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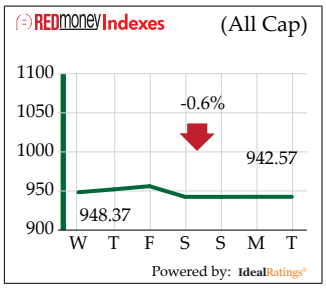


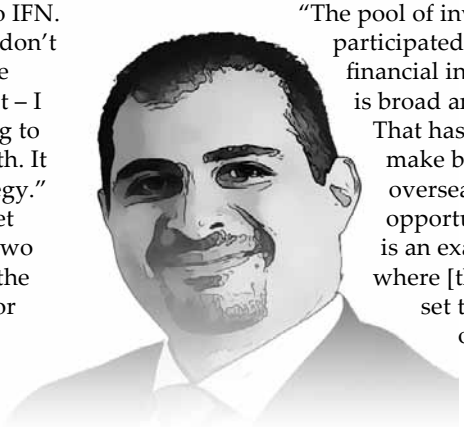
COVER STORY

16th September 2015 (*Volume 12 Issue 37*)

Cross-border culture: Gulf banks go international

With the Malaysian economy struggling against economic challenges both domestic, regional and global, the capital market that has so long been at the forefront of the global Islamic financial industry is losing ground against its Gulf cousin – as Dubai and her sisters strengthen their international ties and build bridges across the global Islamic economy. LAUREN MCAUGHTRY looks at new markets and new prospects as the global currents shift and swirl.

"Malaysia has always been a thought leader in Islamic finance, especially in terms of compliance and regulation," emphasized Bashar Al-Natoor, the global head of Islamic finance at Fitch Ratings, speaking to IFN. "But beyond that, I don't see them leading the international market – I think Dubai is trying to develop that strength. It is a measured strategy." The Malaysia market saw its best day in two years yesterday on the back of a new call for inward investment, but this domestic focus is unlikely to assist in its international influence. "Malaysia has a wide and deep Sukuk market but it is directed towards local accommodation," confirmed Bashar. "Dubai on the other hand is trying to capture the international market."


Bashar

This is not only true of global Sukuk listings and inward investment, but represents a growing internationalization of attitudes in the Gulf region, and especially within the banking community. "The banking market in the UAE is competitive and it is natural for funders to consider opportunities abroad that may provide good returns," commented Qasim Aslam, a partner and the head of Islamic finance in the Middle East at Dentons.

"The pool of investors that have participated in Middle Eastern financial institution Sukuk is broad and international. That has perhaps helped make banks alert to overseas relationships and opportunities. Indonesia is an example of a country where [the] UAE banks have set their sights when one considers their involvement in the recent multi-billion dollar Indonesian sovereign Sukuk which, of course, is listed on NASDAQ Dubai. It will be interesting to see how the desire to internationalize develops. That is certainly something that Dubai is keen to encourage."

According to a recent corporate survey from Citi Commercial Bank, companies from the UAE are planning the most international expansion out of any other country in the world in 2016. "Global confidence is increasing in companies based in emerging Europe and the Middle East for the clients we polled," said Vincent Valladares, the head of Citi Commercial Bank, Middle East, to the media. "Companies are increasingly finding more partners in the region than in recent years and it's encouraging to see that UAE companies rank top of the list globally in international expansion plans. We feel this reflects well on the UAE and indicates they see expansion as a means of growing their businesses."

Exciting expansion

"Malaysian Islamic banks have failed in new markets and Middle East banks are stepping in to fill the gap," said one banker to IFN, who preferred to remain anonymous. This might be a bold claim, but international waters are certainly

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DEALS

Single investor takes up SapuraKencana's US$200 milion Sukuk issuance

Indonesia's Sukuk auction receives overwhelming response; almost twice oversubscribed

Malaysia to issue three-month Islamic treasury bills worth RM1 billion (US$230.75 million)

Tanjung Bin Energy Issuer to make profit payment

Chinese conglomerate eyes RM1 billion (US$231.08 million) Sukuk for integrated resort project

IFC returns to Sukuk market with US$100 million Wakalah program

HNA Group to secure Islamic financing facilities to procure ships; planning offshore Sukuk

Brunei prices short-term Sukuk Ijarah at 80bps; current outstanding Sukuk stands at BN$700 million (US$486.65 million)

Indonesia lists US$6 billion-worth of Sukuk on **NASDAQ Dubai**; largest sovereign Sukuk listing in Dubai

XL Axiata to raise up to IDR1.5 trillion (US$105 million) in Sukuk

NEWS

ISFIN partners with **GENI & KÉBÉ** in Senegal

Islami Bank Bangladesh inaugurates new branch at Bhawanigonj of Rajshahi

GreenTech Malaysia seeks to raise RM2.7 billion (US$624.84 million) in financing by year-end

Debt-laden **1MDB** on right track with its rationalization plan, says prime minister

Borsa Istanbul chairman calls for fully Shariah compliant stock exchange

India to welcome new Islamic banking services provider, **Taqwa Credit Cooperative Society**

Amana Bank opens two off-site ATMs in Addalachenai and Maruthamunai

IDB signals support for Yemen's infrastructure development

ASSET MANAGEMENT

PMB Investment to grow assets under management to RM2 billion (US$462.17 million) by next year

Jadwa Investment expands distribution network via agreement with **Allfunds Bank**

TAKAFUL

Bupa Arabia and **National Commercial Bank** launch insurance program for public sector employees

Adam Capital Micro Credit strikes partnership with **Amana Takaful Life**

Metlife-AIG-ANB Cooperative Insurance Company issues policy to **Arab National Bank**

Angkatan Koperasi Kebangsaan Malaysia to bring to market three new Takaful products in October

RATINGS

MARC withdraws rating of **DHTI Capital**'s junior Islamic medium-term note facility

RAM assigns preliminary ratings to **Ampang Point Shopping Center**'s Sukuk Ijarah

Al Baraka Banking Group reaffirmed by **Dagong** and **Islamic International Rating Agency**

Export Import Bank of Malaysia maintains 'gA2(s)/Stable' Sukuk rating

RAM withdraws **Bernas**'s Sukuk ratings

Jebel Ali Free Zone receives rating upgrade for US$650 million Sukuk

RAM rates Brunei based on exceptional fiscal and external strength

RAM reaffirms **BNP Paribas Malaysia**'s 'AA2/Stable/P1' ratings

Moody's assigns 'Baa2/Prime-2' ratings to **Warba Bank**

Malaysia Building Society receives preliminary rating for final Sukuk tranche

RAM reaffirms **Noble Group**'s multi-currency Sukuk Murabahah program at 'AA2'

MARC assigns 'MARC-1IS(cg)/AA-IS(cg)' rating to Sunway Treasury Sukuk program

MOVES

Securities & Investment Company appoints new CFO and head of fixed income

Central Shariah Board for Islamic Banks of Bangladesh elects new board members

Citi Islamic Investment Bank appoints new CEO

Haytham El Maayergi joins **Abu Dhabi Islamic Bank** as global head of transaction banking

Morgan Lewis hires **Tarek El-Assra** to enhance cross-border Islamic finance and investment practice in the Middle East

Cross-border culture: Gulf banks go international

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attracting activity compared to previous years. So which markets are the most appealing to Islamic players? "International interest is very visible in Dubai," said Bashar. "We have seen growth in various non-traditional areas but Turkey is becoming more mainstream – when we look at the GCC + 7 we include Turkey in that. We will see a greater variety – whether you are looking at Indonesia or even Russian interest in Islamic finance. It is definitely something that is grabbing attention."

Hitesh Asarpota, the head of debt capital markets at Emirates NBD Capital, told IFN that interest in Sukuk from new markets are on the up and we are certain to see many more countries issue a Sukuk in the next few years. Middle East banks will continue to play a pivotal role in developing the global Islamic capital markets.

"We are also looking at privately placed Sukuk and have received strong interest from the UAE, KSA and Indonesian issuers." These deals are usually smaller in size, often around US$50-100 million, but they make up for it in complexity and innovation. Tenors range from 18 motnhs to five years with three years being the sweet spot. These privately placed Sukuk are an attractive alternative asset for banks struggling to find yield in a saturated market.

"In the UAE, growth is very competitive: there are a lot of banks and it's a sophisticated market," agreed Hitesh. "We are looking outside – to Egypt, Saudi Arabia, selectively Indonesia, Turkey. That brings diversification to regional investors – and better yield."

Old and new

However, the focus is shifting as the global currents move and new opportunities emerge. While a few years ago Egypt and Turkey were the big stories, that growth has slowed and appetite has subsequently cooled. Banks such as Abu Dhabi Islamic Bank (ADIB) are still active in Egypt and there is certainly a surge of Sukuk issuance and Islamic activity in Turkey but with internal economic and geopolitical challenges, attention is widening to include alternative options.

ADIB for example was the first UAE bank to have a presence in Iraq, which is demonstrating potential: while Iran is of course the big news of the year. Dr Mohammed Fetanat, the president of the Securities and Exchange Organization of Iran (SEO), gave a keynote address at this week's IFN Issuers Forum in Dubai, in which he highlighted the country's commitment not only to developing its domestic Islamic finance capabilities but to achieving a higher international profile with "an emphasis on building relationships and developing new policies" and "learning from the experience of other countries". Iran has firm plans to develop the domestic Sukuk market and introduce new Sukuk instruments, funds and capital market tools to broaden the range available to investors, which should attract institutions to the market.

The SEO also supports the introduction of credit ratings into the capital market, as well as risk-based returns for Sukuk and the potential development of Islamic derivatives, securities and treasury instruments to support the secondary market. "We welcome you as investors to our capital market, as advisors to our institutions… and as intermediaries for connecting our international financial market," said Dr Fetanat. "We particularly welcome institutions who have long-term plans and are willing to share their knowledge, who see the value of a local presence, and want to add something to our market."

Regional push

However realistically, expansion will be limited by liquidity and opportunity – and not every market has legs. Russia and the CIS region have seen a lot of talk for example, but little concrete action has yet emerged outside of the Al Hilal presence in Kazakhstan and the inevitable IDB activity – and with the current state of the rouble, international appetite is unlikely to pique.

"It will start regionally," agreed Bashar. "We have started seeing a push – in Saudi Arabia first of all, on the corporate side." However, to look beyond this, banks will need to look at the investment quality of the opportunities, and what this would contribute to their balance sheets. "It is not something that they can just do haphazardly: it depends if they have sufficient liquidity," stated Bashar. "They will need to make sure it is part of their broader growth strategy, and that it comes with the investment quality. I don't think we will see huge volumes of funds flowing out of the region from local banks. Diversification is something that banks are seriously looking for, with the quality and the location being key."

> ***"Diversification is something that banks are seriously looking for, with the quality and the location being key"***

So will we start seeing substantial deals outside of the UAE in the near future? Perhaps not. Consolidation and expansion in areas of interest will certainly continue, especially in markets such as Turkey, Iran, Kazakhstan, Pakistan and Russia – but GCC banks face competition from local players as well as, if we are honest, limited incentives for their own stakeholders. For commercial banks, yield is usually the name of the game – and there is still plenty of that to go round in the region. "The banks are looking but not much has yet materialized - and the opportunities in their own countries and within the region are still significant," thinks Bashar. "They have enough on

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their plate now, without going outside their comfort zone."

Asian connections

There is always an exception to the rule, however, and the growing ties between the Middle East and Asia offer an enticing avenue of opportunity. "Indonesia is the largest economy in Southeast Asia, and the 10th largest in the world," noted Dr Bambang PS Brodjonegoro, the minister of finance for Indonesia, speaking at the IFN Issuers Forum. He emphasized the strength and stability of the Indonesian financial market and its appeal to international investors. "The government of Indonesia is looking forward to partnering with investors, and to further developing the international Sukuk market."

This cross-border focus was highlighted this week by the announcement of four Indonesian sovereign Sukuk worth US$6 billion listed on NASDAQ Dubai – the largest ever to be executed by a sovereign issuer in Dubai, and a significant statement given the natural proximity of Malaysia as a listing location. "For Indonesia to list in Dubai is a big step, and demonstrates Dubai's international gameplan," noted Bashar.

This growing closeness between the Gulf and Asia is spurring commercial interest in corporate opportunities. "The economic turmoil that we saw over the last few years perhaps reduced the interest of [the] UAE banks to look outside their borders. It is encouraging to see a refreshed appetite among bankers," agreed Qasim. "But they are now waking up to other countries – and Indonesia is a great example. Classically, it has been Malaysian banks that were the natural choice for Indonesia, but now you see Middle East banks doing those Sukuk – where did that come from? Malaysian banks are backing off and UAE banks are filling the gap."

"Indonesia is a very interesting market for us from a capital markets perspective, and we are absolutely expecting growth over there," confirmed Hitesh. "Connectivity between the Middle East and Indonesia is growing. Malaysia is overbanked in the Islamic finance space whereas Indonesia still has a lot of room to grow."

This activity is highlighted by the expectation of a 2016 launch for the Islamic Investment Infrastructure Development Bank (IIIB), a subsidiary of the Saudi-based IDB. A new cross-border initiative jointly founded by the IDB, Indonesia and Turkey, the institution will be based in Jakarta and will focus on raising funds for infrastructure projects through Sukuk issuance. "Having IIIB in Indonesia will help build infrastructure, bring in capital and boost Islamic banking assets," said Achmad Kusna Permana, the secretary-general of the Indonesia Islamic Banking Association, to Bloomberg. "Malaysia and Saudi Arabia may offer more sophisticated markets, but the greatest funding need is here."

Indonesia isn't the only pathway opening up this year, however: and the Asian story is spreading eastward with growing activity in the Hong Kong and Chinese markets. Hong Kong this summer issued its second sovereign Sukuk with a par value of US$1 billion, in a deal that was not only dominated by Middle East banks (with the National Bank of Abu Dhabi one of the main underwriters), but heavily marketed to Middle East investors who took 42% of the eventual allocation. With up to US$800 billion in new infrastructure investment needed by Asia over the next 25 years (according to the Asian Development Bank), these ties could be the start of a strong and sustained relationship.

And these opportunities are not limited to sovereign activity. This month saw news of the first corporate Islamic financing deal to come out of mainland China, with HNA Group (parent of Hainan Airlines) planning to raise US$150 million in Shariah compliant funding in October to buy new ships. This marks another key trend in the Asian market – the need to source new channels of funding overseas as domestic credit dries up and conventional loans in China become more expensive and less available, and the country faces its weakest quarter of economic growth in 25 years. HNA Group subsequently plans to launch a benchmark-sized offshore Sukuk of at least US$500 million by the end of the year, according to reports – with a mixture of global and Gulf-based players already working on the transaction.

Qasim

> ***"The pool of investors that have participated in Middle Eastern financial institution Sukuk is broad and international. That has perhaps helped make banks alert to overseas relationships and opportunities"***

Sukuk strength

Abdulla Al Awar, CEO of the Dubai Islamic Economy Development Center, stressed to IFN the opportunities both regional and international, as well as the challenges of raising capital in the current climate. "These are turbulent times," he agreed. However, this has led to borrowers, both sovereign and corporate, considering non-traditional avenues of raising funding – including Islamic finance. "I am confident that Sukuk will increase, driven by active institutional investors – not only in the GCC itself but in Europe, the US and around the world," he predicted.

Dubai is already the world's largest center for Sukuk listings at US$36.71

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billion as of July this year (from just US$7 billion in 2013), with NASDAQ Dubai the world's largest single exchange at US$33.96 billion. This surpasses Malaysia (US$26.6 billion), Dublin (US$25.7 billion) and London (US$25.1 billion) in terms of listed Sukuk, and represents the commitment that Dubai has expended on growing its status in the sector. Now, attention is turning toward outside opportunities as well as widening the investor base. "The Gulf region may be a source of future growth," said NASDAQ Dubai, which is also working on ways to sell Sukuk to retail investors and expand the market beyond institutional buyers as well as designing Shariah compliant repurchase agreements. "Dubai [is] mounting a global drive to attract more listings while developing new channels to trade Sukuk," confirmed CEO Hamed Ahmed Ali. While local and state-linked firms still underpin Sukuk listings in Dubai – with domestic banks and government-related entities leading the charge – this perspective is shifting outward. Currently, 56% of listed Sukuk in Dubai are from UAE issuers, with 22% from Saudi Arabia – but Hamed confirmed that NASDAQ Dubai is keen to attract issuance from outside the UAE and GCC region.

> ***"A lot of turbulence in emerging markets made the capital market challenging for bond and Sukuk issuance this year"***

Picking up speed

The Sukuk sector has seen a subdued year compared to 2014 – and despite activity gradually increasing in the third quarter, we are unlikely to see the levels reached last year. However, the same is not true of financing activity, and Islamic loans are a definit growth story. "A lot of turbulence in emerging markets made the capital market challenging for bond and Sukuk issuance this year, and we saw a very slow Q2," confirmed Bashar. "That drove many issuers toward bank financing and we have seen substantial growth in Islamic bank finance – although we may see some more Sukuk activity before the end of the year."

Nevertheless, Islamic banks are carving their own path through the region and expansion remains on the cards – especially as international players reduce allocation to emerging markets in expectation of a US Federal Reserve rate hike. "The big banks are not going to be pushing significant funds towards the region but they will be more selective, and we are unlikely to see dedicated plays by international banks in this sector," said Bashar.

In addition, the big issuances and bank financing from regional giants such as Saudi Aramco attract very competitive pricing – meaning that participation is based as much on strategy as for financial gain. With international banks chasing yield in the region rather than jockeying for position, this opens up the way for domestic banks to consolidate their territory.

With opportunities opening up in regional markets such as Saudi Arabia, activity picking up in Kuwait, Oman and Qatar, and local banks looking overseas to new markets including Egypt, Morocco, Turkey, Iran, Russia, China and Indonesia, the prospects for the coming months are brighter than you might think – driven by an optimistic outward approach from the Gulf community.

And although most players are keeping their cards close to their chests, IFN understands that we can expect some exciting (and significant) announcements coming up in the next two quarters…

The 2016 FIFC-AUS Islamic Finance Conference: Foundation of Islamic Finance Series, 16-18 February

American University of Sharjah (AUS) in partnership with The 'Foundation of Islamic Finance' FIFC is pleased to host the 2016 meeting in February 16-18. This conference series started with an Islamic Banking Symposium organized in Melbourne in October, 2006, by Monash University with a grant of AUD 10,000 from the Australian Research Council (ARC) and a further AUD 5,000 donation by the National Australia Bank. The ARC approved a large grant over 4 years for the sole purpose of creating a credible Islamic Finance literature by promoting the study of this emerging niche market. The Centre of Excellence in Islamic Studies at The University of Melbourne was a joint-recipient of the award. There is currently a panel of some 40 eminent scholars and industry professionals, who form the core group of this conference series. International Centre for Education in Islamic Finance (INCEIF) of the Bank Negara Malaysia has also been associated with the FIFC series from the start.

So far, three conferences were held in Melbourne, Australia and two in Kuala Lumpur hosted by University Putra Malaysia and one at Langkawi Island hosted by University Utara Malaysia. Another meeting was held at the Dubai International Financial Centre, UAE, while the last one was held in April, 2014 at the Durham University, United Kingdom.

To-date, 33 best prize-winning papers have been published in established journals, 200 web-publications in seven proceedings including the Inaugural meeting; five books in print (Islamic Banking; Risk in Islamic Banking; Sukuk Securities: Sukuk as New Debt Contracting; Takaful Insurance) and one is on the way in 2015. The books are edited by finance series editors (Mohamed Ariff and Mervyn Lewis) for publisher Edward-Elgar (also by John Wiley). To-date about 350 papers have been presented in FIFC meetings with blind-reviewed comments from International Review Panels sent to authors taking part in past conferences.

