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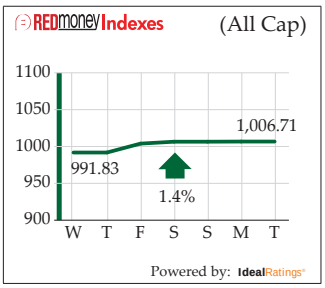


COVER STORY

25th November 2015 (*Volume 12 Issue 47*)

Islamic pensions: A regional imperative

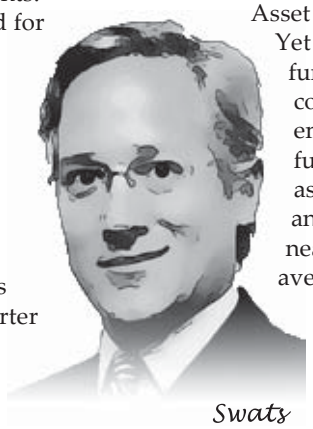
Malaysia is a market leader in terms of encouraging the Islamic pensions industry from the top down, with its Employees Provident Fund already holding almost 40% Shariah compliant assets and introducing Islamic options for participants by 2017. Reforms in Turkey and Pakistan have seen pension contributions soar and Islamic banks reap the benefits, while Indonesia is also revising its Islamic pensions provision. But the GCC has not been as quick to catch up despite an optimal opportunity that has the potential to change the face of Islamic asset management in the region. LAUREN MCAUGHTRY wonders why Islamic pensions in the region have been so slow to develop.

Huge opportunity

Despite the significant opportunities in the Islamic asset management industry, the sector has been slow to take off with critics citing a limited product range, lack of diversification and low levels of public awareness. Yet while the demand is increasing for more sophisticated investment instruments among Shariah investors, the volume and range are still not there to make the transition. A recent report from EIIB-Rasmala ('Dubai: Global Hub for Islamic Finance') suggests that Dubai alone has the opportunity to grow the Islamic asset management industry from US$60 billion to US$185 billion within five years through innovation and diversification. "We think there is an opportunity for the expansion of Shariah compliant products and offerings to investors," said Eric Swats, the head of asset management at Rasmala Investment Bank, speaking to IFN. "Through a wider product choice, more investors who are desirous to invest according to Shariah compliant tenets could be accessed."

Pensions push

A key driver of this development could — and should — be an increased focus on diverting pension funds toward Shariah compliant investments. "There is now a critical need for the creation of a GCC-wide pension fund framework," noted the EIIB-Rasmala report. Globally, pension funds have assets in excess of US$27 trillion — and yet Islamic pension funds make up less than 0.001% of the total, despite Muslims accounting for almost a quarter of the global population. "By diverting 20% of investments in existing regional pension funds into Shariah compliant funds, US$36 billion would be added to the global Islamic asset management industry, spurring rapid innovation and enabling Dubai to capture the market and transform its Islamic finance industry," suggests EIIB-Rasmala. But is it really so simple?


Swats

There is an undoubted demand that is not currently being met — the UN estimates suggest that the number of people over 65 in the MENA region will triple from 10.6 million in 2000 to 32 million by 2030 and up to 70 million by 2050. Across the GCC, public pension funds amount to US$397 billion, representing nearly a quarter of GDP and US$15,000 per national, according to EY's GCC Wealth and Asset Management 2015 report. Yet the size of GCC pension funds is relatively low, compared for example with employer-provided pension funds in the UK, where these assets are larger than GDP and funds per individual are nearly four times the GCC average.

"To address the concerns over the sustainability

continued on page 3

Volume 12 Issue 47

DEALS

Indonesia exceeds Sukuk auction target; awards IDR3.17 trillion (US$230.14 million)

Hong Leong Islamic Bank to make Sukuk profit payment on the 17th December 2015

International Islamic Liquidity Management reissues US$490 million Sukuk

Cagamas issues RM1.5 billion (US$349.37 million)-worth of Islamic and conventional debt; surpasses target amid difficult market environment

First Sukuk Istisnah sale on the **Tehran Stock Exchange** takes place on the 23rd November 2015

Jimah East Power plans to sell Sukuk in tranches; **Employees Provident Fund** to subscribe up to RM5.25 billion (US$1.22 billion)

Sunway Treasury Sukuk sells Islamic facility on the 23rd November 2015

Albaraka Turk opens books for Sukuk issue; sets initial price thoughts around 10.5% area

Central Bank of Bahrain's Sukuk Salam fully subscribed

Arab Petroleum Investment Corp plans US$1 billion Sukuk next year to finance energy projects

NEWS

Standard Chartered Bank Botswana launches new investment product providing retail investors access to Sukuk among others

Growing Muslim population and infrastructure financing needs fuel Islamic economy in Africa, according to study

OCBC Al Amin to expand to East Malaysia in December

Arij Islamic Financial Services receives LKR100 million (US$685,542) from Habib Bank to expand Shariah compliant business portfolio

ASSET MANAGEMENT

Otoritas Jasa Keuangan finalizes new regulation; allows Islamic funds to invest offshore

Franklin Templeton Investments to bring global Shariah fund to Malaysia next year

Aberdeen Asset Management's Indonesian arm exploring possibilities of launching Islamic products

TAKAFUL

IFSB and **International Association of Insurance Supervisors** issue Joint Paper on Issues in Regulation and Supervision of MicroTakaful (Islamic Microinsurance)

Wethaq Takaful of Egypt to renew reinsurance treaties by mid-December

AmBank Group reviewing opportunities in General Takaful; microTakaful on the cards

Takaful Emarat extends subscription period for capital increase exercise

RATINGS

FEC Cables gains 'A2(s)/Stable' rating for Sukuk on the back of explicit support from **Permodalan Nasional**

Jebel Ali Free Zone FZE secures 'BBB-' rating with enhanced outlook

Fitch affirms **Turkiye Finans** and **Kuveyt Turk** at 'BBB' with a stable outlook

Bank Muscat suffers rating downgrade in line with downward revision of sovereign rating

Moody's maintains **Islamic Corporation for the Insurance of Investment and Export Credit**'s rating at 'Aa3'

Moody's assigns definitive 'Baa2' rating to **Axiata Group**'s US$500 million Sukuk

Jimah East Power's Sukuk Murabahah secure 'AA-IS' rating

MOVES

Vice-chairman of **Maybank** steps down

Mohammad Raafi Hossain to lead **Finocracy** as founder and CEO

Mustafa Savas and Sahap Kavcioglu leave **Halkbank** after elected as deputies in 26th term parliamentary election

AMMB Holdings appoints Sulaiman Mohd Tahir as group CEO

Muhammad Abdullah Dewaya leaving **Maisarah Islamic Banking Services** to lead Shariah audit operations at an Abu Dhabi-based Islamic bank

Hossam Abdullah leaves **ASAR**; establishes new law firm

Amrahbank hires Behnam Gurbanzada to lead Islamic banking initiative

Former chief minister Lyndon Trott to lead **Guernsey Finance** as chairman

Islamic pensions: A regional imperative

Continued from page 1

of the industry, Gulf countries will have to relook at the retirement ages, benefit levels and contribution requirements. This could require further recapitalization of the funds and reforms to benefits and retirement age. Where fiscal means are limited, it may also involve the kind of three-tier system that is increasingly common elsewhere, combining a minimal state pension, defined contribution workplace pensions and additional personal contributions — but a wholesale shift in this direction is unlikely. More systematic reform is also possible in the most fiscally strapped countries to incorporate additional pension insurance elements. Recent changes in Gulf health care, with a steady shift toward private insurance, may set a precedent for such reforms," commented George Triplow, a MENA wealth and asset management leader at EY.

> ***"Through a wider product choice, more investors who are desirous to invest according to Shariah compliant tenets could be accessed"***

A public responsibility

So where does Islamic finance fit in? Currently, Islamic asset management struggles with a lack of institutional involvement that is a serious restriction to growth. While around 70% of conventional fund assets are from institutional investors, 80% of Islamic funds are estimated to be retail with institutional funds comprising just 20% of total Islamic funds and Islamic pension funds accounting for a tiny 0.25% — compared to 27% for the conventional industry.

This will not change without a drastic change in approach from the regulatory authorities. An easy method would be a mandate for government-related entities to allocate a proportion of their funds to Shariah compliant assets, which would have a significant multiplier effect — EIIB-Rasmala estimates that a 20% shift from existing regional pension funds into Islamic funds could add US$36 billion to the Islamic asset management industry. But beyond this, in order to change the structure and model of the industry itself, a top-down push is urgently needed in order to encourage pension provision at a corporate level.

"Two big issues are currently driving significant rethinking in the sector," said Triplow. "The first is the sustainability of public pension funds for nationals, given the relatively small size of the funds, demographics and the gap between contribution and benefit levels. Secondly, there is a growing recognition by many employers that end of service benefit (EOSB) payments received by expatriates are neither adequate nor suitable as an alternative to a pension."

The expat dollar

While GCC nationals do receive a pension (for example, in the UAE every GCC national is enrolled in the compulsory General Pensions and Social Security Authority Scheme), they have very limited choice in where this is invested and whether it is Islamic. And with no provision currently in place for an expatriate pension scheme nor any government-sponsored pension scheme such as Singapore's Central Provident Fund (CPF), considerable funds are flowing out of the region. With a population almost 90% made up of expats, countries such as the UAE have an urgent need to provide services that can capture this significant asset pool.

For expats, the current option is end-of-service gratuities, which are established, cost-effective and easy to administer. Historically, they have worked well due to the transient nature of the expat population, which often prefers an accessible lump sum rather than a restricted access pension. According to a recent HSBC survey, only 13% of expats who are currently resident in the UAE expect to retire there; while 53% keep their retirement savings in their home countries. According to EIIB-Rasmala, the GCC asset management industry already loses 50% of investment offshore due to its underdeveloped local industry. There is clearly an opportunity here to capture assets and develop the local industry.

> ***"To address the concerns over the sustainability of the industry, Gulf countries will have to relook at the retirement ages, benefit levels and contribution requirements"***

"The emergence of Islamic retirement products is a development that is relevant to both expatriates and nationals," confirmed Triplow. "There will be significant changes in the way [a] GCC pension provision is looked at in the coming years because the current system may find it difficult to cope with the needs of GCC residents. We expect a shift in the retirement ages of GCC nationals and changes to be made to the EOSB schemes to make them more relevant to the actual retirement needs of expats. There will be a lot of opportunity for local providers in the region, especially in the Islamic retirement product arena," concludes Triplow.

continued on page 4

Islamic pensions: A regional imperative

Continued from page 3

> *If there is a requirement to save say 3% of their salary into a centralized provident fund and within that they have the option of choosing compliant funds, I think a lot of people would choose that*

Drive it forward

"What you need now is regulation," insists Abdul Kadir Hussain, CEO of Mashreq Capital, speaking to IFN. "In the GCC, if you look at the working population, most of them save in their home markets — whether they are saving in Islamic or conventional instruments. The only way you will get them to save within the GCC and keep that money within the GCC is to have regulatory-based pension schemes such as the CPF in Singapore. Until you get regulation like that, people aren't going to voluntarily save here, it's just not the nature of the market. While a few companies have started voluntary programs now, and some have pension plans in place for senior executives and then voluntary plans for the rest of the workforce, you are going to need a push from the government in the form of regulation for that to really take off." Some companies in the UAE already offer contributory pensions schemes but it is by far a universal practice — a recent survey from Towers Watson found that around 48% of employers offer these programs. Some local banks are also moving into the space — the National Bank of Abu Dhabi, for example, offers the Wealth-builder Plan to both local and international companies in order to provide a retirement scheme to their employees.


Muneer

"We suggest that the Emirati governments need to push a Shariah compliant investment strategy, and if they did so this would generate a sizeable quantity of assets that needed to be looked after in a Shariah compliant manner, and that could be part of the expansion of the industry and therefore lead to a broader set of capabilities in the marketplace," Swats told IFN. "We want to start the consultation process and start getting this idea out into the marketplace. We are certainly looking to engage government officials and have those discussions. It would be a step in the right direction toward further developing the Shariah compliant asset management industry, which would have knock-on effects in terms of broadening the scope of Islamic capabilities and a wider choice of products."

But while there has been much talk about the establishment of an expat pensions scheme in the UAE, no steps have yet been taken nor a timeline identified. In November 2013, Dubai proposed a Shariah compliant retirement savings scheme for foreign workers in a move designed to help boost the Islamic asset management industry; while the authorities have also been working with the World Bank for several years to create an efficient national pensions scheme that would cover the predominantly expat workforce. However, no results have yet been forthcoming and no legislation is yet proposed.

Baby steps

"If there was a requirement for pension savings which was mandatory then that would have a significant impact. I'm not sure whether that is feasible right now, however," warned Muneer Khan, a partner at Simmons & Simmons. "I think there are a number of steps that need to take place before that happens. If the culture here changes – through education, awareness and regulation, then that could be a shot in the arm for the homegrown asset management industry. But I think there is a lot of work that needs to be done first." Investors need to feel comfortable that they are protected, and due to a number of high-profile international pensions scandals, there is some reluctance in the region to take that step. "We need to make sure that there are adequate regulatory frameworks in place across the region to address those challenges," said Muneer. "I can see it happening in the UAE and to a certain extent developing in one or two other jurisdictions, but there is by no means a consistent approach across the region. This could be similar to the EU-wide regulation that allows funds to be simply and easily sold across Europe. "We need to enable asset managers to seamlessly market and promote their funds and services across the region without having to be fully established in every single jurisdiction. This kind of 'passporting' mechanism at a GCC level will increase levels of transparency and consistency across the region, and help to develop the flow and increase the business for good quality, suitably experienced and regulated asset managers, without unnecessarily increasing their operating costs."

> *We need to enable asset managers to seamlessly market and promote their funds and services across the region without having to be fully established in every single jurisdiction*

Huge opportunities

There are clearly challenges to address, and a long road ahead. If the required

continued on page 5

Islamic pensions: A regional imperative

Continued from page 4

regulatory push does come through, however, it should be a game changer for the industry. "The option of having Shariah instruments is going to appeal to a lot of people: it is a natural product for this market," agreed Abdul Kadir. "If there is a requirement to save say 3% of their salary into a centralized provident fund and within that they have the option of choosing compliant funds, I think a lot of people would choose that. If we were to get that sort of regulation, we could easily see a tripling of AUM as a percentage of GDP, and we would catch up much closer to other more developed markets."

Swats agrees. "The pension pools are going to continue to grow, and other pools will develop both for expats and nationals in this region. We think these pools are an important component of assets that will have to be managed over the coming years, and the Islamic asset management sector has a role to play in the evolution and development of this area in the region," he explained to IFN. "Pensions and pension reform could be a significant component of growth in the future."

An economic imperative

And we could see this sooner than you think. It might have been low on the priority list up until now, but with oil prices down and liquidity in the region diminishing, these lost pension assets could form an important pool of capital which could be used by both the public and private sector to continue funding themselves — with a virtuous cycle established whereby pensions regulation is implemented, people start saving, Sukuk is issued, people invest in these instruments through their retirement saving schemes, and thus both the investors and issuers benefit.

"It's probably something that governments in this region are now thinking about as they look at various ways to continue funding themselves in this market. There is a lot more momentum behind this idea now than when oil was at US$100 per barrel, and the chances are a lot greater now to implement a scheme like this than they were six months ago," concluded Abdul Kadir.

First look at Ivory Coast's maiden sovereign Sukuk

Ivory Coast — one of the most advanced economies of the West African region — is hoping to attract Gulf wealth with the launch of its inaugural sovereign Sukuk as the country positions itself to broaden its funding pool by joining its peers in the Islamic finance space. VINEETA TAN takes a closer look at the deal.

Heavily dependent on agriculture, the Republic whose economy was significantly affected by decade-long civil unrest is seeing an emergence of its former glory days under the presidency of Alassane Ouattara, who was recently re-elected for a second term and has vowed to boost financial inclusion.

Launched on the 23rd November by Nialé Kaba, Ivory Coast's minister of economy and finance, the CFA150 billion (US$243.15 million) five-year Sukuk facility is part of a program arranged by the Islamic Corporation for the Development of the Private Sector and comprises two equal tranches which will be issued over the 2015-20 period. Proceeds will be channelled toward the country's robust investment project pipeline.

Regional appeal was an apparent theme in the structuring of the deal which is to be issued in the West African CFA franc at a yearly 5.75% profit rate and has been marketed to Gulf investors. Kaba in her speech indicated that the latest upgrade of the Republic's sovereign rating to 'Ba3' from 'B1' by Moody's was a major selling point during the Sukuk roadshow in Saudi Arabia.

With deep infrastructure needs, Africa has been looking toward the Middle East for financing needs; likewise, Gulf and global investors are increasingly parking their investments in the resource-rich region. Nations such as Senegal, South Africa and Gambia have issued Sukuk in the hopes of making headway in the Islamic financing space and capturing the Shariah dollar.

Legal advisors	Cleary Gottlieb: for the state (international) Cabinet ADK: for the state (local) Hogan Lovells: for the ICD
Underwriter	Citicorp Securities BNI West Africa Finance Leaders
Custodian bank	Islamic Bank of Senegal
Auditor	Deloitte

Struggling PIA turns to Islamic finance to grow business

With its major shareholder facing increasing pressure to offload its stake in loss-making Pakistan International Airlines (PIA), VINEETA TAN writes that the state-backed national carrier is resolute in turning things around, with the help of Islamic financial players from the Middle East and Asia.

This week PIA successfully secured US$120 million in Islamic financing from a consortium of GCC and Asian banks to bolster its operations amid plans by the government to sell off the airline to a private player in a bid to lift the national carrier out of the red.

Employing about 16,000 people, PIA is one of the Republic's largest public sector entities and holds strategic importance to the government. The airline, however, has been posting persistent losses for years compelling the government to consider privatizing the national carrier – plans of which emerged since the 1990s but have been delayed several times. The government did, however, reiterate its commitment to complete the privatization exercise of PIA by March 2016, and has engaged a consortium to lead the endeavor including Dubai Islamic Bank, which suggests that the restructuring may take a Shariah compliant direction.

Yet despite struggling to turn a profit, PIA's most recent fundraising exercise was successful as the US$120 million Shariah compliant syndicated facility was oversubscribed with participation from almost 10 banks from the Middle East and Asia, demonstrating the market's confidence in the airline.

"The successful closure of this transaction is evidence of the banking community's confidence in PIA's strategic growth plans being delivered," affirmed Iqbal Hassan Khanyari, the head of the International Corporate Division and Islamic banking at Mashreqbank, which along with Citibank, acted as the deal's joint initial mandated lead arranger, bookrunner and coordinator. Committed to enhancing operational performance, PIA's growth plans include expanding its fleet to include 10 narrow-body aircraft, five ATRs and two wide-body aircraft.

"An oversubscribed transaction, in current market circumstances, once again brings to [the] fore the acceptance of the receivables-backed structure among regional banks, improving [the] credit story of Pakistan, PIA in particular, and the strong relationship that the bookrunners have with its banking partners," echoed Chiradeep Deb, the managing director and head of Mashreq's corporate finance team.

Hit by inflation and a global economic downturn, Pakistan had to resort to a bailout from the IMF in 2008 to stave off a balance of payment crisis. In 2013, the IMF approved a three-year extended fund facility worth US$6.6 billion to the South Asian nation to support the country's economic reforms to narrow its budget deficit and boost foreign investment; the privatization of PIA is part of the IMF-Pakistan program.

PIA's most recent three-year facility was participated by Askari Bank, National Bank of Pakistan, Noor Bank, United Bank and Warba Bank as mandated lead arrangers and bookrunners as well as Bank Islam Brunei Darussalam as lead arranger and Bank Alfalah as arranger.

Investors react to tightening conditions

As oil prices remain low and liquidity conditions clench, Islamic investors are responding in very different ways to the encroaching economic challenges. LAUREN MCAUGHTRY looks at who is pulling back and who continues to push forward.

The biggest changes have come in the approach of the major sovereign wealth funds, many of whom have been severely impacted by the drop in oil prices. Saudi Arabia is one of the biggest affected, with S&P recently lowering its rating from 'AA-' to 'A+' with a negative outlook. Saudi Arabia's foreign reserves are at a three-year low, and the Saudi Arabian Monetary Agency (SAMA) has lost an estimated US$90 billion from the oil price decline.

> ***"One of the themes is that larger investors in the region are looking to reallocate away from the GCC because of the geopolitical risk"***

In September, SAMA withdrew billions of dollars from its global investments in an attempt to shore up its deficit and reduce exposure to the volatile global equities market, in a move that significantly impacted a number of both regional and global asset managers. "It was our black Monday," one fund manager told the Financial Times. Estimates suggest that SAMA could have pulled as much as US$70 billion out of foreign fund managers over the last six months.

Abu Dhabi is another sovereign that has seen its overseas activity impacted by the economic environment – with news this month that the Abu Dhabi Investment Authority (ADIA) plans to close its London office, its only overseas operation. The fund cited no reason for the closure, but confirmed that the move would not affect its existing investments in the UK. However, given the current climate, it is likely that the group will be reviewing its portfolio of investments and ensuring that its assets are invested efficiently to maximize and diversify returns.

With estimated assets of US$773 billion, ADIA is believed to be the second-largest sovereign wealth fund in the world after Norway (whose oil-rich fund is suffering its own problems, with the largest loss in four years reported last month with a loss of US$32 billion and plans by the government to draw down US$440 million next year to cover its fiscal deficit).

The IMF estimates that Algeria, Bahrain, Libya and Oman could all exhaust their 'fiscal buffers' within the next five years, although the UAE, Kuwait and Qatar are in a better position. The Qatar Investment Authority (QIA) in particular shows no sign of slowing down, with news last month of plans to invest up to US$35 billion in US assets over the next five years and the launch of a new office in New York. QIA has around US$256 billion in estimated assets, and also plans to invest up to US$20 billion in Asia over the next give years as well as expanding its offices in Beijing and New Delhi.

