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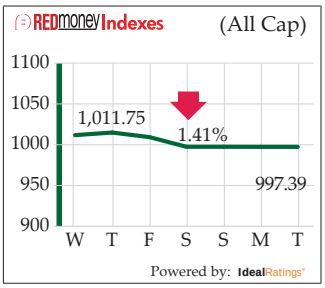

COVER STORY

15th June 2016 (*Volume 13 Issue 24*)

The rise of the robots: A revolution in fund management?

The global wealth management industry is a US$30 trillion business, with managers charging up to 1-2% despite frequently failing to beat the market. And although the Islamic sector accounts for a tiny proportion of the whole, fees are even more of a challenge in this high-competition, low-volume market. As a new trend starts to tread on the heels of traditional managers, LAUREN MCAUGHTRY asks if machine could ever truly overtake man as a preferred choice for cost-effective asset allocation?

Robo advisors are one of the biggest trends in the conventional wealth management space this year, with claims of major disruption to the industry as online firms charging significantly lower fees deliver electronic, software-based investment options that offer transparent model portfolios and allow the middle market investor to maximize their returns.

So what do robo advisors actually do? In essence, almost anything. They can provide automated assessments of a user's risk appetite, and automated portfolio creation, services and products. They can offer electronic advice to replace that of a traditional wealth advisor, as well as services such as diversified portfolio allocation, electronic portfolio management and rebalancing. They can be accessed from anywhere simply using a smartphone or laptop, they are available 24/7 and they charge a fraction of human managers — typically around 15-35bps.

A key point to highlight is that robo advisors do not aim to beat the market. They do not even aim to beat the best managers. Instead, they aim to exploit the current inefficiencies in the existing system to smooth and improve overall performance — delivering returns very close to the market and thus outperforming most human fund managers who, data suggests, are less successful.


Muneer

A report from S&P Dow Jones Indices in 2014 found that 86% of active large-cap fund managers failed to beat their scorecards in 2014, while nearly 89% had underperformed benchmarks over the past five years and 82% over the last decade.

While specific data is not available for the Islamic fund management industry, there is no reason to believe that the trend would significantly diverge from the wider market — making robo advisors a compelling attraction especially for the large mass affluent market seeking cost-effective and relatively simple investment advice.

A growing trend

And the market is expanding fast. Research from MyPrivateBanking estimated robo advisory assets under management of up to US$14 billion in 2014 in the US alone, and expected to grow to US$255 billion within five years. More than 200 robo-advice platforms now exist in the US with activity also picking up in Europe, as the biggest players in the world look to gain first-entry advantage.

Blackrock recently bought US robo advisor FutureAdvisor while Aberdeen Asset Management (which has an Islamic arm) was pipped at the post by Schroders to acquire online wealth manager Nutmeg in 2014, and in late 2015 retaliated with the purchase of Parmenion Capital Partners, a UK firm providing risk-graded portfolios to UK financial advisors through a digital platform.

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DEALS

Indonesia conducts sovereign Sukuk auction; targeting to raise IDR4 trillion (US$298.4 million)

Maybank Indonesia's IDR700 billion (US$52.22 million) three-year senior Sukuk Mudarabah oversubscribed two-fold

Iran finalizing issuance of IRR10 trillion (US$331.46 million) Islamic treasury bills

Mahan Air to float Sukuk Ijarah worth IRR5 trillion (US$165.73 million) to fund fleet expansion; strong demand for previous issuance

Saudi Arabia's Ministry of Housing mulls Sukuk issuance in 2017 to fund Real Estate Development Fund

Malaysia's **Public Sector Home Financing Board** expects to issue first tranche of RM25 billion (US$6.12 billion) Sukuk/bond programs in July

Malaysia's GII Murabahah oversubscribed 2.3 times

Almarai Company looks to Sukuk to fund investments under its five-year plan

Turkey Finans receives approval to sell TRY125 million (US$42.57 million) Sukuk tranche to private investors

NEWS

Al Salam Bank-Bahrain acquires Seychelles bank; commences operations as offshore financial institution

Bank Syariah Bukopin targets 20% growth in consumer finance segment with home financing business

Bank Danamon Syariah targets 20-25% growth in financing this year

Otoritas Jasa Keuangan relaxes rules on investment in state Sukuk and bonds

Bank Danamon Syariah launches new Ijarah product in an effort to grow up to 30% this year

Malaysia Building Society revises proceeds from rights issue to RM1.71 billion (US$418.4 million)

Islamic Banking Kashmir to highlight potential of Islamic finance through statewide survey

Deputy premier calls on **Islamic Bank of Thailand** to support businesses in the southern border provinces

Bank Muamalat targets infrastructure financing to reach IDR2 trillion (US$149.6 million) this year to drive corporate credit expansion

GFH Financial Group eyes US$65 million US real estate portfolio

Al Rayan Bank launches mobile-friendly website for professional mortgage intermediaries

Islamic finance expert Stella Cox honored in Queen's Birthday List

TAKAFUL

Life insurers and Family Takaful operators to present inflation-adjusted growth rate scenarios under revised directive

Egyptian Takaful companies represent 7.6% of total insurance compensations made in first quarter of 2016

RATINGS

RAM assigns final ratings of 'AAA/Stable' and 'AA3/Stable' to **Al Dzahab Assets**'s Sukuk

Fitch affirms **Gulf Investment Corporation** at 'A-' with a stable outlook

Fitch assigns 'BBB-' rating on Turkey's US$1 billion global Sukuk

JCR-VIS assigns 'AM2++' rating on **Al Meezan Investment Management** with a stable outlook

Capital Intelligence lowers **Saudi Investment Bank**'s ratings while maintaining stable outlook

Fitch affirms Ivory Coast at 'B+'

The UK maintains 'AA+' rating supported by credible macroeconomic policy framework and pound's international reserve currency status

S&P affirms Bahrain and its Central Bank at 'BB/B' with a stable outlook

MARC withdraws rating on Malaysian Merchant Marine's Islamic debt securities

RAM reaffirms Turkey's global-scale rating of 'gBBB3(pi)/Stable'

MOVES

Emirates REIT Management appoints Abdul Wahab Al Halabi as acting CFO

Mashreq's head of asset management resigns

Halkbank's deputy general manager appointed as deputy governor of **Central Bank of Turkey**

Bank Melli Iran appoints new CEO as Abdolnaser Hemmati takes the helm at **Central Insurance of Iran**

Bank Muscat names Najah Al Sulaiman as new CEO of Kuwaiti operation

Bank Sohar appoints acting CEO

The rise of the robots: A revolution in fund management?

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Charles Schwab has developed its own low-cost exchange-traded fund (ETF)-based service, while Vanguard offers a hybrid 'robo-human' model that already has over US$21 billion in assets under management and charges just 33bps for investors with portfolios of over US$50,000.

It is clear that the conventional industry is embracing the trend — perhaps to mitigate the disruption that this new technology has the potential to cause. But what effect could robo advisors have on the Islamic space?

"The impact could be profound," predicted Muneer Khan, a partner at Simmons & Simmons Middle East. "As the technology develops, which will happen rapidly, more and more aspects of the wealth management service life cycle will be covered. This technology will be particularly useful for the 'mass-affluent' segment.

A possible trend

Currently, there is limited activity in the Islamic space. "It's still very much in the planning stage," agreed James Stull, a partner with King & Spalding Middle East. "The people I have spoken to who are interested in this are currently talking to partners about development or looking at examples in the US or UK — I am not aware of anyone in the region who is actively doing this yet on an Islamic level."

Yet there is certainly plenty of potential. "It should be easy enough to set up a robo advisor that can select stocks on a Shariah compliant basis that meet Shariah standards, and this could open up the universe to a broader range of Islamic investors," he continued. "This could absolutely have an impact on Islamic funds — and a similar impact as it has had on the conventional space: by bringing costs down and allowing access for people who might not otherwise have been able to invest."