Forthcoming FIFC 2016

The 2016 meeting is organized by the American University Sharjah, an independent, not-for-profit coeducational institution in a modern campus situated in Sharjah. AUS is a leading comprehensive coeducational university in the Gulf, serving students from the region and around the world. Consciously based upon American institutions of higher education, AUS is thoroughly grounded in Arab culture and is part of a larger process of the revitalization of intellectual life in the Middle East. Participants will find in AUS, a very hospitable and safe place for serious discussion on research and practice issues.

This year's conference theme is: "The role of Sukuk in fostering international business": this is meant to discuss the role played by Sukuk in attracting foreign investments and promoting international commerce. We believe it is important to tackle emerging market issues when the market for global Sukuk is expected to increase further in the years ahead. **Papers on *any topic on Islamic Finance are welcome to be presented at the conference.***

A selected number of papers passing the review process of the citation journal will be published in a *Supplementary issue* of the ***Journal of the International Financial Markets, Institutions & Money***, which has a citation value 1.239 in 2015.

All submitted papers, if found to be relevant, may also be considered for inclusion in an edited book that will be published under the **Edward Elgar Islamic Finance series** in the UK. Several chapters of another book on **Islamic Mutual Funds** will be pre-commissioned to be written and presented by established invited scholars/practitioners in the field. Relevant paper(s) on the book topic, if presented at the conference, may be considered by the book editors to be included as a chapter(s) in the book.

Submission Procedure:

Abstract *may be sent first (about 5 pages) before the full paper.*
The submission date: September 30, 2015. (**Papers will be considered till 31 October**)
Decision sent by: October 31, 2015. (Late papers will have decisions by 15 November)
Registration deadline: December 1, 2015.

The registration fee is US$300 by credit card (or in USD cash payment at the conference desk for *pre-approved* participants): it is also payable in Malaysian Ringgit. The conference participation fee includes the welcome reception on February 16, coffee breaks, lunches, etc. Further details will be posted as the conference arrangement progresses.

Enquiries and paper submissions can be made to any of the following:

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Issuers in Dubai open their arms to international opportunities

Despite the current turbulent economic environment and the cautious climate pervading the financial markets, increasing international collaboration and a focus on global opportunities have broadened the scope of the Islamic finance issuance spectrum. Delegates from across the Islamic world attended the IFN Issuers Forum at the Ritz-Carlton in Dubai on the 12th September for an event that confirmed an encouraging trend for Shariah compliant capital-raising. LAUREN MCAUGHTRY reports.

With over 180 participants from countries across the GCC as well as Malaysia, North Africa, Europe, the US and many more, one of the most striking themes of the conference was its international flavor and outward-looking perspective — and this was also reflected in the truly global array of keynote speakers and panelists.

Opening the event was Dr Mohammed Fetanat, the president of the Securities and Exchange Organization of Iran (SEO), who highlighted the country's commitment not only to developing its domestic Islamic finance capabilities but to achieving a higher international profile with "an emphasis on building relationships and developing new policies" and "learning from the experience of other countries". The SEO president confirmed that Iran has plans to develop the domestic Sukuk market and introduce new Sukuk instruments, funds and capital market tools to broaden the range available to investors. The SEO also supports the introduction of credit ratings into the capital market, as well as risk-based returns for Sukuk and the potential development of Islamic derivatives, securities and treasury instruments to support the secondary market. "We welcome you as investors to our capital market, as advisors to our institutions… and as intermediaries for connecting our international financial market," said Dr Fetanat. "We particularly welcome institutions who have long-term plans and are willing to share their knowledge, who see the value of a local presence, and want to add something to our market."

Abdulla Al Awar, CEO of the Dubai Islamic Economy Development Center, also stressed the opportunities both regional and international, as well as the challenges of raising capital in the current climate. "These are turbulent times," he agreed. However, this has led to borrowers, both sovereign and corporate, considering non-traditional avenues of raising finance — including Shariah compliant channels. "The Islamic finance system has evolved into a comprehensive financial system of its own," he noted, "and is predicted to reach US$3.2 trillion, an increase of 80%, over the next five years." With a long-standing investor base and a growing international reach, he confirmed that: "I am confident that Sukuk will increase, driven by active institutional investors — not only in the GCC itself but in Europe, the US and around the world."

Adding to this global perspective was Dr Bambang PS Brodjonegoro, the minister of finance for Indonesia, who emphasized the strength and stability of the Indonesian financial market and its appeal to international investors. "Indonesia is the largest economy in Southeast Asia, and the 10th largest in the world," he noted. "The government of Indonesia is looking forward to partnering with investors, and to further developing the international Sukuk market." This cross-border focus was emphasized today, with the announcement of four Indonesian sovereign Sukuk worth US$6 billion listed on NASDAQ Dubai — the largest-ever to be executed by a sovereign issuer in Dubai.

The panel sessions themselves also reflected an international flavor. "What is interesting about this session," commented Qasim Aslam, the head of Islamic finance at Dentons, in his role as the chairman for the session on 'Raising Capital in the Current Economic Environment, "is that it draws from many different perspectives from around the world." Participants included Jawad Ali of King & Spalding, Linar Yakupov, the president of the Islamic Business and Development Finance Fund of the Russian Federation, Mohd Izani Ghani, CFO of Malaysian sovereign wealth fund Khazanah Nasional and Robert Scharfe, CEO of the Luxembourg Stock Exchange, with a discussion that ranged widely but concluded with a positive outlook for capital-raising and corporate strategy.

Focusing on the issues, complexities and opportunities currently facing corporates and institutions seeking to

raise capital, one of the highlights of the day was the Deal Dialogue on the UKEF-backed Emirates Airlines Sukuk, chaired by IFN group managing editor Lauren McAughtry and including Gordon Welsh, the head of aviation for UK Export Finance as well as Nirmal Govindadas, the group treasurer of Emirates Group, Gregory Man of Norton Rose Fulbright, Shuaib Murza of Clifford Chance and Mohammed Dawood, the managing director and global head of Sukuk financing at HSBC — who described this innovative deal as "one of the most significant strategic transactions the industry has seen for many years". The panel highlighted one of the key strengths and benefits of the event: connecting issuers themselves with practitioners and industry players and offering a full spectrum perspective on the deals themselves and the issues that matter to the industry.

With an exceptional array of attendees and an enthusiastic response from the industry, discussions ranged from new structures in Sukuk issuance to opportunities in alternative channels of financing, to the current surge of Sukuk issuance in countries such as Saudi Arabia, Turkey and the UAE and the strong outlook going into the final half of the year. While challenges remain and the economic climate continues to warn caution, the atmosphere of the event suggested a very positive pipeline for the upcoming months — with exciting new issuances to watch out for in both the corporate and sovereign space in both old markets and new. And as always, you will find the very latest news and cutting edge analysis here in the pages of Islamic Finance *news*.

Jadwa Investment: Bringing Saudi flavor to Europe

This week, VINEETA TAN takes a look at a giant of the Saudi Islamic asset management space and its recent move to further broaden its footprint on a global scale.

With over US$5.3 billion in assets under management, Shariah compliant Jadwa Investment is one of the largest asset managers in Saudi Arabia and the wider MENA region. From its inception in 2006, the firm has built a wide-ranging portfolio across different segments including public and private equity, real estate as well as fixed income investment with a majority (over three-fifth) of its investors hailing from the institutional side.

The firm boasts an impressive track record: its flagship Saudi, GCC and MENA Markets Equity funds have outperformed their respective benchmark at 191%, 156% and 139.3% against 44.6%, 9% and 8.3% respectively as at the 31st August 2015. Jadwa's capabilities are further illustrated by the fact that it is the only investment manager in the region with an 'MQ2' Moody's investment manager quality assessment — the first and highest manager's quality assessment in MENA.

With a formidable presence in the MENA region, the Riyadh firm, however, is expanding its market presence beyond the borders as this week, it announced a distribution agreement with Europe's Allfunds Bank (AFB) gaining it access to a diverse pool of investors including commercial and private banks, insurance operators, fund supermarkets and fund managers across 33 countries.

The agreement makes Jadwa one of the two Saudi-based providers of Shariah compliant funds on the platform and also, the sole provider of actively managed and passively managed Islamic funds.

"This partnership allows financial institutions on AFB's platform to provide their clients with access to Jadwa's portfolio of high performance regional and global funds," explained Zaheeruddin Khalid, the head of asset management and chief investment officer at Jawad. "Whether investors are specifically looking for Shariah compliant funds or simply seeking market-leading returns, this partnership offers exposure to the largest equity markets in the Middle East in vehicles with an established track record of outperformance."

Zaheeruddin is optimistic with the potential demand. "Our conversations with international institutional investors show that there is strong interest in the Saudi equity market given its scale, profile and growth prospects. Through Jadwa funds on the AFB platform, investors can now access the MENA markets in general and Saudi market in particular with relative ease," he said. "Jadwa's Global Sukuk Fund with a track record going back to October 2007 could also be an interesting option for low-risk investors, given the growing Shariah compliant debt market."

Islamic Bank of Asia to exit market

After almost a decade in operations, Singapore will see the gradual exit of its sole fully-fledged Islamic bank as the Shariah lender struggles to maintain economic viability, compelling its shareholder DBS Bank to revisit its Islamic finance strategy. VINEETA TAN delves deeper.

"After much consideration, the board of directors of The Islamic Bank of Asia (IB Asia) has unanimously agreed to progressively wind down IB Asia. As a separate legal entity, IB Asia is unable to achieve economies of scale," majority shareholder DBS Group Holdings confirmed in a bourse filing, which also added that the exercise is subject to shareholder and regulatory approvals.

Established in 2007, IB Asia — which was formed as a joint venture partnership between DBS and GCC investors — was part of DBS's Middle East drive initiated several years earlier which also saw the bank securing a banking licence from the Dubai International Financial Center. Over the last few years, the number of banks entering the Islamic space (on a window basis) has grown considerably (doubling to 15 over the 2009-14 period); however, market participants are still wrestling with a competitive environment which do not formally recognize the unique challenges faced by its nascent Shariah banking segment as the Lion City adopts a non-preferential approach toward its conventional and Islamic finance industries.

While the regulatory environment may not be as favorable to Islamic finance, Singapore has long been viewed as a market with significant Islamic finance potential, particularly in the wealth management and capital markets area, due to its highly sophisticated infrastructure and standing as one of the world's leading finance hubs and premier wealth management centers. That being

said however, thus far the Sukuk and Islamic wealth management markets of the Asian tiger remain relatively underdeveloped in comparison to neighboring Malaysia and Indonesia.

Nonetheless, DBS — the city-state's largest bank — will maintain an Islamic portfolio, particularly in the debt capital markets. "Going forward, DBS will continue to develop and distribute Shariah compliant products such as Islamic bonds or Sukuk, within the bank's main operations," affirmed the bank. "DBS will also do its best to absorb the majority of IB Asia staff and support them through this transition."

First mover advantage for the UAE and Lebanon in tapping Islamic banking opportunities in post-sanction Iran

Increased trade and investments into Iran anticipated from sanctions relief are promising to bolster the Republic's banking sector — benefiting both domestic and international players. From the pool of interested and potentially keen foreign entities however, analysts have singled out Islamic banks of the UAE and Lebanon as having a comparative advantage to capitalize the vast business opportunities in the Islamic Republic once trade and financial barriers are lifted, although with significant credit risks. VINEETA TAN explores.

"We anticipate increased longer-term business opportunities for Dubai banks if the Iranian economy opens up, given the private sector nature of the Dubai economy and its strength as a logistic hub," opined Khalid Howladar, the global head of Islamic finance of Moody's Investors Service. "In addition, a rise in inward investments from Iranian nationals could moderate the impact of the softening real estate market in Dubai."

While many global players are turning their attention toward Iran, with several already making their move into the market, the UAE and Lebanon are especially better positioned due to their close trade relationship with the Republic as well as affinity (as existing legal infrastructure) for Shariah banking.

Accounting for 11% of non-oil exports (US$11.5 billion), Iran is one of the UAE's largest non-oil export markets while the emirate is Iran's third-largest non-oil export market. "The UAE is also particularly well-positioned to serve as a regional base for an increased number of international companies that seek to do more business in Iran given the quality of local logistics infrastructure," noted Moody's in its latest report on Iran.

Lebanon on the other hand was exploring a free trade area with Iran when sanctions were imposed in 2012, building on the healthy combined 16% annual rate of growth of Lebanese exports to Iran between 2005-09.

While opportunities are plenty and links between Iran and the UAE and Lebanon have already been forged, Moody's however noted that the latter two are not immune to operating risks. "Although physical expansion into Iran would provide banks with asset diversification and revenue growth potential, the still fragile operating and geopolitical environment would expose foreign banks operating there to asset quality issues inherent in emerging economies undergoing fast transformation," cautioned the rating agency. As of 2014, non-performing loan levels in Iran reached 14.4%.

Home to IRR15.9 trillion (US$529.88 million)-worth of banking assets as of May 2015, Iran's fully Shariah compliant financial market is the largest in the world; and the removal of sanctions would usher in exciting development opportunities for the global Islamic finance industry across different segments.

"Given the sheer size of the banking system and the country's financing needs, we expect a major boost to Sukuk volumes," said Howladar. "However, Shariah harmonization across jurisdictions would likely remain difficult."

Sovereign Sukuk: Southeast Asian counterparts

Relatively quiet in the sovereign scene this week, the market only witnessed regular issuances from the usual suspects in Southeast Asia: Indonesia, Malaysia and Brunei. As usual, NABILAH ANNUAR provides the latest updates in the sovereign Sukuk arena.

The Indonesian government's sovereign Sukuk auction held on the 8th September received a total incoming bid of IDR4.85 trillion (US$338.53 million). The Ministry of Finance in a statement confirmed that it awarded IDR2.5 trillion (US$174.5 million) for the four Shariah programs, one of which was a new issuance.

Later in the week on the 13th September, four Indonesian sovereign Sukuk worth US$6 billion issued under its Trust Certificate Issuance Program since 2012 were listed on NASDAQ Dubai. According to a press release, the listings are the largest to be executed by a sovereign issuer in Dubai. In 2014, the exchange attracted Sukuk listings valued at US$13.4 billion and has added US$12.6 billion so far in 2015.

Moving on to Malaysia, the government was due to issue RM1 billion (US$230.75 million) in Islamic treasury bills on the 11th September. According to a central bank filing, the facility will mature on the 11th December 2015.

Similarly, the Brunei government, through Autoriti Monetari Brunei Darussalam (AMBD), on the 10th September priced a 91-day Sukuk Ijarah. Worth BN$100 million (US$69.52 million), the facility carries an 80bps rental rate and will mature on the 10th December. According to AMBD, total holdings of the Brunei Government Sukuk outstanding until the 10th December 2015 stood at BN$700 million (US$486.65 million).

Upcoming sovereign Sukuk

Country	Amount	Expected date
Egypt	TBA	2015/16 fiscal year
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	JOD200-300 million	September 2015
UAE	TBA	2015
Luxembourg	TBA	TBA

World Bank's International Bank for Reconstruction and Development to anchor in Abu Dhabi

Looking to raise its position and profile in the international financial and economic landscape, the UAE will establish an International Bank for Reconstruction and Development (IBRD) office in Abu Dhabi. VINEETA TAN writes that this move solidifies a long-standing relationship between the Islamic finance market and the World Bank Group (WBG) which would spur greater economic expansion in the Arab's world second-largest economy.

"The IBRD office in Abu Dhabi will aid in promoting the technical support provided to projects managed by local government institutions, in addition to promoting the transfer of international best practices, knowledge and innovation and provide training for UAE nationals," explained Obaid Humaid Al Tayer, the minister of state for financial affairs. "This step will contribute to the UAE's economic growth and its development on a global scale. This will also help in highlighting the UAE's pivotal role in international forums."

As a member of the WBG of over four decades, the emirate has benefited significantly from its close relationship with the global institution through the provision of technical expertise in a wide array of matters including in education, infrastructure projects, judiciary as well as the Abu Dhabi Economic Vision 2030.

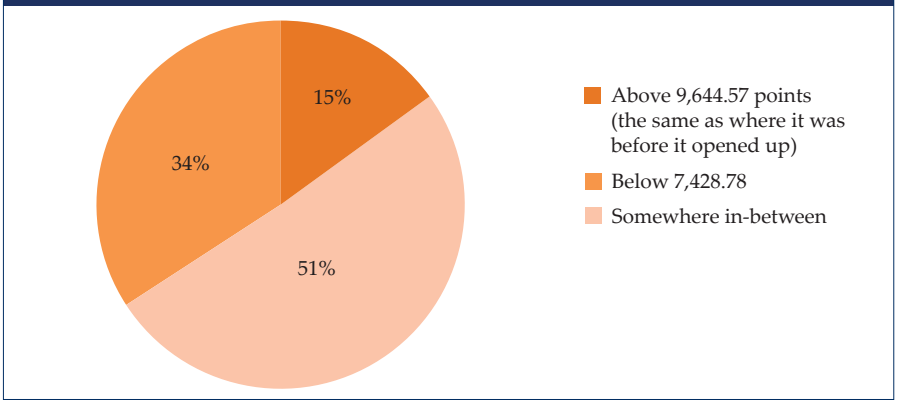
"Over the past few years, the World Bank provided a number of studies related to health, education and infrastructure to support the process of improving the business environment and increasing competitiveness levels in the UAE. We hope to offer the best international expertise in the coming years in order to contribute to the UAE's continual economic growth," confirmed Dr Hafez Ghanem, the World Bank's vice-president for the MENA region.

And considering the UAE's strong Islamic finance inclination and bid to become an Islamic finance hub as well as the WBG's solid support for the industry, it is likely that the new IBRD office to be domiciled in Abu Dhabi's Department of Economic Development will also see collaboration and support in Islamic finance projects.

IFN Weekly Poll: Tadawul closed at 9,644.57 points the day before it opened to foreign investment (15th June 2015). On Sunday, the 6th September it closed at 7,428.78. Where will it be at the end of the year?

It has been almost three months since Saudi Arabia's stock market opened its doors to direct foreign investments. As one of the most anticipated movements in the financial markets, Tadawul's liberalization to foreign investment was expected to provide a boost to the Kingdom's equity market. IFN this week takes a look at Middle East's largest market and asks the industry of their projections for the year-end. NABILAH ANNUAR reports.

Tadawul closed at 9,644.57 points the day before it opened to foreign investment (15th June 2015). On Sunday, the 6th September it closed at 7,428.78. Where will it be at the end of the year?



Highly dependent on oil (90% of fiscal revenues, 80% of current account revenues and 40% of the gross domestic product) according to Fitch, the Saudi market was the region's top performer this year ahead of its opening to foreign investors in June, but it is now down more than 10% in 2015 so far. The ratings agency in the same commentary also downgraded its outlook on the Kingdom from stable to negative on the back of weaker oil prices. This is reflected in this week's poll results as the industry remains fairly skeptical in their projections: 15% believed that Tadawul would be above 9,644.57 points (the same as where it was before it opened up); 34% opined that it would be below 7,428.78; while the majority maintained that the stock market will remain somewhere in between 7,428.78 and 9,644.78.