Malaysia is another country that is maintaining its sovereign spending activity despite the impact of the current economic challenges. Sovereign wealth fund Khazanah Nasional recently announced additional domestic investments of RM6.77 billion (US$1.58 billion) in support of the government's new initiatives to support the Malaysian economy.

However, this could mean pulling back on its international investments in order to execute this strategy. "In the context of the proactive measures announced today, Khazanah reiterates its commitment to review and, where opportune, to harvest a selection of its international investments in support of the measures," the fund said in a statement.

By contrast, many of the major private sector investors in the Gulf region have been seeking to move assets away from the GCC in order to reduce their exposure. "One of the themes is that larger investors in the region are looking to reallocate away from the GCC because of the geopolitical risk," confirmed Muneer Khan, speaking to IFN. "We are working with one very large client who are looking to reallocate 15% of their assets under management outside of MENA and Turkey – toward Europe, the US and Asia. That gives you an idea of the thinking at the moment."

With liquidity tighter, banks running out of money, governments pulling deposits and investors moving assets outside the region, the investment landscape is looking challenging as the year draws to a close.

Reviving Kuwait's Sukuk market

In a bid to facilitate Sukuk sales on both sovereign and corporate levels, the Capital Market Authority of Kuwait (CMA) in early November released rules governing the issuance of Sukuk. Outlining conditions and specific formats for Sukuk issuances in the country, the regulations are aimed at stimulating the country's Islamic capital market. NABILAH ANNUAR evaluates future prospects of this regulatory reform.

Several factors have contributed to the slowdown in Sukuk issuances across Kuwait's Shariah finance landscape. The major cause of this stagnation is the lack of a dedicated legal framework for Sukuk issuances in the country. Corporate Sukuk offerings have also been limited due to the sector's heavy reliance on bank lending, assisted by strong liquidity. According to Fitch Ratings, this has resulted in the almost complete absence of corporate Sukuk issuance in 2014 and in the third quarter of 2015.

Considered as a significant step for the country's capital market scene, the new rules from the CMA are expected to revive the country's stalled Sukuk market and open the door for issuance by corporations in 2016, opined Fitch in a recent statement. "They provide a broad framework, setting out general terms and structure of Sukuk, requirements for appointing trustees and setting up special purpose vehicles as well as rules on governance and ensuring Shariah compliance. There are requirements for a credit rating for public issuance and the need for approval by the CMA and the Central Bank of Kuwait." The rules also cover perpetual Sukuk issuances and update Kuwait's regime for traditional bond issuance.

Uncertain how the rules will be received by issuers and investors and how effective the implementation would be, recent developments seem to indicate positive sentiments toward the new legislation. Since the introduction of the new framework, two banks have announced plans to tap the Sukuk market. Boubyan Bank earlier this month was reported to be in the early stages of studying the possibility of issuing Basel III-compliant Sukuk to boost its capital. The issuance is still subject to approvals including from the regulators, according to Reuters.

At the same time, the newswire also reported that Kuveyt Turk, which is 62%-owned by Kuwait Finance House, has mandated six banks: KFH Capital, Dubai Islamic Bank, HSBC, Noor Bank, QInvest and Emirates NBD as the joint lead arrangers for a Sukuk with a value of up to US$400 million and a maturity of 10 years. The bank last issued Sukuk in May when it opted to raise RM300 million (US$69.8 million) as part of its RM2 billion (US$465.32 million) Islamic bond program in Malaysia.

It is hoped that the new regulation would encourage a sovereign offering to pave the way by creating a pricing benchmark for potential corporate issuances in the country. "We believe Kuwaiti corporates are more likely to issue Sukuk than bonds because there is a wider local and regional investor base for Sukuk and because some corporates are restricted to Shariah compliant borrowing by their own rules," said Fitch.

Having grown its Islamic capabilities outside the country, in places such as Malaysia (Kuwait Finance House), Turkey (Kuveyt Turk) and Germany (KT Bank), it is now time for Kuwait to strengthen its competencies on home grounds.

More diverse Islamic finance products from Turkey next year as industry players anticipate a more welcoming tax landscape

Much has been said about Turkey's immense Islamic finance potential but what can we expect from the market come 2016? VINEETA TAN brings you the latest insights from industry players.

As the country braces itself for a challenging 2016, industry veterans are expecting the government and participation banks to drive the Turkish Sukuk market with corporates taking a back seat next year and are calling for issuers to tap the US dollar market to boost Turkey's standing in the international Islamic finance markets.

Convening in Istanbul at the IFN Turkey Forum 2015 which gathered over 200 industry leaders from both the public and private sectors across different financial segments, market participants have expressed cautious optimism of the country's Islamic finance industry on the back of strong regulatory support. Industry experts are also expecting to see an increasing variety of Shariah compliant transactions next year including possible export credit agency-backed deals (potentially involving airlines).

Turkey is widely acknowledged as a rising star of the Islamic finance universe; Murat Cetinkaya, the deputy governor of the Turkish central bank, noted that market share of participation banks has been increasing significantly in recent years and he is expecting greater development as more players are expected to enter the fray. Holding about US$45 billion in Shariah compliant assets (5.24% of total market share), the participation banking sector is on track to tripling that figure by 2023.

Yet the Republic's Islamic finance journey is not without challenges — the lack of standardization and enabling regulations are still core issues. A recurring topic during the forum was the dire need to address the Turkish tax landscape in order to level the playing field for Islamic financial institutions. It is, however, revealed that a white paper on taxation has been submitted to relevant authorities and industry players are hopeful that the recommendations would be passed and adopted early next year to provide greater clarity and herald greater development in the Turkish Islamic investment and banking space.

"Domestic and international regulatory challenges will be taken into account in the upcoming period to enhance [the] further development of Islamic finance in Turkey," Cetinkaya affirmed in his keynote address.

Franklin Templeton strengthens Islamic finance focus; expands Shariah compliant portfolio

Malaysian investors may be circumspect in their investing strategies this year given the market volatility which has among other things brought the ringgit to its lowest levels in years, but Franklin Templeton GSC Asset Management (FTGSC) is capitalizing on the growing conservatism among investors to launch their first Islamic retail fund in Malaysia. VINEETA TAN reports.

> ***"FTGSC is also looking at bringing in a global Shariah fund to Malaysia next year. The upcoming fund is structured as a feeder fund under a master fund domiciled in Luxembourg with another two funds in its portfolio"***

"Our research shows that Malaysians over the last three years have been adopting a more conservative investment strategy; in fact 71% of investors surveyed would hold a conservative approach," said Sandeep Singh, the firm's country head for Malaysia, at the company's Sukuk fund launch. The Sukuk fund may be FTGSC's maiden Malaysian Islamic retail fund; however, the firm's parent Franklin Templeton Investment has an established track record in the Shariah space worldwide with US$1.4 billion in total Shariah assets ranging from institutional mandates and Luxembourg-domiciled Islamic funds with Sukuk assets accounting for US$900 million. In the context of Malaysia, FTGSC commands 9.21% of the Islamic institutional market share.

"2015 has been a tough year as we've been affected by the slump in commodity prices, [the] strength of the US dollar and [the] slowdown in China. Going forward in 2016, we do expect weaker growth numbers," said Hanifah Hashim, the head of Malaysia for fixed income and Sukuk for Franklin Templeton Investments. Hanifah, however, emphasized that the Malaysian economy is resilient and is therefore cautiously optimistic.

"The Malaysian ringgit is the second-highest yielding bond market in the region and our bond market is holding quite well due to the depth that we've built over the last 10 years supported by institutional investors," affirmed Hanifah. "As a fund house, we are also expecting the Federal Reserve to raise interest rates in the next meeting in December and we are positioning the fund for any knee-jerk reactions."

With yields of Malaysian government securities at a four-year record high, Hanifah added that this is a good time to enter the Sukuk market. Over an eight-year period, the Malaysia Sukuk Index has generated excess returns of 100bps over fixed deposits.

The Franklin Malaysia Sukuk Fund is a mixed asset allocation fund predominantly denominated in ringgit with the flexibility to invest up to 20% in non-ringgit Sukuk. "The reason why we decided on this allocation [is] because based on our back-testing, a Malaysian Sukuk portfolio has an 84% return rate, and the 80:20 combination is optimum."

The retail fund represents the global asset manager's concerted push to drive its Islamic business. It is learned that FTGSC is also looking at bringing in a global Shariah fund to Malaysia next year. IFN understands from the company that the upcoming fund is structured as a feeder fund under a master fund domiciled in Luxembourg with another two funds in its portfolio.

Sovereign Sukuk: Rise of new players

In an interesting turn of events, the past week witnessed promising developments in the global Islamic capital market. Apart from regular auctions, and new enabling regulations, the sovereign Sukuk arena was graced with a new entrant – Ivory Coast. As usual, NABILAH ANNUAR provides an overview of the progress in the sovereign Sukuk market.

One of the most interesting developments of the week was Ivory Coast's commitment to its Sukuk offering. Having mulled over the prospect since March, the Republic in April mandated the Islamic Corporation for the Development of the Private Sector as the lead manager for its inaugural Sukuk program. Slated to be issued in the last quarter of the year, Ivory Coast is true to its word having launched its offering on the 23rd November 2015.

Inaugurated by Nialé Kaba, Ivory Coast's minister of economy and finance, the CFA150 billion (US$243.15 million) five-year Sukuk facility is part of a program comprising two equal tranches which will be issued over the 2015-20 period. Proceeds will be channeled toward the country's robust investment project pipeline. Regional appeal was an apparent theme in the structuring of the deal which is to be issued in the West African CFA franc at a yearly 5.75% profit rate and has been marketed to Gulf investors.

Moving to the Middle East, Kuwait's newly implemented rules are expected to enable more Sukuk issuances in the state. According to Fitch Ratings, the new rules from the Capital Market Authority of Kuwait (CMA) could galvanize the country's Sukuk market which has stalled and pave the way for issuance by corporations in 2016. The new rules provide a broad framework that includes setting out general terms and the structure of Sukuk, requirements for appointing trustees, setting up SPVs, rules on governance and ensuring Shariah compliance, requirements for a credit rating for public issuance and the need for approval by the CMA and the Central Bank of Kuwait, among others. Fitch, however, added that it is unsure of how issuers and investors will take to the rules and how effective the implementation will be.

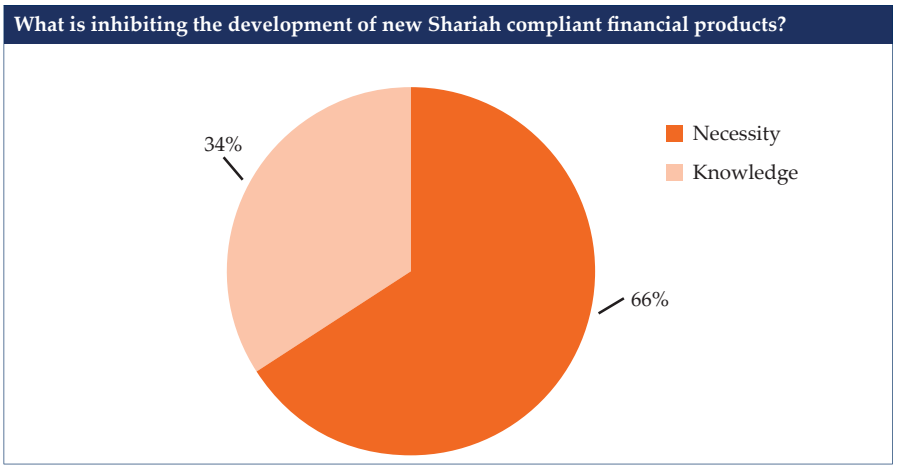
Keeping to its schedule, the Indonesian Ministry of Finance successfully received IDR3.96 trillion (US$284.33 million)-worth of incoming bids for its latest Shariah securities auction on the 17th November. Reopening three facilities and issuing one new paper, the ministry confirmed in a statement that it awarded a total of IDR3.17 trillion (US$227.61 million), exceeding its IDR2 trillion (US$143.6 million) target.

Upcoming sovereign Sukuk

Country	Amount	Expected date
Ivory Coast	XOF300 billion	Fourth quarter of 2015
Tunisia	US$500 million	2015
Jordan	JOD200-300 million	Before end of 2015
UAE	TBA	2015
Indonesia	IDR150 trillion	2016
Pakistan	TBA	Second quarter of 2016
Shandong Province	CNY30 billion	TBA
Egypt	TBA	2015/16 fiscal year
Sindh Province	US$200 million	TBA
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
Luxembourg	TBA	TBA

IFN Weekly Poll: What is inhibiting the development of new Shariah compliant financial products?

This week IFN takes a look at product development. Time and time again it is mentioned that product development remains as one of the key factors for the continuous progress of the Islamic banking and finance industry. Yet the particular segment has not taken off as expected. NABILAH ANNUAR examines the reasons for this lagging expansion.



In spite of being a fast-growing sector, having a commendable asset growth rate from year to year, the Islamic finance industry still lags behind in terms of product development. Holding approximately a 0.8% market share (according to industry estimates), the influence of Islamic finance on the global financial markets is relatively insignificant. Thus in a highly competitive environment, Islamic financial institutions and Islamic financial instruments are urged to not depend on regular standard products and to innovate.

Based on the poll results, reasons that appear to stymie the development of new Shariah compliant financial products are: (no) necessity — 66% and (lack of) knowledge — 34%. It is a given that there is to a certain extent, a lack of knowledge in developing new products as there is presently an obvious lack of talent in the industry. Unfortunately, industry players also suggest that there is a reduction in necessity to develop new products, which is clearly not a good sign as this could lead to a stagnation in global growth of the industry.

On this point, Giorgio Medda, the country manager of Turkey at AZ Global Portfoy Yonetimi told IFN: "The development of Shariah compliant financial products has to rely upon the acknowledgment of potential customers in terms of solutions currently available and fit with their latent needs. The underlying cost of products will progressively diminish as the market increases in size and liquidity. Necessity is in fact a driver for the growth of Islamic banking and general financial services alike and will make commercial franchises to expand further."

Testament to this, the IMF in a recent report conveyed that the inadequate availability of Shariah compliant financial instruments seems to have forced Islamic banks to hold a significant amount of cash reserves, limiting the flexibility of the central bank's monetary operations with Islamic financial institutions. Hence, a key challenge would be to broaden the range of Shariah compliant instruments and build liquid markets.

Luxembourg: Championing Islamic finance in the eurozone

The Grand Duchy of Luxembourg has a long-standing reputation as being one of the foremost financial centers for the international community and building on its solid repertoire, enabling regulations and strong political will, also made a name for itself in the Islamic finance universe. VINEETA TAN provides an overview of the country's Shariah finance terrain.

Regulatory landscape

Luxembourg has a favorable tax and operating environment for Islamic finance transactions. The regulations pertinent to Islamic finance in Luxemburg include the Investment Funds Law of 2002, the Luxembourg Law of the 22nd March 2004 (securitization law) and regulations set by the country's financial supervisory authority, Commission de Surveillance du Secteur Financier. In 2010, the equal tax treatment (including VAT) of Islamic transactions was clarified, due to the publication of circulars by the Luxembourg Tax Authority detailing the tax treatment of Ijarah, Murabahah and Sukuk transactions both in general and in the specific case of real estate transfer tax. As there are no specific definitions or legal requirements in setting up Islamic funds under Luxembourg law, such an endeavor would not be any more complicated or cumbersome as compared to launching a conventional fund.

The country's network of double taxation treaties with many Islamic finance markets (including Malaysia, Bahrain, the UAE, Morocco and Oman among others) is a significant advantage to the industry and its tax law, which is based on the economic approach and substance over form principles, allows Luxembourg to easily accommodate Shariah compliant investments.

Asset management

Luxembourg is the world's leading non-Muslim domicile for Islamic investment funds, with 111 Shariah funds and over 16 Sukuk listed on the Luxembourg Stock Exchange. According to EY, the country has over EUR5 billion (US$5.31 billion) of Shariah compliant assets under management and Luxembourg For Finance noted that the country is the world's third-largest Islamic fund domicile after Malaysia and Saudi Arabia. Luxembourg also achieved many Islamic finance milestones including being the first European member of International Islamic Liquidity Management, first eurozone country to tap the sovereign Sukuk market and its stock exchange being the first European bourse to enter the Sukuk market.

A driving reason behind its Islamic funds success is its flexible and broad range of product structures including the Undertaking for Collective Investment in Transferable Securities, Alternative Investment Funds, Specialized Investment Funds and Investment Company in Risk Capital.

Sukuk

Apart from being the first eurozone sovereign Sukuk issuer, the Grand Duchy's maiden Sukuk was also the first sovereign euro-denominated Sukuk. Issued on the 30th September 2014 at the tight end of initial price guidance of 0-2bps over midswaps, the EUR200 million (US$212.49 million) Ijarah paper was twice oversubscribed.

The Grand Duchy had phenomenal success with its debut Sukuk and while the country is contemplating a second issuance, as an 'AAA' sovereign the sovereign has relatively limited financing needs. IFN has learned that Luxembourg is considering different options with regard to a possible issuance, which would not happen this year, but perhaps in 2016. However, no final decision on this (specifically with regard to volume, conditions, etc) has been made yet.

Banking and finance

Although Islamic banking institutions are not present in continental Europe, however the latent potential is significant as the potential customer base of the region is approximately 20 million Muslims — and Luxembourg could be pivotal in facilitating the industry in tapping this market. Speaking to IFN, finance minister Pierre Gragmena affirmed that with a Luxembourg universal banking license and a European passport, an Islamic bank established in Luxembourg could develop its activities on a purely cross-border basis or by establishing branches in the target countries out of their Luxembourg subsidiary.

Plans are currently underway for Luxembourg's first fully-fledged Islamic bank — Eurisbank. Proposed by private stakeholders from the Gulf including one of the royal families of the UAE and a bank from the UAE, is expected to have a presence in Brussels, Paris, Frankfurt and the Netherlands. With an initial capital of EUR60 million (US$63.75 million), the proposed bank will offer retail, corporate and private banking services.

Takaful

The first European Shariah compliant insurance company — Bahraini Solidarity Group — was established in Luxembourg in 1983 which paved the way for the FWU Group to offer Islamic products in the Middle East out of its Luxembourg base and regulated subsidiaries.

Prospects

Luxembourg and the UK have been vying for the title of Islamic finance hub for the Western world and that race to the top has become more pronounced over the last two years. While Luxembourg leads in respect of asset management, however in terms of Islamic banking and Takaful, the UK has an advantage.

Nonetheless, the Grand Duchy is firm in its commitment to Shariah finance and beyond its inaugural Sukuk, has been looking outward to build more linkages with the Islamic finance world. For example, minister Gramegna in March 2015 signed an MoU with his UAE counterpart agreeing to create Islamic finance/banking synergies and exchange best practices and another minister François Bausch in his 2015 visit to Oman also highlighted that Islamic finance is one of the main potential areas for cooperation.

Family offices: A progressive feat

A family office is a corporate entity that manages the wealth of a family or group of families through a series of trust or other investment structures. The objective of a family office is to protect, preserve and develop the wealth of a family in the long term and down the generations. Alongside wealth management itself, the areas of activity for a family office can include the development of an investment and asset allocation strategy, wealth structuring, inheritance planning and risk management. NABILAH ANNUAR provides an overview of the developments in this market segment.

Asia

From 2003 to 2013, industry experts have suggested that the number of family offices in Asia grew by 116%, making them the fastest-growing investment vehicles in the region at the moment. There are a number of drivers including a greater proliferation of globalized assets and the advent of technology. Asian family offices registered growth of 8% between 2012 and 2014, largely due to their private equity and real estate-based investments. Other distinctive trends in the Asian region are where family offices co-invest with other family offices generating economies of scale. Additionally, since 2014, 77% of family offices registered some form of philanthropic activity centered on health care and education. Asian family offices are also moving toward greater institutionalization, with an increased demand for socially responsible investments. These very often take the form of Islamic finance, fueling faster economic growth, particularly in areas that most require innovation.

> ***"Shariah compliant family offices still need to create a broader range of investment products as a destination for available capital"***

Europe

Recognized as the largest wealth management center in the eurozone, Luxembourg offers a highly attractive environment for private wealth management, combined with solutions for managing and structuring the wealth of high-net-worth individuals (HNWI) and families. According to a report by EY, a number of Luxembourg banks have an established track record in offering Shariah compliant financial services as well as setting up tailor-made Islamic investment structures for private clients. Luxembourg wealth managers have the advantage of being multicultural, multilingual and familiar with international business, tax and regulatory environments. They also have access to complementary financial services in Luxembourg, including asset management, insurance and reinsurance.

In December 2012, Luxembourg implemented the legal framework for family offices and their activities. The regime for family offices complements Luxembourg's solutions for structuring the private wealth of HNWI and families, such as private wealth management vehicles, specialized investment funds, and financial holding companies.
In July 2013, a draft law on private estate foundations, called 'patrimonial foundations 21', was submitted to the Luxembourg Parliament. By introducing the patrimonial foundation, Luxembourg aims to expand its array of existing wealth structuring and management vehicles.

Family office advice or estate services are usually provided by Luxembourg banks, investment advisors, private portfolio managers, corporate domiciliation agents, professionals providing company formation and management services, lawyers, notaries, auditors and accountants.

Middle East

In the Middle East, it has been observed that many family offices prefer to keep all the eggs in the office basket by hiring a top-of-the-line investment expert, who serves as a messenger and can establish the right connections. A main asset management trend among family offices in the region is the small amount of capital that flows between personal and corporate assets. This is partly due to the easier credit terms available from lending institutions, due to the improved performance of regional businesses.