It could also have positive implications for portfolio diversification and wider market access. "Robo advisors could be very applicable to the equities asset class, particularly when you are looking outside the region," pointed out Stull. "For someone sitting in the Gulf who wants exposure to wider markets, this is cost effective, quick and easy so there is a big opportunity for growth."

> ***"Right now I don't think anyone is willing to take the risk and let the assets grow — they are pretty comfortable charging high and keeping the assets where they are"***

So why has this growth not yet occurred? One reason is because currently robo advisors are concentrated in the ETF space, and this has simply not yet taken off in the Shariah compliant market. Schwab Intelligent Portfolios for example, the online advisory service from Charles Schwab, combines robo advice with smart beta to beat the market: allocating around 60% to alternatively weighted ETFs.

"One of the things that makes robo advisors work is the low fee structures in their ETF models," explained Monem Salam, a director of Saturna Capital and the president of Saturna in Malaysia. "However, there is currently a dearth in ETFs in the Shariah space out of which you can actually build a model portfolio, so fees will remain high just because of the fund structures throughout most of the Muslim world."

Stull

These high fees make robo advice difficult to launch — because no matter how low the robo advisory fee might be, it is still an addition to the existing fund cost. "Yes there is potential there, but there are steps along the way that need to be taken first," warned Monem. "The fee structures have to come down on the funds, then you have to have an explosion of ETFs and then the cost bases on these ETFs must be so low that you can justify having a robo advisor. I think it is a good thing, and it should happen — but right now there is just not enough product out there yet to do it in the Shariah space. The first step toward a robo advisor is to be able to go on your website and have a survey that finds out your goal, time horizon and so on. Then you move on to asset allocation, and here you can even recommend certain allocations. That's already there, but that is not a fee model: that is a straightforward process that you don't need to charge a fee for. The next step is a robo advisor, and that advisor does charge a fee, and makes recommendations on ETFs with an active rebalancing on a regular basis. "

A question of fees

It will come as no surprise that fees are the major stumbling block to the growth of the Islamic funds sector — this has been a challenge long recognized by the industry. And although most Shariah screening is done electronically already and several fund managers (such as UK-based Arabesque) already use a computer-based quantitative strategy for stock selection, this has not yet had an impact on fee reduction. Until that happens, little is likely to change.

"There is currently a debate within Islamic investment whether to have a small amount of assets and charge a lot, or charge a little and let the assets grow. Right now I don't think anyone is willing to take the risk and let the assets grow — they are pretty comfortable charging high and keeping the assets where they are," commented Monem. "That's one of the reasons why Islamic investment assets have plateaued over the last few years, and a lot of the growth is market growth rather than real asset growth."

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A positive outcome

However, others are more positive as to the potential impact of the online revolution. "If something becomes more cost-effective, then it opens the doors up and I think it's good for the industry and good for growth," noted Stull. "We will see investors come in who weren't willing to invest at the higher prices and this could be a boon for the Islamic funds industry."

> ***"It is essentially a computer, an algorithm, picking securities and making adjustments. It is a program, and I would think there would be no difference in price, as you are not relying on extra active expertise"***

Islamic funds might charge higher fees for advice now, but if the entire process could be mechanized then what reason would there be to charge these fees, other than a deliberate choice to maintain high barriers to entry? "I am a lawyer not a banker, but I would like to think that robo advisors could bring fees down to be equal to conventional counterparts," said Stull. "It is essentially a computer, an algorithm, picking securities and making adjustments. It is a program, and I would think there would be no difference in price, as you are not relying on extra active expertise. It might take more expertise to create or launch that algorithm with the Shariah element but once it is up and running there is no reason why it could not be comparable."

And if the application is currently concentrated on ETFs, it has the potential to apply to a wider range of funds and assets. "This technology could certainly help to streamline processes and enhance efficiencies, and Shariah compliance processes could be built in," agreed Muneer. "With the right collaboration between the asset managers, technology developers and Shariah advisors, robo advice could be adapted to deliver many Islamic wealth management services."

A disruptive influence

It seems inevitable that this new segment will disrupt the industry — not least because the growth of stand-alone robo advisors will force incumbents to react fast to launch their own offerings or risk losing customers. The conventional industry has already jumped on board — when will we see the Islamic industry follow?

If Shariah compliant fund managers fail to follow this trend, they could lose out on even more customers as the market congregates toward the best price and the most efficient service. And after all, with the increasing sophistication in online and electronic services, what is to stop a conventional wealth manager from offering a simple Shariah robo advisory product and drumming the existing players out of business altogether?

The target market for robo advisors is not high-net-worth-individuals or family offices, but the mass affluent, mid-career professionals with little time and low tolerance for high fees, yet a reasonable quantity of investable assets. With a rapidly growing middle class and increasing sophistication in financial services, the trend applies perfectly to the developing Muslim world.

"Enhanced efficiency and productivity must be key objectives for the growing Islamic wealth management sector, as they are in the wider industry," pointed out Muneer. "This technology, if deployed in the right way, could help to achieve these goals. This could in turn help to make the Islamic wealth management sector more competitive."

A slow burn

So why has no one yet taken the plunge? "Some of the smaller first-time managers have mentioned robo advisors as something they might look at, perhaps in partnership with someone else," said Stull. "It is the smaller players who are exploring it, because they are looking for any kind of advantage they can get in terms of cost." And while the barriers to entry may be high, they are no higher than in the conventional space.

"A lot of the interested parties I have come across aren't so worried about the impact on compliance of robo advisors," Stull pointed out. "Most of them will have a Shariah board that approves the process — while the manager of the fund itself may not be a Shariah scholar. So in the case of robo advisors it would be a similar situation — the Shariah board would review and approve the underlying algorithm or program and then investors would be comfortable with that approval."

However, as with human advisors, robo advisors will need control, oversight and audit. "This will especially be the case for Islamic wealth management services, due to the additional Shariah compliance requirements," warned Muneer. "For the time being, and while the technology develops, there will remain a significant level of human advisor interaction in the Islamic wealth management space, with complementary robo advice services being added as they are developed."

There is always a challenge with something new that people don't understand. As people learn more about it the trend will grow, but it might have a slow start. "We are still in a wait-and-see phase, we haven't yet seen anyone take the plunge," confirmed Stull. But surely, if the Islamic asset management industry wants to survive, it can only be a matter of time?

Matching the mainstream: Consistency is key

Islamic bonds have hit the headlines this month as media channels from CNBC to the BBC jump onto the bandwagon with predictions of mainstream success within the next five years. And why? Because a new trend for the standardization of transactions will make the sector easier to access and the process simpler to use and understand. LAUREN MCAUGHTRY looks at the prospects.

The debate over standardization has long polarized the industry, with some believing it is the discrepancies in interpretation that are holding back global growth, while others argue that the beauty of Islam lies in its flexibility and versatility.

> ***"Standardization is one of our biggest challenges, and the necessity to standardize some of the contracts and structures, especially those that are used in the Sukuk market, remains imperative"***

Yet there is no denying that for the wider pool of potential issuers, conflicting interpretations of Shariah law across different jurisdictions are one of the barriers which, along with the perceived additional expense and time to market, can act as an impediment to Islamic issuance. "Standardization is one of our biggest challenges, and the necessity to standardize some of the contracts and structures, especially those that are used in the Sukuk market, remains imperative," insisted Mohamed Damak, the global head of Islamic finance at S&P, speaking to IFN.

It seems as if the figures could tell the same story. According to S&P figures, just 4,650 deals have taken place since 2005 and the market has been slipping since its peak in 2012. In the GCC, year-to-date figures show an increase in conventional bond issuance of around 120%, yet Sukuk issuance is in comparison down by around a third. "That is related to the expense of structuring Sukuk, putting it together and making it fly," noted Mohamed.

However, could all this be about to change? Moves are afoot to increase the pace of standardization – and the industry is throwing its weight behind the trend. At the 33rd Board of Directors Meeting of the International Islamic Financial Market (IIFM) (which included a workshop on liquidity management and Islamic hedging standards hosted by Saudi's National Commercial Bank (NCB)), Abdulrazak Elkhraijy, the executive vice-president and head of Shariah Group of NCB, emphasized that: "We need to standardize the documentation for facilitating greater flow of funds between the market players within the domestic boundaries and across the borders while ensuring their enforceability in the various courts of law."