Carrying an optimistic view, Omar Bassal, the head of asset management at Riyadh-based MASIC, projects that equity prices would be higher by year-end: "Predicting market returns over the short-term is very difficult and there are numerous reasons an estimate can turn out to be wrong (eg an unexpected economic or political event). I expect Saudi equity prices to be higher at the end of the year than where they are today. The primary reason I believe prices will end higher is that the valuation of the Saudi market today is attractive when compared to history. Of course, there are headwinds in terms of lower oil prices and reduced government spending in the near term. But I think certain parts of the economy will be less affected from these headwinds, such as the consumer sector and healthcare sector — both of which I expect to perform well."

Due to the low valuations and given expected earnings growth in some sectors, it is believed that the Saudi stock market will end the year at a higher level than today. However, it must still be noted that the petrochemical sector will be hit the hardest given the weakness in oil prices. As long as oil prices fall, the sentiment in Saudi Arabia will be negative and one should not expect equity prices to rise. Nevertheless once oil prices stabilize, investors will focus on the fundamentals of the economy and the fundamentals of the market where valuation will matter.

"Some companies in Saudi Arabia have dividend yields of +7% or +8% after the recent decline and some of these companies are not heavily affected by the decline in oil prices. When oil prices fell, investors sold every stock they could. Now that third quarter earnings season is fast approaching, you'll start to see investors return to looking at valuations and earnings growth rates. So that's why I think prices can end the year higher than where they are today," Omar affirmed. In addition to that, he personally believes that oil prices are nearing a level where supply will be meaningfully cut back.

One major push anticipated for Saudi Arabia is when it is added to the emerging markets benchmark. "Basically you're not going to see international investors jumping in to invest in Saudi Arabia especially when markets fall. When markets fall, risk premiums rise and people want to buy safe investments. So for that reason, I don't expect any positive impact regarding international investors entering the Saudi market," said Omar. As of now, the Capital Market Authority has permitted the very largest managers to access Saudi equities and many of those managers were already investing via P-notes. Therefore, the significant catalyst will be when Saudi Arabia is added to the emerging markets benchmark, which will force many investors to own Saudi shares.

According to a statement on its website, at the end of August 2015 the Tadawul All Share Index (TASI) closed at a level of 7,522.47 decreasing 1,575.80 points (17.32%) over the close of the previous month. On a year to date basis TASI lost 9.73% (810.83 points). The highest close level for the index during the month was 8,834.82 on the 10th August 2015. Total equity market capitalization at the end of August 2015 reached SAR1,692.47 billion (US$451.33 billion), decreasing by 16.35% over the close of the previous month.

UAE: Going strong

With a strong infrastructure in place and firm political will to make Dubai the world's Islamic economy hub, the UAE has surged forward as one of the world's top Islamic finance player, in the ranks of heavyweights Saudi Arabia and Malaysia. VINEETA TAN provides a snapshot of its Islamic finance industry.

Legal and regulatory

The UAE has a relatively sophisticated and comprehensive Islamic finance legal infrastructure covering banking, Takaful and the capital markets. This is further facilitated by the fact that the UAE Civil Code has solid foundations in the Shariah. Dubai's Islamic economy ambitions drove for further enhancement in this respect: for example, in 2014, the Securities and Commodities Authority of the UAE approved new regulations for Sukuk dictating rules for issuance and principal listing among others. In May 2015, the Central Bank of the UAE also proposed for the creation of a national Higher Shariah Authority to complement and oversee the Shariah board of individual Islamic banks.

Banking and finance

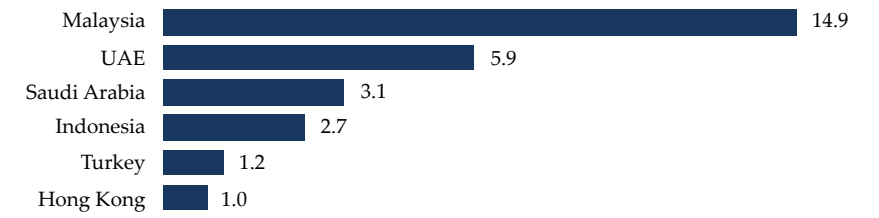
Estimated to be worth US$127 billion in 2014 (by EY), the UAE is one of the biggest Islamic banking markets in the world – third-largest after Saudi Arabia and Malaysia. The latest World Islamic Banking Competitive Report by EY forecasts for the UAE, which is on track to generate US$263 billion-worth of Shariah compliant assets by 2019, to command up to almost 15% of total Islamic banking assets of the world's six core Islamic markets, which is estimated to reach US$1.8 trillion by 2019.

Offered by a majority of the 23 domestic banks and many of the 28 foreign lenders in the emirate, the financial sector is perceived as being overbanked. Yet more players are entering the Islamic banking market including the National Bank of Fujairah which launched its Islamic window in November 2014. According to Dar Al Sharia Research Department, there are 26 independent Islamic financial institutions in the UAE, seven of which are fully-fledged Islamic banks, nine are Islamic insurers/re-insurers and 10 are finance companies. Islamic banking activities are regulated by the Federal Law No 6 of 1985.

Sukuk

Entering the Sukuk market in 2004 through a US$1 billion Sukuk Ijarah by Dubai's Department of Civil Aviation, the UAE like Malaysia and Saudi Arabia, is one of the top Sukuk issuers globally. Latest 12-month rolling data from Dealogic shows that the UAE is the second-largest Sukuk issuer with US$5.9 billion-worth of issuance (See Chart 1).

Chart 1: Islamic bond volume by issuer nation (US$ billion) – last 12 months (rolling)



Source: Dealogic

Issuance aside, the UAE is also a popular Sukuk listing destination. With a listed nominal value of US$36.7 billion in September 2015, Dubai is the world's leading Sukuk center, with NASDAQ Dubai accounting for 93% of that amount.

Takaful

Takaful was first made available in the UAE through Islamic Arab Insurance Company (known also as Salama Takaful) in 1979 followed by Dubai Islamic Insurance & Reinsurance Company (AMAN) 22 years later. Takaful regulations were, however, introduced much later in 2010, which, among others, include more stringent Shariah compliance requirements and prohibit Takaful window operations.

Falling under the purview of the Insurance Authority (IA), there are currently 11 Takaful operators in the UAE. In 2015, the IA issued prudential regulations to promote the growth of Islamic insurers as well as to boost global confidence in the emirate's Takaful market. Outlining technical, investment limits and record-keeping criteria for Takaful players, the regulation also stipulate new solvency standards inspired partially by the EU's Solvency II standards which will come into effect the 1st January 2016 — a first in the Arab world. Takaful operators are also required to develop investment and risk management policies in compliance with the following maximum limits set by law:

- 30% limit on real estate investment
- 30% limit on equities, only one-third of this may be invested in a particular class of asset, and
- 20% on mutual fund investment, only half of this may be invested in a particular asset class.

EY estimates that the UAE in 2014 would have generated US$1.31 billion-worth of gross Takaful contributions, second-highest in the GCC after Saudi Arabia at 15% market share. And the UAE is highlighted as a key market to be driving Takaful product development in the region.

Outlook

Global oil price volatility has been a pervasive theme thus far in 2015, exerting downward pressure on Sukuk issuances and banking performance; however, the strong fundamentals of the emirate is expected to support the country's Islamic finance industry. Sheikh Mohammed Rashid Al Maktoum's 'Dubai the Capital of Islamic Economy' initiative is widely anticipated to continue to push for further developments in the Islamic finance space.

Already a solid contender in the global Islamic finance landscape, the UAE's strong political view and existing infrastructure is making it an even more attractive Shariah finance partner as international players seek to build stronger relationships with the Gulf nation to capitalize on its Islamic finance experience and opportunities. This includes Luxembourg (the finance ministry hosted the inaugural UAE-Luxembourg Council for Islamic Finance Cooperation in March 2015), India and Iran among others.

Mergers and acquisitions in Islamic finance

The inherently Shariah compliant nature of mergers and acquisitions (M&A) means that they remain an important facet of the Islamic finance industry. From Asia to the Middle East to Europe, the Shariah compliant financial landscape has seen interesting movements in M&A activity. NABILAH ANNUAR provides a brief overview of these developments.

Asia

In Malaysia, after months of negotiations and due diligence since 2014, CIMB Group Holdings, RHB Capital and Malaysia Building Society (MBSB) have finally laid market rumors to rest as they on the 14th February confirmed that their tripartite merger talks are off the table. Discussions to create Malaysia's largest bank and the world's first Islamic megabank took a sharp turn downhill as the country's economy suffered a heavy blow from turbulent international oil prices. All three parties involved were unable to reach a value-creating transaction for all stakeholders.

Just two months after the tripartite merger fell through, MBSB, which aims to become a fully-fledged Islamic bank, is said to be eyeing KFH Malaysia as an option for a merger exercise. Rumors have also circulated that a merger plan is now being floated between MBSB and Bank Islam Malaysia at the shareholder level of both companies, according to a local daily.

In Indonesia, the Financial Services Authority of Indonesia (colloquially known as Otoritas Jasa Keuangan) is currently developing a mechanism with the Ministry of State-Owned Enterprises to consolidate state-owned Islamic banks into one entity. According to local reports, merging the republic's state-owned Islamic banks (Bank Syariah Mandiri, BRISyariah and BNI Syariah) is a main priority for the OJK this year.

Pakistan over the past year has had quite an eventful M&A scene. Following months of discussions and undertaking the necessary procedures, Meezan Bank in October finally acquired HSBC Holdings's operations in Pakistan. While the purchase price was not revealed in its merger announcement, the acquisition has gained Meezan Bank 10 additional branches, PKR23 billion (US$223.3 million) in incremental deposits and expanded the bank's customer base.

Chasing a bigger piece of the pie, in June this year Meezan Bank confirmed that it is expecting to merge with HSBC Bank Oman in the second half of 2015. Similarly in May, BankIslami Pakistan acquired KASB Bank following an approval by the federal government.

Europe

Earlier this month, Italian independent asset manager Azimut, through its Luxembourg holding company, AZ International Holdings, and the minority partners in Azimut Bosphorus Capital Portföy Yönetimi (AZB), signed an agreement to merge AZB in Azimut Portföy Yönetimi, the other product factory of Azimut Group in Turkey. The resulting entity will maintain the name Azimut Portföy Yönetimi with the aim of consolidating further the Azimut brand in Turkey.

The commercial and industrial integration of these three companies has consolidated the largest independent asset management player in Turkey with assets under management (AUM) in excess of TRY2.3 billion (US$758.32 million) with a market share of 4.9% (excluding pension funds). The AUM includes TRY740 million (US$243.98 million) invested in AZ Fund Global Sukuk, the world's largest UCITS and Shariah compliant fund investing in Islamic bonds, and AZ Fund Lira Plus, aiming to extract a positive hard currency return from local interest rates.

Middle East

Bank Nizwa's proposal to merge with United Finance Company (UFC), which was previously agreed in-principle, is now off the table as Bank Nizwa decided to withdraw its proposal following UFC's decision to open the merger and acquisition bidding process to two other financiers.

In the three months following the announcement of UFC's in-principle agreement with Bank Nizwa, Al Omaniya Financial Services and the National Bank of Oman (NBO) threw in their hats with similar propositions that have led UFC to reconsider its initial deal with Bank Nizwa.

Al Omaniya and NBO later confirmed their interest in bidding for UFC, while Bank Nizwa withdrew its proposal.

Al Rajhi Capital's IPO fund: Testament to a healthy pipeline of potential IPOs in the Kingdom

Al Rajhi Capital (ARC) last month inaugurated the Al Rajhi IPO Fund. The newly launched fund is an open-ended equity fund investing in the Kingdom of Saudi Arabia's stock market, the largest-growing economy in the Middle East. In an exclusive interview with Al Rajhi Capital, NABILAH ANNUAR discusses further details of the said fund.

The initial launch period of the fund will be from the 16th August to the 10th September 2015 where investors are allowed to invest with a minimum initial subscription amount of SAR5,000 (US$1,332.51). Several reasons led ARC to introduce the fund to the market. According to the investment banking subsidiary of Al Rajhi Bank, this included: increased investor interest in IPO opportunities in the Kingdom, the regulator's focus on increasing institutional participation in the market by having higher IPO allocations to investment funds, an alternate route for ARC's clients to participate in IPOs, and a healthy pipeline of potential IPOs in the Kingdom.

The fund's focus would obviously be the equity market in Saudi Arabia. According to ARC, Saudi Arabia has maintained a strong economy. "Saudi equity market's growth story is driven by the Kingdom's strong economic fundamentals, driven primarily by continued rise in budgeted expenditure and further supported by favorable demographics. In spite of strong reliance on oil revenues, Saudi's strong fiscal position provides the country flexibility to address concerns during [a] downturn in oil prices," said ARC.

The fund will have bi-weekly valuations and can also invest in secondary markets through rights issues, rump offerings and recently listed companies during their first three years of listing. Investments are primarily focused in IPOs that offer attractive investment opportunities. ARC's mandate allows investing in newly listed companies during their first three years of listing. The fund manager also has the flexibility to invest up to 25% of the fund's assets under management in small and medium-cap companies, and up to 30% in Arab markets.

Additionally, the Kingdom's equity market is believed to offer attractive opportunities for investors due to its strong economy and favorable demographics. ARC continued to elaborate: "As one of the remaining untapped major equity markets, Saudi's equity market offers attractive opportunities across emerging markets, and the opening up of the market for direct foreign investment will generate more investor interest. Investors also benefit from the pegged currency regime, which reduces the investment risk associated with currency volatility in emerging markets." The Saudi equity market is said to offer attractive dividend yield for investors with an expected current year yield of 3.6%, which is significantly better compared to other markets.

Therefore, key factors that are expected to drive the fund's performance include: the strong growth potential of the Kingdom's equity market, a strong and consistent performance track record, an investment decision-making process with a special focus on risk management, as well as the ARC's experienced investment team. In hindsight, external risks that the fund takes into consideration are: stock market, economic, political, concentration, liquidity, legal, currency, and emerging markets risks. This is in addition to other risks such as: risk of delay in listing of subscribed stocks in the stock market, risk of diminishing ratio of allocation, risk of suspension of trading, risk of participating in priority rights, risks associated with the issuer and risks of compliance with Shariah controls.

"There is a healthy pipeline of IPOs in the Saudi market, and this is expected to increase further with [the] increasing institutionalization of the market. Investors will use this as an alternate way to benefit from the potential IPO opportunities as we go forward," said ARC commenting on the market outlook for the fund.

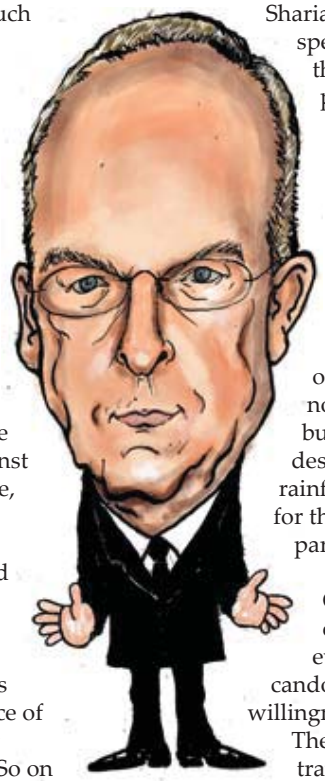
Issuer	Al Rajhi Capital
Investment objective	Achieve capital growth in medium to long term by investing: • Primarily in Shariah compliant IPOs • Right issues • Rump offerings, and • Newly listed companies in the Saudi market during their first three years of listing.
External fund manager	None: Internally managed by Al Rajhi Capital
Trustee	Al Rajhi Capital
Shariah advisor(s)	Shariah Board of Al Rajhi Capital
Benchmark (Index)	Al Rajhi Shariah IPO Index provided by S&P
Domicile	Kingdom of Saudi Arabia
Inception date	13th September 2015 (target date)
Fund characteristics	a) Fund type: Open-ended equity fund b) Fund size: Will be determined on inception date c) NAV per share: Will be valued upon launch
Minimum/ subsequent investment	Minimum initial investment: SAR5,000 (US$1,332.51) Minimum additional investment: SAR2,000 (US$533.03)
Management fee	1.5% per annum of the net value of the fund's assets
Dividend policy	Accumulative – the dividend income is re-invested to increase the unit's value
Industry allocation and fund portfolio composition	Will be available upon launch

Daud speaks

It is very nice to have the opportunity once again to share a few thoughts with you on the events of the last month or so. In the last days of August and the first few of September, I had the privilege to travel to Edinburgh, Scotland. Firstly, for the initial meeting of the board of trustees of the newly formed Responsible Finance Institute and secondly, to attend and speak at the inaugural Global Ethical Finance Forum.

> ***"Many members of the Islamic finance industry took great pains to explain that the essence of Shariah was about being ethical and responsible"***

Both events were enlightening as well as encouraging, for broadly similar reasons. It was a great opportunity for representatives of both the Islamic finance and ethical finance industries to get together and compare notes. This was done in a spirit of collaboration and convergence and much was learned from each other. I, for one, learned a great deal about UN guidelines on ethical financing and how few Islamic financial institutions or products had bothered to register for such accreditation (two in total). This, of course, could lead to the perception that Islamic finance products are not ethical because they have not been accredited against this UN standard and are, therefore, not on the list.



Nothing, of, course could be further from the truth. Many members of the Islamic finance industry took great pains to explain that the essence of Shariah was about being ethical and responsible. So on that score, a great deal more clarity was obtained and understood by everyone present.

The opportunity was also taken to discuss the effectiveness of the Shariah in driving toward the objectives of Maqasid Al Shariah. The overarching conclusion drawn was that currently Shariah governing councils spend more time focusing on the Shariah compliance of products and contracts from a legal perspective, rather than looking at the desired outcome of the use of those products.

As an example, an Ijarah contract that is Shariah compliant in terms of its construct for the financing of some bulldozer trucks, may not be Shariah compliant if the bulldozers are being used to destroy thousands of hectares of rainforest. There was much food for thought and discussion on this particular subject.

Overall, what was very encouraging about these two events was the openness and candor of the discussion and the willingness to listen from all parties. The discussion now needs to be translated into action….but that may be for another day.

As ever, there is much to do and not a moment to lose.

Islamic finance offshore markets continue to grow

QATAR

By Amjad Hussain

The Islamic finance market has continued its growth trend over the past year with the total value of the sector at the end of 2014 reaching US$1.8 trillion. Although the market remains dominated by onshore markets such as Sudan, Malaysia, Iran and Saudi Arabia, the market share of offshore markets in the Islamic finance sector has continued to grow.

Offshore jurisdictions have always had a competitive advantage over other jurisdictions as they adopt lower tax rates or lower costs of doing business to attract international Islamic finance businesses. This is reflected in recent figures which showed Luxembourg and Jersey being ranked among the top 10 jurisdictions with the largest number of Islamic funds.

Opportunities in Seychelles

Although not a traditional 'offshore' jurisdiction, the Seychelles has attracted interest from investors of late. Bank of Muscat International Offshore has (through its parent Al Salam Bank of Bahrain) been in discussions with the regulatory authorities in the Seychelles to explore the opportunity of establishing the first Islamic bank in the Seychelles.

It is estimated that the establishment process may take up to eight months. It will, of course, be interesting to monitor the progress and development of this proposed establishment and whether the Seychelles does indeed establish a footprint in the Islamic finance offshore markets.

Cayman Islands

The Cayman Islands has cemented itself as a key offshore Islamic finance market. At the moment, the Cayman Islands is ranked among the top five Sukuk jurisdictions worldwide. This has been encouraged by the Cayman Islands amending its legislation to attract more investors. Such amendments include introducing the bilingual (Arabic and English) facility when establishing new entities, ie all forms are available in English and Arabic and the ability to register entities' names in both languages. Additionally, the neutrality of

the tax rate (0%) on individuals and on corporates has made the Cayman Islands a more attractive offshore Islamic finance hub.