Wealthy individuals and families in the GCC region are involved in succession planning as a means of diversifications to safeguard their wealth from equity market swings. However, a lack of product diversification and the requisite of Shariah compliant family offices to invest in Shariah compliant instruments render the task of the wealth and asset management advisors extremely challenging. Industry reports suggest that innovative solutions could provide greater access to conventional funds, feeder fund structures and Shariah compliant structured investment products. Socially responsible funds, especially in this region, are seen to be another area of opportunity for Islamic wealth managers.

Projections

Family offices in Asia and the Middle East are expected to double to about 400 over the next eight years as the number of wealthy individuals swell, conveyed INSEAD to Bloomberg in a report earlier this year. Due to economic expansion in the region, the number of wealthy individuals is expected increase by 40% in 2023.

The opportunities for Shariah compliant family offices are expected to grow; however, industry observers have opined that they still need to create a broader range of investment products as a destination for available capital. There are a growing number of Shariah compliant assets introduced in the market and this provides family offices with a greater choice and competition in product offerings. As the industry continues to evolve, family offices should be presented with a broader range of asset classes to invest in, allowing an asset allocation with a better spread of exposure and increased certainty for the future.

Oman's debut Sukuk: An atypical paper

The Sultanate of Oman successfully priced a OMR250 million (US$647.1 million) Sukuk paper on the 3rd November 2015. Initially intending to issue OMR200 million (US$517.68 million), the ministry of finance, however, expanded the program by 25% to accommodate the strong orderbook — OMR336 million (US$869.7 million) in firm orders from a wide base of conventional and Islamic institutions, awarding OMR250 million at a yearly 3.5% cut-off yield. Speaking to Mansoor Jamal Malik, a senior partner at Al Busaidy, Mansoor Jamal & Co. (AMJ) legal advisors to the deal, NABILAH ANNUAR provides a detailed account of this unique transaction.

In most jurisdictions, sovereign Sukuk issuances pave the way for corporate offerings; however, in Oman's case its sovereign paper was preceded by a corporate Sukuk from Tilal Development Company (see Case Study Vol 10 Issue 47), that took place in November 2013. The sovereign paper incorporated an Ijarah structure as it was deemed the most appropriate structure due to the nature of the asset involved.

> *"The main challenge faced during the transaction was overcoming the absence of Sukuk regulations"*

The government intends to use this issuance as the standard-bearer and in order to offer the expanding Islamic financial services sector in Oman a wider range of Shariah compliant investment avenues allowing them to diversify their financing base and spread risk.

According to Mansoor, the main challenge faced during the transaction was overcoming the absence of Sukuk regulations. The Capital Market Authority had released draft Sukuk regulations for comments by stakeholders but is yet to circulate a final draft to implement the regulations.

"It was particularly interesting to work with the parties involved to structure a new Shariah compliant product for the Omani market where the governing law is being developed in parallel with the transaction. This was resolved by structuring the issuance largely by reference to the draft Sukuk regulations released by Oman's Capital Market Authority in January 2013. On procedural issues, as [the] legal counsel to the issue manager and joint lead managers, AMJ sought additional guidance in the rules on bond issues set out in the Commercial Companies Law and the Capital Markets Law," Mansoor explained.

Sukuk are usually developed using a trust structure. In this particular case however, due to the lack of legislation, the transaction was structured as an agency arrangement. Apart from being the first debt capital market instrument in Oman to be priced through a book-building process with a uniform price auction, the Sukuk was also conducted through a private placement, although the certificates will be listed on the third market of the Muscat Securities Market.

Although not part of a program, AMJ conveyed that the Omani government has expressed intentions to follow this up with a US dollar-denominated Sukuk issuance early next year.

Rating	'A1' (Moody's)
Shariah advisors	Shariah Supervisory Boards of Meethaq Islamic Banking Group and Standard Chartered
Structure	Sukuk Ijarah
Tradability	Tradable on third market of the Muscat Securities Market
Investor breakdown	Regional GCC investors only
Face value/ minimum investment	Each certificate has a face value of OMR100 and minimum investment is OMR500,000 (US$1.29 million)

Project Fajr — Debut Sukuk Issue of the Government of the Sultanate of Oman

OMR250 million (US$647.1 million)

3rd November 2015

Issuer	Oman Sovereign Sukuk
Obligor	Government of Oman
Size of issue	OMR250 million (US$647.1 million)
Mode of issue	Sukuk certificates of OMR100 (US$258.84) each
Purpose	Raising of general capital for the government for its projects
Tenor	Five years
Profit rate	3.5%
Payment	Bi-annual
Currency	Omani riyal
Maturity date	3rd November 2020
Lead managers and principal advisors	• Bank Muscat (as issue manager, joint financial advisor, joint lead manager and collecting bank) • Meethaq Islamic Banking and Standard Chartered Bank (as joint finance advisors and joint lead managers)
Bookrunner	Bank Muscat
Governing law	Oman
Legal advisors	Allen & Overy and Al Busaidy, Mansoor Jamal (for the issue manager and the joint lead managers) Linklaters and Trowers & Hamlins (for the issuer and the Omani government)
Listing	Muscat Securities Market
Underlying assets	Land

The blunt end

By Mohammed Khnifer

Islamic banks are losing potential market segments due to a marketing misperception. Traditionally, this misperception states that, almost mechanically, the existence of Muslims will mean that they will bank with those institutions who follow Shariah principles. Religious motivation has been identified as the decisive factor in uniting consumers toward Islamic banking products.

> *"An Islamic bank is like any other bank, its merit is based on the services it provides"*

While it is true that Shariah-conscious retailers are prepared to pay what has been dubbed a piety premium on the provided banking products, banks should not only place their bets on religious motivations.

Socioeconomic versus piety

Apart from piety-driven retailers, what does shape consumer demand for Islamic financial products? The choice of whether or not to bank with an Islamic or conventional lender is a representative of something deeper than religious motivation. Contrary to what many believe, piety is far less important as a dominant factor in shaping the upper-middle class's use of an Islamic bank.

Missing segment: Premier retail customers

PwC's findings suggest that service levels are lacking — non-Islamic banking customers were more likely to agree with the statement "My bank provides a fast service" than Islamic bank customers. What we can also infer from that survey is that there is a market segment that incline toward the quality of the service level rather than religious piety.

The same study finds that retail banking customers are willing to switch to Islamic banks, but will only do so if they feel that service levels match what they get from conventional banks — a fifth of non-Islamic finance customers would consider switching to Islamic banks if service levels matched those of conventional banks.

If Islamic banks enhance their services, better yet exceed that of conventional banks, they can unlock a larger market base than only the piety-seeking segment.

Bottom line

The bottom line is being an Islamic bank does not mean it automatically will gain substantial market share. Instead, such banks should come back to their roots and improve their service level to be competitive with their peers. An Islamic bank is like any other bank, its merit is based on the services it provides; its Islamicity merely acts as the cherry on the top.

@MKhnifer

Thinking big

By Kavilash Chawla

Since my last 'Thinking big' column, the US presidential election has continued to steamroll on, with some rather vitriolic rhetoric. Despite some of the public comments and media coverage of the elections, October was a very exciting month, especially as it relates to the opportunities for laying the longer-term foundations for Islamic finance in the US by engaging policymakers at the state and international level. Toward that end, this month's column is going to focus on the challenge of 'thinking big' about supporting Islamic finance in the US.

> ***"One of the first key steps in moving US-based Sukuk issuance forward is the identification of projects and deals which can be structured and attractively priced as a Sukuk"***

As a veteran of the capital markets, that is the first place where I will turn. While Sukuk are commonly referred to in layman terms as Islamic bonds, beyond structuring differences, Sukuk also differ from conventional bonds in their risk-return profile. From an investor perspective, Sukuk hold a very different place within a portfolio relative to their conventional counterparts, and as an independent asset class, Sukuk represent a very attractive alternative asset class for institutional investors. Secondly, given the liquidity outside of the US, including in the Middle East and Chinese markets, Sukuk issuers have a significant opportunity to tap into global liquidity at very attractive pricing. With attractive pricing, investor demand, and a new risk-return profile, the question is how do we jump-start bringing US issuers to the market?

While bringing US issuers to the Sukuk market is going to be a long process, one of the first key steps in moving US-based Sukuk issuance forward is the identification of projects and deals which can be structured and attractively priced as a Sukuk. One potential bucket of deals that may be very well aligned to a Sukuk structure are infrastructure development projects in the US. President Obama has announced over US$3 trillion in US infrastructure financing needs, and there are ample assets to provide the backing for issuing Sukuk to finance some of these projects. While certainly an attractive opportunity, some barriers certainly exist, especially on the regulatory end. Engaging with US regulators can be a long and arduous process, but one of the advantages of current US policy and regulations is the autonomy with which US states and municipalities can act when it comes to raising capital and financing projects, especially infrastructure projects.

In late October, the Malaysia US Chamber of Commerce hosted an Islamic capital markets event at the Malaysian embassy in Washington DC. The event was a very positive first step in bringing industry players and some policymakers together, both from within the US, but also to include external stakeholders who may be able to exert some modicum of influence on US engagement in global Islamic finance. A significant highlight, and perhaps a harbinger to the changing landscape of the US Islamic finance landscape, was an invitation and declaration from a New York state senator that "New York is open for business". He challenged us, the Islamic finance industry, to 'think big' about how to finance projects in New York using Sukuk structures, and to bring those projects to the state of New York, where they are ready to engage in Sukuk.

As I finish writing this piece, I am waiting in the boarding lounge at the Des Moines airport to hop on an early morning flight out to New York for the day. 'Thinking big' is certainly about strategy and planning, but it is also about being bold. 'Think big' about the projects you do in New York, and 'think big' about how to take advantage of some bold policymakers in the state of New York, and let us drive toward changing the Islamic finance landscape here in the US. We certainly are.

Jordan completes procedures of SPV registration

JORDAN

By Nafith Al Hersh Nazzal

The government of Jordan plans to launch the first issuance of Islamic bonds or Sukuk at the end of this year which will be worth JOD150 million (US$210.57 million), according to the secretary-general of the Ministry of Finance, Izzeddin Kanakrieh. The value of these instruments will be used to cover the deficit of the national electricity company, noting that the Jordan Securities Commission will manage the process of issuance.

According to officials, the volume of Sukuk will be increased to finance different projects and the government will benefit more from the Shariah compliant financing tool. The government finished the registration of the SPV for issuing the Sukuk at the Companies Control Department. Economists expect the Sukuk to be available to banks and financial institutions at the first stage, pointing out that Sukuk issuance will be expanded in the future to be available to both individuals and investors.

Experts estimate that there will be different issuances over the next year, according to the financing needs of the government, where they will plan to finance buildings of schools, embassies and state projects under a Sukuk structure.

Islamic banks in Jordan enjoy liquidity in excess of JOD1.4 billion (US$1.97 billion), according to official data. The total size of the estimated Sukuk will depend on the projects of the ministries and government institutions. It is expected that the use of Sukuk will absorb excess liquidity at Islamic banks in Jordan.

In April of this year, the government selected the Islamic Corporation for the Development of the Private Sector, an arm of the Jeddah-based IDB, to support the country's debut for the planned domestic Sukuk offering, to support the first sovereign Sukuk in the Kingdom and to provide technical support for Sukuk issuance denominated in Jordanian dinars. The issuance of Sukuk will help to deepen the Jordanian capital market by trading a new investment tool in the Amman Stock Exchange and providing an alternative to treasury bills as a tool for Islamic investment banks.

In 2012, the parliament passed the Islamic Finance Sukuk Law to allow both public and private entities to issue Islamic bonds in dinars and in foreign currencies.

Nafith Al Hersh Nazzal is an Islamic banking specialist selected among the top 500 leaders in the Islamic Economy 2015, is a certified financial and investment advisor and a statistical analyst in Jordan. He can be contacted at nafez1974@yahoo.com.

IFN Country Correspondents

AFGHANISTAN: Dr Alam Khan Hamdard
president, Afghanistan Islamic Finance and Consulting Co
AUSTRALIA: Dr George Mickhail
senior lecturer, School of Accounting, Economics and Finance, University of Wollongong, Australia
BAHRAIN: Dr Hatim El-Tahir
director of Islamic Finance Knowledge Center, Deloitte & Touche
BANGLADESH: Md Shamsuzzaman
deputy managing director, Islami Bank Bangladesh
BELGIUM: Prof Laurent Marliere, CEO, ISFIN
BERMUDA: Belaid A Jheengoor
director of asset management, PwC
BRAZIL: Fábio Figueira
partner, Veirano Advogados
BRUNEI: Dr Aimi Zulhazmi, Islamic finance consultant, Draznine Advisory
CANADA: Jeffrey S Graham
partner, Borden Ladner Gervais
CHINA: Abdullah Han
partner, Al-Sadiq Consulting
EGYPT: Dr Walid Hegazy
managing partner, Hegazy & Associates
FRANCE: Kader Merbouh
co-head of the executive master of the Islamic finance, Paris-Dauphine University
HONG KONG: Amirali Bakirali Nasir
chairman, The Law Society of Hong Kong working party on Islamic finance
INDIA: H Jayesh
founder partner, Juris Corp
INDONESIA: Farouk A Alwyni
CEO of Alwyni International Capital and the chairman of Centre for Islamic Studies in Finance Economics and Development
IRAN: Majid Pireh
Islamic finance expert, Securities & Exchange Organization of Iran
IRAQ: Khaled Saqqaf
partner and head of Jordan & Iraq offices, Al Tamimi & Co
ITALY: Stefano Padovani, partner and head of Banking & Finance, NCTM Studio Legale Associato
JAPAN: Kaoru Haraguchi
founding attorney, Haraguchi International Law Office
JORDAN: Nafith Al Hersh Nazzal, Islamic banking specialist, certified financial and investment advisor
KAZAKHSTAN: Timur Rustemov, deputy chairman, association for development of Islamic finance
KENYA: Mona K Doshi
senior partner, Anjarwalla & Khanna Advocates
KOREA: Yong-Jae Chang, partner, Lee & Ko
KUWAIT: Alex Saleh, partner, Al Tamimi & Co
LEBANON: Johnny El Hachem
partner – corporate, Bin Shabib & Associates
LUXEMBOURG: Said Qaceme, senior manager of Advisory & Consulting, Deloitte Tax & Consulting
MALAYSIA: Ahmad Mukarrami Ab Mumin
head, Shariah division, RHB Islamic Bank
MALDIVES: Aishath Muneeza
deputy minister, Ministry of Islamic Affairs, Maldives
MALTA: Reuben Buttigieg
president, Malta Institute of Management
MAURITIUS: Mohammad Akshar Maherally
Director (taxation), International Financial Services
MOROCCO: Ahmed Tahiri Jouti
managing consultant, Al Maali Consulting Group
NEW ZEALAND: Mohamed Nalar
trustee and board member, Awqaf New Zealand
NIGERIA: Auwalu Ado;
Shariah auditor, Jaiz Bank
OMAN: Muhammad Abdullah Dewaya
Islamic finance scholar
PAKISTAN: Muhammad Shoaib Ibrahim
managing director & CEO, First Habib Modaraba
PHILIPPINES: Rafael A Morales
managing partner, SyCip Salazar Hernandez & Gatmaitan
QATAR: Amjad Hussain
partner, K&L Gates
RUSSIA: Roustam Vakhitov
managing partner, International Tax Associates
SAUDI ARABIA: Nabil Issa
partner, King & Spalding
SENEGAL: Abdoulaye Mbow
Islamic finance advisor, Africa Islamic Finance Corporation
SOUTH AFRICA: Amman Muhammad
CEO, First National Bank-Islamic Finance
SINGAPORE: Suhaimi Zainul-Abidin,
advisor, 5Pillars
SRI LANKA: Imruz Kamil
head of Islamic banking, Richard Pieris Arpico Finance
SWITZERLAND: Khadra Abdullahi
associate, Investment banking, Faisal Private Bank
SYRIA: Gabriel Oussi,
general manager, Oussi Law Firm
TANZANIA: Yassir Masoud
head, Islamic banking, retail banking, National Bank of Commerce
TURKEY: Ali Ceylan
partner, Baspinar & Partners
UAE: Rima Mrad
partner, Bin Shabib & Associates
UK: Fara Mohammad
director of Islamic finance, Foot Anstey
US: Joshua Brockwell
investment communications director, Azzad Asset Management
YEMEN: Moneer Saif; head of Islamic banking, CAC Bank

IFN Correspondents are experts in their respective fields and are selected by Islamic Finance *news* to contribute designated short country reports. For more information about becoming an IFN Correspondent please contact sasikala.thiagaraja@redmoneygroup.com

Maldives aspires to become Islamic finance hub in South Asia via establishment of Maldives Center For Islamic Finance

MALDIVES

By Dr Aishath Muneeza

Islamic finance is a growing component of the financial sector of Maldives. Since the formal inception of Islamic finance in 2011, the demand for Islamic finance is growing at a very fast pace. Between 2011 and 2015, more than eight stakeholders of Islamic finance have emerged in the country.

By establishing the Maldives Center for Islamic Finance, Maldives aspires to position itself as the hub for Islamic finance in the South Asian region. This center will take the lead in promoting Islamic finance through policy engagements and capacity-building initiatives while focusing on the development of innovative financial instruments as an alternative source for government funding.

The objective of the Maldives Center for Islamic Finance is to link the Islamic finance industry in Maldives to international markets. It is a crucial stepping stone in order to develop the Islamic finance industry in Maldives and to further deepen the capital market with the aim of catering to the need of investors in diversifying their investments.

Maldives being a 100% Muslim country has an added advantage in the region in pioneering Islamic finance in neighboring countries such as India which has expressed the intention to formalize Islamic finance in the near future. However, this could only be possible with a systematic and collaborative joint effort.

The establishment of the Maldives Center for Islamic Finance will assist the issuance of cross-border Islamic financial instruments for infrastructure projects and development projects by pooling funds in the region. The legal and financial infrastructure of Maldives is more flexible in comparison to the rest of the countries in the region, making it a highly apt destination to have a financial center.

Introduction

The Maldives Center for Islamic Finance is a 100% government-owned entity established under the Companies Act 10/96 of the Republic of Maldives. The reason for the establishment of the Maldives Center for Islamic Finance is to facilitate the growth of issuance of Islamic investment products in a proper mechanism. Without a proper structure, Islamic funds cannot be invested.

The business segment of the center will focus on the following main areas:

- Training and awareness: Providing fee-based training/awareness programs including tailor-made programs. The website of the center will have a platform to sell the research reports and copyright material of the center.
- Research and publications: Conducting various types of research for existing and potential domestic and international market players by charging fees and publishing the research and selling hard and soft copies of it in various avenues.
- Education and development of a talent pool: Courses approved by MQA will be offered via the center and a knowledge center will be established. A fee will be imposed on the usage of the knowledge center.
- Product structuring and consultancy: This is the major business activity of the Maldives Center for Islamic Finance as whenever the government or any external party is in need of an Islamic finance structure, the center will structure it with all the documents required and for these services, an adequate fee will be charged.

The Maldives Center for Islamic Finance will cover every aspect related to Islamic finance not limited to the following:

I. The Maldives Center for Islamic Finance will act as an onshore and offshore Islamic financial center
II. The Maldives Center for Islamic Finance will structure Islamic financial instruments and will act as the lead arranger
III. The Maldives Center for Islamic Finance will float Islamic capital market instruments on the Maldives Stock Exchange and those products will be listed in other stock exchanges
IV. The Maldives Center for Islamic Finance will pool funds from the region and will allocate the funds for developmental projects in the region
V. Since Maldives is a 100% Muslim country, it will assist the South Asian Association for Regional Cooperation (SAARC) countries' Muslim minority populations to safeguard their pilgrimage funds and open doors to invest these funds in Shariah compliant activities facilitated by the Maldives Center for Islamic Finance
VI. Consultancy plus training activities for the whole region will be conducted on Islamic finance with the intention of creating more players in the market
VII. An Islamic finance resource pool will be gathered in the Maldives Center for Islamic Finance and these resources will be shared with the SAARC countries
VIII. Issuance of Shariah compliant products and services with the potential to attract pension fund
IX. To further deepen the capital market and to cater to the needs of investors in diversifying their investments
X. Development of a crowdfunding structure especially based on Waqf.
XI. Development of private equity funds
XII. Hosting local, regional and international seminars, workshops and conferences, and
XIII. Conducting relevant market surveys and research and publishing articles for the benefit of current stakeholders and potential stakeholders.

The strategic objective of the Maldives Center for Islamic Finance is to contribute to the growth of Islamic finance in Maldives and in the South Asian region by innovating new Islamic finance products to cater to all types of needs and to promote Islamic finance via training and awareness, research and publications, education and the development of a talent pool in a sustainable manner in the most cost-effective way for the government.

Dr Aishath Muneeza is the deputy minister of the Ministry of Finance and Treasury in the Republic of Maldives. She can be contacted at muneeza.aishath@gmail.com.

First Islamic treasury bills in Iranian financial system since Islamic Revolution

TREASURY PRODUCTS

By Majid Pireh

On the 30th September 2015, the Islamic consultative parliament of Iran implemented the Budget Act for issuing treasury bills for financing Iranian contractors. This was after the Shariah board of the Securities and Exchange Organization of Iran (SEO) had resolved on the 21st September 2011 (after three discussion sessions) that issuing treasury bills for state debts to private-owned contractors is permissible. In the Shariah board resolution, it is emphasized that: "Issuing treasury bills for government debts to state-owned banks and companies is not permissible as it is a case of Riba."

In the said resolution, the Shariah board of the SEO had discussed the Fiqh aspects of the instrument and reached the following results:

1. Government debts are different and each of them has different a Fiqh perspective.
   1.1. Issuance of treasury bills for government debts to contractors, companies, banks and private insurances, is permissible.

   1.2. Issuance of treasury bills for government debts to state-owned banks is permissible only if loans given to the state are from private deposits.

   1.3. Issuance of treasury bills for government debts to banks whose shares are owned by state and non-state institutions is permissible only if the loans given to the government are from non-state deposits.