But it is not just standardization that is important. In order for the industry to grow further, Abdulrazak pointed out that there is also the need to develop and expand the range of Islamic products, develop IT solutions, establish a legal and regulatory framework and develop human capital. "Above all, [we need] more involvement of Shariah scholars to find comprehensive solutions to the complex financial products and transactions and provide the right guidance in accordance with Shariah principles," he noted.

Khalid Hamad, the chairman of the IIFM, agreed — but warned that the process could only happen with the support of the industry as a whole. "The full potential of [the] IIFM can only be realized when most of the market participants support this standard-setting organization created by several regulators," he commented.

The IIFM recently released standards on Islamic cross-currency hedging, and expects to complete standards on Islamic foreign exchange forwards, credit support arrangements and risk support arrangements by the end of this year. The agency also has plans to start work on a Sukuk standardization initiative that will address structure and documentation issues and provide comprehensive market guidelines with the support of industry stakeholders. Standards are also being developed on the Islamic capital and money markets as well as on trade finance and corporate finance.

"I am hopeful of standardization being reached in the next few years," concluded Mohamed. "People understand now this is critical for the industry. The good news is that some of the industry heavyweights are getting a bit more serious about standardization, and are working either jointly or separately to put together standard documents for Sukuk issuance. If the process becomes similar to the process for a conventional bond, then the people who are interested today will be able to tap [the market] much more easily."

Meydan Group secures AED1 billion (US$272.25 million) in Sukuk and term facilities for major projects

Despite the general economic slowdown in the GCC region due to lower oil prices and spending cutbacks by governments, Shariah compliant financing deals continue unabated as the region seeks to diversify its economy and reduce its dependence on the oil and gas sector. DANIAL IDRAKI writes that Dubai's Meydan Group became the latest entity in the region to have secured an Islamic financing facility, worth AED1 billion (US$272.25 million) from a consortium of UAE banks.

The financing facility, comprising a dual tranche offering of a AED700 million (US$190.57 million) Sukuk issue and a AED300 million (US$81.67 million) term facility, will be utilized for a series of new and ongoing projects under the group's stable, ranging across major commercial, residential, hospitality and entertainment developments. The deal was structured to meet Meydan's financing objectives, which include enhancing capital structure, diversifying investor base and earning additional funding for new projects, with both instruments maturing in 2024.

Abu Dhabi Islamic Bank (ADIB) acted as the sole coordinator and structuring bank for the financing, as well as being a joint lead manager and bookrunner with Al Hilal Bank. The two were joined by Sharjah Islamic Bank and Ajman Bank. Meydan, however, did not disclose any further information on the Sukuk and term facilities.

Saeed Humaid Al Tayer, the chairman and CEO of Meydan Group, commented in a statement that the facility will assist the group in realizing its funding objectives to build strategic partnerships with local and regional financial institutions to continue its growth and fulfill its business strategy of linking the world with Dubai.

Tirad Al Mahmoud, CEO of ADIB, meanwhile, noted that the deal demonstrates the bank's ability to bring together diverse elements to create a novel and highly-effective solution for its clients. "We expect the structure of this deal will serve as a model for future mandates and help to show that we are always assessing how we may push the boundaries of Shariah compliant financial solutions globally," Tirad affirmed.

Earlier in March this year, Meydan signed a financing deal worth AED1.75 billion (US$476.43 million) with Qatar National Bank and its UAE subsidiary, Commercial Bank International, to finance its infrastructure projects. The group's developments in Dubai include Mohammed Bin Rashid City — District One; Meydan One, a master-planned community living which will house the world's tallest residential tower; Entisar, a 110-storey tower; Horizon development near Ras Al Khor Sanctuary; and Mohammed Bin Rashid Al Maktoum City District Eleven. Meydan owns and operates Dubai's main racecourse.

The UAE hopes to draw investment by raising Islamic finance professional standards

The UAE seeks to raise the professional bar for its Islamic finance human capital pool and to deepen the Shariah finance body of research in an effort to draw greater investments onto its shores as the second-largest Gulf economy endeavors to increase national competitiveness through an open economy. VINEETA TAN reports.

The Securities and Commodities Authority (SCA) is working toward securing accreditation for its training center to issue professional certificates in the fields of accounting and auditing and to roll out finance training programs in collaboration with global Islamic finance standard-setting body AAOIFI. The two entities have formalized their partnership in an MoU which lays the foundation for mutual cooperation in the areas of professional development, specialized capital market research and awareness on Shariah compliant financial instruments.

"The signing of the MoU aims to make use of AAOIFI's expertise in implementing auditing and financial reporting standards as they serve as a pull factor that attracts investment and excellence in the conduction of business, noting that there is a positive relationship between the capacity to attract investment and meet investor satisfaction on one hand, and the extent of compliance with accounting and disclosure standards on the other hand," explained Dr Obaid Al Zaabi, the acting CEO of SCA.

The UAE is ranked in the top 10 globally in terms of Islamic finance knowledge (education providers and research) and awareness according to the Islamic Finance Development Indicator. Using

the same metrics, the emirate scored 51 for knowledge and 143 for awareness, far above the global average of 8 and 15 respectively; however, it still trails behind Malaysia which scored 209 and 197. Nonetheless, the push by Prime Minister Sheikh Mohammed Rashid Al Maktoum, also the ruler of Dubai, to position Dubai as the premier center for the global Islamic economy, which includes the pillars of knowledge and standards, is expected to bolster the emirate's global standing.

Russia and Pakistan using Islamic finance to build stronger business ties

Russia and Pakistan intend to use Islamic finance to bring the two nations closer together economically amid a drive by Moscow and Islamabad to strengthen Russo-Pakistani relations through enhanced military cooperation. VINEETA TAN brings you the story.

An MoU, supported by the Trade Development Authority of Pakistan (TDAP), was signed between Kazan's Islamic Business and Finance Development Fund (IBFD Fund) and TAWUN, a Pakistani Shariah consulting firm under which both parties will jointly support Russian and CIS financial institutions to launch Shariah compliant products and services, expand their clientele and penetrate new markets as well as secure additional funding and investments from OIC countries. SM Muneer, CEO of the TDAP, has hailed this partnership as an "important milestone" in the trade and business relations between the two countries and has pledged his full support in realizing the objectives outlined by the MoU.

While Pakistan has an established Islamic banking and finance market spanning decades, Russia, on the other hand, is relatively new to the industry. The Kremlin is, however, aggressively pushing to develop its Shariah finance market in a bid to lure Gulf wealth as its economy continues to suffer from sanctions imposed by the US and Europe, leaving Russia to turn to the Middle East and Islamic countries to shore up its faltering economy.

Russia is still without a proper regulatory infrastructure (and institutional capacity) to effectively support Shariah finance; however, the world's largest nation is making steady progress — with the help of Islamic finance heavyweight Malaysia. A working group from the Central Bank of Russia is currently studying the feasibility of engineering a dedicated regulatory infrastructure for Shariah banking services while the country's largest bank, Sberbank, is on track to execute several Islamic financial transactions in the final quarter of 2016.

Home to the largest Muslim population in the European continent (10% of its population according to Pew Research), Russia holds a compelling Islamic finance proposition, particularly in the Republic of Tatarstan — the strongest Russian Islamic finance advocate — where more than half of the population identify as Muslims, and foreign institutions including TAWUN recognize this. Mehmood Arshad, the founder of TAWUN and the chairman of the Federation of Pakistan Chambers of Commerce & Industry's Standing Committee on Islamic Banking & Takaful, sees this collaboration with the IBFD as an important step to an active role in Russia especially in Tatarstan. "Pakistan's Islamic banking and regulatory system is the best in the region and TAWUN has all the necessary experience and competence to share knowledge and experience with our Russian friends," he said.