Recently, the Cayman Islands is being considered by companies in major Islamic finance jurisdictions in Asia and the Pacific (namely Malaysia and Indonesia) as a preferred destination to establish entities to be used for the purpose of issuing Sukuk. A recent example was an issuance of a US$500 million Sukuk for an Indonesian airline. It is understood that the Sukuk were issued through special purpose vehicles incorporated in the Cayman Islands.

Luxembourg

Over the years, Luxembourg has been, and continues to be, a key Islamic finance jurisdiction. It has established itself as a key destination for the establishment of Islamic/Shariah compliant entities and funds. The low tax rates for offshore companies, Luxembourg or special holding companies, make it an attractive destination to establish Shariah compliant entities. This is evident in the fact that as of 2014, the total value of Sukuk listed and traded on the Luxembourg Stock Exchange was US$2.3 billion.

In a recent development, the Luxembourg For Finance (a public-private partnership between the government of Luxembourg and parties in the Luxembourg financial center) entered into an MoU with the Toronto Financial Services Alliance for the provision and exchange of research information on banking, including Islamic finance.

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Orix Leasing Pakistan acquiring Mudarabah and leasing companies

PAKISTAN

By Muhammad Shoaib Ibrahim

Recently, ORIX Leasing Pakistan (OLPL) entered into an agreement with Standard Chartered Bank Pakistan to acquire Standard Chartered Modaraba (SCM) and Standard Chartered Leasing (SCLL). The acquisition will be made through the purchase of shareholdings, ie 20% of SCM and 100% through Standard Chartered Services of Pakistan (management company of SCM).

The SCM stake is held 10% directly and 10% indirectly through Standard Chartered Services of Pakistan. The acquisition of SCLL will be made through the amalgamation with OLPL and by purchase of majority shares of around 86%. The said acquisitions/transactions are subject to regulatory approvals from relevant authorities in Pakistan.

OLPL is part of ORIX Corporation (OC) of Japan. OC is an integrated financial services group based in Tokyo, Japan, providing innovative value-added products and services to both corporate and retail customers. OC is listed on the Tokyo and New York stock exchanges. With operations in 26 countries and regions worldwide, OC's activities include corporate financial services, such as leases and loans, as well as automobile operations, rental operations, real estate-related finance, real estate development, etc.

OLPL is Pakistan's leading leasing company which started its journey in 1986. Presently, OLPL offers cost-effective value-added products and customized services to a wide array of customers throughout the country. The blend of international experience and local expertise has made OLPL a top-performing leasing company within Pakistan's market. It has helped to grow numerous small businesses into medium-sized enterprises.

Today, OLPL stands as one of the most sound and stable non-banking finance companies in Pakistan with a presence all over the country and a large network of individual and corporate customers. OLPL holds around 66% of the market share of the leasing business in Pakistan. This is due to a wide network and a strong market penetration at the country level.

Teizoon Kisat, CEO of OLPL, is of the opinion that the acquisition of SCM will provide the ORIX Group an opportunity to enter the country's growing Islamic finance market through the Mudarabah venture. SCM is part of Standard Chartered Bank Pakistan which is the oldest and largest international bank in Pakistan. It is also the first international bank to be awarded an Islamic banking license and the first to open an Islamic banking branch.

SCM has been operating in Pakistan's financial market as a non-bank Islamic financial institution since 1987. This Mudarabah-based bank has a robust asset size and an excellent history of performance of around 28 years of successful business operations.

Islamic banking and finance in Pakistan has witnessed significant growth during the last decade. However, there is a huge market of Islamic finance still untapped in Pakistan. Along with other Islamic finance institutions, the Mudarabah sector has a huge potential for further growth within the Islamic financial industry.

The Mudarabah model in Pakistan having the corporate status is a unique business model all over the world. It provides an opportunity for Halal business/investment to the general public with access to skilled managers. It can carry out a plethora of Shariah compliant businesses in various categories. It is expected that OLPL will expand its Islamic finance segment and other Shariah compliant businesses through utilizing the Mudarabah vehicle for future business growth and development.

Muhammad Shoaib Ibrahim is CEO and the managing director of First Habib Modaraba. He can be contacted at shoaib@habibmodaraba.com.

Islamic finance workshop for lawyers

ITALY

By Stefano Padovani

There is an increasing awareness and interest in Islamic finance in Italy, as portrayed in the event organized by the Franco-American Alliance for Islamic Finance (FAAIF) on the 1st September at the Four Points Sheraton Hotel in Milan. The two-day workshop was attended by a relatively small, but keen and interactive group of lawyers and other professionals.

Camille Paldi, CEO of the FAAIF, a qualified Islamic finance specialist with a Master of Arts degree in Islamic finance

from Durham University in the UK and a lawyer in four countries, now based in Dubai, held a short but very intense course aimed at equipping lawyers and finance professionals with basic skills required to enter and compete in the Islamic finance market.

Topics discussed in particular were the concept of usury and Riba in the three monotheistic religions; the principle of profit and loss-sharing and the holy economy; the concept of Riba and Gharar; the main Islamic finance types of contracts; Sukuk, including forms of non-Shariah compliant Sukuk; Takaful; financial reporting of Islamic banks; Islamic investment funds; and dispute resolutions in Islamic finance. A Q&A session was conducted at the end of every five parts of the course.

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Gearing toward Sukuk

KENYA

By Mona Doshi

S&P recently released a report in August 2015 on the outlook of Islamic finance in various countries in Africa. It indicated that due to Kenya's relatively developed capital markets (by regional standards), Kenya is one of the African countries that could issue Sukuk in the near future.

Indeed, this is what Kenya is gearing toward following the success of the eurobond that raised more than US$2 billion in June last year and the indication by Treasury Cabinet secretary Henry Rotich last December that he would debut the issuance of Sukuk in the financial year 2015/2016.

In order to fast-track the issuance of the debut Sukuk, Kenya would need to amend certain legislation. The report recommends that Kenya adjusts its tax regimes in order to encourage Sukuk issuance.

The report states that: "Shariah compliant instruments require equal treatment with conventional instruments for investors to consider them. Malaysia, for instance, introduced various tax incentives that made Islamic finance a cheaper economic alternative for institutions to raise funding."

Stakeholders have recognized the importance of aligning laws to ensure a successful launch of Sukuk and it is hoped that the required legislative changes are brought into effect as soon as practicable.

Furthermore, the importance of training and having qualified personnel has been realized and there are regular short courses and seminars taking place in Islamic finance including Takaful and most banking conferences in the region also include Islamic finance as a topic of discussion.

If countries within East Africa make relevant amendments to their banking and other relevant legislation to allow for Islamic finance or like Uganda are in the process of introducing new legislation, in the near future we may see regional cross-border Islamic finance transactions taking place which would mean more growth in this upcoming sector.

Mona Doshi is a senior partner at Anjarwalla & Khanna. She can be contacted at mkd@africalegalnetwork.com.

Best places for business = Best places to invest?

REAL ESTATE

By Philip Churchill

Over the summer, Forbes published their 17th annual comprehensive US analysis of 'The Best Places For Business And Careers'. The results may be a surprise to many, but I'm pleased to report that many in the Islamic finance world have spotted the opportunities already.

> ***"Businesses are looking at all these aspects in considering where to establish or relocate and it is driving significant shifts in population and with that the need for more and newer offices, residential and retail accommodation, ie a vibrant real estate market"***

Many would guess that New York, San Francisco or perhaps Los Angeles would be in pole position, but the winner was nowhere near a coastline, with Denver, Colorado taking the top spot. Very pleasing for us at 90 North, having bought the FBI headquarters there last year.

The analysis was conducted based on a dozen factors related to employment, costs (business and living), income growth, quality of life and the education of the labor force. Businesses are looking at all these aspects in considering where to establish or relocate and it is driving significant shifts in population and with that the need for more and newer offices, residential and retail accommodation, ie a vibrant real estate market.

As well as our own deal in Denver (ranked 1st), our research suggests that among the large cities (population in excess of one million), Middle East investors have almost all the top five covered with recent acquisitions. Gulf Finance House bought a multi-family apartment building in Atlanta (ranked 4th) last year, Investcorp bought an office campus in Seattle (ranked 5th) also last year and earlier this year 90 North bought the divisional headquarters of Lenovo just outside Raleigh (ranked 2nd).

So, of the top five, only Portland, Oregon (ranked 3rd) does not seem to have attracted any attention, which is a shame, as Forbes reported that "the economy is expected to boom over the next three years". Considering our head of North America grew up there, we definitely need to take a look.

But who came last? The answer is Atlantic City. Thankfully, we could not find any Middle East investor who had ventured there. Described by Forbes as a "fading New Jersey gambling hub", the Shariah principles of compliant investing would seem to hold true.

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Circular economy and Islamic finance: An Ijarah way forward

Our economic system is built on a linear notion of 'take-make-dispose', where resources are extracted from the planet, goods are then produced, and eventually they are disposed; often for other products. The model has been working for us so far, yet it contains an inherent flaw which is that it assumes that our planet's resources are infinite. Accordingly, such a model is not sustainable in the long-run, and will eventually break. Climate changes, environmental degradation, and landfills are all planet-stressing byproducts of this linear approach. YOUSSEF ABOUL-NAJA explores the relationship between the circular economy model and Islamic finance.

CIRCULAR ECONOMY

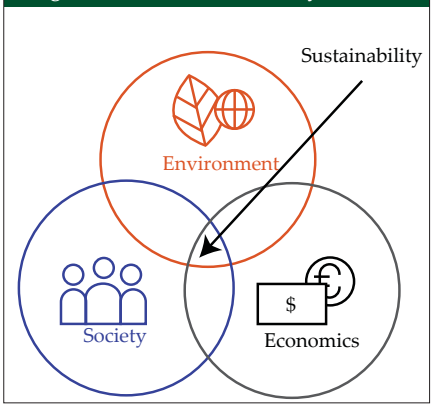
By Youssef Aboul-Naja

Stefan Seidel, the deputy head of PUMA Safe Global, indicated that: "From a business and common sense point of view, it does not seem to make sense to grow cotton using large amounts of water, fertilizer and pesticides; go through complex ginning, spinning and weaving processes that require energy usage; and then pay for the disposal of the cotton at a landfill, where the material has no use other than filling up landfill space."

The antidote to this throw away-and-replace culture may lie within an idea incepted in the 1980s: the 'circular economy' model. Having gained traction in 2013, the circular economy model advocates for an economy that keeps "resources in use for as long as possible, [extracting] the maximum value from them while in use, then [recovering] and [regenerating] products and materials at the end of each service life." In other words, a circular economy approach uncouples economic development from resource use; instead, it positively correlates efficient use of resources with economic development. This new perspective of economic development necessitates that we view products as services as opposed to goods owned. For example, when someone buys a washing machine, what they are really buying is the service as opposed to the actual product. This goes for other products, such as: vehicles, fridges, televisions, etc.

Considering that products are to be viewed as services, the easiest way to implement a circular economy model is for manufacturers to retain ownership of the products and subsequently lease it to the end-users. Since manufacturers will be responsible for maintenance, they will be financially incentivized to produce durable goods. On the other hand,

Diagram 1: The circular economy model



customers only pay for what they use; this also implies that customers are financially incentivized to reduce waste. Many companies have already incorporated the circular economy model into their workflow and offerings which include, to name a few, automakers' car-sharing programs, Xerox photocopying machines, soft drink machines, Desso's carpet-sharing program, IKEA's secondhand goods service, Philips's pay-per-lux model, etc.

At this point, you are thinking, how does this relate to Islamic finance? The circular economy model embodies many elements from Islamic law, due to its ample social justice characteristics. For one thing, it promotes better resource utilization; Islamic law beseeches us to preserve wealth. Additionally, a circular economy approach will result in a less strenuous relationship with the environment; Islamic law maintains that: "Damage should be removed to the extent that is possible." Finally, the circular model calls for risk-sharing schemes between suppliers and customers through the use of an operating lease.

Of course, differing views will exist. One may argue that production companies are not interested in taking financial exposure on its clients; or that production companies do not have the means in managing a leasing portfolio. In addressing such arguments, it must be emphasized that for a circular economy model to be realized, both the public and private sectors must cooperate to see through its success. To that extent, governments may introduce financial incentives to coax producers into taking financial exposure on its clients. As for managing a leasing portfolio, this is where leasing and Ijarah companies can play a pivotal role. Ijarah companies can lease the products from the manufacturers and subsequently sublease them to the end-users. Not only will that address the manufacturers' shortcomings in managing a leasing portfolio, but Ijarah companies will also benefit by requiring less capital for operations as they will be leased, as opposed to buying, from the manufacturers.

Islamic finance has often been criticized in its mimicking of conventional finance, that it is devoid of the Islamic economic spirit. Such criticisms have been founded on the premise that most Islamic banks shy away from business risk-sharing modes; they opt instead for more sale-based modes such as Bai Bithaman Ajil, Murabahah and Ijarah Muntahiya Bittamleek. But at the end of the day, banks are nothing more than facilitators; they provide services that its users request. Maybe the problem is not with Islamic finance, nor the Islamic banks, but with the way we perceive our products. "Sometimes a change in perspective is all it takes to see the light" (Dan Brown).

Any public opinion or media appearance is the author's independent personal opinion and should not be construed to represent any institution with whom the author is affiliated.

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India: Regulatory hurdles abound in India but all is not lost for Islamic finance

The Islamic finance industry has been growing at a rapid pace and made several significant achievements over the past few years. It continues to mainstream its capabilities in core markets as well as penetrating into new geographies. Today, Shariah compliant financial assets are estimated at roughly US$2 trillion, covering bank and non-bank financial institutions, capital markets, money markets and insurance. Unfortunately, the response from the government of India and the regulators have not been encouraging. India, which is one of the four largest emerging economies, with its sizable Muslim population has immense potential for Islamic finance. But Shariah finance is still in the nascent stage in the country, thanks to the regulatory hurdles. However, some developments in the last years give H ABDUR RAQEEB hope regarding the future.

INDIA

By H Abdur Raqeeb

In many majority Muslim countries, Islamic banking assets have been growing faster than conventional banking assets. There has also been a surge of interest in Islamic finance from secular and modern countries such as the UK, Luxembourg, South Africa, and Hong Kong. Even the IMF and the World Bank have recognized the bright prospects of Islamic finance. In India, Dr Raghuram Rajan, the Reserve Bank of India (RBI) governor — who himself recommended interest-free finance in the banking sector as the chairman of a high-level committee on financial sector reforms — said recently that he had no objection to establish an interest-free finance system in Kashmir.

Two years back, the RBI had recognized a Shariah compliant non-banking financial company namely Cheraman Financial Services (CFSL) which was established with equity participation from the Kerala State Industrial Development Corporation along with private investors, mostly Gulf-based non-resident Indians. Apart from CFSL, Cheraman Group operates two more companies which are wholly-owned subsidiaries of CFSL, namely, Cheraman Funds Management and Cheraman Infrastructure.

CFSL intends to increase its footprint in financial services through Shariah compliant businesses which include fund management, funding infrastructure projects and leasing. Cheraman Infrastructure has initiated the first Waqf property development scheme in Kannur town to develop its Waqf land owned by the Jamaath on the BOT (build, operate and transfer) basis which was described during the national conference on Waqf development in India as a role model project of Waqf property to be developed for productive and profitable use.

The Securities and Exchange Board of India recently allowed the largest government-owned bank of the country, namely, the State Bank of India to launch Shariah equity funds through which the bank was expecting to float an initial INR1 billion (US$14.99 million). Thus, the State Bank of India Mutual Fund (SBIMF) was formed as a joint venture between the asset manager Amundi of France and the State Bank of India. SBIMF was supposed to offer investment opportunities based on Islamic equity indexes benchmarked to the S&P BSE 500 Shariah Index launched in May 2013. But curiously, this Shariah compliant mutual fund was deferred a day before its launch with the statement that the decision was taken to improve the product and to review the structure of the fund. However, market analysts see political involvement on the deferment. The issue was raised in the parliament by a senior member of parliament Rahman Khan and the finance minister assured that it can be relaunched soon with a secular nomenclature instead of Shariah.

Jayant Sinha, the minister of state for finance informed KC Tyagi — a member of parliament and the chairman of the Parliamentary Standing Committee on Industry — that the RBI had constituted an inter-departmental group to examine the legal technical and regulatory issues pertaining to the introduction of Islamic banking in India. It is known that they have already submitted the report and the outcome is eagerly awaited.

The new central government had constituted a select committee of the upper house of the parliament to finalize the Insurance Amendment Bill. The bill was aimed at bringing improvement and revision of the laws relating to insurance. The main objective was to raise the foreign direct investment limit in the insurance sector from the present level of 26% to 49%. The Indian Center for Islamic Finance (ICIF) made a representation before the committee regarding the benefits of the Takaful system in comparison to the conventional insurance. It also apprized the committee that re-Takaful is being practiced profitably by the General Insurance Corporation of India — a government insurance agency for the past five years.

The government requires huge capital for accomplishing its ambitious projects like the modernizing of railways, the construction of 100 smart cities and establishing dedicated freight corridors, among others. The main objective of prime minister Narendra Modi's foreign visits is obviously to bring in investments. India is facing a funding gap of US$300 billion in meeting its infrastructure funding requirements until 2017. Public sector banks, which have been the main source of funding, are overleveraged. It has been learned that the finance ministry is considering Sukuk for infrastructure development. India also cannot ignore the fact that many of its allies in international economic forums like the G20 and BRICS are already actively engaging in Islamic finance. We are optimistic that the government will soon realize the potential of Islamic finance tools to accomplish the aspirations of the nation and its billion-plus population.

H Abdur Raqeeb is the convener of the National Committee on Islamic Banking and the general secretary of the Indian Center for Islamic Finance (ICIF). He can be contacted at abdraqeeb@gmail.com.

Mauritius: A jurisdiction of choice for Shariah compliant structuring

With a track record exceeding two decades as an international financial center (IFC), Mauritius has consolidated its reputation as a platform of repute for cross-border structuring of businesses and investments, particularly in Asia and Africa. It has been, for quite some time now, a highly favored jurisdiction for the structuring of investments into and out of India and Southeast Asian countries and has positioned itself as the preferred gateway for Africa. Yet, other than a few Shariah compliant funds, SPVs and trusts, the jurisdiction has not been very popular among players in the Islamic finance sphere, at least not yet. Be it the consequences of inadequate promotion, asymmetric information about its attractions, or possibly an erroneous appreciation of its readiness for Islamic finance, MOHAMMAD AKSHAR MAHERALLY seeks to shed some light as to why Mauritius provides a favorable environment for establishing cross-border Shariah compliant structures, including Murabahah, Mudarabah, Musharakah, Ijarah, and Sukuk transactions.

MAURITIUS

By Mohammad Akshar Maherally

As per latest statistics, the jurisdiction boasts assets under administration exceeding US$400 billion, with professionals of the global business industry (the local appellation for offshore industry) servicing close to 1,000 funds and 22,000 SPVs, including tax-exempt vehicles. The industry contributes around 4% to GDP, employs some 15,000 people and generates over 35% of the country's direct tax revenue.

The Mauritius IFC has, over the years, been successful in attracting well-established fund managers, multinationals, corporates and high-net-worth individuals, principally from the US, Europe and some Asian/African economies.