   1.4. Issuance of treasury bills for government debts to non-governmental public sector entities such as the Social Security Organization and municipalities is permissible.

   1.5. Issuance of treasury bills for government debts to the Central Bank, state-owned companies and state-owned insurances is prohibited. This is because there is no real debt and because the real property of the government and these institutions are not segregated. Therefore, when the government gives a document to the Central Bank or state company or insurance and they sell it in the market, it is in fact borrowing in the supernumerary which is regarded as Riba.

2. For matured debts, it is not possible to add to the debt value since it is Riba.

Anyway, there was a relatively long debate for fundraising through Islamic treasury bills in the Iranian Ministry of Economic Affairs and Finance. Finally on the 30th September 2015, the first treasury bills in the Iranian capital market after the Islamic Revolution were issued. The face value of each bill equals IRR1 million (US$33.38) and on the first trading day, each bill was discounted at IRR900,500 (US$30.05). The maturity date of the treasury bills is the 13th March 2016 which means that these bills shall have a maturity period of 5.5 months.

The Iran Fara Bourse Company (also known as Farabourse) is the financial market for trading treasury bills in Iran. According to the announcements, the discounted debt in treasury bills is the state's debt to road contractors which the state had officially approved to them. The total amount of registered treasury bills in Farabourse reached IRR10 trillion (US$333.76 million) and on the first trading day, more than 400,000 bills were traded.

Currently, these bills are only traded in Farabourse. As it is common to have treasury bills in financial markets, there are no coupon payments for these instruments and investors may gain from the different prices that they pay and what they receive when they want to sell. This is on the basis of a discounting structure.

Majid Pireh is a senior Islamic finance expert at the Securities and Exchange Organization of Iran. He can be contacted at pireh.m@seo.ir.

IFN Sector Correspondents

CROSS-BORDER FINANCING
Fara Mohammad, director of Islamic finance, Foot Anstey

CAPITAL MARKETS:
Suhail Ahmad, CEO, Hikmah Capital Corp

DERIVATIVES
Suhaimi Zainul - Abidin, treasurer for Gulf-Asia Shariah Compliant Investment Association and advisor to 5Pillars

GLOBAL ECONOMIC OUTLOOK
Tariq Alrifai, expert, Islamic investment products and market trends

LAW (EUROPE):
Ayhan Baltaci, attorney at law, Bereket & Baltaci Law Firm

LAW (MIDDLE EAST)
Bishr Shiblaq, head of Dubai office, Arendt & Medernach

LEASING:
Youssef Aboul-Naja, Ijarah specialist, a supranational banking institution

MERGERS & ACQUISITIONS:
Tushar Garg, associate, bulge bracket investment bank

MICROFINANCE (ASIA):
Dr Mahmood Ahmed, executive vice-president and director training, Islami Bank Training and Research Academy

MICROFINANCE (AFRICA):
Mansour Ndiaye, director of microfinance, Assistance and Consulting for Development

PRIVATE BANKING & WEALTH MANAGEMENT:
Thomas Woods, product development, wealth management, The Islamic Bank of Asia

PRIVATE EQUITY & VENTURE CAPITAL:
Arshad Ahmed, partner, Elixir Capital

PROJECT & INFRASTRUCTURE FINANCE
Anthony Coleby, head of corporate commercial department, Said Al Shahry Law Office (SASLO)

REAL ESTATE
Philip Churchill, founder partner, 90 North Real Estate Partners

REAL ESTATE (MIDDLE EAST):
Yahya Abdulla, head of capital markets — Middle East, Cushman & Wakefield

REGULATORY ISSUES (ASIA)
Intan Syah Ichsan , chief operating officer, Samuel Aset Manajemen

REGULATORY ISSUES (MIDDLE EAST):
Mohammad Abdullah Malik Dewaya, head of Shariah compliance and audit, Maisarah Islamic Banking Services

RETAIL BANKING:
Chowdhury Shahed Akbar, officer, Southeast Bank, Bangladesh.

RISK MANAGEMENT:
Dr Ken Baldwin, CEO, Islamic Financial Analytics

SECURITIES & SECURITIZATION:
Nidhi Bothra, executive vice-president, Vinod Kothari Consultants

STOCK BROKING & TRADING:
Athif Shukri, research analyst, Adl Capital

STRUCTURED FINANCE:
John Dewar, partner and head of Islamic finance, Milbank, Tweed, Hadley & McCloy

SUKUK
Anthony Coleby, head of corporate commercial department, Said Al Shahry Law Office (SASLO)

SYNDICATED FINANCE
Damir Galiev, portfolio manager, AK BARS Bank

TAKAFUL & RE-TAKAFUL:
Dr Sutan Emir Hidayat, assistant professor and academic advisor for Islamic finance, University College of Bahrain

TAKAFUL & RE-TAKAFUL (AFRICA):
Uwaiz Jassat, acting head of Islamic banking, Absa Islamic Banking

TAKAFUL & RE-TAKAFUL (EUROPE):
Ezzedine Ghlamallah, director, Solutions Insurance and Islamic Finance in France (SAAFI)

TRADE FINANCE
Anthony Coleby, head of corporate commercial department, Said Al Shahry Law Office (SASLO)

TREASURY PRODUCTS:
Nafith Al Hersh Nazzal, Islamic banking specialist, certified financial and investment advisor

IFN Correspondents are experts in their respective fields and are selected by Islamic Finance *news* to contribute designated short sector reports. For more information about becoming an IFN Correspondent, please contact sasikala.thiagaraja@redmoneygroup.com

The 2nd Maldives Islamic Banking and Finance (MIBFI) Conference emphasizes importance of establishing an Islamic finance center in Maldives

The Maldivian Islamic banking and finance industry has continued to evolve and has fast become an indelible part of the larger South Asian Islamic banking and finance story. The interest evinced from players not just in the Maldives but from distant countries such as South Africa, the UAE, Singapore and Malaysia, just to name a few, is ample testament to the Maldivian growth story. As a market that is small but yet fertile and displaying a hunger among stakeholders seldom witnessed in other markets, the Maldivian Islamic finance industry has firmly established a strong foundation for future growth.

MALDIVES ISLAMIC BANKING AND FINANCE CONFERENCE

By Dr Aishath Muneeza

The 2nd Maldives Islamic Banking and Finance (MIBFI) Conference has acted as a forum where the Islamic banking and finance fraternity converge to discuss a plethora of issues. While the local players took center stage, the participation of foreign delegates complemented the Maldivian participants in engaging one another in discussions relating to the future prospects of the Islamic banking and finance industry in Maldives and beyond. This year's theme of the conference was 'Creating a center of Islamic Finance'.

Picture source: Haveeru daily Newspaper

> ***"MIBFI is an important initiative to reflect and strategize the development of Islamic finance in Maldives"***

The conference was held on the 4th November 2015 at the Maldives National University Auditorium, and was graced by the governor of the Maldives Monetary Authority (MMA), Dr Azeema Adam as the chief guest. During her speech, she stated the importance of having a fully-fledge Islamic finance industry in Maldives and the MMA, together with the Capital Market Development Authority and the Ministry of Finance and Treasury, is working toward establishing an Islamic finance center for Maldives that will position Maldives as the hub for Islamic finance and the Halal industry in the South Asian region. She also said that soon there will be a special legal framework developed for Islamic banking and Takaful in Maldives.

Rushdi Siddiqui, a well-known name in the Islamic banking and finance industry, having served as the global head of Islamic finance of the major international institutions, Dow Jones Indexes as well as Thomson Reuters, delivered the keynote address. In his speech, he expressed the idea of using a virtual world of technology to take Islamic finance to the next level and floated the idea of whether Maldives would want to become a virtual or a physical hub for Islamic finance and the Halal industry.

Dr Aishath Muneeza, the deputy minister of finance and treasury, was the chairperson of the conference and she pointed out that MIBFI is an important initiative to reflect and strategize the development of Islamic finance in Maldives.

Several eminent dignitaries from various ministries and institutions germane to the Islamic banking and finance industry did get involved in the discussions and were joined by international speakers from Malaysia, India, Pakistan and Sri Lanka.

The event was supported by the Ministry of Finance, the Maldives Monetary Authority and the Maldives Hajj Corporation which is in itself a testament to the importance of the event in the Islamic banking and finance industry calendar.

Dr Aishath Muneeza is the deputy minister of the Ministry of Finance and Treasury in the Republic of Maldives. She can be contacted at muneeza.aishath@gmail.com.

Second edition of the Turin Islamic Economic Forum

On the 19th and 20th October 2015, the second edition of the Turin Islamic Economic Forum (TIEF) was held in the northwest Italian city of Turin. The TIEF took place at the Campus Luigi Einaudi Main Hall of the iconic University of Turin, and was attended by more than 600 participants, which shows that the Islamic economy is taking momentum in Italy. The event focused on connecting finance to real economic activities with an agenda built up around three main topics: finance, food and fashion (with the last two in particular playing a crucial role in the Italian economy) which were discussed by 53 Italian and international speakers divided into seven thematic sessions.

TURIN ISLAMIC ECONOMIC FORUM

By Stefano Padovani

The first session on the 19th October introduced the audience to the role that public institutions (for example, the Dubai Islamic Economy Development Center, the Chambers of Commerce of Turin and the Italian Chamber of Commerce in the UAE) and private institutions (CRT Foundation) may play in the development of Islamic finance and particularly in Italy.

The debate continued with the Islamic capital market session with the contribution of Abayomi A Alawode of the World Bank and the launch of the AIAF (Associazione Italiana degli Analisti e Consulenti Finanziari) study on Italian Sukuk. Dr Enrico Giustiniani (responsible for the Islamic finance group at AIAF) also discussed the possible use of this financial tool by municipal authorities. The use of profit participating minibonds issued by SMEs as Shariah compliant instruments was also discussed.

The afternoon was dedicated to food and, having as reference the results of a Thomson Reuters report recently presented at the Global Islamic Economy Summit in Dubai, two Italian certification bodies met and discussed about Halal certification with Italian companies (for example, Sebaste, The Granary of Ideas, ABIT, RF Cosmetics, Vercelli Group) and international companies (for example, TrueBell Dubai).

During the second session on the 20th October, the British Al Rayan Bank, the Bank of Italy and ABI discussed about the development of Islamic retail banking in the EU and Italy, and Sevket Can Tulumen from MUSIAD and the Istanbul Chamber of Commerce) addressed the topic of crowdfunding.

Alia Khan from the Islamic Fashion Design Council chaired the fashion session. As for the food session, it was introduced by Thomson Reuters Dubai which, together with Turkish sociologist Neslihan Cevi.k, opened the debate among Italian companies such as Miroglio and Cavalli, as well as international ones such as Modanisa, Hasema and Louella (the brand founded by Ibtihaj Muhammad who was a member of the US fencing national team).

The sessions on universities and young entrepreneurs closed the Turin Islamic Economic Forum 2015. Professor Paolo Biancone moderated a discussion among Italian and foreign professors on the frontiers of Islamic finance in the academic world and Cristina Tumiatti, the president of the Young Entrepreneurs of Turin, presented the views and experiences of young Italians who have approached this market.

The TIEF 2015 showed again that Islamic finance and the Islamic economy have become popular topics in Italy and that both private companies, public institutions and authorities are focusing more and more on these fields.

Stefano Padovani is a partner and the head of banking and finance at NCTM Studio Legale Associato. He can be contacted at stefano.padovani@nctm.it.

Iran: New opportunities for business

With disastrous US policies in the Middle East, Iran has become stronger by the passage of time. In the region, many see Tehran as a natural leader. The iconic poet of the east, Allama Iqbal, considered it to be the authentic leader of the east and he wished "Tehran [to] become [the] Geneva of the nations of the east". In his view, the fate of the world would thus be transformed. SHABBIR JAFER RAZVI writes.

IRAN

By Shabbir Jafer Razvi

Robert Frisk wrote in the British newspaper, The Independent, recently that: "Iran was reborn as a major Middle East nation. The framework could one day return the 36-year-old Islamic Republic to the status of a regional superpower."

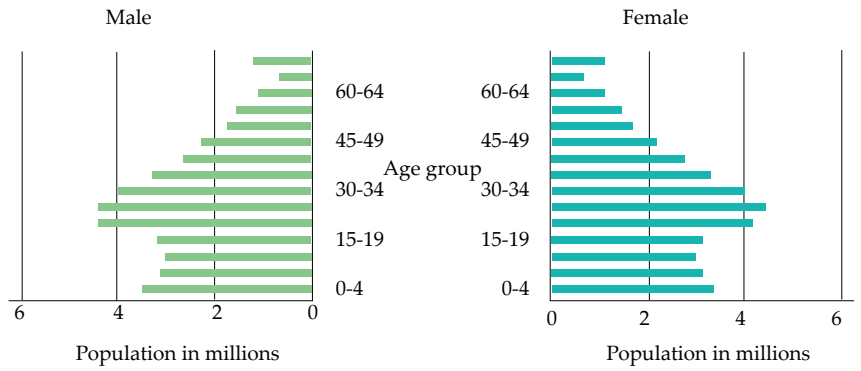
Doing business with Iran has, for a decade, consistently been plagued by the dispute concerning the country's nuclear program and its alleged purposes. A beginning of a different era with new opportunities was unveiled on the 14th July 2015 when an agreement was reached between Iran and six world powers.

The deal has heralded a process of re-integration and engagement of Iran with the international community. This will create conditions for a new beginning, will provide fresh impetus for investment and precipitate the unfreezing of assets in access of US$100 billion. Not only Iran's domestic economy could potentially be transformed due to the deal, but the impact on the wider region would be enormous and at the same time provide significant opportunities for business globally.

Few countries in the world can emulate the current conditions prevalent in Iran for potential investment opportunities. Since the birth of the Islamic Republic in 1979, the US has applied sanctions and other international measures to pressure Iranian policymakers. A long period of sanctions and isolation from international markets has created a unique commercial opportunity for those who are not faint-hearted.

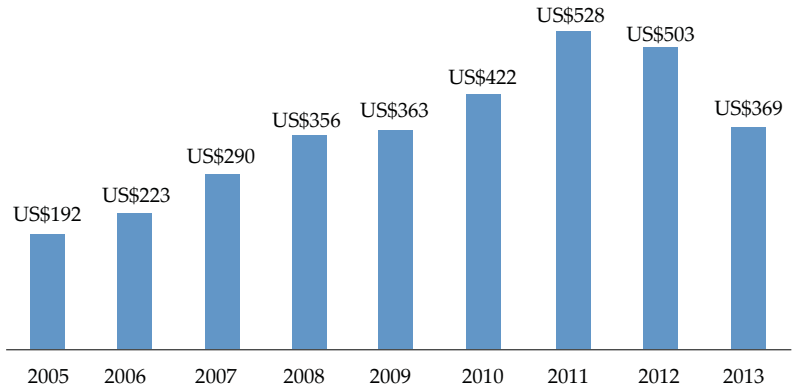
Iran has a highly educated young population and the dividend derived from this will underpin development and rapid growth. Iran's Human Development Index is 0.749. This puts the country in the 'high human development' category. Iran's current position is 75th out of 187 countries. Immense progress has been made in human development, when measured over the last 32 years.

Chart 1: Demographics in Iran



-The population expansion rate in Iran is 1.29%
-The average lifespan is 72.1 years for men and 74.6 for women (64% of Iran`s population are under 35 years of age)
Source: Author's own

Chart 2: Iran's estimated GDP from 2005-2013 (in US$ billion)



-Iran is the second-largest economy in the Middle East and the MENA region
-Estimated GDP of US$403 billion in 2014
Source: Author's own

The commercial and industrial infrastructure is well-developed in Iran. Iran is the fourth-biggest producer of crude oil and holds the second-biggest natural gas reserves in the world. It has the potential to be a major energy superpower. According to the IMF, Iran is the world's 18th biggest economy with a GDP of US$400 billion in 2014. It is expected to be the 10th largest economy in the world by 2030, overtaking Italy.

In 2015, government dependency on oil revenues has fallen from around 63% in 2010 to 25%. Economic sanctions and the drop in oil prices have had an impact in this reduction. The Iranian government is aiming for zero dependency in the near future.

On the basis of purchase power parity (PPP), Iran's economy is ranked 18th in the world. It is estimated that PPP will be nearly US$15,500 in the year 2015. This has enabled the country to have the largest and greatest number of industries in the Middle East and North Africa.

The economic growth has registered

Continued

5.6% on average during the past 25 years. Without contribution from oil and gas it has maintained a healthy 4%. Significantly, this has been achieved mostly by relying on a domestic talent pool and domestic potential. Talent capacity-building is a key feature of post-revolutionary Iran, be it in nuclear science, nanotechnology or stem cell research.

Leader in waiting for Islamic finance

Iran has been one of the leading proponents of Islamic finance. Soon after the advent of the Islamic Revolution in 1979 which displaced Reza Shah Pahlavi, the Riba-Free Banking Act was passed by the Islamic government of Ayatollah Khomeini. Local banks were now required to conduct business around Shariah compliant products. The world's largest center of Islamic banking happens to be in Iran and it is completely regulated by Shariah law.

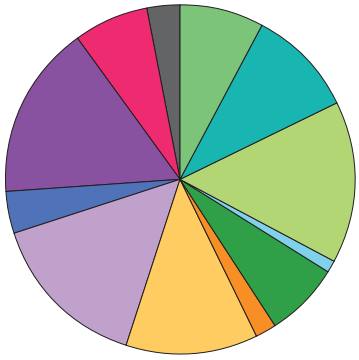
Iranian financial institutions are sanguine about having access to international markets and placing their Shariah compliant products among emerging markets, after the signing of the Lausanne agreement with the west over Iran's nuclear development program. This will add new momentum to the thriving Islamic finance industry.

The entire financial industry is compelled to be compatible with the principles of Shariah law in Iran. This accounts for more than 40% of the global Islamic banking assets, with Saudi Arabia (18.5%), Malaysia (9.56%), and the UAE (7.36%) all lagging behind. International markets have been denied access to Iranian bonds due to years of isolation. The world Sukuk market has therefore been led by Saudi Arabia and more significantly Malaysia. This is all likely to change as western sanctions are gradually removed and Iran is reinstated as a lawful member of the international financial community.

Iran's massive entry into global Islamic finance will be a boon to the world economy. But more prominently benefiting from Islamic finance will be developing countries in Asia, Africa and Latin America. Non-petrodollar Muslim countries will be net beneficiaries of Iran's money.

Shabbir Jafer Razvi is a financial and business consultant at the International Finance Solutions Association. He can be contacted at shabbirr@ifsa.uk.com.

Chart 3: GDP composition



- Agriculture 8%
- Oil 10%
- Industry 15%
- Mining 1%
- Construction 7%
- Water, electricity and gas 2%
- Trade, restaurant and hotel services 12%
- Transportation, storage and communication 15%
- Financial and banking services 4%
- Housing and profesional services 16%
- Public services 7%
- Social, personal and inhouse services 3%

Source: World Bank (Note: Data for 2014 has not been issued yet)

Sales, relationship management and liability portfolio management

Sales, sales, sales, if any of you have been part of a consumer banking team of a conventional bank or an Islamic bank you would be familiar with the pressure of targets. In this article, HUSSAIN KURESHI takes a look at the workings of sales, relationship management and liability portfolio management.

SALES, RELATIONSHIP MANAGEMENT & LIABILITY PORTFOLIO MANAGEMENT

By Hussain Kureshi

For much of my career I had avoided working for institutions where the pressure of sales breathed down upon you like the breath of a dragon. I spent several years in branch operations and learned the inside-outs of general ledger accounts, and posting transactions; at one time we could disburse millions of rupees of financing at the touch of a button.

Of course, along came centralization of operations, and in my opinion this badly affected the industry. It may have reduced operational risks, but it also reduced operational knowledge; bank staff just did not know what was going on, they were just trained to press certain buttons, and a job was no different than an eight-hour video game.

However, when I went into the front-end world of sales, I realized my operational background helped me in executing sales transactions.

Certain banks had better payment settlement systems, or better operations, for instance, inter-city payments were settled in 24 hours as were intra-city payments. Certain banks drew pay orders on their local branches which had to go through the originating branches' clearing district, while other banks offered a centralized system where pay orders could be cleared in any district (Pay orders = bank drafts or banker's cheques). This understanding helped to sell, and frankly I avoided mis-selling altogether.

However, such features were never enough to fulfil targets; one had to have a charming personality, wear a different hat for different kinds of people, keep up one's level of self-esteem, learn to deal with rejection and above all be on the move all the time. Meeting new customers became the mantra of the day, but keeping old ones happy was just as important, as often they themselves would refer other customers. We all know wealthy clients would refer only wealthy clients.

> ***"A small and diversified portfolio is better than a large portfolio depending on a handful of clients"***

Yet, at times, under the pressure of month-end targets, quarterly closings, and reviews, I found many peers doing some rather, well, unbelievable things. We all know that targets in liabilities business are set at net of attrition and are further divided from 'new' to 'bank and deepening'. Often, relationship managers would request for hot funds near month-end, which would only lead them to another hole at the start of the next month, or would beg and plead with customers to not withdraw funds after the 26th of the month to avoid attrition.

I always thought it better to plan my portfolio, a mixture of retired people who would keep funds in fixed deposits at high rates, stable but expensive funds, and then a steady mixture of the golden word, CASA (current and savings account).

CASA was easy in banks that had a large number of branches, not so easy in a bank which had 20 branches in a country where the average branch network was 200+. However, CASA could be managed by requesting clients to recommend those customers to whom they made payments so that a withdrawal from one account ended up being a deposit in another account.

One sure sign of concern is if one's portfolio or branch depends on a handful of customers. A small and diversified portfolio is better than a large portfolio depending on a handful of clients. Those clients will take up a considerable portion of your time, be expensive to acquire in terms of cost of funds, would require considerable pampering and would prevent you looking for new customers.