State-backed bank taps US dollar private Sukuk market to meet balance sheet growth targets

After a three-year hiatus, state-backed Al Hilal Bank has tapped the Sukuk market again, raising US$225 million from private investors in a move it says made it the first UAE institution to execute a Shariah compliant private debt placement. VINEETA TAN has the details.

Priced at 3mL+160bps, the 2.5-year floating rate RegS facility forms a part of the Islamic bank's existing US$2.5 billion trust certificate issuance program launched in 2013; the first issuance, worth US$500 million, is due in 2018. The offering is also the first senior unsecured dollar Sukuk since 2013 by any Abu Dhabi entity.

"Al Hilal Bank's strategy is to diversify its funding base and tenors. We aim to work toward raising funding for [the] medium term to enhance our funding profile and meet balance sheet growth targets," commented Khaled Abdulla Alkhoori, CEO of Al Hilal.

Latest 12-month rolling data from Dealogic places the UAE as the third-largest Sukuk issuer globally, behind Malaysia and Saudi Arabia, with US$3.2 billion-worth of Islamic offerings. Data

for private Sukuk issuance is scarce; however, UAE institutions have raised funding through the private route previously including DAMAC Properties which placed a US$100 million 18-month facility in 2015.

Company Focus: KT Portfoy gunning for growth in real estate and pension funds

KT Portfoy, the portfolio management arm of Turkey's participation bank Kuveyt Turk, may have only begun operations in January this year, but it already has big plans in the pipeline to grow its footprints in the domestic Turkish capital markets, as well as overseas in Europe. DANIAL IDRAKI speaks to Tayfun Ozkan, CEO of KT Portfoy, to find out the company's growing Shariah compliant ambitions.

KT Portfoy currently manages six funds with assets under management (AUM) of TRY100 million (US$34.05 million), which include: a pension fund, two retail funds and three funds for qualified investors only. It became the first fund management company in the country to launch a US dollar-denominated fund with the global Sukuk fund for qualified investors, after legislation allowing hard currency fund unit issuances was enacted in September 2015. The fund, according to Tayfun, will invest at least 80% of its assets in both Turkish and foreign Sukuk, including sovereign and corporate issuances. KT Portfoy does not intend to take things slow at this point, and is looking at introducing a Shariah compliant real estate investment fund (REIF) in the next two years, targeting to have collective AUM of US$500 million once the REIF is introduced to the market, in addition to the growth prospects of the pension fund it manages.

Real estate investment fund

"KT Portfoy plans to grow its AUM as quickly as possible, and we would like to bring innovative products to the Turkish investment industry. We expect the lion's share of growth coming from the REIF, and we gauge that it can be set up in two years' time," Tayfun told IFN. The REIF legislation in Turkey was enacted in July 2014, with currently six REIFs being granted authorization by the Capital Markets Board of Turkey (CMB), although they have yet to begin operations.

KT Portfoy, for its part, has yet to apply for authorization from the CMB, but Tayfun is incredibly optimistic of the potential growth in this sector. "We have been discussing it for almost a year now, having been in talks with both potential investors and owners of potential investment opportunities," he added.

Pension funds

Besides the real estate sector, KT Portfoy has also set its eyes on the growth of pension funds. Currently, it is managing one out of the seven funds by Katilim Emeklilik, a collaboration between Kuveyt Turk and Al Baraka Turkey. "The pension fund that we manage has AUM of TRY43 million (US$14.64 million), but total AUM of interest-free pension funds in Turkey have reached TRY2.6 billion (US$885.42 million), and we hope to capture a 20% share of this pie. The company (Katilim Emeklilik) is almost two years old now, and they are growing fast. We hope to benefit from the pension funds' growth as well," Tayfun explained.

Searching for growth

While KT Portfoy's five-month journey to date has been solely on a domestic route into the Turkish capital markets, it is already making plans to set up base in Europe, further signaling its hunger for growth in potential markets. Tayfun said that it is looking to set up a Luxembourg-based fund to support KT Bank in Germany — the first Islamic bank in continental Europe and also a 100% subsidiary of Kuveyt Turk. "The Luxembourg fund will also invest in Turkish assets," he noted.

KT Portfoy's growing presence hardly comes as a surprise, given the increasingly proactive role that participation banks (Islamic banks) are playing to raise the profile of Shariah compliant investments in Turkey. Although it may be too early to tell if KT Portfoy will be able to meet its goals over the next few years, its achievements in just a short five-month period, including the issuance of an inflation-indexed Sukuk, speak volumes of it growth ambitions.

Sovereign Sukuk: Housing sector a boon for issuance

Over the past week, the sovereign Sukuk space was ignited by the housing sectors in both Malaysia and Saudi Arabia, with the former officially unveiling its first Sukuk paper to drive the public housing market, while the latter's Ministry of Housing is making plans to tap into the Islamic capital markets to finance the expansion of the overall housing sector in the Kingdom. DANIAL IDRAKI brings you the usual updates.

Malaysia

The Public Sector Home Financing Board (LPPSA) last week unveiled its maiden RM25 billion (US$6.12 billion) Sukuk/bond programs, comprising an Islamic commercial paper/Islamic medium-term note program and a conventional commercial paper/medium-term note program. The first issuance is expected in July and around RM7-10 billion (US$1.71-2.45 billion) to be issued this year, an arranger confirmed with IFN. Backed by the government, the three-year programs will be issued over several tranches to finance the provision of housing loans to civil servants. AmInvestment, CIMB Bank, Maybank Investment and RHB Bank have been mandated as joint lead arrangers for the program, while Affin Hwang Investment Bank, Bank Islam and OCBC Bank Malaysia will jointly manage the transaction.

Saudi Arabia

The Ministry of Housing is considering issuing Sukuk at the end of 2017 to help fund the Kingdom's Real Estate Development Fund, Housing Minister Majed Al Hogail said during a recent press conference. Majed noted that the fund is the largest financier for the Saudi real estate sector and has a portfolio of around SAR190 billion (US$50.63 billion).

Indonesia

In its regular issuance series, the government of Indonesia plans to raise IDR4 trillion (US$299.2 million) via the auction of its sovereign Sukuk (SPN-S 01122016 and four project-based Sukuk series) on the 14th June 2016 to finance the 2016 State Budget, according to an announcement on the Ministry of Finance's website.

Upcoming sovereign Sukuk

Country	Amount	Expected date
Oman	TBA	Second quarter
Hong Kong	TBA	TBA
Egypt	TBA	TBA
Iran	IRR60 trillion	2016
Nigeria	TBA	TBA
Jordan	JOD175 million	TBA
Pakistan	PKR79.1 billion	TBA
Egypt	TBA	2016
Kazakhstan	TBA	2016
Kenya	TBA	2016
South Africa	TBA	2016
Bangladesh	TBA	TBA
Hong Kong	US$500 million to US$1 billion	TBA
Ningxia Hui Autonomous Region	US$1.5 billion	TBA
Senegal	TBA	TBA
Niger	XOF150 billion	TBA
Luxembourg	TBA	TBA
Tunisia	US$500 million	TBA
UAE	TBA	TBA
Shandong Province	CNY30 billion	TBA
Sindh Province	US$200 million	TBA
Kuwait	KWD1 billion	2016
Maldives	TBA	TBA
Sri Lanka	US$1 billion	TBA
Germany	US$1 billion	TBA

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Kenya — Africa's Islamic finance hub?

Kenya has stepped up its Islamic finance gears in the past couple of years in a bid to grab the regional Shariah finance hub title vied also by regional superpowers such as South Africa, Nigeria and Senegal. So does the Republic have what it takes? VINEETA TAN takes a look at the sub-Saharan nation's Shariah finance landscape.

Regulatory landscape

Kenya does not have a dedicated legislation for Islamic banking and finance although Shariah compliant financial transactions are recognized by the Central Bank of Kenya through the amendment of Section 45 of the Central Bank of Kenya Act, made possible by the Finance Act of 2010. The government is, however, working on reviewing the regulatory framework to facilitate Islamic finance, particularly its maiden sovereign Sukuk transaction planned for 2017.

