank, Goldman Sachs, National Bank of Abu Dhabi, Abu Dhabi Islamic Bank, Emirates NBD, QInvest
20	IFFIm Sukuk	UK	Sukuk	Euro market public issue	500	1.4	Saudi National Commercial Bank, Standard Chartered Bank, National Bank of Abu Dhabi, CIMB Group, Barwa Bank
20	Flydubai	UAE	Sukuk	Euro market public issue	500	1.4	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Emirates NBD, Credit Agricole, Noor Bank
26	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
27	Bumi Armada Capital Malaysia	Malaysia	Sukuk	Domestic market public issue	474	1.3	RHB Capital, Maybank, CIMB Group, AmInvestment Bank
28	Jana Kapital	Malaysia	Sukuk	Domestic market public issue	434	1.2	RHB Capital
29	Malaysia Building Society	Malaysia	Sukuk	Domestic market public issue	433	1.2	RHB Capital, DRB-HICOM, AmInvestment Bank
30	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	426	1.2	Maybank, CIMB Group
					37,162	**100**	

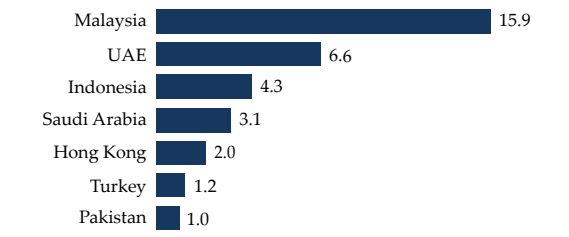
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	CIMB Group	6,394	54	17.2
2	HSBC	4,310	25	11.6
3	Standard Chartered Bank	3,351	24	9.0
4	RHB Capital	3,339	42	9.0
5	Maybank	3,167	34	8.5
6	AmInvestment Bank	2,016	26	5.4
7	National Bank of Abu Dhabi	1,838	13	5.0
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	Kenanga Investment Bank	559	12	1.5
15	Al Hilal Bank	541	5	1.5
16	Noor Bank	475	5	1.3
17	BNP Paribas	462	4	1.2
18	Affin Investment Bank	424	6	1.1
19	Kuwait Finance House	407	4	1.1
20	First Gulf Bank	333	3	0.9
21	Sharjah Islamic Bank	316	3	0.9
22	Saudi National Commercial Bank	294	3	0.8
23	Mitsubishi UFJ Financial Group	287	2	0.8
24	Gulf International Bank	278	2	0.8
25	Abu Dhabi Islamic Bank	260	3	0.7
26	Hong Leong Financial Group	195	7	0.5
27	Bank Islam Malaysia	172	2	0.5
28	Standard Bank	167	1	0.5
29	Barwa Bank	163	2	0.4
30	QInvest	146	2	0.4
	Total	**37,162**	**136**	**100.0**

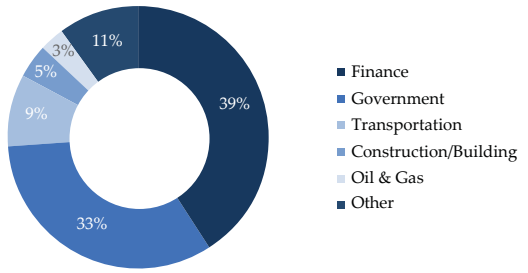
Sukuk Volume by Currency US$ (billion) *12 Months*



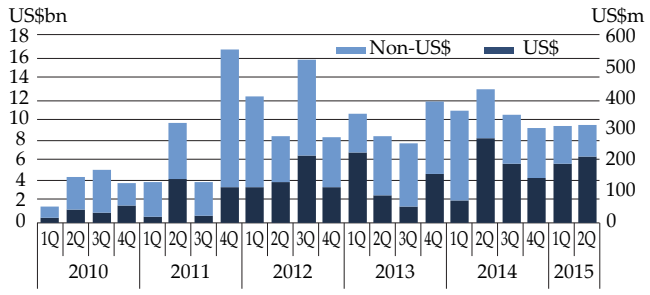
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