Certainly, I observed among sales team members, the minute they hit a big fish, they would ignore the little ones, forgetting that big fish are always on the radar of other banks as well and one should never forget to constantly acquire the little guys as well, ie the CASA portfolio.

Liability portfolio management is not only tricky, it is also an art. It requires nerves and good shoes to say the least and a nice wardrobe. One should not expect to save any money in this job as one is always meeting new people, buying lunch, coffee or what not. It requires a salesman's personality, and an ability to pamper clients. One may not like these clients on a personal basis, but really, it's their money that pays our bills. Happy hunting.

Hussain Kureshi is CEO of Millenia Global Research House. He can be contacted at husseinkureshi@gmail.com.

Dynamism of Wakalah investment in Islamic treasury

Over a period of four decades, offerings of the Islamic banking industry have evolved from a set of substitutes to conventional products to a reality of infusion of Islamic jurisprudence requirements with modern banking needs. DR YOUSUF AZIM SIDDIQI gives an update of Islamic treasury, particularly Wakalah investment.

WAKALAH INVESTMENT

By Dr Yousuf Azim Siddiqi

Historically, financings of Islamic banking were mostly based on asset trading or leasing wherein the financial obligor is looking to source Shariah compliant financing to acquire an asset for his personal usage. Products like auto Murabahah, goods Murabahah and property Ijarah were the shining stars which aptly met customers' requirements.

Although the challenge faced by Islamic banks in creating retail and corporate structures was big, but it was immense and mind-taxing when it came to treasury, money markets, investments and fixed income instruments. The commendable efforts by Shariah scholars across the world have opened new avenues for promoting new products and suggesting bespoke solutions.

The biggest challenge for the industry was to create solutions, and even standardized products, to meet customers' liquidity requirements. Since earning money on money without the backing of assets, efforts or services is not permissible as per Shariah, so commodity Murabahah, which despite being legally risky and operationally lengthy, was looked upon as a blue-eyed solution by most of the practitioners of Islamic treasury.

In the coming years, Islamic treasury discovered a new solution of Wakalah investment whereupon excess liquidity can be placed with a financial institution which has to manage the funds in accordance with Shariah through placing it in profit-generating Shariah compliant assets.

Wakalah investment is operationally easier than commodity Murabahah because it involves no acquisition of underlying assets and the subsequent sale and purchase and then realization of funds. Rather, Wakala investment is based on the investor bank's offer to invest and the investee bank's acceptance to invest and funds are transferred. It also did not consist of taking risks in unrelated assets like metals or pearls. Rather, the investor bank takes the risk of financial assets managed by the investee bank.

Now comes the question which has confused many practitioners: Where to invest? In a traditional investment agency, the investor hands over funds to the agent (investee) who invests them on behalf of the investor in different profit-yielding commercial activities. For example, A, being an investing agent, will buy cars with funds provided by B, being an investor. And subsequently, A will sell these cars over a period of time and hand over the realized profits to the investor against an agreed upon fee to the agent. This implies that funds start generating revenues only when they are duly deployed. Also, the investor cannot claim the investment amount if it was payable by a third party (ie buyer of the car). Due to complications in the banking business, a traditional investment agency cannot function as a day-to-day money market product.

Alternatively, in Wakalah investment, used in Islamic treasury, the investor buys a common share of existing profit-generating assets of the investee bank. And it is also agreed that the investee bank has to manage the same in accordance with Wakalah investment conditions. For this, it should be ensured that the Islamic bank's balance sheet has sufficient existing financings such as Ijarah, Musharakah and real estate which will constitute the portfolio of the Wakala investment. It should be ensured that the assets of the Wakalah investment are fully Shariah compliant. Hence, a Wakalah investment cannot be placed with a conventional bank which does not have enough sufficient Shariah compliant assets to back the principal amount of Wakalah.

Wakalah investment is a time-bound arrangement which facilitates the smooth exit of the investor through re-purchasing of the Wakalah assets by the investee agent. The exit price can be a result of multiple factors (time, market rate of financing, amount, etc). The investor can request for an early exit from Wakalah investment against a pre-agreed formula or against a fair value of the Wakalah assets.

In Wakalah investment, the investor places funds with the investee against an expected rate of profit. In cases where the actual profits are higher than the expected rate, then the investor receives the expected profit amount and the remaining is the investee's incentive. On the other hand, if actual profits were lower than expected profits, then the investor receives the actual profit and no incentive is given to the investee. Besides incentives, the investee is entitled to receive a fee which a flat amount or a percentage of the principal amount.

Since Wakalah investment represents Shariah compliant tradable assets, it is permitted for the investor, being the principal and owner of the asset, to sell his Wakalah investment to a third party on a premium or discount. Hence, Wakalah investment can be an open avenue for a Shariah compliant range of derivative products which serve the goals of the Islamic economy in a controlled and non-speculative way.

The concept of trading the underlying Wakalah investment was innovatively applied by Emirates Islamic and NASDAQ Dubai through developing the NASDAQ Murabahah Platform which has proved to be one of the most efficient liquidity management solutions in the Islamic banking industry. The overall size of the platform is RM2.3 billion (US$523.44 million).

Views expressed in this article are the author's own and not necessarily attributable to the author's employer.

Dr Yousuf Azim Siddiqi is the senior manager of Shariah structuring at Emirates Islamic. He can be contacted at YousufSI@emiratesislamic.ae.

Sukuk as a catalyst to ensure continued long-term growth of the Saudi economy

As the Kingdom starts to embrace the low oil price environment as the new norm, the Saudi government is making the necessary adjustments to counter the effect of lower oil revenues. The IMF reported in October 2015 that oil prices are projected to increase gradually over the coming years, from an average of US$52 a barrel in 2015 to about US$55 a barrel in 2017. SYAMSUL AZUAN AHMED FAUZI analyzes the Saudi economy.

SAUDI ARABIA

By Syamsul Azuan Ahmed Fauzi

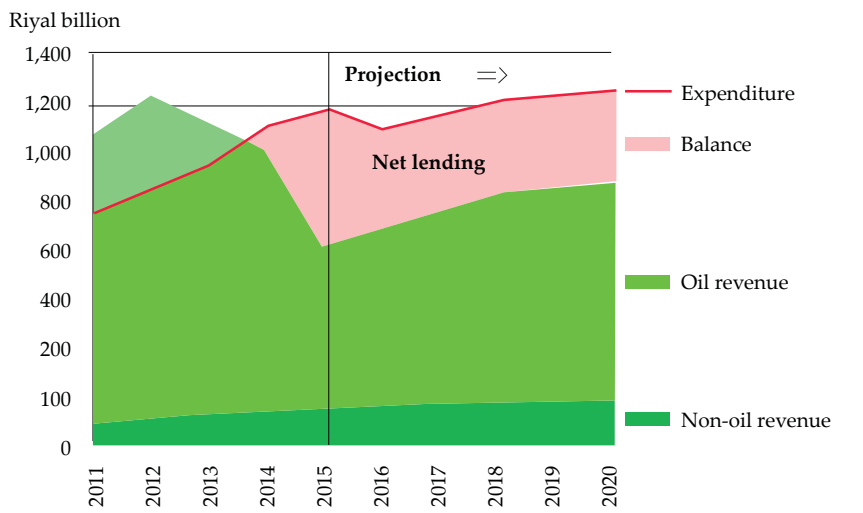
This would result in the country operating at a fiscal deficit in the coming few years. The IMF Article IV consultation report on Saudi Arabia which was published on the 9th September 2015 states the following: "Government spending has increased substantially in recent years. Consequently, the breakeven oil price rose to US$106 a barrel in 2014 from US$69 a barrel in 2010. As a result, with the large decline in oil prices, the fiscal deficit has increased sharply and is likely to remain high over the medium term. These deficits will rapidly erode the fiscal buffers (in the form of government deposits and low public debt) that have been built over the past decade."

In view of the reduced oil revenue in the foreseeable future, the government is embarking to increase its debt program. As quoted in the news, finance minister Ibrahim Al-Assaf has stated that the Kingdom has so far relied on its huge fiscal reserves to bridge the gap of the current fiscal deficit levels. The government has been looking to delay non-essential projects but maintain investments in sectors such as education, health care and infrastructure, deemed as key drivers to ensure the long-term growth of the Saudi economy.

In order to fund its budget deficit which is projected by the IMF at a record US$130 billion for 2015, the government has planned to issue more conventional treasury bonds and Islamic Sukuk.

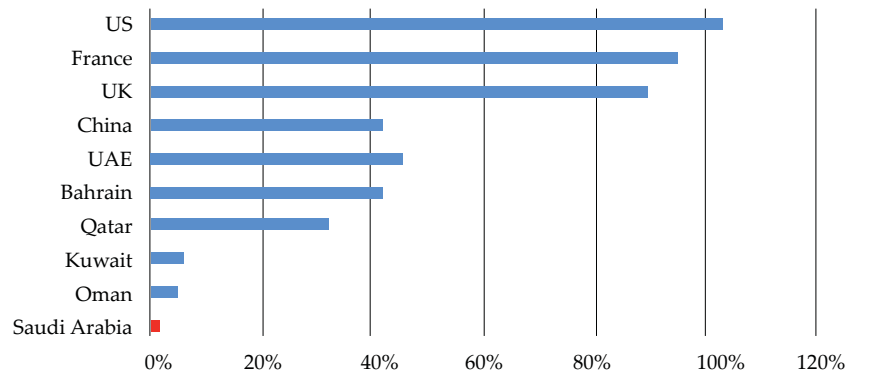
If we look at where the Kingdom's public debt level stand, it is still the lowest (as a percentage to GDP) as compared to its regional peers and some of the world's key economies. Chart 2 shows where Saudi Arabia stands in terms of public debt compared to its peers.

Chart 1: Budget balance of Saudi Arabia



Source: IMF Article IV consultation report, September 2015

Chart 2: Saudi Arabia's public debt to GDP 2014



Source: CIA, World Factbook

Given the facts that oil revenue is expected to remain at these low price levels, below the breakeven level of US$106 per barrel in 2014 as reported in the IMF Article IV consultation report in September 2015 and that the public debt is the lowest among the GCC economies, it would make a solid argument for the Kingdom to increase its Sukuk issuance to fund its deficits.

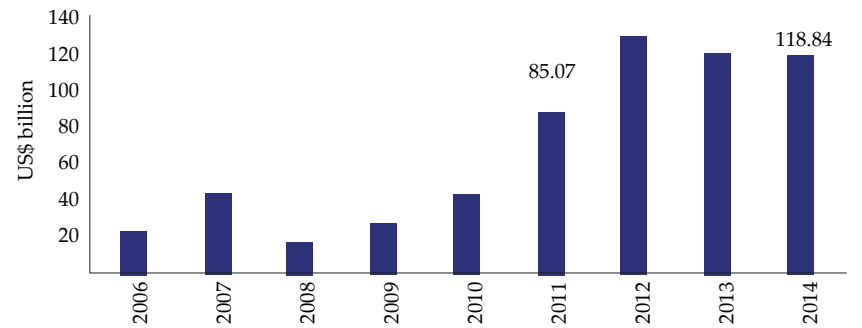
Why issue Sukuk?

Sukuk has the features to cater to longer term financing tenors with most major economies issuing public bonds and Sukuk in excess of 10 years, for some, up to 30 years (eg the US Treasury regularly issues 30-year tenor bonds). By putting in place long-term financing, the government can focus on implementing its investment program in key sectors such as infrastructure, human capital and

continued...

Continued

Chart 3: Annual Sukuk issuances



Sources: ISRA, IFIS, Zawaya, Bloomberg

social development that would promote the Kingdom's economic growth, especially in order to expand its non-oil-based revenue.

Most bonds and Sukuk are issued in a bullet payment format where the principal amount is only repaid at maturity. In some cases, the bond or Sukuk will be refinanced by issuing papers with a new maturity date. The pricing format can be fixed or floating (depending on the risk and cost strategy of the issuer). The main benefit of this feature is that it allows the government to minimize its current debt obligations by servicing only the coupon payment without having the need to pay down the debt up to the maturity date. This would allow the government to reinvest excess monies into the economy.

Based on data obtained from Bloomberg, the Kingdom has issued as of year to date 2015 six corporate Sukuk facilities valued at US$3.3 billion. This figure is lower than the US$10.1 billion issued in 2013. We expect Sukuk issuance to be on an upward trend in the coming years, especially sovereign or government-related issuances.

Importance of Sukuk in revitalizing the economy

Learning from the financial crisis in 2008, we can see a major dip in Sukuk issuance during the crisis period; however, there was an exponential growth of issuance in the following period as governments around the world look at raising new and longer term financing to support public spending and investments in order to reignite their economies. Chart 3 shows the Sukuk growth globally in the period after 2008.

Factors such as the need to bridge the fiscal deficit, demand for quality credit such as from the Saudi government, increase in public spending and investments and a low debt-to-GDP ratio will spur the rise of public debt especially in the Sukuk sphere.

Access to financing is essential to ensure the continued growth of the economy. As the Kingdom looks at diversifying its source of revenue in other sectors, it is important that the government is allowed to continue its planned expenditure. The Sukuk market will play a key role in helping the government to meet its objectives.

Syamsul Azuan Ahmed Fauzi is the director and head of corporate finance at Anfaal Capital. He can be contacted at sfauzi@anfaalcapital.com.

Malta: A family-friendly office

Family offices are private wealth management advisory firms that serve ultra-high-net-worth investors. Family offices are different from traditional wealth management institutions in that they offer a total outsourced solution to managing the financial and investment side of an affluent individual or family. REUBEN BUTTIGIEG delves further.

FAMILY OFFICES

By Reuben Buttigieg

Regrettably, various organizations that offer traditional wealth management services try and promote themselves as family offices. One may find this in various countries. These organizations would be usually tied to a bank or a large financial institution. The reality is that this is not what a family office should be all about.

The duty of a family office is very wide and cannot be concentrated on the wealth management of traditional wealth. First and foremost, one needs to understand the wishes and the politics of the family. In certain cases, this may be a major assignment in itself. Generally, not all the members of the family may necessarily have the same vision. The ultimate aim of this exercise needs to be the agreement of one common direction and possibly consider an agreed-upon succession plan. If you have a family office taking care of your affairs and you have not signed or agreed upon a succession plan, then there is something fundamentally wrong.

In order to achieve the aforementioned aim, one needs to be in an environment that provides the legislative tools in order to achieve certain measures. Malta is certainly one of these countries which encompasses various institutes in its legislation that allow for family planning as well as succession planning. The importance of foundations and trusts in Malta is growing all the time. While many do not feel comfortable with the concept of trust given that in its nature one would be legally passing the legal title to a different legal personality, the foundation concept is a more popular one in this context.

The Trust and Trustees Act in Malta may be described as a piece of art given the way it has dealt with the various experiences of trusts in different jurisdictions. One may say that there is no other similar legislation that combines the benefits of civil law to that of common law. On the other hand, one may look at the Voluntary Organizations Act which is a relatively new legislation that requires serious updating given that it does not reflect the realities of today;. in spite of this, it in itself gives certain planning opportunities.

Foundations and trusts in Malta are complemented with an advantageous tax planning-friendly system. In fact, the tax system may lead to the family considering opening a fund (collective investment scheme) in Malta given that some of these funds are totally exempt from tax in Malta. It actually became one of the main areas of growth on the island. This is because even the costs of managing funds are relatively lower than other jurisdictions. While it may not be feasible in other jurisdictions to manage small funds, in Malta it could be done. Indeed, Malta has seen a huge growth in the funds industry sector.

The cost-efficient structures in Malta are complemented by a highly educated and professional workforce. In order to stimulate further knowledge in the industry, the authorities have thought of incentives to attract expertise that is not already present on the island. This strategy seems to have worked and Malta has become a leading reputable jurisdiction.

The government of Malta is aware of the issues related to family businesses and offices. At the moment, there is a consultation process on how to further assist family businesses in Malta. New announcements are expected in the foreseeable future.

A recent development with respect to family office is the individual investor program as well as the newly launched resident scheme. Many families are also taking these factors into consideration in their family affairs. In fact, one may say that these schemes are having unprecedented success in the pearl of the Mediterranean.

Reuben Buttigieg is the director of Erremme Corporate Services and RBG Fiduciary Services. He can be contacted at rmb@erremme.com.mt.

DEALS

Indonesia exceeds Sukuk auction target

INDONESIA: The Indonesian Ministry of Finance received IDR3.96 trillion (US$287.5 million)-worth of incoming bids for its latest Shariah securities auction on the 17th November. Reopening three facilities and issuing one new paper, the ministry confirmed in a statement that it awarded a total of IDR3.17 trillion (US$230.14 million), exceeding its IDR2 trillion (US$145.2 million) target.

HLISB to make Sukuk profit payment

MALAYSIA: Hong Leong Islamic Bank (HLISB) will make a profit payment for the stock code VN140153 under the subordinated Sukuk Ijarah program of up to RM1 billion (US$228.2 million) in nominal value on the 17th December 2015, according to an announcement on Bank Negara Malaysia's website.

IILM reissues Sukuk

MALAYSIA: The International Islamic Liquidity Management (IILM) reissued a US$490 million three-month tenor Sukuk paper on the 19th November 2015, according to a statement. Priced at 0.7671% profit rate, the facility was fully subscribed by primary dealers. As at November 2015, the Sukuk that have been issued and reissued by IILM totaled US$13.18 billion.

Cagamas surpasses issuance target

MALAYSIA: Cagamas has issued RM1.5 billion (US$349.37 million) multiple tranches comprising Islamic medium-term notes, conventional medium-term notes and conventional commercial papers with tenures ranging from three months to 20 years, according to a statement. Orderbooks, which opened on the 13th November 2015, received strong demand from investors, enabling the company to increase issuance to RM1.5 billion from the initial size of RM1 billion (US$232.91 million). Proceeds from the issuance will be used to fund the purchases of mortgage loans and Islamic house financing from the financial system.

The issuance brought the company's total issuances over the last four weeks to RM4 billion (US$931.64 million) while its year-to-date issuances jumped to RM6.4 billion (US$1.49 billion), surpassing the 2015 issuance target of RM6 billion (US$1.4 billion).

First Sukuk Istisnah sale on Tehran Stock Exchange

IRAN: Tose'e Melli Mining and Industries Company issued Sukuk Istisnah on the 23rd November to raise IRR1.62 trillion (US$54.1 million) — the first transaction of its kind on the Tehran Stock Exchange, reported Financial Tribune. At an annual profit rate of 23%, proceeds from the Sukuk will be used to fund the construction of two iron ore concentrate and pellet plants. Novin Investment Bank is the deal's advisor and underwriter, whereas the bank's brokerage will act as broker for the Sukuk.

JEP to issue Sukuk in tranches

MALAYSIA: Jimah East Power, a unit of Tenaga Nasional, is planning to sell RM5.25 billion (US$1.22 billion) in Sukuk via a private placement to institutions and RM3.73 billion (US$867.82 million) via an auction, reported Bloomberg. The first tranche has maturities of 16-23 years at a coupon rate of between 6.2-6.7% and the second is due in five to 15 years at a rate of 5-5.97%.

STSSB issues ICP

MALAYSIA: According to an announcement on Bank Negara Malaysia's website, Sunway Treasury Sukuk (STSSB) issued the RM150 million (US$34.23 million) STSSB Islamic commercial papers (ICP) Series 27/2015 via tender on the 23rd November 2015. The 'MARC-1IS'-rated paper will mature on the 23rd December 2015.

Albaraka Turk sets pricing thoughts for Sukuk

TURKEY: Albaraka Turk has opened books for its dollar-denominated capital-boosting Sukuk with initial price thoughts set in the area of 10.5%, according to Reuters. The 10-year Sukuk has a one-time call option in 2020, whereby under a call option, the borrower can repay the bond either at a pre-agreed rate or at a rate determined at the time of the clause being exercised.

CBB's Sukuk Salam fully subscribed

BAHRAIN: Central Bank of Bahrain announced in a statement that the monthly issue of its Sukuk Salam Islamic securities for the BHD43 million (US$112.34 million) issue, which carries a maturity of 91 days, has been 100% subscribed. The expected return on the issue, which begins on the 25th November 2015 and matures on the 24th February 2016, is 1.6%.

DEAL TRACKER Full Deal Tracker on page 35

EXPECTEDDATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENT DATE
Dec-15	Government of Ivory Coast	XOF150 billion	Sukuk	23rd November 2015
Dec-15	Albaraka Turk	US$250 million	Sukuk	11th November 2015
December	Government of Pakistan	PKR300 billion	Sukuk	16th November 2015
TBA	KT Sukuk Company	US$400 million	Sukuk	13th November 2015
TBA	Widad Capital	RM120 million	Sukuk Murabahah	13th November 2015
TBA	Oman Telecommunications	OMR50 million	Sukuk	10th November 2015
TBA	Hascol Petroleum	PKR2 billion	Sukuk	9th November 2015
TBA	Emirates Airline	US$500 million-US$1 billion	Sukuk	9th November 2015

APICORP plans Sukuk to finance energy projects

SAUDI ARABIA: Arab Petroleum Investment Corp (APICORP) is planning to issue US$1 billion in Sukuk in 2016, as part of its US$3 billion Sukuk program over four to five years, to finance energy projects in the Middle East and North Africa, according to Bloomberg. APICORP is also looking to capitalize on the region's need for US$700 billion in energy investments, either through direct investments or lending. The energy financier is also mulling issuing its remaining US$1.5 billion Sukuk in 2017, subject to market conditions, or over an extended period. In addition, APICORP is targeting at least US$1 billion in energy equity investments by 2018.

AFRICAS

New product from StanChart Botswana

BOTSWANA: Standard Chartered Bank Botswana has launched an offshore fixed income product providing retail investors exposure to Sukuk, perpetual, sovereign, fixed rate and variable rate bonds, according to Botswana Press Agency.