In 2015, the Capital Markets Authority issued new REIT regulations paving the way for Islamic REITs; while the Insurance Regulatory Authority introduced rules enabling the creation of Takaful windows.

Banking and finance

Islamic banking is growing steadily in Kenya as measured by the first quarter financial performance of the Republic's two fully-fledged Shariah banks: Gulf African Bank (GAB) and First Community Bank (FCB), which became an IFSB member in April 2015 (See Table 1). There are at least least six Islamic banking windows: Chase Iman, National Amanah, Barclays La Riba, Kenya Commercial Bank, Standard Chartered and KCB Group while Dubai Islamic Bank, which is looking to commence operations in the Republic before 2016, has received in-principle approval by regulators to start business.

Asset management

There are currently two firms offering Islamic asset management services (FCB Capital and the brokerage arm of Chase Bank Group, Genghis Capital) with another one (Apollo Asset Management) expected to launch retail Shariah asset management services in July.

According to market players, it is difficult for Islamic funds to be invested in the Nairobi Stock Exchange due to stringent requirements; and while Islamic financial institutions have been granted exemptions, the growth of the Islamic capital markets would be staggered without a separate regulatory framework for Shariah activities.

Table 1: Financial performance of Kenyan Islamic banks in the first quarter of 2015 vs. first quarter of 2014 in KES million

	Net profit (2015)	Net profit (2014)	Total assets (2015)	Total assets (2014)
GAB	589.97	399.19	23,398	20,817
FCB	56.72	37.66	14,827	15,121

Source: Financial statements of respective banks

Sukuk

A sovereign Sukuk facility has long been discussed in Kenya with the targeted issuance date delayed several times. Henry Rotich, the National Treasury's cabinet secretary, reportedly reaffirmed that the planned Islamic offering will be launched in 2017; the government is preparing required documentation and is identifying assets to underpin the Sukuk, proceeds from which will be utilized to fund the country's infrastructure needs.

Takaful

There has yet to be a specialized Takaful regulation in Kenya; however, in 2015, the Insurance Regulatory Authority released the Takaful Operation Guideline which permitted insurers to launch Takaful windows and provided clarity on Takaful operations. Shariah compliant insurance is also included in the Draft Insurance Bill 2014 which seeks to regulate, license and supervise Takaful operators.

Takaful Insurance Africa is the East African nation's sole fully-fledged Takaful insurer, along with GAB Takaful — GAB's bancaTakaful subsidiary, while Kenya Reinsurance Corporation provides re-Takaful services on a window basis. FCB is also authorized to broker General Takaful products.

Outlook

Islamic finance looks promising in Kenya, which is poised to become the fastest-growing economy in East Africa with GDP expected to hit 5.9% this year and 6.1% in 2017 on the back of robust infrastructure investments. The government's plan to position Kenya as a center of excellence for Shariah finance as outlined in its Capital Markets Master Plan — a 10-year blueprint until 2023 engineered to transform the Republic into a capital markets investment hub of the African region — is also a positive signal. Several promising developments (as discussed previously) in that regard took place in 2015 including an MoU with the State of Qatar to strengthen Islamic finance opportunities as well as enhance cooperation in the development of the Nairobi International Financial Center. Kenya aims to lift its performance in the Islamic Finance Country Index from 2.2 (January 2014) to four by the end of 2016, seven by the end of 2020 and 15 by the end of its 10-year strategy in 2023.

Fintech: A never-ending disruption

The financial industry as a whole is undergoing massive disruption due to the digital revolution that is being driven by financial technology (fintech) companies, throwing a curve ball to the markets and established industry players. Islamic financial services providers are no exception to the evolving landscape, and market players are jumping on the bandwagon to take advantage of opportunities in the new era, rather than be left behind. DANIAL IDRAKI takes a look at recent developments in this exciting space.

Overview

Fintech is revolutionizing the way customers pay for goods and services, transfer money between accounts and conduct cross-border transactions. Driven by innovative start-ups, the booming fintech industry is capturing traditional market share with its approach and there have been calls for traditional financial services companies to tie up with fintech companies to leverage on their penetration levels, rather than compete head-on. According to EY's survey in the third quarter of last year, Hong Kong has the highest rate of fintech use of all markets surveyed (29.1%). The US has the second-highest adoption rate (16.5%), followed by Singapore (14.7%), the UK (14.3%), Australia (13%) and Canada (8.2%).

Regulatory framework

Bank Negara Malaysia (BNM) in early June set up the Financial Technology Enabler Group, a cross-functional group established to formulate and enhance regulatory policies to facilitate the adoption of technological innovations in the Malaysian financial services industry. Furthermore, the new BNM governor, Muhammad Ibrahim, said recently at a forum that the Islamic finance sector must embrace the financial technological revolution, which will be a game-changer for the industry. Fintech has penetrated nearly every segment of the financial sector, and according to Ibrahim, around 10-40% of banking revenue could possibly be at risk by 2025 due to innovations outside banking institutions. The Securities Commission Malaysia introduced the regulatory framework for peer-to-peer (P2P) financing in April, as part of an effort to provide greater access to market-based financing via the application of technology solutions.

In neighboring Indonesia, Otoritas Jasa Keuangan (OJK) is planning to coordinate with the Ministry of Communications and Information to regulate fintech start-ups. Although the presence of fintech start-ups in the country is growing, the task of monitoring these online services currently falls under a grey area. OJK's CEO in charge of monitoring non-bank financial services, Firdaus Djaelani, said that banking partners of fintech start-ups which have received permits from the Ministry of Cooperatives are refusing to participate, unless there is a license from OJK.

Recent developments

The Islamic Fintech Alliance (IFT Alliance) was launched in April by eight founding members of a diverse group of crowdfunding platforms with the aim of facilitating the adoption of fintech among Muslims. The IFT Alliance will focus initially on Islamic crowdfunding and more than 30 active platforms may be considered as Islamic crowdfunding platforms by July 2016.

In Malaysia, Shariah compliant Investment Account Platform Integrated (IAP) listed in April its first venture, Perak Transit, an integrated transportation terminal and public transportation service provider. The investment in Perak Transit will be in the form of a RM10 million (US$2.56 million) three-year term financing facility expected to yield a 6.5% annual return, with Bank Muamalat Malaysia underwriting the facility. The IAP is regarded as the world's first bank-intermediated Shariah compliant fintech platform, which was launched in February this year. Affin Islamic, Bank Muamalat Malaysia, Bank Islam Malaysia and Maybank Islamic formed an alliance and became the founding shareholders of Raeed Holdings — the parent company that owns IAP — with Bank Kerjasama Rakyat Malaysia and Bank Simpanan Nasional subsequently coming onboard as shareholders. The IAP is a platform for investors seeking to channel their funds to potential investments, while being intermediated by Islamic banks based on their expertise and technological competence.

Investree, a newly-launched Indonesian P2P lending marketplace, said in June that it plans to introduce Shariah compliant products as part of its expansion plan which includes rolling out a mobile application and building a presence in Surabaya, Makassar and Semarang. According to Dealstreet Asia, the start-up will begin working on its plan in the second half of 2016 with hopes of concluding it by January 2017.

In the UAE, Emirates Islamic launched banking services via Twitter in April, allowing customers to perform select banking transactions such as balance and credit card enquiries with the application. The bank said that the social banking application is the first time such a service is offered by an Islamic bank in the UAE.

Beehive, the UAE's online marketplace for P2P finance, received certification from the Shariyah Review Bureau in September, making it the first P2P platform in the world to independently confirm that its processes are Shariah compliant.

Al Rajhi Bank in June said that it has joined the Banking Industry Architecture Network (BIAN), a not-for-profit ecosystem comprising banks, technology providers, consultants and academics from across the world to drive the development of an agile technology framework for banks. BIAN in a statement to IFN said that the inclusion of Al Rajhi, the largest Islamic bank in the world, into its network will bring valuable knowledge of best practices in Islamic banking to its global membership base.