Credentials of the jurisdiction

The pillars of Shariah compliant business models rest essentially on the principles of equity, governance, transparency, fairness, flexibility and trust. In addition, by privileging asset-backed structures, they focus on transactions demonstrating substance, rather than mere financial engineering.

Accordingly, any analysis of structuring options for an Islamic finance transaction inevitably calls for a study of the credentials of potentially relevant IFCs. In this respect, Mauritius successfully stands the test of credibility. The country has always been white-listed by the Organization for Economic Co-operation and Development and accredited as largely compliant with the Financial Action Task Force framework. In addition, Mauritius maintains a legal and regulatory framework, including robust anti-money laundering laws and strong corporate governance norms, which keeps the country highly ranked on 'ease of doing business' and 'corporate governance' international indices. Table 1 provides a snapshot of the country's 2014 rankings by the relevant assessing international institutions:

Table 1: Mauritius's 2014 rankings by relevant assessing international institutions

Indices/surveys	Ranking
Mo Ibrahim Index of African governance	1st/52 countries
World Bank's Ease of Doing Business Index	28th/189 countries (1st in Africa)
Forbes survey: Best countries for doing business	34th/140 countries (1st in Africa)
Global Competitiveness Index	39th/144 countries (1st in Africa)

Developments in Islamic finance in Mauritius

The material developments in Islamic finance surfaced from the late 2000s with appropriate changes to the legislative framework as well as laudable initiatives by the central bank of Mauritius (the Bank of Mauritius) and market players.

The Banking Act was amended to allow banks to operate Islamic banking activities either through fully-fledged Islamic banks or Islamic windows within conventional banks. Provisions were also made to enable non-bank deposit-taking institutions to accept Shariah compliant deposits.

On the taxation front, the Income Tax Act clarified the tax regime of effective returns from Islamic finance arrangements while the Registration Duty Act and Stamp Duty Act were updated to obviate the need for multiple payment of duties on Shariah compliant structures designed for acquisition/financing of immovable and movable properties, such as in Murabahah and Ijarah transactions.

In 2009, the relevant legislation was also amended to empower the Mauritian government to issue sovereign Sukuk for the purposes of financing its national projects.

Subsequently, in 2010, the Mauritius Revenue Authority issued a Statement of Practice on the value-added tax implications arising from Murabahah transactions.

In 2008, the central bank issued guidelines for institutions carrying out Islamic banking business. Under the guidelines, Islamic banks are required to appoint a three-member Shariah advisory board or a Shariah scholar, either based in Mauritius or otherwise, with appropriate qualifications, ethics and experience.

Soon after the issue of the guidelines, Mauritius witnessed the launch of an Islamic window by an international bank, as well as the opening of a fully-fledged Islamic bank in 2009. Takaful and Ijarah products became available from the same year. During mid-2014, the central bank approved the opening of another Islamic banking window within another international bank.

Around the same period, the central bank organized, along with the IFSB and the Financial Services Commission in Mauritius, the first international seminar on Islamic capital markets.

Continued

The central bank became a fully-fledged member of the IFSB in 2008 and a founder member of the International Islamic Liquidity Management Corporation (IILMC) in 2010.

Legislative framework

Consistent with the international rankings on 'ease of doing business', the legislative framework in Mauritius is highly attractive for international investors wishing to use the country as a platform for corporate structuring. From the flexibility of preparing financial statements and denominating share capital in foreign currency, to the ability of maintaining bank accounts and settling tax obligations in foreign exchange, the provisions of the relevant legislation takes into account the needs of international investors. In addition, the Companies Act supports limited liability as well as limited life features, which can be useful for certain Shariah compliant transactions.

The Financial Services Act (FSA), on its part, provides a robust yet flexible legislation to, among others, govern entities having a 'global business' objective. It provides the relevant business licenses and appropriate rules of compliance, regulation and governance to ensure the entities operate in a properly regulated, yet business friendly, environment while adhering to appropriate substance levels and the highest standards of corporate governance and anti-money laundering norms.

The framework set by the FSA is complemented by the Securities Act in respect of the regulation of financial services companies including mutual funds, private equity funds, asset management and investment advisory entities.

In this respect, it should be highlighted that a Mudarabah structure would perfectly match the required relationship between investors and fund managers. The Limited Partnership Act provides an ideal vehicle for structuring Musharakah transactions.

Further, the existence of the protected cell companies (PCC) legislation enables Shariah compliant investors a cost-effective option by operating within a conventional fund structure (ie by having a specific cell devoted to Shariah compliant investments), akin to Islamic banking carried out via an Islamic window of a conventional bank.

Shariah compliant funds and SPVs can be established under the same legislative setup as conventional structures while the specifics of Shariah compliance can easily be inserted in the bylaws, shareholders' agreements, or relevant business contracts.

The Trust Act and the Waqf Act provide for very flexible trust and Waqf structures with enshrined confidentiality. The trust structures do not generally require registration with the authorities in Mauritius and can be as flexible as the trust deed and the letter of wishes require it to be.

Value proposition

Mauritius, as an IFC, offers a plethora of tax and non-tax attractions to Shariah compliant structures.

Tax attractions

Mauritius practices a unique domestic income tax rate of 15% for corporates and individuals, but allows credit for foreign taxes suffered in arriving at the actual tax liability. Structures which use Mauritius as a platform for foreign investment/business can, depending on the circumstances, apply for a Category 1 or a Category 2 Global Business Licence (GBL1 or GBL2).

An entity holding a GBL1 licence is taxable at the standard 15% rate but may claim credit for either actual foreign taxes suffered (including withholding taxes, underlying credit and sparing relief) or a deemed credit of 80% of the chargeable income, whichever is higher. The GBL1 is thus exposed to a maximum tax liability of 3%. GBL2 companies are, on the other hand, exempted from income tax in Mauritius. Mauritius does not tax capital gains.

Limited partnerships are generally tax transparent in Mauritius, with only the partners subject to tax on their share of profits in Mauritius. Should the partners not be resident in Mauritius, they would not be subject to tax on their share of profits.

Trusts may opt not to be subject to tax in Mauritius provided the settlor and the beneficiaries are non-resident in Mauritius or hold a GBL licence. Resident trusts are either taxable at 15% or, if they hold a GBL1 licence, a maximum of 3%. Distributions made by a trust are deemed to constitute dividends and therefore not taxable in the hands of the beneficiaries.

Taxable entities have access to the benefits of the network of double tax avoidance treaties signed by Mauritius with some 43 treaty partner countries, including 16 with African countries.

Non-tax attractions

The main non-tax benefits of using Mauritius as an IFC for structuring Shariah compliant transactions can be summarized as follows:

- Strategic geographical position between Asia and Africa
- Stable political, economic and social environment
- Recognized 'one-stop shop' platform for offshore structures compatible with European UCITS laws, with an attractive choice of structuring vehicles
- Flexible and business-friendly legislation, adapted to Islamic finance transactions
- Sukuk can be listed as a depository receipt on the Stock Exchange of Mauritius
- Availability of a pool of cost-efficient, highly qualified, bilingual professionals (English and French)
- Free from exchange-control restrictions, therefore investment flows and repatriations free from any hurdle, and
- Mauritius is not alien to Islamic culture and principles, given its diverse ethnicity.

Conclusion

The Mauritian jurisdiction definitely offers attractive opportunities for corporates, multinationals and fund managers in the Islamic finance space to structure Shariah compliant funds, SPVs, limited partnerships and PCCs.

In addition, high-net-worth individuals will surely find Mauritian structures, in the form of trusts, foundations and Waqf, appropriately suited for their philanthropic activities, or even succession planning needs.

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The 'hidden' benefits of re-Takaful

In this article, BERT PATERSON looks at the various beneficial uses of re-Takaful and the need to further expedite the growth of this relatively young industry.

RE-TAKAFUL

By Bert Paterson

Throughout my career I have been fortunate to be involved in many different parts of the insurance business. As I was preparing for this article on re-Takaful, my mind drifted back to a time in my career during which I had my most significant exposure to the world of reinsurance.

It was the early to mid-1990s and I was asked to work with my then company's London Market team. My role was to analyze and report on the financial results, assess reserve adequacy, and to prepare strategic, business and financial plans. The London Market team worked out of the London Underwriting Center (LUC). The LUC opened in October 1993 and was designed as an international market building for the world's leading insurance and reinsurance companies – in effect the company equivalent of the Lloyd's market.

In common with other members of the LUC, my company was heavily involved in the underwriting of large marine, aviation, hull and cargo risks – both in the primary and reinsurance markets. Once I needed to present an analysis of our recent results and I started my presentation by telling the team that, thanks to market conditions and a series of catastrophic events, the company had lost a lot of money. I went on to say that we would have lost less money over the past 10 years if we had simply stopped writing business and sent our underwriters home while continuing to pay their salaries, which, as a statement of fact, was 100% correct.

Re-Takaful as a risk-sharing mechanism

The aforementioned series of catastrophic events included:

- UK windstorms (1987)
- The North Sea oil rig explosion (Piper Alpha, 1988)
- Alaskan oil spill (Exxon Valdez, 1989)
- Hurricane Hugo (1989)
- A devastating series of explosions near the Houston Ship Channel in Pasadena (Phillips Petroleum, 1989)
- Daria, the North European windstorm (1990), and
- Hurricane Andrew (1992).

Together, these events nearly brought about the near collapse of the London Market by precipitating the now infamous LMX (London Market excess of loss) spiral. No single insurance company was big enough to withstand the impact of these disasters on their own. The global insurance market survived thanks to the risk transfer mechanism that is reinsurance.

> ***"If it is an accepted truth that the global Takaful industry has yet to attain scale and continues to be dwarfed by the conventional insurance industry, then it is probably an even greater truth for the re-Takaful industry"***

The reason that I have started my article on re-Takaful the way I have is to remind readers that, just as for conventional reinsurance, one of the primary functions of re-Takaful is to allow Takaful operators to protect themselves from the risks that they undertake on behalf of their participants. They do so by buying re-Takaful cover. The fundamental difference between re-Takaful and reinsurance is that the latter is a form of risk transfer while, in order to comply with Shariah principles, the former is a form of risk sharing. When we think about the need for re-Takaful, our first thoughts are that it protects the General Takaful operator from man-made and natural catastrophes of the type listed previously.

Family Takaful operators also face catastrophic risks – think of the potential loss of life from events such as pandemics (eg influenza, SARS, MERS), terrorist attacks, natural disasters and other accidents. As well as helping to spread the burden by sharing these risks, re-Takaful allows Takaful operators to protect their balance sheets, make better use of capital and to reduce earnings volatility.

If it is an accepted truth that the global Takaful industry has yet to attain scale and continues to be dwarfed by the conventional insurance industry, then it is probably an even greater truth for the re-Takaful industry. Although most of the major global reinsurance companies now have re-Takaful operations, these are still small in comparison to their conventional reinsurance operations. An immediate consequence of this is that there is a lack of re-Takaful capacity that forces many Takaful operators to resort to conventional reinsurance. Although this is in breach of a strict interpretation of Shariah principles, most regulators and Shariah supervisory boards are prepared to adopt a pragmatic approach and allow the breach implied by the use of conventional reinsurance cover.

There is no shortage of reinsurance players with a global scale. The fragmented nature of the global Takaful industry probably precludes the emergence of global re-Takaful players for the time being. However, a good first step toward this goal would be for the creation of regional re-Takaful players with real strength in regions such as Southeast Asia, the GCC, North Africa and Europe. To this end, the way in which the UK's determination to become a major Islamic finance hub is being supported increasingly by the Lloyd's insurance market's building of

Continued

Takaful and re-Takaful skill and capacity is a model that can be adapted in other regions.

This lack of availability of re-Takaful can limit the impact of another two areas in which re-Takaful operators can help their Takaful partners to develop their business – product innovation and access to a large pool of risk knowledge and risk management tools. These two areas are the 'hidden' benefits of re-Takaful.

Re-Takaful as a tool for product innovation

Re-Takaful providers tend to have greater research facilities and a wider knowledge base than Takaful operators. They use their knowledge and insight of what has worked in other markets to assist their Takaful partners to develop their business. They understand that they benefit directly in terms of new business flow via re-Takaful contributions by helping their Takaful partners to grow.

However, the best re-Takaful providers are not mere product providers for their Takaful partners. They invest a lot of time and resources in working with their partners in order to understand their strategy, distribution channels and customer base. In this way, they provide product ideas that are tailored for the benefit of their partners' businesses and their customers' needs.

For new product areas, re-Takaful operators also transfer product knowledge, claims management support and in some cases, operational and IT support to their Takaful partners.

Re-Takaful as a tool for risk management knowledge transfer

Risk management for re-Takaful operators is all about the identification, assessment, quantification and control of risks. They also anticipate and develop models to quantify emerging risks. Their scale and greater geographic coverage allow them to develop greater insight than is possible for any single Takaful operator.

Good examples of emerging risks that are being monitored and assessed by the re-Takaful operators are provided by longevity risk and morbidity risk – the risks associated with increasing life expectancy. Population projections by the United Nations show that life expectancy in developing Islamic countries is rapidly converging to those levels seen in developed countries. Related to this is the fact that, worldwide, the proportion of the population over the age of 65 is also increasing rapidly. This change in the demographic profile increases existing pressures on state and privately funded pension schemes and national healthcare systems. There is a greater need for innovative and cost-effective long-term care solutions for a growing population of elderly citizens.

Re-Takaful operators are using their insight and resources to develop pension, life, health, and long-term care solutions that help Takaful operators develop their businesses. An added advantage is that these solutions help reduce the burden on increasingly overstretched national budgets by allowing governments to transfer risk from the state to re-Takaful and Takaful providers by encouraging more private provisions.

Re-Takaful operators are better placed than Takaful operators to develop tools and techniques for the effective management of risk. They know that it is in their own commercial interest to share these tools and techniques with their Takaful partners.

Sharing facilitates better risk identification and management on the part of the Takaful operator. This should flow through to greater profitability for the re-Takaful operator. Sharing also helps to secure longer-term relationships that can be further enhanced if the re-Takaful operator allows the Takaful operator to access their online underwriting and claims management systems.

Suggestions to accelerate the growth of the re-Takaful industry

Good progress is being made by the re-Takaful industry. The following suggestions are offered as quick and low-cost ways that will help to accelerate the growth of the industry.

The aim is for re-Takaful to be as significant for Islamic finance as reinsurance is for conventional finance markets.

The re-Takaful industry shares many of the challenges of the Takaful industry. Lack of scale is the most obvious of these. As mentioned previously, focusing on the creation of in-country and regional 'champions' is probably a more reasonable and attainable goal than dreams of global domination.

One of the strengths of the global reinsurance industry is the extent to which common policy wordings, terms and definitions have been adopted. To date, re-Takaful wordings tend to be virtually indistinguishable from their conventional counterparts and, in some cases, would struggle to pass a rigorous review against strict Shariah principles.

Re-Takaful needs to differentiate and create policy wordings that unequivocally comply with Shariah principles. The Malaysian Takaful Association is doing some interesting work in this area – hopefully, this will lead to the development of a global standard.

Even though the re-Takaful industry is relatively young, it is disappointing to see that there is already a variation on the re-Takaful models that are being adopted. Those global reinsurance companies with re-Takaful operations should take the lead in adopting a common operating model. Their sheer scale and global presence would lead quickly to this becoming the globally accepted standard re-Takaful operating model.

Finally, there is a dearth of publicly available data on re-Takaful. This hinders direct comparison between operators and markets. The data that exists tends to be incomplete and unreliable for analytical purposes. Standardized data can, and should, be provided in a way that will allow insight to be generated while simultaneously protecting operators' need to maintain commercial confidentiality.

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DEALS

SKTMC makes first drawdown

MALAYSIA: SapuraKencana Petroleum according to an announcement to Bursa Malaysia has made its first issuance of US$200 million in nominal value of unrated Sukuk Murabahah under its RM7 billion (US$1.62 billion) multi-currency Sukuk program. Proceeds raised from the inaugural issuance will be utilized to part refinance SapuraKencana TMC (SKTMC)'s existing financings. The unrated Sukuk is structured based on the Shariah principle of commodity Murabahah (via a Tawarruq arrangement).

According to The Star, the issuance has been taken up by a single local institutional fund.

Indonesia reaches Sukuk auction target

INDONESIA: The Indonesian government's sovereign Sukuk auction held on the 8th September received a total incoming bid of IDR4.85 trillion (US$338.53 million). The Ministry of Finance in a statement confirmed that it awarded IDR2.5 trillion (US$174.5 million) for the four Shariah programs, one of which was a new issuance.

Malaysia plans T-bill sale

MALAYSIA: The government of Malaysia issued RM1 billion (US$230.75 million) in Islamic treasury bills on the 11th September. According to a central bank filing, the facility will mature on the 11th December 2015.

Tanjung Bin Energy Issuer distributes profits

MALAYSIA: Tanjung Bin Energy Issuer is set to make profit payments on its Sukuk Murabahah under the Islamic principle of Tawarruq (commodities Murabahah) of up to RM4.5 billion (US$1.04 billion) in nominal value on the 17th September 2015, according to an announcement on the central bank's website.

Chinese company to tap Sukuk market

GLOBAL: Property development company Country Garden Holdings plans to establish a Sukuk program of at least RM1 billion (US$231.08 million) to finance an integrated resort project in Johor, reported Bloomberg. The company plans to sell up to RM800 million (US$184.87 million) from the Sukuk program next month and has set the initial yield target at about 6%. The real estate firm purchased a 22-ha plot in the state's waterfront area and its resort is estimated at a gross development value of RM18 billion (US$4.16 billion).

IFC issues second Sukuk

GLOBAL: IFC on the 10th September announced the issuance of its second Sukuk program — a US$100 million Sukuk Wakalah. The World Bank Group member said in a statement that the five-year facility — to be listed on NASDAQ Dubai and the London Stock Exchange — will be used to support its developmental financing activities in the MENA region and beyond. Priced at six-month LIBOR minus 10bps, the transaction was managed by joint lead managers Dubai Islamic Bank, HSBC, National Bank of Abu Dhabi and Standard Chartered Bank.

Chinese Sukuk in the making

CHINA: The owner of Hainan Airlines, HNA Group, is looking to secure up to US$150 million in Shariah compliant financing to procure ships, according to Reuters quoting Andrew Kinal, the managing director of the Geneva-based Shariah Advisory Group, which is advising on the deals. Arranged by Gulf and international banks, HNA's financing unit will reportedly issue a benchmark-sized offshore Sukuk by December.

Brunei issues Sukuk Ijarah

BRUNEI: The Brunei government, through Autoriti Monetari Brunei Darussalam (AMBD), on the 10th September priced a 91-day Sukuk Ijarah. Worth BN$100 million (US$69.52 million), the facility carries an 80bps rental rate and will mature on the 10th December. According to AMBD, total holdings of the Brunei Government Sukuk outstanding until the 10th December 2015 stood at BN$700 million (US$486.65 million).

Indonesia lists Sukuk on NASDAQ Dubai

GLOBAL: Four Indonesian sovereign Sukuk worth US$6 billion issued under its Trust Certificate Issuance Program since 2012 have been listed on NASDAQ Dubai. According to a press release, the listings are the largest to be executed by a sovereign issuer in Dubai. In 2014, the exchange attracted Sukuk listings valued at US$13.4 billion and has added US$12.6 billion so far in 2015.

XL Axiata to issue Sukuk

INDONESIA: Mobile operator XL Axiata plans to raise up to IDR1.5 trillion (US$105 million) in Sukuk, reported The Jakarta Globe. Targeting a wider range of investors, the company aims to utilize proceeds from the Sukuk for working capital. XL Axiata, Indonesia's second-biggest mobile carrier, has yet to secure approval from the Financial Services Authority or the Indonesia Stock Exchange for its plan.