Africa's Islamic economy potential

AFRICA: Africa is the world's largest untapped Islamic economy growth market, according to a new report by The Economist's Intelligence Unit, 'Mapping Africa's Islamic Economy, commissioned by the Dubai Chamber of Commerce. The report highlights that the large and growing Muslim population and Africa's financing needs to deal with its infrastructure deficit are among key drivers fueling the continent's Islamic economy. The report also identifies challenges facing regulatory reforms.

ASIA

OCBC Al Amin to add branches

MALAYSIA: OCBC Al Amin, the Islamic subsidiary of OCBC Bank, is set to open its inaugural branches in Sibu, Sabah and also in Sandakan, Sarawak in December 2015, according to Bernama. The new branches will bring OCBC Bank's total branches to 45 nationwide comprising 13 Islamic and 32 conventional.

Arij receives Islamic facility from HBL

SRI LANKA: Arij Islamic Financial Services, an Islamic business unit of Richard Pieris Finance, has received LKR100 million (US$685,542) from Habib Bank (HBL) Colombo through a strategic private placement. The facility will be utilized to expand its Shariah compliant business portfolio, according to IFN Sri Lanka correspondent Imruz Kamil.

ASIIP launched

PAKISTAN: Finance minister Ishaq Dar has launched the All Shares Islamic Index of Pakistan (ASIIP), according to the Business Recorder. The launching of the Islamic index, whose 225 firms represent half of the PKR7.21 trillion (US$67.41 billion) market capitalization, marks the conversion, by half, of the soon-to-be Pakistan Stock Exchange (PSE) into a Shariah compliant bourse.

A national capital market in the form of the PSE is expected by the 1st January 2016 and a technical committee is working to set up an Islamic counter to deal with Shariah compliant trading and financing at the bourse.

BMI provides Islamic facility to Antam

INDONESIA: Bank Maybank Indonesia (BMI) has extended a US$100 million 10-year Islamic financing facility to state-controlled miner Aneka Tambang (Antem) to finance a fourth furnace for the latter's ferronickel plant in Pomalaa, Southeast Sulawesi, the bank confirmed with IFN.

OJK to optimize synergy with government

INDONESIA: Otoritas Jasa Keuangan (Financial Services Authority) has expressed its keenness to create a better synergy with the Finance Ministry to develop Shariah financial industries, according to Tempo.co. OJK is also requesting the Finance Ministry to reduce tax to 10% from the current 20% in order to attract more funds to Shariah banks, said OJK's Shariah bank director Dhani Gunawan Idhat.

MIDA and IDB collaborate via CBP

MALAYSIA: The Malaysian Investment Development Authority (MIDA) is eyeing investments from the IDB's member countries via its Capacity Building Program (CBP), according to Bernama. The program, a collaboration between MIDA, the IDB and the Ministry of Foreign Affairs under the framework of the Malaysian Technical Cooperation Program for Investment Promotion Officials, focuses on sharing the country's experiences in attracting foreign direct investment.

MBL and Ufone launch MeezanUPaisa

PAKISTAN: Meezan Bank (MBL) has entered into a strategic partnership with Ufone, an Etisalat group company, to launch MeezanUPaisa, an Islamic branchless banking solution, according to a statement.

Bank Aceh to be fully Shariah compliant

INDONESIA: Bank Aceh is set to become a fully-fledged Shariah compliant bank in 2016, according to Indonesia Investments. Majority-owned by the local Aceh province (about 98% of the local population adhere to Islam), the bank controls more than IDR20 trillion (US$1.45 billion) in assets.

AmBank Group accepts penalty by BNM

MALAYSIA: AmBank Group has agreed to pay a penalty of RM53.7 million (US$12.49 million) to Bank Negara Malaysia (BNM) with respect to non-compliance with certain regulations by AmBank and AmBank Islamic respectively, acoording to a bourse filing. The penalty pertains to action pursuant to section 234 of the Financial Services Act 2013 and section 245 of the Islamic Financial Services Act 2013. The group has also agreed with BNM a four-year program of work toward achieving best market practices.

GLOBAL

QInvest acquires retail properties in Germany

GLOBAL: Shariah compliant QInvest and Pramerica Real Estate Investors have acquired a portfolio of 16 retail properties located across Germany through a newly formed joint venture, according to a statement. The acquisition includes 16 multi-tenant retail assets anchored by major grocery and home improvement retail outlets; however, the terms of the transaction were not disclosed. Pramerica will act as the portfolio and asset manager for the properties.

IDB prioritizes reconstruction financing

GLOBAL: The IDB is mulling using Sukuk to help finance the reconstruction of conflict-torn countries with the World Bank as a potential joint issuer, according to Reuters quoting the IDB's president Ahmad Mohamed Ali. Work is now underway to identify specific projects for the initiative, with a priority on war-torn Yemen. The multilateral Islamic bank is also set to establish a new infrastructure institution which could have capital of about US$1 billion. The institution would be the newest member of the IDB group which includes insurance, trade finance, research and private sector arms.

MIDDLE EAST

DIB launches 'Virtual Branch' facility

UAE: Dubai Islamic Bank (DIB) has introduced a 'Virtual Branch' facility to provide employees with the vital experience of the end-to-end business activities, in addition to cementing their understanding of banking operations, according to a press release. The facility is designed to simulate a real DIB branch and also to be in line with its 'Smart Bank' initiative.

Meethaq opens new branch

OMAN: Islamic banking arm of Bank Muscat, Meethaq, has opened a new branch in Qurm, extending its banking network to 13 since inception of operations in 2013. According to a statement, the bank also launched its Hafawa Priority Banking service for high-saving Meethaq customers.

New Kuwaiti rules to enable more Sukuk issuance

KUWAIT: According to Fitch Ratings in a statement, the new rules from the Capital Market Authority of Kuwait (CMA) could galvanize the country's Sukuk market which has stalled and pave the way for issuance by corporations in 2016. The new rules provide a broad framework that includes setting out general terms and structure of Sukuk, requirements for appointing trustees, setting up SPVs, rules on governance and ensuring Shariah compliance, requirements for a credit rating for public issuance and the need for approval by the CMA and the Central Bank of Kuwait, among others. Fitch, however, added that it is unsure of how issuers and investors will take to the rules and how effective the implementation will be.

KSB Capital Group rebrands

SAUDI ARABIA: Shariah compliant KSB Capital Group has received approval from the Capital Market Authority of Saudi Arabia to change its name to KASB Capital, according to a bourse filing.

EGA procures term facilities

UAE: Emirates Global Aluminium (EGA) has launched the syndication for its US$4.9 billion seven-year corporate facilities comprising a commodity Murabahah facility and a conventional facility (together the facilities) to refinance existing project finance debt facilities. According to a statement, the facilities are structured with a three-year grace period and a 30% balloon payment on maturity. Bookrunners for the facilities include Dubai Islamic Bank, BNP Paribas, Citibank (London branch), Emirates NBD Capital, ING Bank, National Bank of Abu Dhabi and Natixis. The syndication process is expected to be concluded by the end of the year.

EI unveils EI Trade

UAE: Emirates Islamic (EI) in a statement has announced the launching of EI Trade, the world's first fully-integrated Shariah compliant online trade finance and supply chain platform. EI Trade will offer corporate and business customers an electronic platform to initiate trade finance transactions on a secured system available round the clock.

Separately, EI is also expecting an 11% loan growth in 2016 and will be counting on an increase in trade finance, retail lending and loans to SMEs to expand its balance sheet, according to The National.

ASSET MANAGEMENT

OJK allows Shariah mutual funds to invest offshore

INDONESIA: Indonesia's Financial Services Authority or Otoritas Jasa Keuangan (OJK) has finalized rules allowing investment managers to invest a majority (51-100%) of their Shariah mutual fund portfolio in foreign securities beginning next year. According to the Jakarta Globe quoting OJK director for investment management Sujanto, at least four investment firms have expressed interest in launching Islamic mutual fund products with offshore assets. The funds will be able to invest in member countries of the International Organization of Securities Commissions and also in France, South Korea and the UK.

FTGSC plans global Shariah fund

MALAYSIA: Franklin Templeton Investments's Malaysian subsidiary is looking at bringing in a global Shariah fund to Malaysia next year. IFN understands from Franklin Templeton GSC Asset Management (FTGSC) that the upcoming fund is structured as a feeder fund under a master fund domiciled in Luxembourg with another two funds in its portfolio.

Aberdeen considers Indonesian Islamic funds

INDONESIA: Aberdeen Asset Management's Indonesian unit is studying the possibility of issuing a Shariah compliant product soon, according to the Jakarta Globe quoting the firm's head of investment, Bharat Joshi.

RESULTS

Al Baraka Bank Egypt

EGYPT: For the first nine months of 2015, Al Baraka Bank Egypt reported a net income of EGP209 million (US$26.61 million), a 24% increase compared to the same period in 2014. According to a statement, total assets grew 26% year-on-year to EGP28.2 billion (US$3.59 billion) as at the end of September 2015.

GFH Financial Group

BAHRAIN: For the first nine months of 2015, GFH Financial Group recorded a decline in year-on-year net profit from US$23.1 million to US$18 million. The bank said in a statement that profits were mainly driven by GFH's Real Estate Division. Quarterly profit reached US$4.3 million, a drop from US$8.3 million the year before.

Noor Bank

UAE: Noor Bank reported a 43% growth in net profit of AED451 million (US$122.76 million) for the January-September 2015 period, according to Gulf News. Total assets as at the 30th September 2015 rose by 34% to AED38.9 billion (US$10.59 billion).

AmBank Group

MALAYSIA: AmBank Group's Islamic banking business registered a 2.8% year-on-year growth in profit after taxation and Zakat with a 10% increase in expenses and double-digit expansion in financing and deposits, acoording to a press release. CFO Mandy Simpson affirmed that Islamic banking, which accounts for 32% of the group's banking assets, will remain an integral growth driver for the group in 2016. AmBank recorded a 14% year-on-year decline in total income for the first half of the 2016 financial year to RM1.9 billion (US$442.53 million). Quarter-on-quarter, the group posted a 12.7% rise in profit after tax and non-controlling interests (PATMI). Excluding one-off divestment gains in the first quarter of the 2015 financial year, PATMI contracted by 6.9% to RM722 million (US$168.16 million), compared to the same period in the previous financial year.

Al Baraka Bank Pakistan

PAKISTAN: Al Baraka Bank Pakistan realized a 19% year-on-year increase in net profit for the January-September 2015 period to PKR195 million (US$1.82 million). According to an official statement, the bank's total assets reached PKR93 billion (US$869.08 million) as at the end of September 2015.

TAKAFUL

IFSB and IAIS issue joint paper on microTakaful

GLOBAL: The IFSB and the International Association of Insurance Supervisors (IAIS) have released the Joint Paper on Issues in Regulation and Supervision of MicroTakaful (Islamic Microinsurance), according to a press release. The paper aims to highlight and identify regulatory issues prevailing in the microTakaful sector and to outline the role this sector can play in enhancing financial inclusion.

Wethaq Egypt to renew reinsurance treaties

EGYPT: Wethaq Takaful of Egypt (Wethaq Egypt) is set to renew reinsurance treaties for 2016 with a number of global reinsurers, including the General Insurance Corporation of India. According to Amwal Al Ghad quoting Wethaq Egypt's managing director Abdul Latif Sallam, the renewal agreements are expected to be signed by mid-December.

AmBank targets General Takaful segment

MALAYSIA: AmBank Group sees growing opportunities in the General Takaful market and will continue to review opportunities in that segment to grow its Islamic insurance business, said Mandy Simpson, the group's CFO talking to reporters. Acting group managing director Mohamed Azmi Mahmood also said that microTakaful solutions are on the cards. The group currently offers Family Takaful solutions through its subsidiary, AmMetLife Takaful.

Takaful Emarat extends subscription period

UAE: Takaful Emarat has received regulatory approval to extend the subscription period for its capital increase from the 9th November until the 12th December, according to a statement. The Takaful operator is looking to raise its issued capital by AED100 million (US$27.22 million).

Tokio Marine Egypt Family Takaful to boost capital

EGYPT: Tokio Marine Egypt Family Takaful is expected to boost its paid-up capital to EGP159 million (US$19.87 million) from EGP113 million (US$14.12 million) by means of a EGP46 million (US$5.75 million) fresh capital injection to enhance the firm's foundation, according to Amwal Al Ghad. The company is looking to increase the volume of corporate business to more than double and will explore new distribution channels such as banks to expand its business opportunities.

RATINGS

FEC Cables's Sukuk affirmed at 'A2(s)/Stable'

MALAYSIA: Power and telecommunication cable manufacturer FEC Cables's RM130 million (US$29.59 million) Islamic medium-term note facility (2006/19) has been reaffirmed at 'A2(s)/Stable' by RAM. According to a statement, the rating is enhanced beyond the company's stand-alone credit profile as it takes into consideration its major shareholder (Permodalan Nasional)'s explicit support.

Positive outlook for JAFZ Sukuk

UAE: JAFZ Sukuk (2019)'s senior secured rating has been affirmed at 'BBB-' by Fitch, who concurrently revised the outlook on Jebel Ali Free Zone FZE (JAFZ) to positive from stable and affirmed its long-term issuer default rating at 'BBB-', according to a statement.

Fitch affirms Turkish banks

TURKEY: Fitch has affirmed the long-term foreign currency issuer default ratings (IDRs) of Turkiye Finans Katilim Bankasi and Kuveyt Turk Katilim Bankasi at 'BBB' with a stable outlook. The rating agency also affirmed the banks' viability ratings at 'bb-'. The banks' 'BBB+' long-term local currency IDRs take into account country risks. In a statement, Fitch views that there is a high probability that Turkiye Finans and Kuveyt Turk would receive support from their parent banks in case of need.

Bank Muscat downgraded

OMAN: Bank Muscat, which operates Meethaq Islamic Banking, has had its long-term counterparty credit rating revised downward to 'BBB+' from 'A-' with a negative outlook by S&P in line with the sovereign downgrade and the rating agency's revision of the country's Banking Industry Country Risk Assessment to group 5 from group 4. According to a statement, the bank's 'A-2' short-term counterparty credit rating was concurrently affirmed.

ICIEC maintains 'Aa3' rating

GLOBAL: The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)'s insurance financial strength rating has been reaffirmed at 'Aa3' for the eighth consecutive year by Moody's. According to a statement, the rating reflects the stand-alone fundamentals and potential support from its shareholders/IDB Group member countries, its legal structure and business nature as the only multilateral export credit and investment insurance corporation in the world that provides Shariah-compatible insurance and reinsurance products, and also its enhanced regional knowledge through its experience gained by operating in the region.

'Baa2' rating for ASB's Sukuk

MALAYSIA: Moody's has assigned a definitive 'Baa2' rating to Axiata SPV2's US$500 million Sukuk notes with a stable outlook according to a statement. The definitive rating on the Sukuk confirms the provisional rating of '(P)Baa2' assigned on the 29th October 2015. The notes were drawn down from its existing US$1.5 billion multicurrency Sukuk issuance program.

MARC assigns final rating to JEP's Sukuk

MALAYSIA: MARC has assigned a final rating of 'AA-IS' to Jimah East Power (JEP)'s Sukuk Murabahah of up to RM10 billion (US$2.33 billion) with a stable outlook, according to a statement. The final rating considers the key amendments made to the issue structure and terms of the rated issuance since the preliminary rating was announced on the 2nd September 2015. The rating agency regards these amendments to the project financing terms as credit positive.

Oman's ratings revised

OMAN: S&P has lowered the Sultanate of Oman's long-term local and foreign currency sovereign credit ratings to 'BBB+' from 'A-' with a negative outlook, according to a statement. The rating agency has also affirmed the Sultanate's short-term ratings at 'A-2' and concurrently revised its transfer and convertibility assessment on Oman to 'A-' from 'A'. S&P projects a sharp increase in Oman's general government and current account deficits over 2015-18 and expects that trend growth in real per capita GDP will remain materially below that of peers.

Bahraini banks affirmed

BAHRAIN: National Bank of Bahrain, BBK and Arab Banking Corporation have been assigned a 'BBB-' long-term issuer default rating (IDR) by Fitch, who also affirmed Ahli United Bank's IDR at 'BBB+' and Gulf International Bank's at 'A', according to a statement. All ratings carry a stable outlook.

Stable outlook for Saudi banks

SAUDI ARABIA: Despite a slowing economy brought on by soft oil prices, Moody's is maintaining its stable outlook on the Saudi Arabian banking sector based on the expectation of resilient profitability and capital buffers over the next 12-18 months. In a statement, Olivier Panis, a Moody's vice-president and senior credit officer said: "Countercyclical government spending will continue to support the non-oil sectors, to which most bank lending is directed. It will also help to moderate the negative effect that prolonged low oil prices would otherwise have on the domestic economy.

TTPC's Sukuk rating reaffirmed

MALAYSIA: Teknologi Tenaga Perlis Consortium (TTPC)'s RM835 million (US$194.27 million) Sukuk Murabahah (2013/23) has been reaffirmed at 'AA1/Stable' by RAM, reflecting the company's solid business profile, said the rating agency in a statement.

In a separate statement, RAM announced the reaffirmation of the 'AA3/Stable' rating on the RM540 million (US$125.64 million) Sukuk Murabahah (2013/23) of Jati Cakerawala, a subsidiary of TTPC. The rating of Jati's Sukuk was notched down from the 'AA1/Stable' rating of TTPC's Sukuk based on the lower priority of Jati's Sukuk in terms of cashflow waterfall and security.

China's sovereign ratings affirmed

CHINA: S&P has affirmed China's long and short-term sovereign credit ratings at 'AA-'and 'A-1+' respectively and concurrently affirmed its long and short-term Greater China regional-scale ratings on the sovereign at 'cnAAA' and 'cnA-1+' respectively, according to a statement. The ratings on China reflect S&P's view of the government's reform agenda as well as the country's growth prospects and strong external metrics. The stable outlook is based on the rating agency's expectation that China will make significant progress toward economic rebalancing in the next two to three years. The rating agency also affirmed the transfer and convertibility assessment at 'AA-'.

S&P revises outlook on Omantel

OMAN: S&P has revised the outlook on Oman Telecommunications (Omantel) to stable from positive following a negative rating action on Oman, according to a statement. The rating agency has also affirmed the 'BBB' long-term and 'A-2' short-term corporate credit ratings on the company.

Omantel is reportedly planning to issue OMR50 million (US$129.4 million)-worth of Sukuk and is seeking approval from the Capital Market Authority.

MOVES

Maybank

MALAYSIA: **Mohd Salleh Harun** has stepped down from his position as the vice-chairman of Malayan Banking (Maybank) following the expiration of his term of office on the 17th November 2015, according to a bourse filing.

Salleh's current directorships in companies within the Maybank Group include as the chairman of Maybank Ageas Holdings, Etiqa Insurance, Etiqa Takaful, Etiqa Insurance Private and Maybank Philippines.

Finocracy

GLOBAL: IFN has learned that **Mohammad Raafi Hossain** has transitioned to a new role as the founder and CEO of Finocracy, a non-profit Islamic social finance incubator and a subsidiary of the World Congress of Muslim Philanthropists. Mohammad was previously the program manager of Narwi, a project of Qatar-based social initiative Silatech.

Halkbank

TURKEY: The deputy general managers of Halkbank, Mustafa Savas and Sahap Kavcioglu, have left the bank after being elected as deputies in the 26th term parliamentary election, according to a statement.

AMMB Holdings

MALAYSIA: AMMB Holdings has appointed **Sulaiman Mohd Tahir** as group CEO and also as CEO of AmBank Malaysia (a wholly-owned subsidiary of AMMB) effective from the 23rd November 2015, according to a bourse filing. Concurrently, **Mohamed Azmi Mahmood** will cease from the position of acting group managing director and remain as the deputy group CEO.

Maisarah Islamic Banking

OMAN: **Muhammad Abdullah Dewaya**, the head of Shariah audit and compliance at Maisarah Islamic Banking Services, will be leaving the bank on the 25th November 2015 to join an Islamic bank in Abu Dhabi as the vice-president/head of Shariah audit. Dewaya informed IFN that he will begin his new role in the first week of December.

Al-Hossam Legal (Adlouni & Partners)

KUWAIT: **Hossam Abdullah** has informed IFN that he has left Al Ruwayeh and Partners (ASAR) and has established his own legal firm under the name of Al-Hossam Legal (Adlouni & Partners) in a joint venture with **Lina Adlouni**. Hossam was with ASAR for 15 years as an attorney and partner and will continue to focus on finance (both conventional and Islamic) corporate, commercial, banking, capital market, and selective complex commercial litigation matters in his new role as legal counsel and managing partner at his firm.

Amrahbank

AZERBAIJAN: **Behnam Gurbanzada**, formerly the head of the now-defunct Islamic banking department of the International Bank of Azerbaijan, has joined Amrahbank to develop its Shariah banking capabilities, he informed IFN.

Guernsey Finance

GUERNSEY: Former chief minister of the State of Guernsey **Lyndon Trott** will be appointed as the chairman of Guernsey Finance with effect from the 1st December 2015, replacing **Jim Gilligan**, who is retiring as chairman having held the position since 2006, according to a statement.

Bank Dhofar

OMAN: Bank Dhofar, which operates Maisarah Islamic Banking, has appointed **Hussain Ali Ibrahim Al Lawati** as the assistant general manager and head of business banking, according to a bourse filing.

Meezan Bank

PAKISTAN: **Riyadh SAA Edrees**, the largest shareholder of Meezan Bank, Noor Financial Investment Company and deputy CEO of National Industries Group, has been elected as chairman of Meezan Bank, according to a statement.