Conclusion

While the overall financial services industry may be under pressure from the rise of fintech, established players are increasingly showing a willingness to collaborate with innovative start-ups to capture this new market segment, while the Islamic finance industry has also demonstrated its ability to ride on the digital wave. As product innovation constantly evolves through the years, it is of the utmost importance to have the ability to adapt and adopt effective digital banking strategies.

Kuveyt Turk's TRY300 million (US$102.16 million) Sukuk: The largest in the private sector

The Turkish Islamic capital market has yet again welcomed a successful Sukuk issuance from Kuveyt Turk. Worth TRY300 million (US$102.16 million), the lease certificates were claimed to be the biggest issued out of a local bank and were competitively priced. NURUL ABD HALIM speaks to the issuer to provide a rundown of the landmark facility.

> ***"The fact that the lease certificates were offered at [a] lower cost [10.23% of gross annual yield] than [that of] similar deals realized recently strengthened investors' confidence in our bank, which is a highly pleasing development"***

The short-term facility represents Kuveyt Turk's third issuance under its TRY1.85 billion (US$630.01 million) lira-denominated Sukuk program and comes on the heels of its TRY10 million (US$3.41 million) CPI-indexed Sukuk in April. The bank has so far issued a total of TRY7.2 billion (US$2.45 million)-worth of Islamic papers in the domestic and overseas markets utilizing currencies such as the US dollar, Malaysian ringgit and Turkish lira; a total of TRY4.7 billion (US$1.6 billion) is currently listed in various stock exchanges.

The latest Sukuk instrument employed a hybrid structure — comprising Wakalah and Murabahah modes — in order to provide the bank with additional flexibility in terms of underlying assets. Proceeds raised from the transaction will be used for short-term financial requirements of its corporate, commercial and SME clients.

Sold via a public offering, the lease certificates saw phenomenal subscriptions from local investors with 57% comprising institutional players and the rest individuals. The bank achieved a competitive cost of financing with the profit rate fixed at 10.23% annually — the lowest rate of return compared to similar deals by its peers: Turkiye Finans's most recent TRY150 million (US$51.08 million) 178-day Sukuk facility was priced at 10.5% while the yield on Al Baraka Turk's TRY100 million (US$34.05 million) lease certificates was 10.8%, based on data retrieved from Borsa Istanbul's Public Disclosure Platform.

"The fact that the lease certificates were offered at [a] lower cost [10.23% of gross annual yield] than [that of] similar deals realized recently strengthened investors' confidence in our bank, which is a highly pleasing development." noted Ufuk Uyan, CEO of Kuveyt Turk, adding that the bank is considering issuing more Islamic papers in the public market in the future.

The first profit distribution will take place on the 11th August 2016 with the second one to follow suit on the 8th November (at the end of maturity) together with principal sums. For the January-December period of 2015, Kuveyt Turk recorded a net profit of TRY445 million (US$151.54 million), up 20% year-on-year, with total assets growing 24% to TRY42 billion (US$14.3 billion).

TRY300 million (US$102.16 million) lease certificates

13th May 2016

Issuer	KT Kira Sertifikalari Varlik Kiralama
Obligor	Kuveyt Turk Katilim Bankasi
Size of issue	TRY300 million (US$102.16 million)
Mode of issue	Public offering
Purpose	For short-term requirements of its corporate, commercial and SME clients
Tenor	179 days
Issuance price	100%
Profit rate	10.23%
Payment	Quarterly
Currency	Lira
Maturity date	8th November 2016
Lead manager(s) and bookrunner(s)	Vakif Yatirim Menkul Degerler Kuveyt Turk Katilim Bankasi
Principal advisor	Vakif Yatirim
Governing law	Capital Markets Board of Turkey
Legal advisor/ counsel	Mutlu Avukatlik Ortakligi
Listing	Borsa Istanbul
Underlying assets	Ijarah assets, Murabahah, tangible investment Sukuk
Shariah advisor(s)	Shariah Board of Kuveyt Turk
Structure	Hybrid (Wakalah + Murabahah)
Tradability	Tradable
Investor breakdown	Institutional: 57% Individual: 43%
Face value/ minimum investment	TRY1(34.06 US cents)/ TRY1,000 (US$340.55)

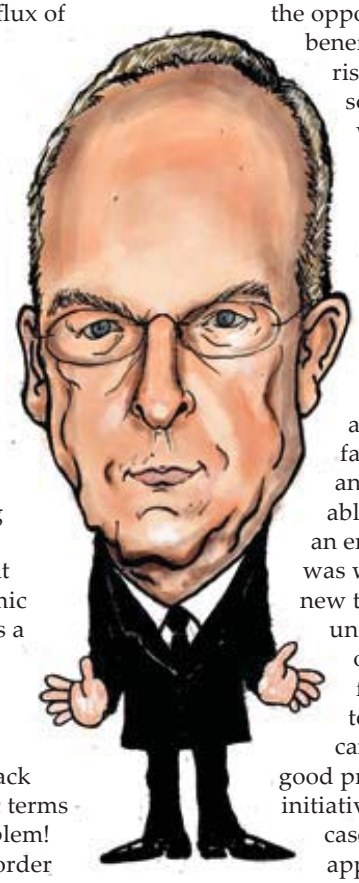
Daud speaks

By Daud Vicary Abdullah, the president and CEO of the International Center of Education in Islamic Finance (INCEIF), The Global University of Islamic Finance.

Ramadan Kareem.

Once again it has been a busy month which has included trips to Indonesia and the British Virgin Islands, as well as the start of the June semester at the university, with a new influx of students.

Let's start with the trip to Jakarta for the IDB's 41st Annual General Meeting, where I had the opportunity to speak, as well as to moderate a session of the private sector group, with a focus on trade finance. During a most enjoyable discussion with other panelists, we were able to do some online polling of the approximately 500-strong audience. What struck me most was the apparent lack of awareness of Islamic finance options, as well as a lack of understanding of some of the terminology used in Islamic finance. On further probing, we discovered that it was a lack of familiarity with Arabic terms that was causing the problem! So it would seem that in order to speak to the listening audience in Indonesia and to create further awareness of Islamic finance, we all need to use plain language to describe what we are talking about. Simple but apparently true.



Let's move on to the next assignment, which was in the British Virgin Islands, where, as guests of the Financial Services Commission, we were given the opportunity to explain the benefits of Islamic finance, risk-sharing and to develop some ideas, together with the leadership of the country, on how risk-sharing tools could be used to attract investment and to develop the economy at both a macro and micro level. Again, speaking to the listening audience really helped and after three days of fairly intensive debates and discussions, we were able to claim that we had an engaged audience that was willing to try some new techniques. One cannot underestimate the power of relevant research and framing the argument in terms that your audience can relate to, as extremely good preparation for such initiatives. It is certainly not a case of a 'one size fits all approach'.

This venture into new territory, which possesses little understanding of Islamic finance, but at least has a willingness to listen to the case being put forward, augurs well for the future. So long as we are able to articulate the value proposition as well as give examples by way of a demonstration effect, we will be on fertile ground.

> ***"So long as we are able to articulate the value proposition as well as give examples by way of a demonstration effect, we will be on fertile ground"***

This leads me nicely to close with a few words regarding the new semester, with new students arriving on campus and online: fertile ground indeed for a new beginning in education in Islamic finance for each and every one of them.

Until the next time, there is much to do and not a moment to lose.

Additional international support for SMEs in the MENA region

EGYPT

By Dr Walid Hegazy

The natural, positive relationship between political stability and economic growth is quite clear in the Middle East and North Africa (MENA) region. The regional political crises of the past few years have led to important internal developments. However, the economies of the affected states and those of their neighbors struggle to support the most vulnerable actors in the private sector.

The pressing need for rapid, yet sustainable economic growth has pushed governments to depend on state-financed and managed projects to fulfill critical infrastructure needs. Yet, this approach further marginalizes SMEs and does little to alleviate the relative high unemployment rates that characterize MENA economies. The need for foreign capital and international investment to address these issues is quite apparent.