Global Sukuk Volume by Sector *12 Months*



Global Sukuk Volume - US$ Analysis



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

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

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

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

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

	Mandated Lead Arranger	US$ (mln)	No	%
1	First Gulf Bank	1,259	15	6.8
2	Abu Dhabi Islamic Bank	1,200	7	6.4
3	Samba Capital	1,128	5	6.1
4	National Bank of Abu Dhabi	1,032	7	5.5
5	HSBC	953	10	5.1
6	Banque Saudi Fransi	906	4	4.9
7	Saudi National Commercial Bank	758	5	4.1
8	Emirates NBD	710	9	3.8
9	Standard Chartered Bank	693	8	3.7
10	Riyad Bank	644	3	3.5
11	Abu Dhabi Commercial Bank	634	4	3.4
12	Mashreqbank	541	6	2.9
13	Dubai Islamic Bank	526	5	2.8
14	Noor Bank	512	6	2.7
15	Alinma Bank	490	2	2.6
16	Arab Banking Corporation	484	6	2.6
17	Union National Bank	336	6	1.8
18	Barwa Bank	331	5	1.8
19	RHB Capital	322	3	1.7
20	Sumitomo Mitsui Financial Group	314	3	1.7
21	ING	269	2	1.4
22	Gulf International Bank	263	3	1.4
23	Maybank	247	2	1.3
23	AmInvestment Bank	247	2	1.3
25	Qatar Islamic Bank	237	4	1.3
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	1.0
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	20.5
2	Samba Capital	1,327	1	12.1
3	Abu Dhabi Islamic Bank	1,130	5	10.3
4	Noor Bank	694	3	6.4
5	Saudi National Commercial Bank	666	1	6.1
5	Riyad Bank	666	1	6.1
5	Alinma Bank	666	1	6.1
8	Emirates NBD	431	3	3.9
9	Dubai Islamic Bank	376	2	3.4
10	National Bank of Abu Dhabi	313	2	2.9

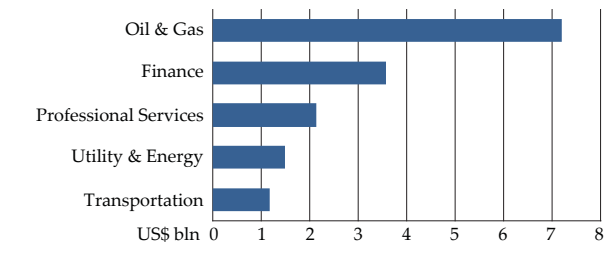
Top Islamic Finance Related Financing Deal List *12 Months*

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
28th Jul 2015	GEMS Education	UAE	817

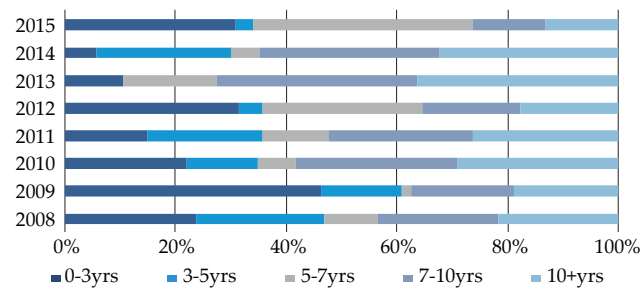
Top Islamic Finance Related Financing by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	UAE	6,862	16	36.8
2	Saudi Arabia	5,637	6	30.2
3	Malaysia	2,411	3	12.9
4	Turkey	1,661	4	8.9
5	Kuwait	661	2	3.5
6	Qatar	500	1	2.7
7	Cayman Islands	325	1	1.7
8	India	272	1	1.5
9	Egypt	212	1	1.1
10	Oman	55	1	0.3
11	Italy	51	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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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
NOVEMBER 2015		
17th	IFN Turkey Forum	Istanbul, Turkey
30th	IFN Saudi Arabia Forum	Jeddah, Saudi Arabia
APRIL 2016		
5th	IFN Indonesia Forum	Jakarta, Indonesia
TBC	IFN Investor Forum	Dubai, UAE
21st	IFN Europe Forum	Jakarta, Indonesia
MAY 2016		
16th – 17th	IFN Asia Forum	Kuala Lumpur, Malaysia

REDmoney training

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
9th – 10th	Trading Book Market Risk Management for Financial Institutions	Dubai, UAE
29th	IFSA 2013 Compliance for Islamic Financial Institutions	Kuala Lumpur, Malaysia
OCTOBER 2015		
5th	Musharakah-Based Contracts & Financial Products	Kuala Lumpur, Malaysia
12th – 13th	Islamic Treasury & Risk Management Instruments	Kuwait
20th – 21st	Structuring Islamic Legal Documentation	Kuala Lumpur, Malaysia

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Published By: REDmoney

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