Mashreq

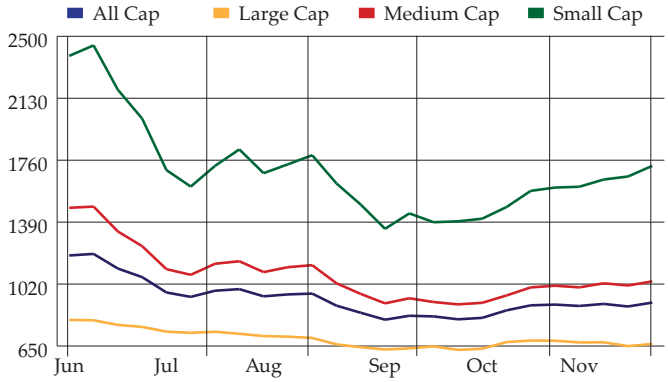
BAHRAIN: Mashreq, which operates the Islamic banking arm Mashreq Al Islami, has appointed **Ahmed Husni Dayyat** as the country head of its operations in Bahrain. Prior to joining Mashreq, Ahmed was the area manager at Arab Bank Bahrain, according to a statement.

DEAL TRACKER

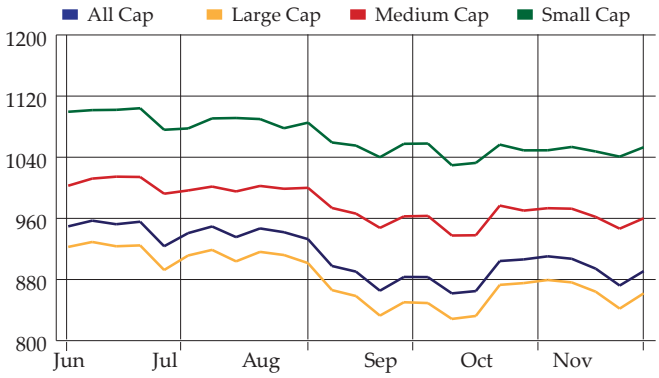
Expected date	Company's name	Size	Structure	Announcement Date
Dec-15	Government of Ivory Coast	XOF150 billion	Sukuk	23rd November 2015
Dec-15	Albaraka Turk	US$250 million	Sukuk	11th November 2015
December	Government of Pakistan	PKR300 billion	Sukuk	16th November 2015
TBA	KT Sukuk Company	US$400 million	Sukuk	13th November 2015
TBA	Widad Capital	RM120 million	Sukuk Murabahah	13th November 2015
TBA	Oman Telecommunications	OMR50 million	Sukuk	10th November 2015
TBA	Hascol Petroleum	PKR2 billion	Sukuk	9th November 2015
TBA	Emirates Airline	US$500 million-US$1 billion	Sukuk	9th November 2015
TBA	CIMB Islamic	RM5 billion	Sukuk	6th November 2015
25-27th November 2015	XL Axiata	IDR1.5 trillion	Sukuk	15th September 2015
November	Tenaga Nasional	RM10 billion	Sukuk	24th June 2015
2016	Government of Indonesia	IDR150 trillion	Sukuk	9th October 2015
TBA	MMC Corporation	RM1.5 billion	Sukuk Murabahah	13th October 2015
TBA	Country Garden Real Estate	RM1.5 billion	Sukuk Murabahah	6th October 2015
First quarter of 2016	National Home Mortgage Finance Corp	PHP2 billion	Sukuk	29th September 2015
By December 2015	HNA Group	US$150 million	Sukuk	11th September 2015
TBA	Government of Jordan	JOD200-300 million	Sukuk	4th September 2015
TBA	Saudi Electricity Company	US$1.5 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
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
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
2015	Government of UAE	TBA	Green energy Sukuk	12th March 2015
TBA	Turkiye Finans	US$400 million	Sukuk	20th 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	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	Waqf 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
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

SHARIAH INDEXES

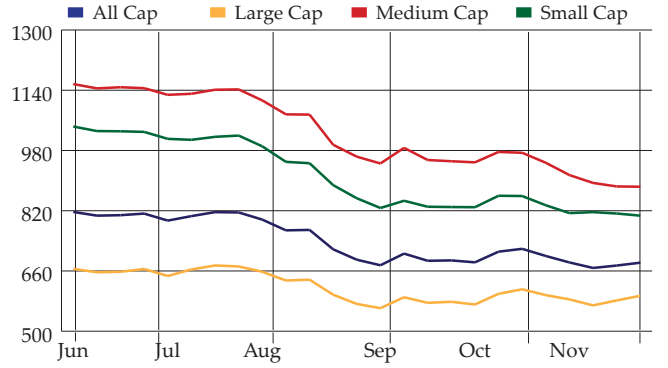
REDmoney Asia ex. Japan *6 Months*



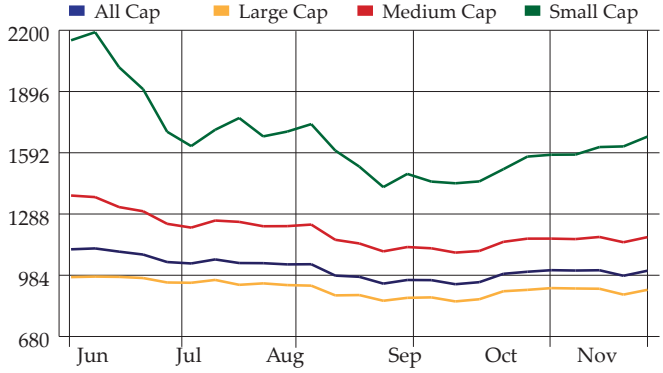
REDmoney Europe *6 Months*



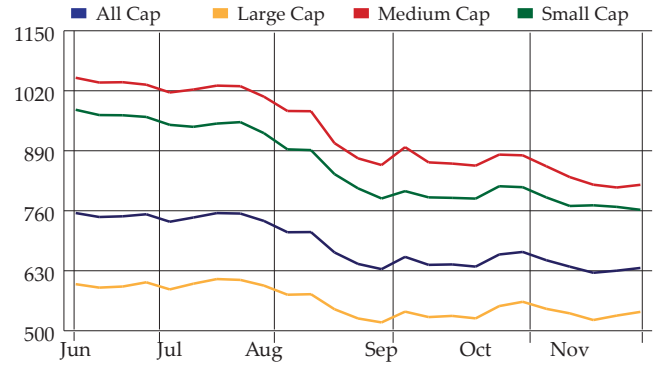
REDmoney GCC *6 Months*



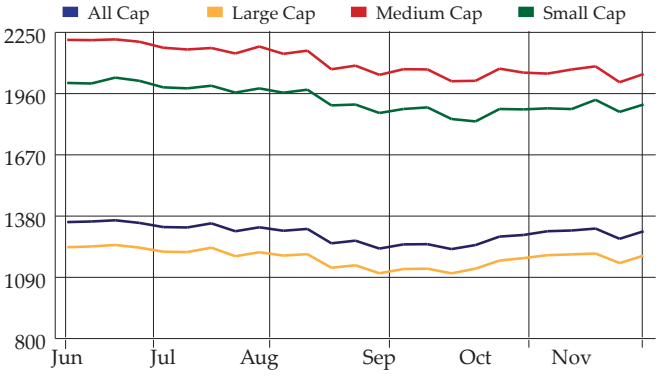
REDmoney Global *6 Months*



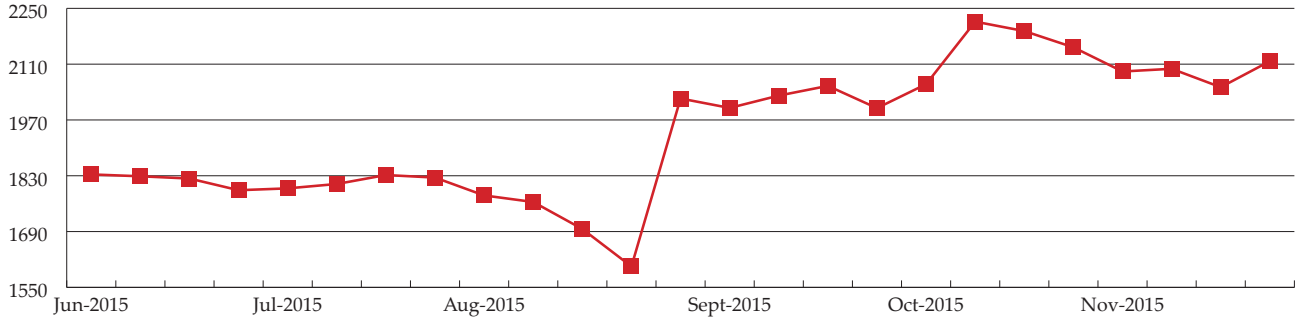
REDmoney MENA *6 Months*



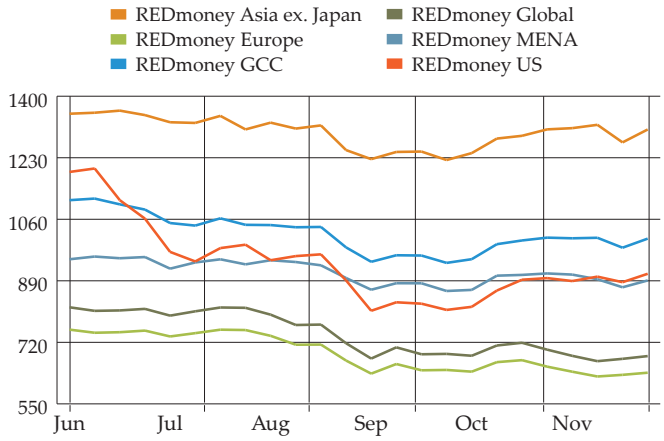
REDmoney US *6 Months*



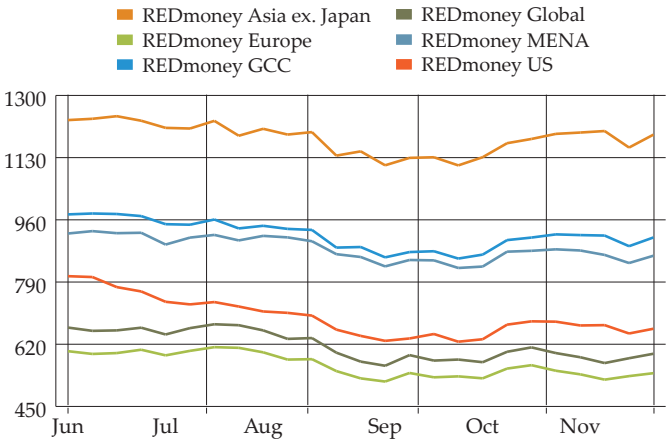
SAMI Halal Food Participation (All Cap) *6 months*



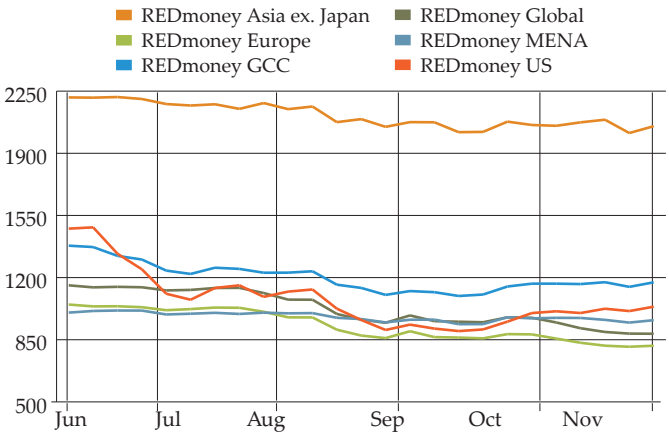
REDmoney Global Shariah Index Series (All Cap) *6 Months*



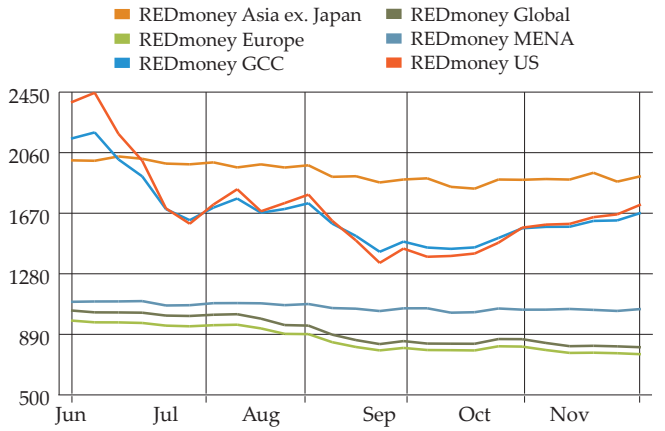
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



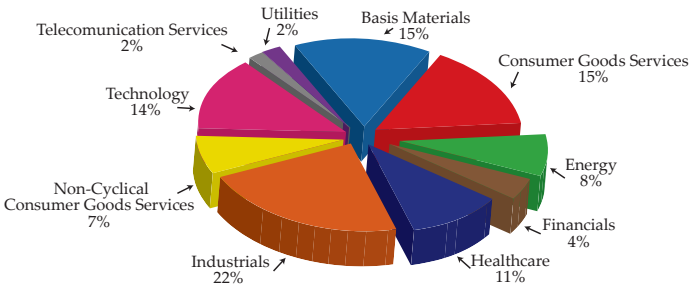
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



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

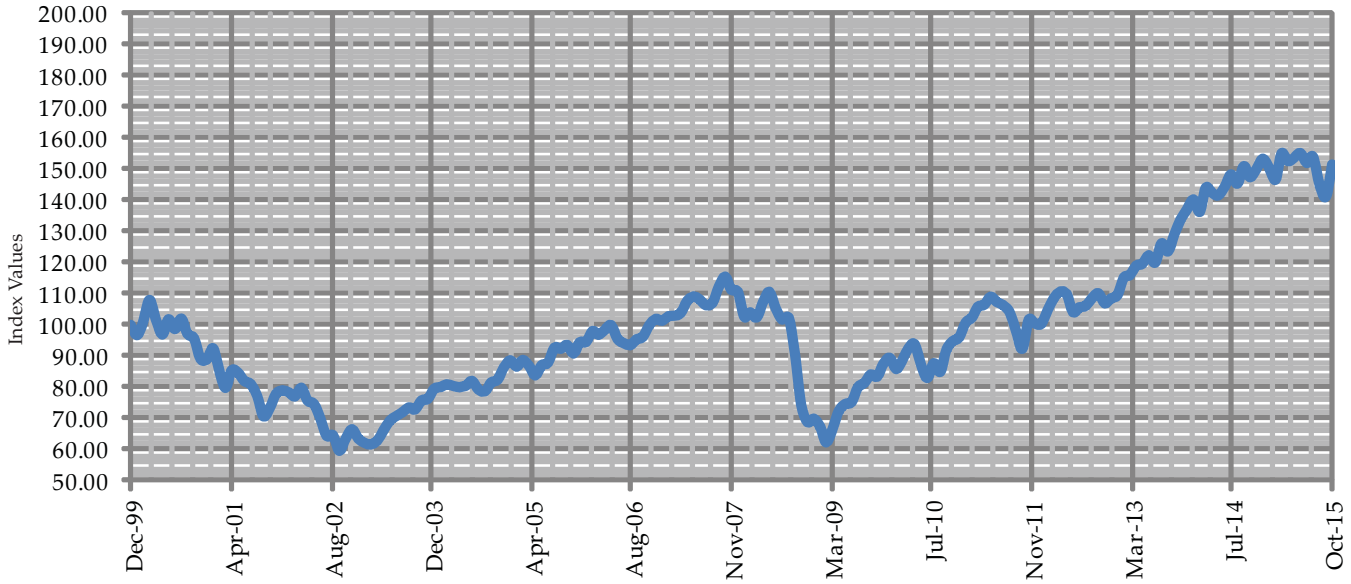
REDmoney Indexes IdealRatings®

For further information regarding REDmoney Indexes contact:

Andrew Morgan
Managing Director, REDmoney Group

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

Eurekahedge North America Islamic Fund Index



Top 10 Annualized Returns for ALL Funds since Inception

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	21.70	Pakistan
2	Alkhair Capital Istanbul	Alkhair Portfoy Yonetimi	19.47	Turkey
3	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	19.23	Pakistan
4	Atlas Islamic Stock	Atlas Asset Management	16.41	Pakistan
5	Old Mutual Albaraka Equity	Futuregrowth Specialist Asset Management	15.35	South Africa
6	Alkhair Capital Index	Alkhair Portfoy Yonetimi	13.79	Turkey
7	JS Islamic	JS Investments	13.29	Pakistan
8	Public Islamic Opportunities	Public Mutual	13.19	Malaysia
9	WSF Global Equity - USD I	Cogent Asset Management	13.16	Guernsey
10	QInvest Edgewood Sharia'a	QInvest	12.93	Cayman Islands
	Eurekahedge Islamic Fund Index		**2.99**	

Taking into account funds that have at least 12 months of returns as at the 23rd November 2015

Top 10 Annualized Standard Deviation for ALL Funds since Inception

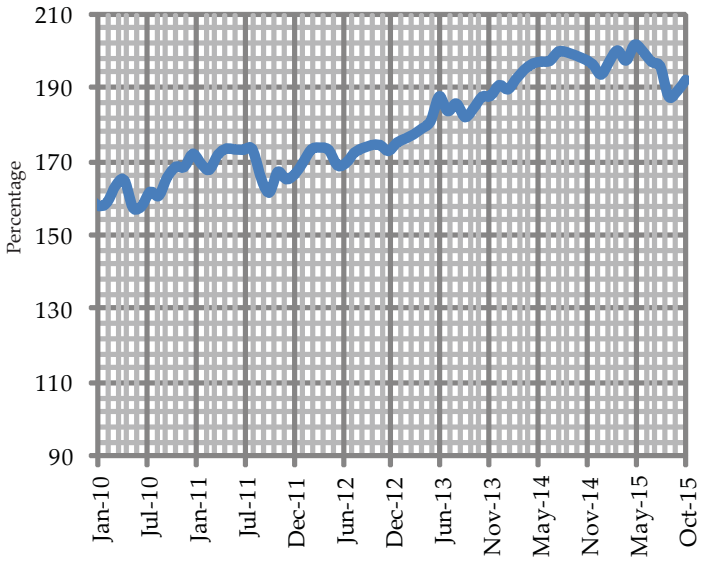
	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Boubyan USD Liquidity	Boubyan Capital Investment Company	0.04	Kuwait
2	Boubyan KWD Money Market	Boubyan Bank	0.06	Cayman Islands
3	Public Islamic Money Market	Public Mutual	0.12	Malaysia
4	PB Islamic Cash Management	Public Mutual	0.13	Malaysia
5	CIMB Islamic Deposit	CIMB-Principal Asset Management	0.16	Malaysia
6	CIMB Islamic Money Market	CIMB-Principal Asset Management	0.17	Malaysia
7	PB Islamic Cash Plus	Public Mutual	0.21	Malaysia
8	Emirates Islamic Money Market Limited Institutional Share Class I USD	Emirates NBD Asset Management	0.25	Jersey
9	AlAhli Euro Murabahat	The National Commercial Bank	0.32	Saudi Arabia
10	Watani USD Money Market	National Bank of Kuwait	0.33	Cayman Islands
	Eurekahedge Islamic Fund Index		**8.28**	

Based on 71.37% of funds which have reported October 2015 returns as at the 23rd November 2015

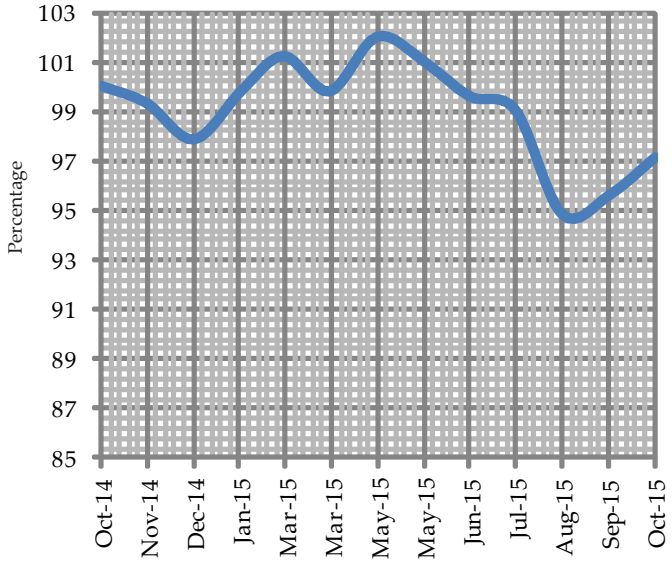
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity,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

FUNDS TABLES

Eurekahedge Islamic Fund Balanced Index over the last 5 years



Eurekahedge Islamic Fund Balanced Index over the last 1 year



Top 10 Islamic Fixed Income Fund by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Public Islamic Bond	Public Mutual	2.09	Malaysia
2	Meezan Islamic Income	Al Meezan Investment Management	1.62	Pakistan
3	Atlas Pension Islamic - Debt Sub	Atlas Asset Management	1.03	Pakistan
4	Public Islamic Enhanced Bond	Public Mutual	0.93	Malaysia
5	Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	0.79	Pakistan
6	CIMB Islamic Enhanced Sukuk	CIMB-Principal Asset Management	0.62	Malaysia
7	Public Islamic Select Bond	Public Mutual	0.25	Malaysia
8	AlAhli Diversified US Dollar Trade	The National Commercial Bank	0.13	Saudi Arabia
9	AlAhli International Trade	The National Commercial Bank	0.10	Saudi Arabia
10	NBAD Sukuk Income	NBAD Asset Management Group	0.08	UAE
	Eurekahedge Islamic Fund Index		**(0.43)**	

Based on 68.75% of funds which have reported October 2015 returns as at the 23rd November 2015