To this end, the IDB is considering the establishment of a mutual fund, in coordination with the European Bank for Reconstruction and Development, to support SMEs in Egypt, Jordan, Morocco and Tunisia. The potential fund would be worth US$100 million, sourced from Shariah compliant financing.

The IDB is a frequent issuer of Sukuk to finance its projects. It should be noted that as of last year, the IDB raised its Sukuk ceiling from US$10 billion to US$25 billion. If the establishment of this mutual fund is confirmed, one could reasonably expect the IDB to pick arrangers for a future Sukuk issuance within four to six months. The success of the mutual fund could also increase the use of Islamic financing to secure necessary growth capital among the targeted countries.

Egypt's relationship with the IDB has grown considerably stronger. The value of IDB investment in Egypt now totals US$3.7 billion. A recent project, the establishment of a EGP450 million (US$50.55 million) Islamic institution to support youth, women, and children through microfinance, was concluded in Indonesia at the 41st IDB Annual Meeting of the board of governors and is expected to have EGP4 billion (US$449.37 million)-worth of assets after five years.

Furthermore, unlike other institutional sources of international capital, the IDB is not interested in imposing quasi-austerity measures as either an express or implied condition for the flow of funds to Egypt. Although such measures are likely needed, the impact on individuals creates significant hardships that indirectly harm the proprietors of SMEs, the importance of which cannot be overstated.

The executive manager of the Egyptian Banking Institute stated that SMEs contribute to more than 50% of industrial production in Egypt while providing approximately 75% of private sector jobs. It is hoped that the IDB will announce the decision to establish the mutual fund for SMEs in the near future, to support this vital component of MENA economies.

This report was prepared with the help of Lauren Williams, an intern with Hegazy & Associates in association with Crowell & Moring. She can be reached at lwilliams@hegazylaw.com.

Invest in Hong Kong to capture Belt and Road opportunities

HONG KONG & CHINA

By Catherine Le Bourgeois and Wilson Yeung

China is taking forward the Belt and Road initiative, the national strategy for long-term development. It is certain that the emerging markets along the routes are likely to become the new catalyst for the future development of Hong Kong.

Hong Kong endeavors to facilitate the financing of infrastructure projects and provide a platform to pool the efforts of investors, banks and the financial sector to offer comprehensive financial services for various infrastructure projects.

Driven by the Belt and Road initiative, China enterprises will expand their overseas business, and there will be a greater demand for business services to lower corporate financial costs and enhance treasury risk management. Hong Kong is an ideal location to set up corporate treasury centers (CTCs). To further attract multinational and China enterprises to establish CTCs in Hong Kong, the Hong Kong government is proposing, under specified conditions, interest deductions under profits tax for CTCs, and profits tax reduction by half (such as from the prevailing standard tax rate of 16.5% reduced to 8.25%) for specified treasury activities. For this purpose, a bill will be read by the Legislative Council of Hong Kong later this year.

The Hong Kong government is also striving to set up a platform conducive to the development of Islamic finance with efforts including enhancing the related market infrastructure, providing manpower training and promoting the development of Islamic financial products and cooperation with other Islamic financial markets.

The Asian Infrastructure Investment Bank (AIIB) was officially launched earlier this year. Hong Kong will continue its active discussions with the AIIB and the Chinese government on Hong Kong's participation in the AIIB as a non-sovereign territory. Hong Kong will also continue to support the work of the AIIB, and seek to leverage its expertise to serve the AIIB in capital markets financing, asset management and dispute resolution.

The success of the two Sukuk issuances by the Hong Kong government in 2014 and 2015 demonstrated the ability of Hong Kong's financial market to support the launch of Islamic financial products and meet their financing needs. Hong Kong's financial secretary, John Tsang, said in his 2016/17 Budget speech in March 2016 that Hong Kong will seize the opportunity to issue a third Sukuk facility in a timely manner.

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Beyond the UN Sustainable Development Goals: Al Baraka to contribute in funding social infrastructure projects?

BAHRAIN

By Dr Hatim El Tahir

Funding the ambitious UN Sustainable Development Goals (SDGs) will require a huge amount of effort and money. Much debate has taken place regarding finding the right funding models to finance projects in the list of 17 areas set by the UN. More recently, a number of Islamic finance initiatives have emerged which invariably address social and environmental sustainable development issues.

> ***"Regulators and policymakers will soon find themselves obliged to regulate and supervise the market opportunities and challenges associated with funding the UN's set projects"***

Last month, Al Baraka Banking Group unveiled details about its 'Al Baraka Goals for 2016-20' which are linked to the UN Sustainable Development Goals 2030. The recently developed strategy aims to create over 51,000 jobs by 2020 through financing a number of businesses and projects in countries where it operates. Currently, Al Baraka operates in 16 countries around the world. It is also hoped that the bank will provide finance and support of US$434 million in various healthcare projects, as well as support up to US$191 million in education-related projects and activities. The new strategy is part of the group's corporate social responsibility program.

It is striking that this news came at a time when the Islamic finance industry is described — by the media and experts — as being caught up in the recent economic downturn caused by the fall in oil prices. Generally, absolute growth rates remain almost unchanged with the institution's strategies in products and services offerings far from being innovative or responsive to current economic and social needs.

However, Al Baraka's new strategy demonstrates the bank's leadership in enhancing its commercial business model by responding in a timely manner to global socioeconomic initiatives such as the UN SDGs and providing a dynamic operational approach that stimulates its executive management and staff to make these strategies workable and achieve its set business objectives. In this context, and in the next few months, Al Baraka's strategy to fund SDGs and the broader social and environmental sustainability development will be watched and assessed carefully.

In many ways, other institutions offering Islamic financial services will soon be reacting to this announcement and several banks and organizations in the industry will attempt to develop their own individual strategy on SDGs. Undoubtedly, this kind of strategy development will create a new niche market and new practices within the industry.

Regulators and policymakers will soon find themselves obliged to regulate and supervise the market opportunities and challenges associated with funding the UN's set projects. Key factors to these legislative and policy development issues are the facilitation of knowledge-sharing, highlighting investment opportunities and connecting the public and private sectors to effectively work together in shaping local economic development and employment creation in respective countries.

Dr Hatim El Tahir is the director of the Islamic finance group and leader of the Deloitte ME Islamic Finance Knowledge Center (IFKC) at Deloitte & Touche — Bahrain. He can be contacted at heltahir@deloitte.com.

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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
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Islamic factoring agreement: Practical in Malaysia's environment

A factoring agreement is a transaction where a company sells its account receivable, normally on a discounted basis, to a financial institution. The terms factoring and receivable financing are often used simultaneously although there is a slight difference between the two. AHMAD MUKARRAMI AB MUMIN and AIZUL AIMAN MUSA write.


FACTORING

By Ahmad Mukarrami Ab Mumin & Aizul Aiman Musa

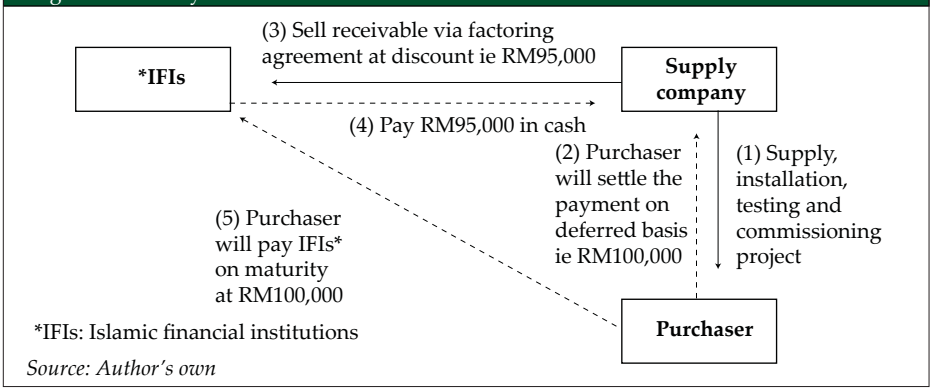
Factoring refers to a sale of receivable accounts to a financial institution without recourse. The purchaser assumes all credit and collection risks. A receivable financing, on the other hand, is where the receivables would be assigned/pledged against the financing given and there is no transfer of ownership on the receivables; here, the receivables are given to a financial institution with recourse.