AFRICA

ISFIN's new partner

SENEGAL: ISFIN according to a press release has teamed up with GENI & KÉBÉ, the largest and oldest law firm in Senegal.

DEAL TRACKER Full Deal Tracker on page 33

EXPECTED DATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENT DATE
TBA	XL Axiata	IDR1.5 trillion	Sukuk	15th September 2015
By December 2015	HNA Group	US$150 million	Sukuk	11th September 2015
Oct-15	Country Garden Holdings	RM1 billion	Sukuk	11th September 2015
Sep-16	Government of Jordan	JOD200-300 million	Sukuk	4th September 2015
TBA	Saudi Electricity Company	US$1.5 billion	Sukuk	1st September 2015

ASIA

Islami Bank Bangladesh's new premise

BANGLADESH: Islami Bank Bangladesh, according to an announcement on its website, opened its 299th branch at Bhawanigonj of Rajshahi on the 7th September 2015.

GreenTech seeks project financing

MALAYSIA: Green Technology Corporation (GreenTech Malaysia) aims to realize total approved financing of RM2.7 billion (US$624.84 million) under the Green Technology Financing Scheme (GTFS) by the end of 2015. Speaking at the Green Financing Forum 2015 in Kuala Lumpur, Ahmad Hadri Haris, CEO of GreenTech Malaysia, conveyed that it is processing RM500 million (US$115.71 million) to RM600 million (US$138.85 million) of financing for 20 to 30 projects. Each project is eligible for a maximum of RM50 million (US$11.57 million) in financing; however, a typical solar project's financing is about RM5 million (US$1.16 million). Approximately 55% of the total finance approved under the GTFS are Shariah compliant.

1MDB moves on with debt-reducing plan

MALAYSIA: 1Malaysia Development (1MDB) is on the right track to reduce its debt with its rationalization plan, claimed prime minister Najib Tun Razak, according to Bernama. The prime minister said 1MDB has received encouraging offers, but declined to reveal them as the due diligence process was still in progress. Last month Arul Kanda Kandasamy, the 1MDB president and group executive director, said the implementation of the rationalization plan would be able to reduce its debts within six months.

A fully Islamic Borsa Istanbul envisioned

TURKEY: Borsa Istanbul's chairman Talat Ulussever has called for the development of a model for all transactions on the stock exchange to be in compliance with Shariah law, according to Anadolu Agency. "Instead of a stock market model where only interest-free Islamic stocks and Sukuk are traded, we should develop a model in which all securities could be traded in an Islamic way," Ulussever was quoted as saying.

India to welcome Islamic banking provider

INDIA: A new Islamic bank, to be known as Taqwa Credit Cooperative Society, will commence operations in Bhatkal, a port town in the Uttara Kannada district of the South Indian state of Karnataka, on the 4th October, according to an official announcement by Taqwa.

Amana Bank expands ATMs

SRI LANKA: Amana Bank according to a press release has expanded its ATM network with the opening of two off-site ATMs in Addalachenai and Maruthamunai in the Eastern Province of Sri Lanka. With these additions, Amana Bank's ATM network has expanded to 26 ATMs, which include three off-site ATMs in addition to the 24 branches the bank has island-wide.

EUROPE

ISFIN gains Norwegian partner

NORWAY: Global Islamic finance legal network ISFIN has partnered with Steenstrup Stordrange based in Norway. The firm's attorney at law Klaus Henrik Wiese-Hansen and Lars Tormodsgard jointly said in a statement that they expect the partnership with ISFIN to open up Islamic investment opportunities into Norway.

GLOBAL

IDB supports Yemen

GLOBAL: The president of the IDB Group, Dr Ahmad Mohamed Ali, has received the minister of planning and international cooperation and governor of the IDB for Yemen at its headquarters in Jeddah, reported Saudi Press Agency. The Yemeni delegation and the IDB discussed the latest developments in Yemen and efforts to meet the basic needs of citizens, to assess serious damage to many parts of Yemen, and to set a comprehensive national development plan to prepare for a new stage of reconstruction and development.

MSCI launches new Islamic indexes

GLOBAL: MSCI has launched the Islamic M-Series Indexes which includes the: MSCI ACWI Islamic M-Series Index, MSCI Europe Islamic M-Series Index, MSCI North America Islamic M-Series Index, MSCI Pacific Islamic M-Series Index and MSCI EM Islamic M-Series Index. The index research and analytics provider said in a statement that these new indexes are to meet clients' demand for financial screening criteria based on market capitalization and that it is committed to developing relevant tools for the Middle Eastern market.

EBD and CCPIT-China strengthen ties

GLOBAL: The Bahrain Economic Development Board (EBD) has signed an MoU with the China Council for the Promotion of International Trade (CCPIT-China) as the countries seek to enhance bilateral relations. According to Bahrain News Agency, this partnership will also strengthen ties between the Ningxia region and Bahrain as the former seeks to develop an Islamic finance center for China and the latter being a leader of the industry.

IDB's Indonesian focus

GLOBAL: The IDB according to a press release is focusing on the Member Country Partnership
Strategy for Indonesia to support the country in Islamic banking, private sector projects and programs as well as microfinance.

MIDDLE EAST

NBF empowers women

UAE: National Bank of Fujairah (NBF), which operates NBF Islamic, has announced the establishment of NBF Elham, a specialized business segment that is dedicated to supporting the banking requirements of Emirati female business leaders and entrepreneurs. According to a press release, NBF Elham will provide Emirati businesswomen easy access to the bank's extensive knowledge and experience in multiple industries as well as its corporate banking services and growing suite of Islamic banking solutions.

ADIB's rights issue allocation to be announced

UAE: The share subscription period for Abu Dhabi Islamic Bank (ADIB)'s rights issue was due to close at 2 pm on the 10th September 2015, according to a press release. ADIB received approval from its board in July to raise AED504 million (US$137.19 million) through a rights issue to support the bank's strong growth and meet future regulatory requirements. The bank subsequently issued shareholders with 56 rights for every 1,000 shares owned, and the rights were also traded on the Abu Dhabi Securities Exchange between the 23rd August 2015 and the 3rd September 2015. Final share allocations will be announced on the 20th September 2015.

Abdullah AM Al-Khodari Sons Company renews facility

SAUDI ARABIA: Abdullah AM Al-Khodari Sons Company according to an announcement to Tadawul has renewed the existing Islamic facilities agreement worth SAR344.62 million (US$91.83 million) with Riyad Bank. The purpose of these credit facilities — 62% Tawarruq and Murabahah and 38% multi bonds and documentary credit — is to provide bonding commitments and to fund capital requirements and working capital needs for the company's specific projects and general businesses.

The facilities are secured by a promissory note and assignment of the contract proceeds of the financed projects. The credit facilities agreement is renewable at its expiry date of the 12th May 2018; however, the credit limits extended by the bank will mature over the life of the respective financed projects.

Cihan partners with MEPS

IRAQ: Cihan Bank for Islamic Investment and Finance has signed a partnership agreement with Middle East Payment Services (MEPS) which will see the latter providing various services including call centers and operating MasterCard point-of-sale devices. According to a press release, MEPS will also issue the Islamic bank's payment cards.

Saudi bank lending declines

SAUDI ARABIA: The slowdown in financing growth at Saudi Arabian banks reflects a deteriorating operating environment, said Fitch in a recent statement. Total sector financings were up an annualized 10% in the first half of 2015, compared with 17% in the corresponding period last year. The ratings and research agency expects credit demand to hold steady at these lower levels to end-2015, and slightly lower growth in 2016. New lending has traditionally been to government and oil-related projects, and, more recently, to the retail sector. The slowdown reflects general pressure on Saudi Arabia's economy, which is heavily dependent on oil.

Tawreeq aims for bigger funding

UAE: Dubai-based Tawreeq Holdings, the region's first Shariah compliant supply chain finance group, aims to facilitate US$500 million in funding over the next 18 months. According to a press release, since its launch beginning of this year, the firm has originated over US$55 million in supply chain finance services for SMEs and mid-sized companies.

Barwa Bank to perform well

QATAR: Barwa Bank is said to have found its niche in the country's growing Islamic banking sector, benefiting from Qatar's strong economy and favorable operating environment, according to Moody's in a recent report. "Continued high public spending will continue to create further business opportunities for local banks, particularly those with well-established government links like Barwa," said Arif Bekiroglu, a Moody's assistant vice-president — analyst. "Furthermore, Barwa will benefit from regulators' policies which prohibit conventional financial institutions operating Shariah compliant banking windows and reduce the competition for a fast-growing customer segment." Barwa's financing book grew 19% in 2014, compared with 13% for the system. Moody's expects it to grow by 10-15% in 2015.

Iraq seeks funds from the IDB

IRAQ: Iraq will reportedly seek up to US$500 million in financing from the IDB to help cover its projected deficit, according to Reuters. Out of the US$500 million, US$225 million would be used for the development and renovation of a major trade corridor that links Iraq with neighboring countries. Based on the bond's prospectus, the Iraqi government is also raising US$6 billion in a series of dollar-denominated bonds, Iraq's first in nine years, to fund salaries as well as infrastructure projects in the oil and gas, electricity and transportation sectors.

Bank Nizwa's awareness efforts

OMAN: Bank Nizwa has launched the second phase of its 'Islamic Finance Knowledge Series' focusing on the public sector. According to a press release, this second phase is dedicated to raise awareness on Islamic finance among government employees, starting with the directorate of the Ministry of Endowments and Religious Affairs in Nizwa. Over the next few months, Bank Nizwa's team of experts will deliver a series of in-depth sessions to government entities including the Ministry of Education and the Sultan Qboos Islamic Studies Institute.

DAFZA supports Islamic economy

UAE: Dubai Airport Freezone Authority (DAFZA) and the International Center of Islamic Economy entered into an MoU to jointly develop and promote products in support of Sheikh Mohammed Rashid Al Maktoum's Islamic economy ambition for Dubai. According to a press release, the new partnership is of strategic importance as it primarily focuses on choosing Dubai, and DAFZA in particular, to be the headquarters of the International Center of Islamic Economy.

Bahrain Islamic Index launched

BAHRAIN: Bahrain Bourse on the 14th September 2015 launched the Bahrain Islamic Index. According to a press release, the index includes stocks of 17 companies computed within the index, all of which are with activities that comply with Shariah standards and regulations set by the bourse's Shariah committee. Starting from its launch, investors and parties concerned with the bourse's activity will be able to follow up the index's performance on the bourse's website, and in the trading bulletins issued by the bourse.

Investment Corporation of Dubai seeks funds

UAE: Investment Corporation of Dubai is seeking to raise US$500 million to fund the expansion of its Atlantis, The Palm resort in Dubai, reported Bloomberg. The facility is said to be provided by Emirates NBD and Dubai Islamic Bank.

Qatar upgraded to secondary emerging market

QATAR: Qatar has been upgraded from frontier to secondary emerging within the FTSE Global Equity Index Series as part of FTSE's 2015 Country Classification review. According to the Qatar Exchange (QE), FTSE confirmed in a statement that the State had met all the necessary criteria for the upgrade, which has been in consideration since September 2013 when the country was added to FTSE's Watch List.

Separately, the QE announced that Zad Holding will join the QE Al Rayan Islamic Index, bringing the number of its constituents to 18.

MSM revises Shariah index

OMAN: Muscat Securities Market (MSM) has conducted its quarterly review on the MSM Shariah Compatible Index for the second quarter of 2015. According to Times of Oman, the new sample index, which came into effect on the 12th September, included two new companies and dropped another two, maintaining the number of listed entities at 32.

ASSET MANAGEMENT

PMB Investment targets AUM growth

MALAYSIA: PMB Investment, a subsidiary of Pelaburan Mara, seeks to grow its assets under management (AUM) to RM2 billion (US$462.17 million) by next year, up 72% from RM1.16 billion (US$268.06 million) as at the 31st August 2015, reported The Sun Daily. PMB aims to reach RM1.4 billion (US$323.52 million) in AUM by end of this year. The company's portfolio mandate represents about 75% of its total fund size, while the remaining 25% is contributed from its unit trust.

Jadwa signs agreement with AFB

GLOBAL: Jadwa Investment has entered a global distribution agreement with Europe's Allfunds Bank (AFB), making it the second Saudi-based Islamic fund provider to provide actively managed and index funds on the platform. According to a press statement, the agreement allows investors to access Jadwa's portfolio of public equity and fixed income funds across 33 countries.

RESULTS

Al Madina for Finance and Investment Company

KUWAIT: Al Madina for Finance and Investment Company generated a net loss of KWD1.52 million (US$5.03 million) in the first six months of 2015, a marked improvement from the net loss of KWD10 million (US$33.07 million) realized in the corresponding period of 2014. The firm's income statement showed that for the second quarter of the year, it made a net profit of KWD715,261 (US$2.37 million) against a loss of KWD2.87 million (US$9.49 million) the year before. Total assets as at the 30th June 2015 stood at KWD75.02 million (US$248.07 million).

Jordan Islamic Bank

JORDAN: Jordan Islamic Bank realized a 10.2% growth in first half yearly post-tax profit to US$35.26 million against the corresponding period in 2014. According to a press statement, the bank's customer deposit base expanded by 3.3% to US$5.08 billion while its capital adequacy ratio reached 19.76%.

BIMB Holdings

MALAYSIA: BIMB Holdings announced a 4.5% year-on-year growth in profit before Zakat and tax (PBZT) for Bank Islam to RM350.3 million (US$81.25 million) for the first half of 2015 driven by expansion in the financing and deposit base. The group in a statement also confirmed that Takaful Malaysia Group realized an 11.7% PBZT of RM112 million (US$25.98 million) during the period. BIMB Holdings reported a 7.3% increase in PBZT to RM430.2 million (US$99.78 million).

TAKAFUL

Special insurance program for the public sector

SAUDI ARABIA: Bupa Arabia and National Commercial Bank (NCB) have introduced an insurance financing program for public sector employees (citizens and military personnel) with a 0% profit margin. According to a press release, the partnership will see NCB release a 12-month financing policy for family insurance programs. The agreement is said to be innovative and is the first of its kind in the Kingdom.

Amana Takaful strikes partnership

SRI LANKA: Shariah compliant Adam Capital Micro Credit has signed an agreement with Amana Takaful Life allowing the former to promote the latter's products in its capacity as a facilitator on a fee-sharing basis. According to Daily News, the partnership is targeted at underserved communities within a 15 km radius from Grandpass Road, Colombo 14.

ANB Insurance issues policy

SAUDI ARABIA: Metlife-AIG-ANB Cooperative Insurance Company (ANB Insurance)'s health insurance policy proposal for the staff of Arab National Bank with an annual premium of SAR53.78 million (US$14.33 million) has been approved on the 10th September and will take effect on the 17th September 2015. The operator confirmed in a bourse filing that no preferential treatment was given with regards to this policy despite board member Robert Eid, a representative of the bank in the board of directors of the Takaful company, having a direct interest in the policy.

Aljazira Takaful's new products approved

SAUDI ARABIA: According to a bourse filing, Aljazira Takaful Taawuni has received final approval from the Saudi Arabian Monetary Agency for the utilization of two products: Family trust and Sadaqa Jariah.

Angkasa to launch Takaful products

MALAYSIA: Angkatan Koperasi Kebangsaan Malaysia (Angkasa) will be launching three new Takaful products via its subsidiary, MyAngkasa Holdings (MHSB), next month. The products: Extended Takaful Warranty, GAP Takaful and Cashless PA Takaful will be followed by a family medical solution later, according to Bernama.

RATINGS

DHTI Capital's IMTN rating withdrawn

MALAYSIA: MARC in a statement has withdrawn its rating of 'A+ID' on DHTI Capital's RM10 million (US$2.31 million) junior Islamic medium-term note (IMTN) facility. The rating withdrawal follows the full redemption and cancelation of the outstanding RM3 million (US$694,263) notes on the 1st September 2015. Upon the withdrawal of the rating, MARC will no longer be providing analytical coverage on the issuer.

Ampang Point's proposed Sukuk rated

MALAYSIA: RAM in a statement has assigned preliminary ratings to Purple Boulevard (the issuer)'s proposed asset-backed Sukuk Ijarah program of up to RM450 million (US$104.14 million) in nominal value. The issuer is an SPV sponsored by Nadin Holdings and Nadin Management (the originators) to undertake the securitization of Ampang Point Shopping Center.

The rating action in the Sukuk Ijarah is as follows: RM95 million (US$21.98 million) seven-year senior Class A Sukuk, 'AAA/Stable'; RM15 million (US$3.47 million) five-year senior Class B Sukuk, 'AA3/Stable'; RM15 million five-year senior Class C Sukuk, 'A3/Stable'; RM125 million (US$28.93 million) seven-year guaranteed Class D Sukuk, 'AAA(fg)/Stable'; and RM200 million (US$46.28 million) seven-year subordinated Class E Sukuk, unrated. Under the structure, Purple Boulevard will acquire Ampang Point from the originators via the Sukuk proceeds.

ABG reaffirmed

BAHRAIN: Dagong Global Credit Rating Company (Dagong) and Islamic International Rating Agency (IIRA) have jointly reaffirmed the international scale credit rating of Al Baraka Banking Group (ABG) at 'BBB+/A3'. According to a press release, IIRA also reaffirmed ABG's national scale rating at 'A+(bh)/A2(bh)'. Outlook on the assigned ratings is stable.

EXIM's Sukuk affirmed

MALAYSIA: RAM in a statement has reaffirmed the 'gA2(s)/Stable' (global-scale) rating of EXIM Sukuk Malaysia's US$1 billion multi-currency Sukuk program. EXIM Sukuk is the funding conduit of Export-Import Bank of Malaysia (EXIM). Concurrently, the rating agency also reaffirmed the bank's 'gA2/Stable/P1' global-scale financial institution ratings, together with its Malaysia- and ASEAN-scale ratings of 'AAA/Stable/P1' and 'seaAAA/Stable/seaP1' respectively.

Bernas's Sukuk ratings withdrawn

MALAYSIA: RAM according to a statement has received confirmation that Padiberas Nasional (Bernas) has fully redeemed and canceled its RM750 million (US$173.56 million) Islamic commercial paper/medium-term note program (2010/2017) on the 7th September 2015. Consequently, RAM no longer has any rating obligation in respect of the said facility and has withdrawn the 'A3/negative/P2' ratings accorded to it.

JAFZ upgraded

UAE: Jebel Ali Free Zone FZE (JAFZ)'s US$650 million Sukuk issued via JAFZ Sukuk (2019) has had its 'Ba1' rating upgraded to 'Baa3' by Moody's, according to a statement. Concurrently, JAFZ's senior unsecured issuer rating has been affirmed at 'Baa3'. All the ratings, premised upon its strong credit metrics and resilient business model, carry a stable outlook.

RAM affirms Brunei's ratings

BRUNEI: RAM in a recent statement has assigned respective 'gA1(pi)/stable' and 'seaAAA(pi)/stable' global- and ASEAN-scale sovereign ratings to Brunei premised on its resource-rich economy with high living standards, robust external liquidity and superior government finances. The ratings also consider the country's GDP volatility stemming from the economy's high concentration in the hydrocarbon sector, and the government's significant reliance on hydrocarbon revenue.