Top 5 Fund of Islamic Funds by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Al Rajhi Multi Asset Balanced	Al Rajhi Bank	0.43	Saudi Arabia
2	Al Rajhi Multi Asset Growth	Al Rajhi Bank	-0.08	Saudi Arabia
3	Al Yusr Aman Multi Asset	Saudi Hollandi Bank	-1.96	Saudi Arabia
4	Al Yusr Mizan Multi Asset	Saudi Hollandi Bank	-5.89	Saudi Arabia
5	Al-Mubarak Balanced	Arab National Bank	-9.38	Saudi Arabia
	Eurekahedge Islamic Fund Index		**(3.38)**	

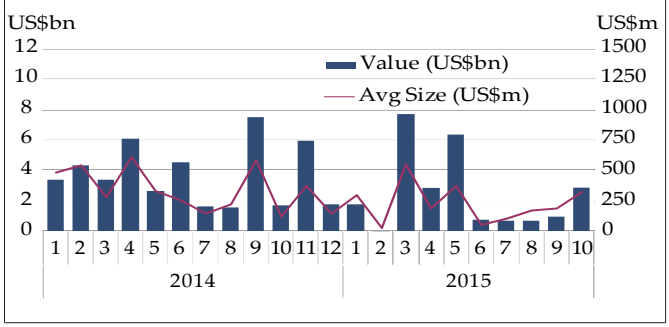
Based on 66.66% of funds which have reported October 2015 returns as at the 23rd November 2015

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

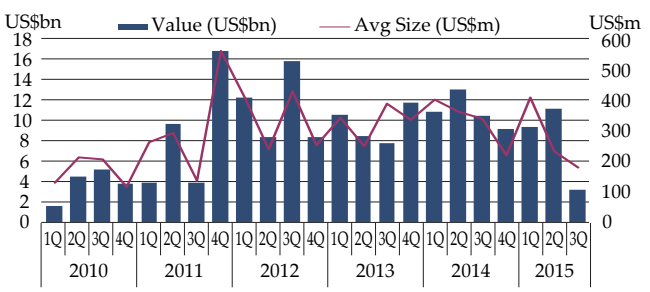
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
13th Nov 2015	Axiata SPV2	Malaysia	Sukuk	Euro market public issue	500	Deutsche Bank, CIMB Group
13th Nov 2015	Cagamas	Malaysia	Sukuk	Domestic market public issue	114	CIMB Group
3rd Nov 2015	MMC Corporation	Malaysia	Sukuk	Domestic market public issue	279	RHB Capital
2nd Nov 2015	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	727	HSBC, RHB Capital, Maybank, CIMB Group, AmInvestment Bank
27th Oct 2015	Majid Al Futtaim Properties	UAE	Sukuk	Euro market public issue	500	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Abu Dhabi Islamic Bank
20th Oct 2015	Qatar Islamic Bank	Qatar	Sukuk	Euro market public issue	750	Standard Chartered Bank, HSBC, Citigroup, QInvest, Barwa Bank, Noor Bank
19th Oct 2015	Arab Petroleum Investments	Saudi Arabia	Sukuk	Euro market public issue	500	Saudi National Commercial Bank, Standard Chartered Bank, Goldman Sachs, First Gulf Bank, Emirates NBD, Noor Bank
13th Oct 2015	Malaysia Building Society	Malaysia	Sukuk	Domestic market public issue	217	RHB Capital
13th Oct 2015	Jana Kapital	Malaysia	Sukuk	Domestic market public issue	217	RHB Capital
8th Oct 2015	Rantau Abang Capital	Malaysia	Sukuk	Domestic market public issue	358	CIMB Group, AmInvestment Bank
5th Oct 2015	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	336	Natixis
18th Sep 2015	International Finance Facility for Immunisation	UK	Sukuk	Euro market public issue	200	Standard Chartered Bank, National Bank of Abu Dhabi, Maybank, Emirates NBD, National Commercial Bank Jamaica
15th Sep 2015	Pengurusan Air SPV	Malaysia	Sukuk	Domestic market public issue	362	Maybank, Bank Islam Malaysia, CIMB Group
8th Sep 2015	Arab National Bank	Saudi Arabia	Sukuk	Domestic market public issue	533	JPMorgan, Deutsche Bank, HSBC, Arab National Bank
2nd Sep 2015	SapuraKencana TMC	Malaysia	Sukuk	Domestic market public issue	200	Maybank
26th Aug 2015	Almarai	Saudi Arabia	Sukuk	Domestic market public issue	427	HSBC, Samba Capital
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

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter



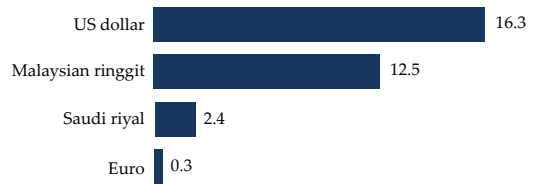
Top 30 Issuers of Global Sukuk *12 Months*

	Issuer	Nationality	Instrument	Market	US$ (mln)	Iss (%)	Managers
1	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	2,000	6.3	JPMorgan, HSBC, Dubai Islamic Bank, CIMB Group
2	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	1,750	5.5	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
3	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	1,670	5.3	RHB Capital, Maybank, CIMB Group, Affin Investment Bank, AmInvestment Bank, HSBC
4	Malaysia Sovereign Sukuk	Malaysia	Sukuk	Euro market public issue	1,500	4.8	Saudi National Commercial Bank, Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, RHB Capital, Dubai Islamic Bank, Gulf International Bank, Natixis, CIMB Group
5	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	1,336	4.2	Saudi National Commercial Bank, Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, RHB Capital, Dubai Islamic Bank, Gulf International Bank, Natixis, CIMB Group
6	Petronas Global Sukuk	Malaysia	Sukuk	Euro market public issue	1,250	4.0	RHB Capital
7	National Shipping Co of Saudi Arabia	Saudi Arabia	Sukuk	Domestic market public issue	1,040	3.3	JPMorgan, HSBC, Samba Capital
8	Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	3.2	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup
8	Hong Kong Sukuk 2015	Hong Kong	Sukuk	Euro market public issue	1,000	3.2	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, CIMB Group
8	Government of Ras Al Khaimah	UAE	Sukuk	Euro market public issue	1,000	3.2	JPMorgan, National Bank of Abu Dhabi, Citigroup, Al Hilal Bank
11	Danga Capital	Malaysia	Sukuk	Domestic market public issue	992	3.1	RHB Capital, CIMB Group
12	Khadrawy	UAE	Sukuk	Euro market public issue	913	2.9	Standard Chartered Bank, JPMorgan, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Citigroup, Emirates NBD
13	Jana Kapital	Malaysia	Sukuk	Domestic market public issue	816	2.6	RHB Capital
14	Qatar Islamic Bank	Qatar	Sukuk	Euro market public issue	750	2.4	Standard Chartered Bank, HSBC, Citigroup, QInvest, Barwa Bank, Noor Bank
15	Malaysia Building Society	Malaysia	Sukuk	Domestic market public issue	645	2.0	RHB Capital, DRB-HICOM, AmInvestment Bank
16	Jambatan Kedua	Malaysia	Sukuk	Domestic market public issue	560	1.8	RHB Capital, Maybank, Kenanga Investment Bank, AmInvestment Bank
17	Prasarana Malaysia	Malaysia	Sukuk	Domestic market public issue	541	1.7	RHB Capital, Kenanga Investment Bank, CIMB Group, Affin Investment Bank, AmInvestment Bank
18	Arab National Bank	Saudi Arabia	Sukuk	Domestic market public issue	533	1.7	JPMorgan, Deutsche Bank, HSBC, Arab National Bank
19	Pengurusan Air SPV	Malaysia	Sukuk	Domestic market public issue	525	1.7	Maybank, Bank Islam Malaysia, CIMB Group
20	Sharjah Islamic Bank	UAE	Sukuk	Euro market public issue	500	1.6	Standard Chartered Bank, HSBC, Kuwait Finance House, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank
20	Noor Bank	UAE	Sukuk	Euro market public issue	500	1.6	Standard Chartered Bank, Dubai Islamic Bank, South Indian Bank, Citigroup, Emirates NBD, Al Hilal Bank, QInvest, Barwa Bank
20	IFFIm Sukuk	UK	Sukuk	Euro market public issue	500	1.6	Saudi National Commercial Bank, Standard Chartered Bank, National Bank of Abu Dhabi, CIMB Group, Barwa Bank
20	Axiata SPV2	Malaysia	Sukuk	Euro market public issue	500	1.6	Deutsche Bank, CIMB Group
20	Arab Petroleum Investments	Saudi Arabia	Sukuk	Euro market public issue	500	1.6	Saudi National Commercial Bank, Standard Chartered Bank, Goldman Sachs, First Gulf Bank, Emirates NBD, Noor Bank
25	Majid Al Futtaim Properties	UAE	Sukuk	Euro market public issue	499	1.6	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Abu Dhabi Islamic Bank
26	Garuda Indonesia Global Sukuk	Indonesia	Sukuk	Euro market public issue	496	1.6	Standard Chartered Bank, Deutsche Bank, ANZ, National Bank of Abu Dhabi, First Gulf Bank, Maybank, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD, Al Hilal Bank, Warba Bank, Noor Bank
27	Almarai	Saudi Arabia	Sukuk	Domestic market public issue	427	1.4	HSBC, Samba Capital
28	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	426	1.4	Maybank, CIMB Group
29	SABB	Saudi Arabia	Sukuk	Domestic market private placement	400	1.3	HSBC
30	Sarawak Energy	Malaysia	Sukuk	Domestic market public issue	386	1.2	RHB Capital, Kenanga Investment Bank, AmInvestment Bank
					31,574	**100**	

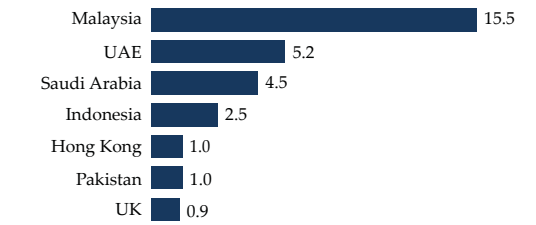
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	CIMB Group	4,820	43	15.3
2	RHB Capital	4,068	36	12.9
3	HSBC	3,664	23	11.6
4	Maybank	2,474	27	7.8
5	Standard Chartered Bank	2,245	20	7.1
6	AmInvestment Bank	1,654	18	5.2
7	Dubai Islamic Bank	1,516	11	4.8
8	JPMorgan	1,483	6	4.7
9	National Bank of Abu Dhabi	1,281	11	4.1
10	Citigroup	941	6	3.0
11	Deutsche Bank	814	5	2.6
12	Kenanga Investment Bank	562	14	1.8
13	Samba Capital	560	2	1.8
14	Al Hilal Bank	541	5	1.7
15	Emirates NBD	529	7	1.7
16	Natixis	447	2	1.4
17	Noor Bank	437	5	1.4
18	Affin Investment Bank	424	6	1.3
19	Saudi National Commercial Bank	294	3	0.9
20	Barwa Bank	288	3	0.9
21	Abu Dhabi Islamic Bank	276	3	0.9
22	Hong Leong Financial Group	272	7	0.9
23	First Gulf Bank	250	3	0.8
24	QInvest	188	2	0.6
25	Sharjah Islamic Bank	166	2	0.5
26	Bank Islam Malaysia	149	2	0.5
27	Morgan Stanley	139	1	0.4
27	Mitsubishi UFJ Financial Group	139	1	0.4
27	Bank of America Merrill Lynch	139	1	0.4
30	Arab National Bank	133	1	0.4
	Total	**31,574**	**120**	**100**

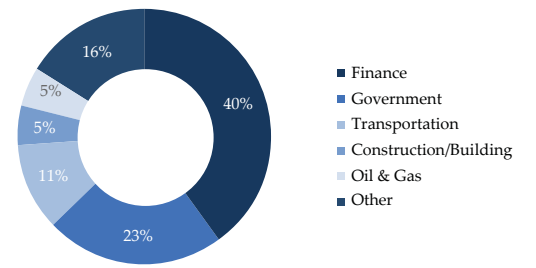
Sukuk Volume by Currency US$ (billion) *12 Months*



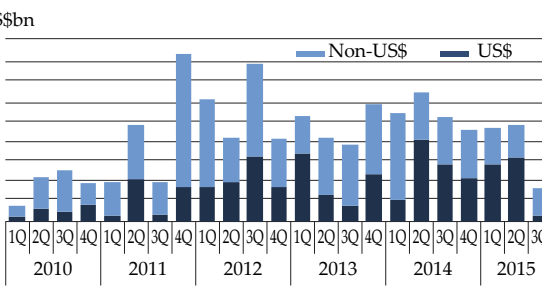
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



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	1,354	1	19.7
2	HSBC	750	3	10.9
3	Riyad Bank	584	2	8.5
4	Al Rajhi Capital	356	3	5.2
5	Mitsubishi UFJ Financial Group	354	1	5.2
5	Mizuho Financial Group	354	1	5.2
7	Banque Saudi Fransi	346	2	5.0
8	National Bank of Kuwait	290	1	4.2
9	National Commercial Bank	251	2	3.7
9	Samba Capital & Investment Management	251	2	3.7

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	28.1
2	Milbank Tweed Hadley & McCloy	2,704	1	22.8
2	White & Case	2,704	1	22.8
4	Allen & Overy	864	4	7.3
5	Baker & McKenzie	433	2	3.7
6	Norton Rose Fulbright	354	1	3.0
6	Pekin & Pekin	354	1	3.0
8	Latham & Watkins	333	1	2.8
9	Linklaters	311	1	2.6
10	Clifford Chance	275	1	2.3

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

	Mandated Lead Arranger	US$ (mln)	No	%
1	First Gulf Bank	1,475	15	7.3
2	Banque Saudi Fransi	1,279	6	6.3
3	HSBC	1,215	11	6.0
4	Saudi National Commercial Bank	1,131	7	5.6
5	Samba Capital	1,059	6	5.2
6	Abu Dhabi Islamic Bank	830	11	4.1
7	Abu Dhabi Commercial Bank	662	5	3.3
8	Riyad Bank	644	3	3.2
9	Standard Chartered Bank	614	7	3.0
10	Emirates NBD	591	8	2.9
11	Mashreqbank	574	6	2.8
12	National Bank of Abu Dhabi	499	6	2.5
13	Noor Bank	496	6	2.5
14	Alinma Bank	490	2	2.4
15	Sumitomo Mitsui Financial Group	489	4	2.4
16	Dubai Islamic Bank	417	5	2.1
17	Arab Banking Corporation	371	6	1.8
18	Gulf International Bank	347	4	1.7
19	SABB	342	3	1.7
20	Barwa Bank	340	5	1.7
21	RHB Capital	322	3	1.6
22	Union National Bank	285	5	1.4
23	SG Corporate & Investment Banking	274	3	1.4
24	ING	269	2	1.3
25	Ahli United Bank	258	3	1.3
26	Maybank	247	2	1.2
26	AmInvestment Bank	247	2	1.2
28	Kuwait Finance House	241	2	1.2
29	Qatar Islamic Bank	222	4	1.1
30	Mizuho	221	2	1.1

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

	Bookrunner	US$ (mln)	No	%
1	Maybank	2,239	1	23.0
2	Noor Bank	748	4	7.7
3	Mashreqbank	731	3	7.5
4	Saudi National Commercial Bank	666	1	6.8
4	Riyad Bank	666	1	6.8
4	Alinma Bank	666	1	6.8
7	Abu Dhabi Islamic Bank	521	4	5.3
8	Emirates NBD	519	4	5.3
9	Dubai Islamic Bank	376	2	3.9
10	Standard Chartered Bank	304	2	3.1

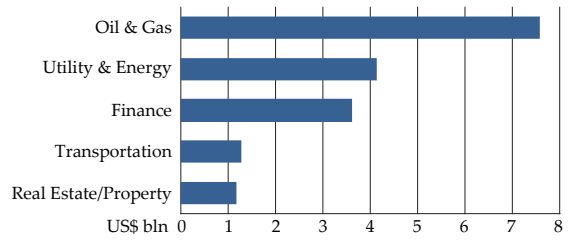
Top Islamic Finance Related Financing Deal List *12 Months*

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
24th Jun 2015	Jazan Gas Projects	Saudi Arabia	1,790
18th Jun 2015	Emirates National Oil	UAE	1,500
10th Mar 2015	Port & Free Zone World	UAE	1,100
17th Apr 2015	Turkiye Vakiflar Bankasi	Turkey	1,021
15th Dec 2014	Arab Petroleum Investments	Saudi Arabia	949
28th Jul 2015	GEMS Education	UAE	817
16th Aug 2015	ACWA Power International	Saudi Arabia	769

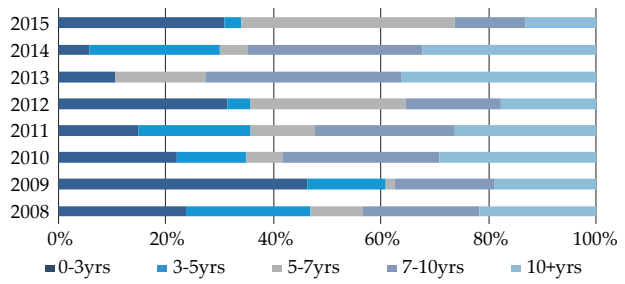
Top Islamic Finance Related Financing by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	UAE	6,922	17	34.1
2	Saudi Arabia	6,718	6	33.1
3	Malaysia	2,411	3	11.9
4	Turkey	1,890	4	9.3
5	Qatar	1,000	2	4.9
6	Kuwait	622	3	3.1
7	Cayman Islands	325	1	1.6
8	Egypt	212	1	1.1
9	Pakistan	71	1	0.4
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)
Email: shireen.farhana@dealogic.com Tel: +852 2804 1223

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EVENTS DIARY

REDmoney events

NOVEMBER 2015		
30th	IFN Saudi Arabia Forum	Jeddah, Saudi Arabia
FEBRUARY 2016		
TBC	IFN Iran Forum	Tehran, Iran
MARCH 2016		
15th	IFN CIS & Russia Forum	Almaty, Kazakhstan
22nd	IFN China Forum	Beijing, China
APRIL 2016		
6th – 7th	IFN Asia Forum	Jakarta, Indonesia
21st	IFN Europe Forum	Luxembourg
MAY 2016		
24th	IFN Project & Infrastructure Finance Forum	Dubai, UAE
SEPTEMBER 2016		
6th	IFN Investor Forum	Kuala Lumpur, Malaysia
28th	IFN Turkey Forum	Istanbul, Turkey
OCTOBER 2016		
17th & 18th	Africa Islamic Finance Forum	Abidjan, Côte d'Ivoire
24th	IFN Kuwait Forum	Kuwait City, Kuwait
NOVEMBER 2016		
28th	IFN Saudi Arabia Forum	Jeddah, Saudi Arabia

REDmoney training

NOVEMBER 2015		
23rd – 25th	Advanced Sukuk & Islamic Securitization	Kuala Lumpur, Malaysia
25th	Basel 3 for Financial Institutions	Kuala Lumpur, Malaysia
DECEMBER 2015		
1st – 2nd	Islamic Financial Products: Best Practices & Applications	Jeddah, Saudi Arabia
1st – 3rd	Financial Models for Islamic Banking Institutions	Kuala Lumpur, Malaysia
2nd – 3rd	Structuring Sukuk & Islamic Securitization	Jeddah, Saudi Arabia
6th – 8th	Advanced Sukuk & Islamic Securitization	Dubai, UAE

Islamic Finance news

Group Managing Editor Lauren McAughtry, lauren.mcaughtry@REDmoneygroup.com

Contributions Editor Sasikala Thiagaraja, sasikala.thiagaraja@REDmoneygroup.com

Features Editor Nabilah Annuar, nabilah.annuar@REDmoneygroup.com

News Editor Vineeta Tan, vineeta.tan@REDmoneygroup.com

Senior Copy Editor Kenny Ng, kenny.ng@REDmoneygroup.com

Journalist Nurul Ashikin Abd Halim, nurul.ashikin@REDmoneygroup.com

Head of Production Hasnani Aspari, hasnani.aspari@REDmoneygroup.com

Senior Production Manager Norzabidi Abdullah, zabidi.abdullah@REDmoneygroup.com

Senior Graphic Designer Eumir Shazwan Kamal Bahrin, eumir.shazwan@REDmoneygroup.com

Senior Production Designer Mohamad Rozman Besiri, rozman.besiri@REDmoneygroup.com

Business Development Manager Steve Stubbs, steve.stubbs@REDmoneygroup.com, Tel: +603 2162 7800 x 55

Associate Publisher Sandra Spencer, sandra.spencer@REDmoneygroup.com, Tel: +9714 427 3624

Subscriptions Manager Faizan Haider, faizan.haider@REDmoneygroup.com, Tel: +603 2162 7800 x 24

Subscriptions Manager Dia Jabassini, dia.jabassini@REDmoneygroup.com, Tel: +603 2162 7800 ext 38

Subscriptions Account Manager Az-Dine Moukrim *(Dubai Office)*, azdine.moukrim@REDmoneygroup.com, Tel: +971 4 427 3638

Finance Director Faizah Hassan, faizah.hassan@REDmoneygroup.com

Deputy Publisher & Director Geraldine Chan *(Dubai office)*, geraldine.chan@REDmoneygroup.com

Managing Director Andrew Tebbutt, andrew.tebbutt@REDmoneygroup.com

Managing Director & Publisher Andrew Morgan, andrew.morgan@REDmoneygroup.com

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MALAYSIA
Suite 22-06, 22nd Floor
Menara Tan & Tan
207, Jalan Tun Razak
50400 Kuala Lumpur, Malaysia
Tel: +603 2162 7800
Fax: +603 2162 7810

UAE
PO Box 126732, 3rd Floor,
X2 Tower, Jumeirah Lake
Tower (JLT), Jumeirah Bay,
Dubai, UAE
Tel: +971 4 427 36 23
Fax: +971 4 431 4614

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