BNP Paribas reaffirmed

MALAYSIA: RAM has reaffirmed BNP Paribas Malaysia's 'AA2/Stable/P1' financial institution ratings. The bank's ratings reflect the parental support derived from BNP Paribas in terms of financial flexibility, as well as its ability to leverage on the group's international network and technical expertise. BNP Paribas is one of the world's largest financial institutions and among the global systemically important banks designated by the Financial Stability Board.

Ratings for Warba Bank

KUWAIT: Warba Bank has been assigned long and short-term local and foreign currency deposit ratings of 'Baa2/Prime-2' and a baseline credit assessment of 'ba3' by Moody's, predicated upon the Islamic bank's solid asset quality and moderated by high sector and single borrower concentration risks, high capital buffers, though declining due to financing growth, and high liquid assets. According to a press release, the Islamic bank's long-term deposit ratings carry a stable outlook.

Preliminary rating for MBSB Tranche 4 Sukuk

MALAYSIA: Malaysia Building Society (MBSB)'s proposed final tranche of its RM3 billion (US$695.46 million) structured covered Sukuk commodity Murabahah program has been assigned a preliminary rating of 'AA1/Stable' by RAM. According to the rating agency, the RM900 million (US$208.64 million) Tranche 4 facility's rating is notched up from MBSB's long-term 'A2' financial institution rating and reflects the quality of the securitized assets as well as the supporting securitization structure.

Negative outlook for Noble

MALAYSIA: Noble Group's RM3 billion (US$695.46 million) multi-currency Sukuk Murabahah program has been reaffirmed at 'AA2' by RAM, which also revised the group's long-term rating to negative from stable based on potentially weaker profits in the next one to two years due to poor fundamentals of key traded products, according to a statement.

Sunway Treasury Sukuk program receives ratings

MALAYSIA: The RM2 billion (US$463.89 million) seven-year (2015-2022) Islamic commercial paper/Islamic nedium-term note Sukuk program issued by Sunway Treasury Sukuk with an Al-Kafalah guarantee from Sunway has been assigned a rating of 'MARC-1IS(cg)/AA-IS(cg)' by MARC with a stable outlook, according to a statement.

MOVES

SICO

BAHRAIN: Securities & Investment Company (SICO) has, in a press release, announced two new appointments to its management team. **K Shyam Krishnan** has been appointed as the CFO and prior to joining SICO, he was the group head of finance at Al Salam Bank-Bahrain. SICO has also appointed **Ali Marshad** as the head of fixed income. He joined SICO in 2008 as an analyst in the investments and treasury division and headed the fixed income desk in 2012. Prior to SICO, he was an analyst with Mercer Investment Consulting.

CSBIB

BANGLADESH: The Central Shariah Board for Islamic Banks of Bangladesh (CSBIB) has elected principal **Syed Kamaluddin Zafree**, **Professor Mawlana Mohammad Salahuddin** and **AQM Safiullah Arif** as its chairman, vice-chairman and secretary-general respectively, according to The Financial Express.

Citi Islamic Investment Bank

GLOBAL: IFN has learned that **Usman Ahmed** is now CEO of Citi Islamic Investment Bank, based in Bahrain, taking over from Samad Sirohey, who has moved to a new position in London.

Abu Dhabi Islamic Bank

UAE: **Haytham El Maayergi** has been named as the global head of transaction banking business at Abu Dhabi Islamic Bank, according to a press release. Haytham was previously the managing director and the UAE country head of transaction banking at Standard Chartered.

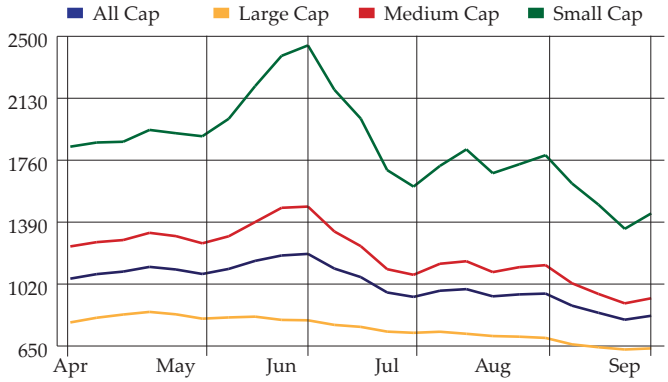
Morgan Lewis

UAE: Morgan Lewis has expanded its international finance practice with the addition of **Tarek El-Assra**, previously a leader of the Islamic finance practice of another global law firm, according to a press release. Joining Morgan Lewis's Dubai office as a partner, Tarek's presence is to broaden the firm's reach in the UAE and Saudi Arabia particularly in the area of cross-border Islamic finance and investment.

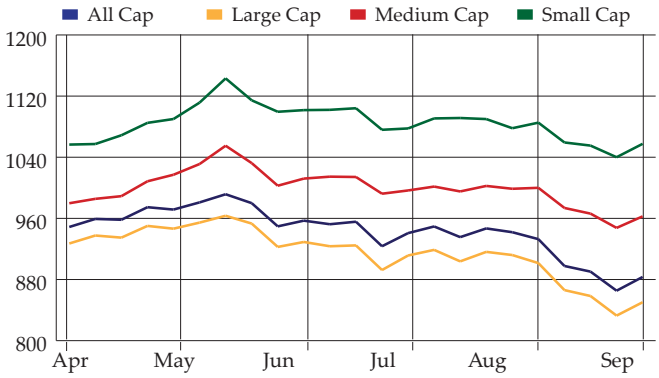
Expected date	Company's name	Size	Structure	Announcement Date
TBA	XL Axiata	IDR1.5 trillion	Sukuk	15th September 2015
By December 2015	HNA Group	US$150 million	Sukuk	11th September 2015
Oct-15	Country Garden Holdings	RM1 billion	Sukuk	11th September 2015
Sep-16	Government of Jordan	JOD200-300 million	Sukuk	4th September 2015
TBA	Saudi Electricity Company	US$1.5 billion	Sukuk	1st September 2015
TBA	Albaraka Turk	TRY1 billion	Sukuk	1st September 2015
TBA	Turkiye Finans	TRY1.5 billion	Sukuk	1st September 2015
2016	Government of Indonesia	IDR12.2 trillion	Sukuk	1st September 2015
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
September	Government of Jordan	JOD200 million	Sukuk	17th June 2015
2015	Government of UAE	TBA	Green energy Sukuk	12th March 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

SHARIAH INDEXES

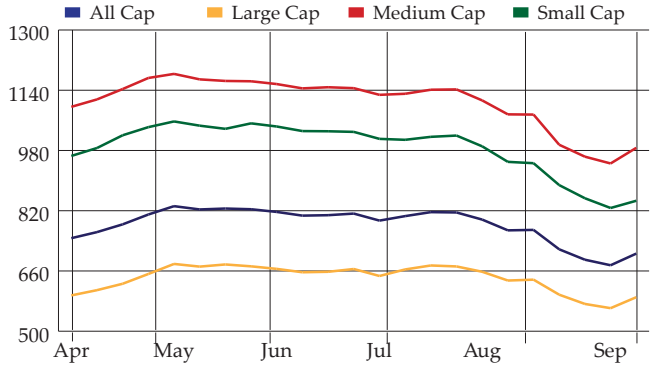
REDmoney Asia ex. Japan *6 Months*



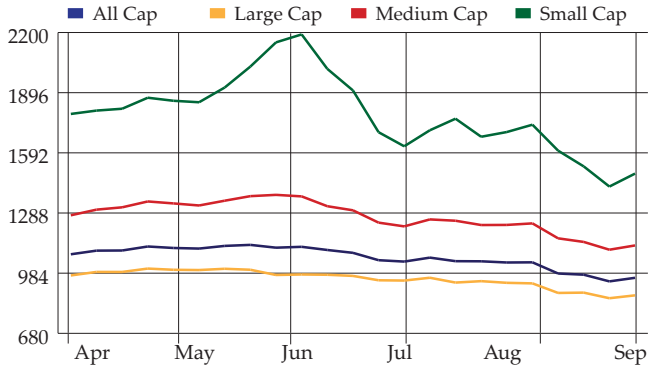
REDmoney Europe *6 Months*



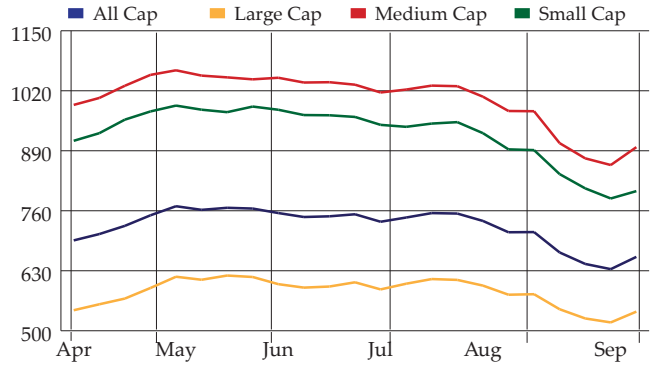
REDmoney GCC *6 Months*



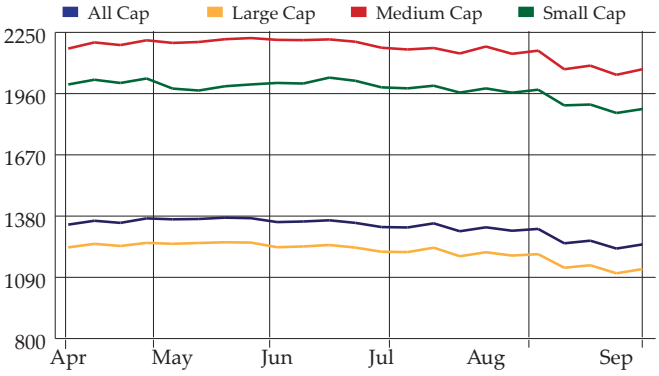
REDmoney Global *6 Months*



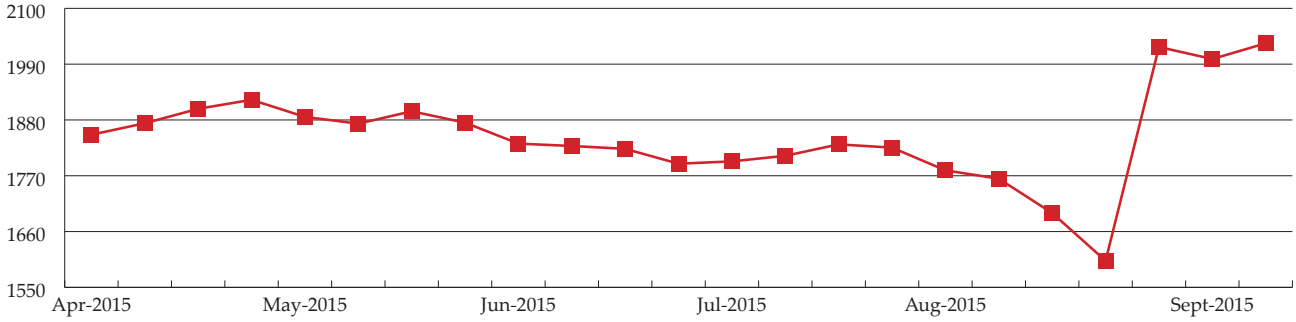
REDmoney MENA *6 Months*



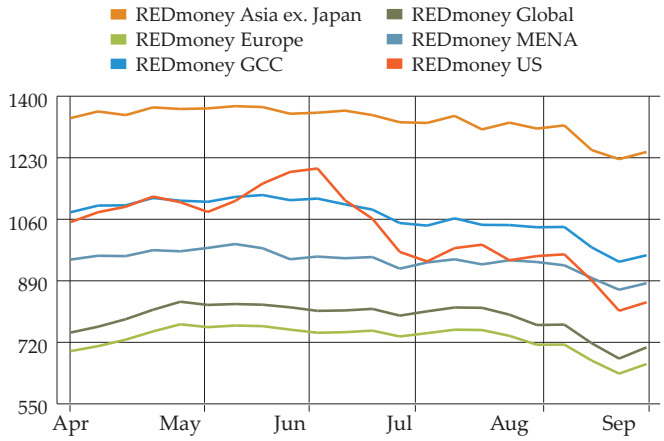
REDmoney US *6 Months*



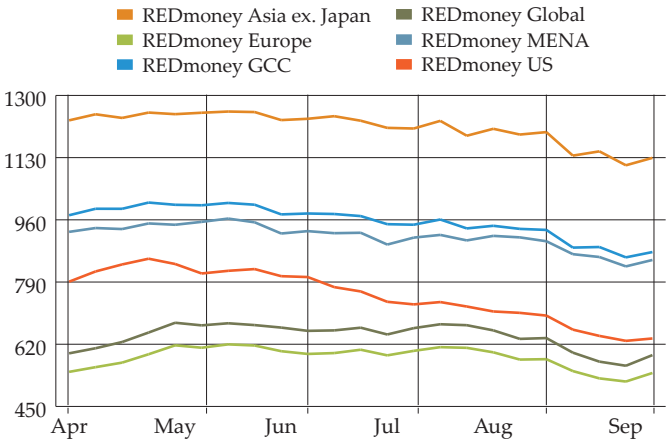
SAMI Halal Food Participation (All Cap) *6 months*



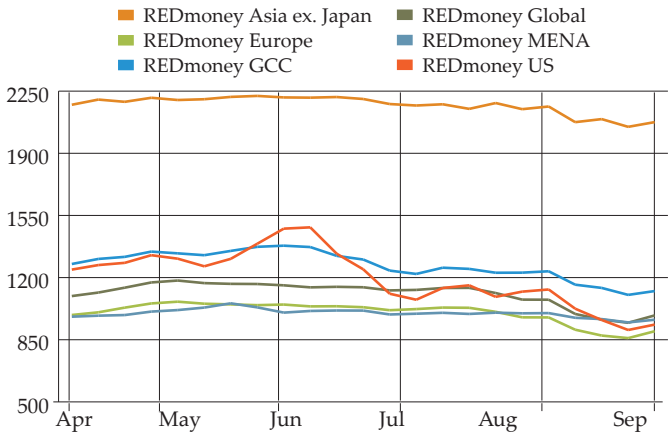
REDmoney Global Shariah Index Series (All Cap) *6 Months*



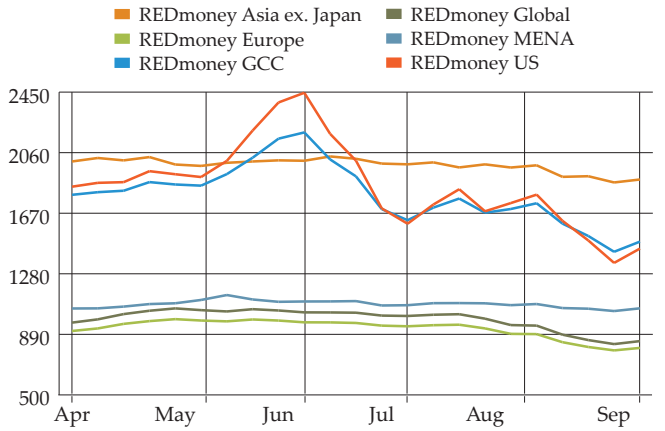
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



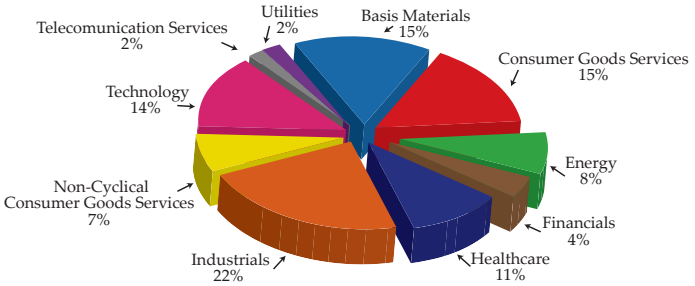
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



REDmoney Global Shariah

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

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



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

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

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

REDmoney Global Shariah Index Series

REDmoney Indexes IdealRatings®

For further information regarding REDmoney Indexes contact:

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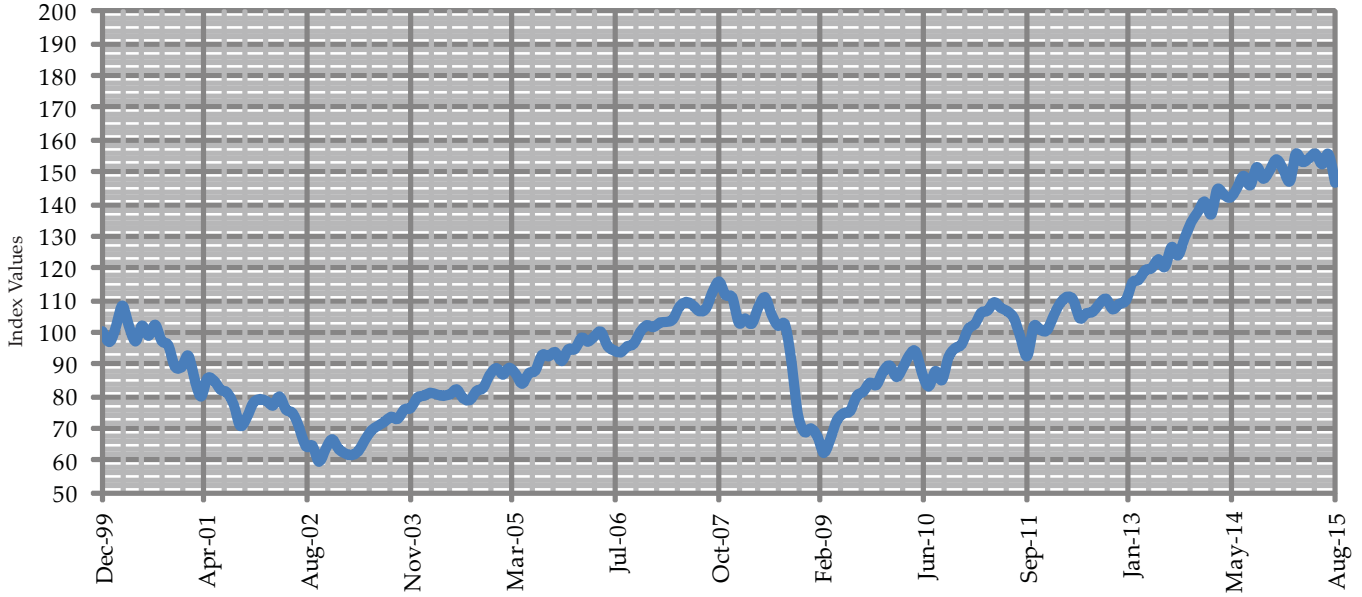
Tel +603 2162 7800

Eurekahedge North America Islamic Fund Index



Top 10 Annualized Returns for ALL Funds since Inception

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	22.48	Pakistan
2	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	19.46	Pakistan
3	Atlas Islamic Stock	Atlas Asset Management	16.04	Pakistan
4	Jadwa Saudi Equity	Jadwa Investment	13.90	Saudi Arabia
5	Al Raed Saudi Equity	Samba Financial Group	13.09	Saudi Arabia
6	QInvest Edgewood Sharia'a	QInvest	12.25	Cayman Islands
7	Jadwa GCC Equity	Jadwa Investment	12.02	Saudi Arabia
8	Riyad Equity 2	Riyad Bank	11.24	Saudi Arabia
9	Jadwa Arab Markets Equity	Jadwa Investment	11.08	Saudi Arabia
10	Amana Growth	Saturna Capital	9.60	US
	Eurekahedge Islamic Fund Index		**2.85**	

Taking into account funds that have at least 12 months of returns as at the 14th September 2015

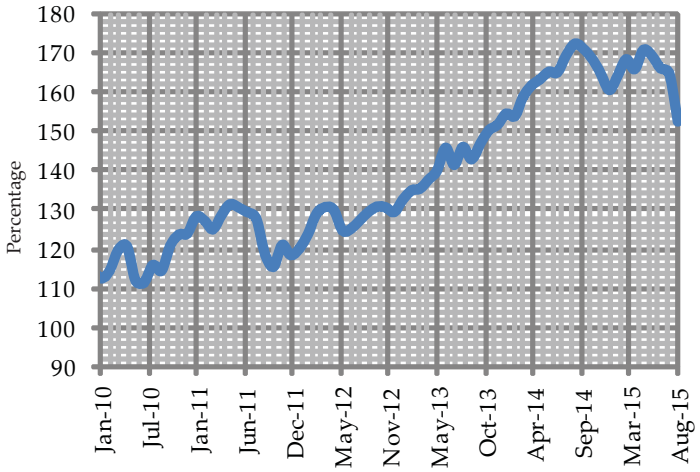
Top 10 Annualized Standard Deviation for ALL Funds since Inception

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	AmIttikal	AmInvestment Management	41.19	Malaysia
2	Deutsche Noor Precious Metals Securities - Class A	DWS Noor Islamic Funds	35.65	Ireland
3	HSBC Amanah Industrial	SABB	33.31	Saudi Arabia
4	AmPrecious Metals	AmInvestment Management	31.55	Malaysia
5	HSBC Saudi Companies Equity - ASF	SABB	30.54	Saudi Arabia
6	Al Raed Saudi Equity	Samba Financial Group	30.52	Saudi Arabia
7	Meezan Islamic	Al Meezan Investment Management	28.75	Pakistan
8	NBAD Islamic MENA Growth	National Bank of Abu Dhabi	27.99	UAE
9	Al-Mubarak Pure Saudi Equity	Arab National Bank	27.18	Saudi Arabia
10	Atlas Islamic Stock	Atlas Asset Management	26.53	Pakistan
	Eurekahedge Islamic Fund Index		**8.31**	

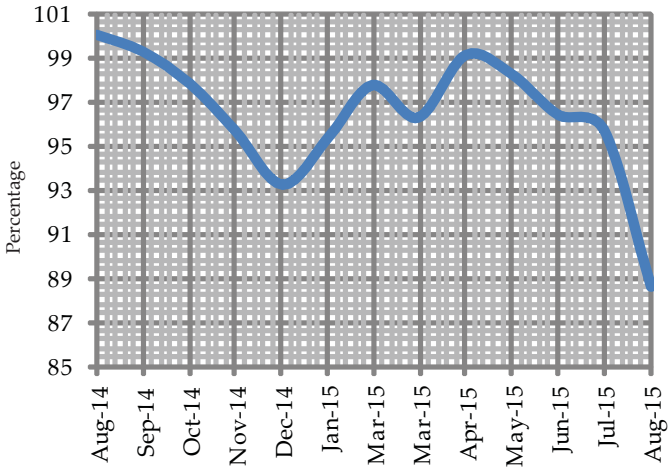
Based on 43.75% of funds which have reported August 2015 returns as at the 14th September 2015

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

Eurekahedge Islamic Fund Equity Index over the last 5 years



Eurekahedge Islamic Fund Equity Index over the last 1 year



Top 10 Islamic Fund Equity Funds by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	9.86	Pakistan
2	Meezan Islamic	Al Meezan Investment Management	3.55	Pakistan
3	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	3.53	Pakistan
4	Al Meezan Mutual	Al Meezan Investment Management	1.73	Pakistan
5	AmOasis Global Islamic Equity	AmInvestment Management	0.52	Malaysia
6	QInvest Edgewood Sharia'a	QInvest	-0.71	Cayman Islands
7	CIMB Islamic Equity	CIMB-Principal Asset Management	-2.08	Malaysia
8	PB Islamic Asia Strategic Sector	Public Mutual	-2.23	Malaysia
9	PB Islamic Asia Equity	Public Mutual	-3.29	Malaysia
10	CIMB Islamic Small Cap	CIMB-Principal Asset Management	-4.61	Malaysia
	Eurekahedge Islamic Fund Index		**(9.87)**	

Based on 43.94% of funds which have reported August 2015 returns as at the 14th September 2015

Top 10 Islamic Globally Investing Funds by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	AmOasis Global Islamic Equity	AmInvestment Management	0.52	Malaysia
2	International Trade Finance - (Sunbullah SAR)	Samba Financial Group	0.18	Saudi Arabia
3	Al Rajhi Commodity Mudarabah - USD	Al Rajhi Bank	0.17	Saudi Arabia
4	Commodity Trading - SAR	Riyad Bank	0.16	Saudi Arabia
5	International Trade Finance - (Sunbullah USD)	Samba Financial Group	0.12	Saudi Arabia
6	Watani KD Money Market	National Bank of Kuwait	0.12	Cayman Islands
7	Jadwa Global Sukuk	Jadwa Investment	-0.03	Saudi Arabia
8	BLME Umbrella Sicav - SIF - USD Income - Class B	Bank of London and The Middle East	-0.14	Luxembourg
9	QInvest Sukuk	QInvest	-0.19	Cayman Islands
10	BLME Sharia'a Umbrella SICAV-SIF Global Sukuk - Class A USD	Bank of London and The Middle East	-0.24	Luxembourg
	Eurekahedge Islamic Fund Index		**(4.65)**	

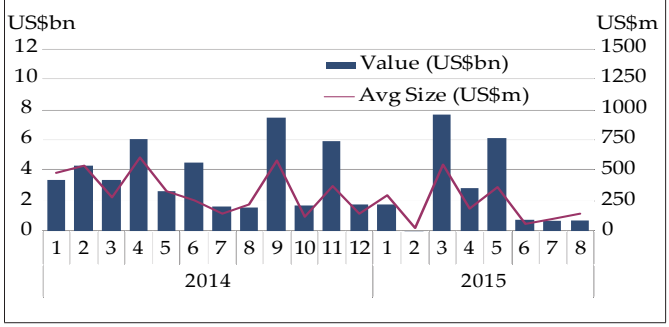
Based on 65.91% of funds which have reported August 2015 returns as at the 14th September 2015

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

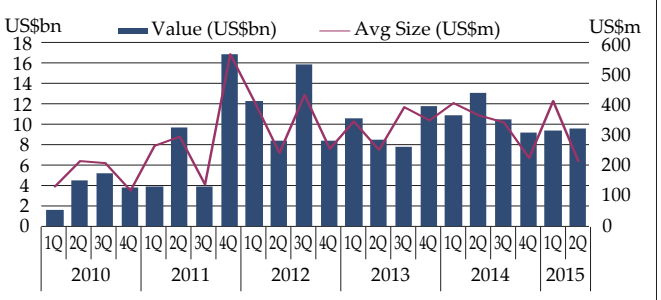
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
2nd Sep 2015	SapuraKencana TMC	Malaysia	Sukuk	Domestic market public issue	200	Maybank
24th Aug 2015	West Coast Expressway	Malaysia	Sukuk	Domestic market public issue	239	RHB Capital
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

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter



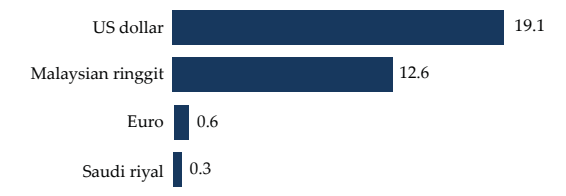
Top 30 Issuers of Global Sukuk *12 Months*

	Issuer	Nationality	Instrument	Market	US$ (mln)	Iss (%)	Managers
1	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	2,881	8.8	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
2	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	2,000	6.1	JPMorgan, HSBC, Dubai Islamic Bank, CIMB Group
3	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	1,750	5.3	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	1,663	5.1	RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group, AmInvestment Bank, Affin Investment Bank
5	Malaysia Sovereign Sukuk	Malaysia	Sukuk	Euro market public issue	1,500	4.6	Standard Chartered Bank, HSBC, CIMB Group
6	Petronas Global Sukuk	Malaysia	Sukuk	Euro market public issue	1,250	3.8	JPMorgan, Deutsche Bank, Morgan Stanley, HSBC, Maybank, Mitsubishi UFJ Financial Group, CIMB Group, Citigroup, Bank of America Merrill Lynch
7	Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	3.0	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup
7	Hong Kong Sukuk 2015	Hong Kong	Sukuk	Euro market public issue	1,000	3.0	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	3.0	HSBC, CIMB Group, Citigroup
7	Government of Ras Al Khaimah	UAE	Sukuk	Euro market public issue	1,000	3.0	JPMorgan, National Bank of Abu Dhabi, Citigroup, Al Hilal Bank
11	Danga Capital	Malaysia	Sukuk	Domestic market public issue	992	3.0	RHB Capital, CIMB Group
12	Khadrawy	UAE	Sukuk	Euro market public issue	913	2.8	Standard Chartered Bank, JPMorgan, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Citigroup, Emirates NBD
13	Dubai International Financial Centre	UAE	Sukuk	Euro market public issue	700	2.1	Standard Chartered Bank, Dubai Islamic Bank, Emirates NBD, Noor Bank
14	Mumtalakat Sukuk Holding	Bahrain	Sukuk	Euro market public issue	594	1.8	Standard Chartered Bank, Deutsche Bank, BNP Paribas, Mitsubishi UFJ Financial Group
15	Jambatan Kedua	Malaysia	Sukuk	Domestic market public issue	560	1.7	RHB Capital, Maybank, Kenanga Investment Bank, AmInvestment Bank
16	Prasarana Malaysia	Malaysia	Sukuk	Domestic market public issue	541	1.7	RHB Capital, Kenanga Investment Bank, CIMB Group, Affin Investment Bank, AmInvestment Bank
17	Sharjah Islamic Bank	UAE	Sukuk	Euro market public issue	500	1.5	Standard Chartered Bank, HSBC, Kuwait Finance House, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank
17	Republic of South Africa	South Africa	Sukuk	Euro market public issue	500	1.5	BNP Paribas, Standard Bank, Kuwait Finance House
17	Noor Bank	UAE	Sukuk	Euro market public issue	500	1.5	Standard Chartered Bank, Dubai Islamic Bank, South Indian Bank, Citigroup, Emirates NBD, Al Hilal Bank, QInvest, Barwa Bank
17	JANY Sukuk	US	Sukuk	Euro market public issue	500	1.5	Saudi National Commercial Bank, Goldman Sachs, National Bank of Abu Dhabi, Abu Dhabi Islamic Bank, Emirates NBD, QInvest
17	IFFIm Sukuk	UK	Sukuk	Euro market public issue	500	1.5	Saudi National Commercial Bank, Standard Chartered Bank, National Bank of Abu Dhabi, CIMB Group, Barwa Bank
17	Flydubai	UAE	Sukuk	Euro market public issue	500	1.5	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Emirates NBD, Credit Agricole, Noor Bank
23	Garuda Indonesia Global Sukuk	Indonesia	Sukuk	Euro market public issue	496	1.5	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
24	Jana Kapital	Malaysia	Sukuk	Domestic market public issue	434	1.3	RHB Capital
25	Malaysia Building Society	Malaysia	Sukuk	Domestic market public issue	433	1.3	RHB Capital, DRB-HICOM, AmInvestment Bank
26	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	426	1.3	Maybank, CIMB Group
27	Sarawak Energy	Malaysia	Sukuk	Domestic market public issue	386	1.2	RHB Capital, Kenanga Investment Bank, AmInvestment Bank
28	AmIslamic Bank	Malaysia	Sukuk	Domestic market public issue	363	1.1	AmInvestment Bank
29	HSBC Amanah Malaysia	UK	Sukuk	Domestic market public issue	356	1.1	HSBC, Maybank, Hong Leong Financial Group
30	Pengurusan Air SPV	Malaysia	Sukuk	Domestic market public issue	316	1.0	CIMB Group, Maybank
					32,847	**100**	

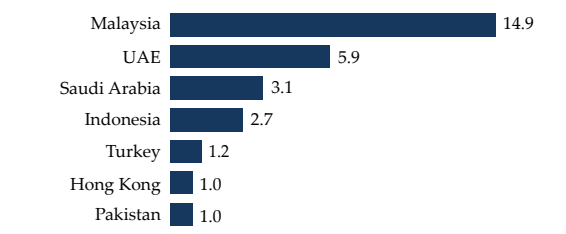
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	CIMB Group	5,098	49	15.5
2	RHB Capital	3,452	41	10.5
3	Maybank	3,161	32	9.6
4	HSBC	3,086	22	9.4
5	Standard Chartered Bank	2,601	22	7.9
6	AmInvestment Bank	1,889	24	5.8
7	Dubai Islamic Bank	1,663	12	5.1
8	National Bank of Abu Dhabi	1,463	12	4.5
9	Citigroup	1,149	6	3.5
10	JPMorgan	1,003	4	3.1
11	Deutsche Bank	745	5	2.3
12	Emirates NBD	735	8	2.2
13	Natixis	658	3	2.0
14	Kenanga Investment Bank	559	12	1.7
15	Al Hilal Bank	541	5	1.7
16	Noor Bank	475	5	1.5
17	BNP Paribas	462	4	1.4
18	Affin Investment Bank	424	6	1.3
19	First Gulf Bank	333	3	1.0
20	Saudi National Commercial Bank	294	3	0.9
21	Mitsubishi UFJ Financial Group	287	2	0.9
22	Gulf International Bank	278	2	0.9
23	Abu Dhabi Islamic Bank	260	3	0.8
24	Kuwait Finance House	257	3	0.8
25	Hong Leong Financial Group	195	7	0.6
26	Bank Islam Malaysia	172	2	0.5
27	Standard Bank	167	1	0.5
28	Sharjah Islamic Bank	166	2	0.5
29	Barwa Bank	163	2	0.5
30	QInvest	146	2	0.4
	Total	**32,847**	**133**	**100.0**

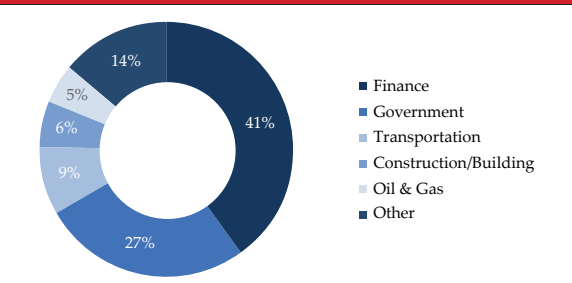
Sukuk Volume by Currency US$ (billion) *12 Months*



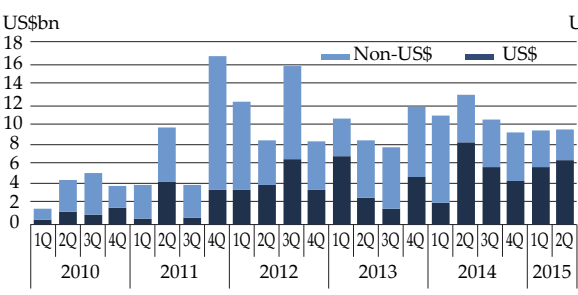
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



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	6.9
2	Abu Dhabi Islamic Bank	1,200	7	6.6
3	Samba Capital	1,128	5	6.2
4	HSBC	953	10	5.2
5	National Bank of Abu Dhabi	944	6	5.2
6	Banque Saudi Fransi	906	4	5.0
7	Saudi National Commercial Bank	758	5	4.1
8	Riyad Bank	644	3	3.5
9	Abu Dhabi Commercial Bank	634	4	3.5
10	Emirates NBD	608	8	3.3
11	Standard Chartered Bank	605	7	3.3
12	Mashreqbank	541	6	3.0
13	Noor Bank	496	6	2.7
14	Alinma Bank	490	2	2.7
15	Arab Banking Corporation	469	6	2.6
16	Dubai Islamic Bank	438	4	2.4
17	Union National Bank	336	6	1.8
18	Barwa Bank	331	5	1.8
19	RHB Capital	322	3	1.8
20	Sumitomo Mitsui Financial Group	314	3	1.7
21	ING	269	2	1.5
22	Gulf International Bank	263	3	1.4
23	Maybank	247	2	1.4
23	AmInvestment Bank	247	2	1.4
25	Qatar Islamic Bank	222	4	1.2
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	20.0
2	Samba Capital	1,327	1	11.8
3	Abu Dhabi Islamic Bank	1,130	5	10.1
4	Noor Bank	748	4	6.7
5	Saudi National Commercial Bank	666	1	6.0
5	Riyad Bank	666	1	6.0
5	Alinma Bank	666	1	6.0
8	Emirates NBD	485	4	4.3
9	Dubai Islamic Bank	376	2	3.4
10	National Bank of Abu Dhabi	313	2	2.8

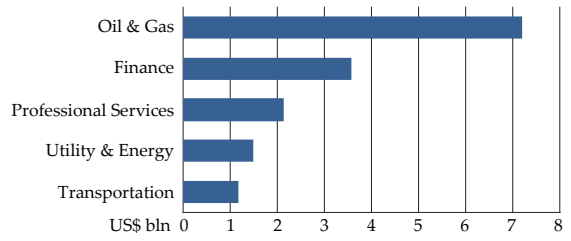
Top Islamic Finance Related Financing Deal List *12 Months*

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
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
24th Dec 2014	National Central Cooling	UAE	706

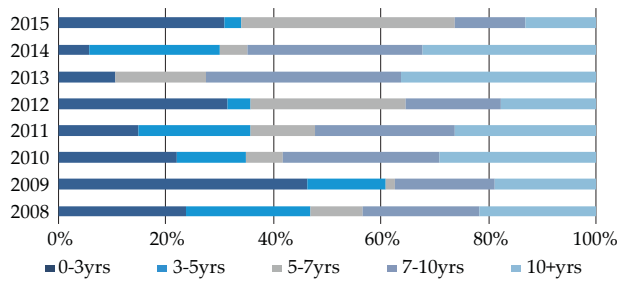
Top Islamic Finance Related Financing by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	UAE	6,512	15	35.6
2	Saudi Arabia	5,637	6	30.8
3	Malaysia	2,411	3	13.2
4	Turkey	1,661	4	9.1
5	Kuwait	661	2	3.6
6	Qatar	500	1	2.7
7	Cayman Islands	325	1	1.8
8	India	272	1	1.5
9	Egypt	212	1	1.2
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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EVENTS DIARY

REDmoney events

SEPTEMBER 2015		
17th – 18th	Africa Islamic Finance Forum	Abidjan, Cote d'Ivoire
OCTOBER 2015		
19th	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

OCTOBER 2015		
5th	Musharakah-Based Contracts & Financial Products	Kuala Lumpur, Malaysia
5th – 7th	Funds Transfer Pricing	Kuala Lumpur, Malaysia
8th – 9th	Trading Book Market Risk Management for Financial Institutions	Kuala Lumpur, Malaysia
12th – 13th	Islamic Treasury & Risk Management Instruments	Kuwait
20th – 21st	Structuring Islamic Legal Documentation	Kuala Lumpur, Malaysia
25th – 27th	Structuring Islamic Trade Finance	Dubai, UAE
25th – 27th	Structuring Islamic Trade Finance	Dubai, UAE
26th – 28th	Financial Models for Islamic Banking Institutions	Dubai, UAE
28th – 29th	Shariah Compliance & Audit for Islamic Banks	Dubai, UAE
NOVEMBER 2015		
2nd – 4th	Asset Liability Management & Risk-Based Pricing for Islamic Banks	Kuala Lumpur, Malaysia

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