One way or another, both instruments would allow a company to receive a cash payment in advance rather than waiting for the receivables to be fully paid.

From the Shariah perspective, receivables or debt (Dayn) can result from a range of cases, including product payment, Qard (loan) payment, Mahr (dowry) payment which has not been given after the marriage Aqd (contract), rental, compensation for crime committed, compensation for damages, money to be paid for a divorce (Khulu) and for purchase orders which have not yet arrived (Muslam Fih).

In the Islamic financial market, the debt usually comes from Muawadhat Maliyyah contracts (exchange contracts) such as Murabahah, Bai Bithaman Ajil, Ijarah, Ijarah Muntahiya Bil Tamleek, Istisnah and others.

Diagram 1: Bai Dayn



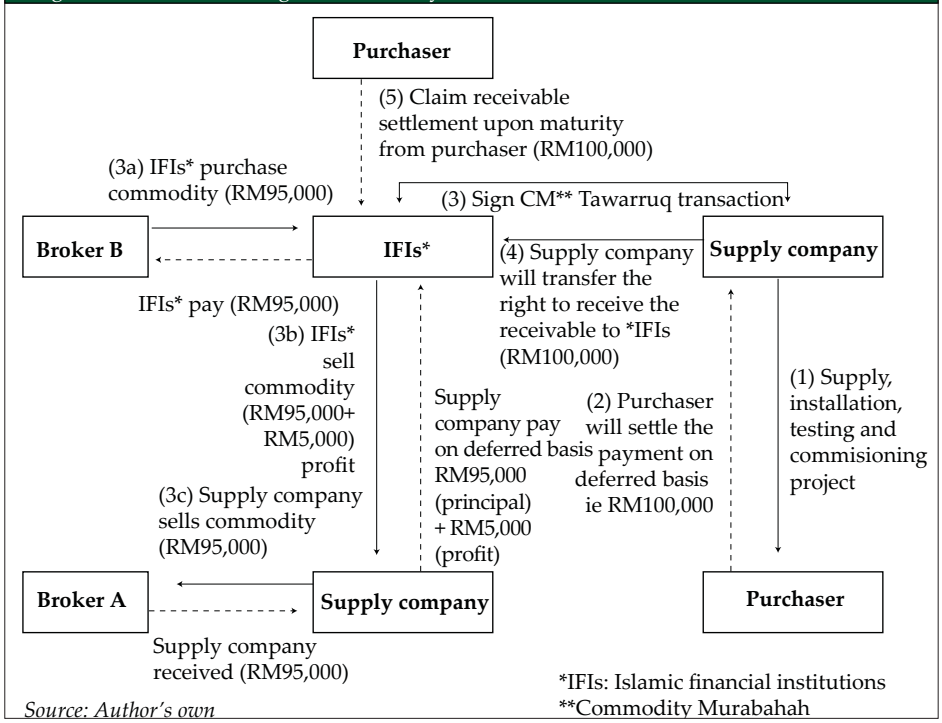
Source: Author's own

The Islamic financial market poses at least three Shariah concepts used by Islamic financial institutions in structuring a receivable financing or Islamic factoring agreement. The Shariah concepts used are:

- Bai Dayn (sale of debt)
- Commodity Murabahah via a Tawarruq arrangement combined with Hawala, and
- Bai Dayn Bil Al Sila (sale of debt with commodity).

However, each Shariah concept has its own advantages and disadvantages as shown in the following.

Diagram 2: Islamic factoring via commodity Murabahah and Hawalah



Source: Author's own

Islamic factoring via Bai Dayn

Bai Dayn refers to the sale of debt. In this structure, the company will sell outright the receivables to the bank on a discounted basis. For example, the amount of the receivables is RM100,000 (US$24,453.6) and the company sells the receivables to an Islamic financial institution with the price of RM95,000 (US$23,230.9). The Islamic financial institution will disburse the RM95,000 to the supplier as payment of the purchase price of the receivables. At the maturity date, the Islamic financial institution will receive RM100,000 from the purchaser.

In Malaysia, by using this structure,

Continued

Islamic financial institutions could obtain an ad valorem stamp duty under the Malaysian Stamps Act 1949, First Schedule (32)(c), since it reflects the practice of a conventional factoring agreement.

However, this structure may create controversy among Shariah scholars since Bai Dayn is a contentious Shariah contract in terms of it permissibility.

The Shariah Advisory Council of Securities Commission Malaysia, for example, allows the practice of Bai Dayn based on the views of some of the Islamic jurists who allow this concept, subject to certain conditions. At the same time, we can see several resolutions that confine the practice of Bai Dayn, such as the resolution from the International Islamic Fiqh Academy and AAOIFI which limits the usage of Bai Dayn only on certain scenarios.

Islamic factoring via commodity Murabahah and Hawalah

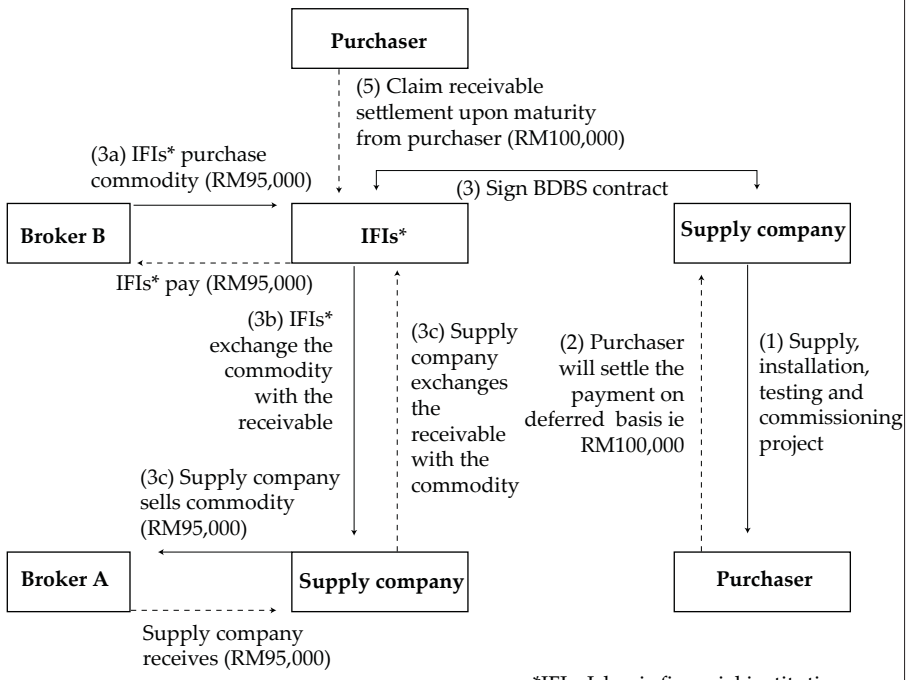
Commodity Murabahah, which is guided by the concept of Tawarruq, can be defined as a transaction that consists of two sale and purchase contracts. The first involves the sale of an asset by a seller to a purchaser with the price equal to cost plus mark-up on a deferred basis. Subsequently, the purchaser of the first sale will sell the same asset to a third party for a cash consideration and on a spot basis. Hawalah, which is also embedded in this structure, is a transfer contract of which a party can transfer either their right or their debt to another party.

In this structure, the company will enter into a commodity Murabahah transaction with an Islamic financial institution and will transfer the right to receive the receivables (Hawalah) to the Islamic financial institution as a commodity Murabahah payment. For example, say, the company's outstanding receivables amount is RM100,000. The company will enter into a commodity Murabahah transaction with an Islamic financial institution for a Murabahah selling price of RM99,000 (US$24,209) (cost) + RM1,000 (US$244.54) (profit). The company will then transfer the right to receive the receivables amount, ie RM100,000 to the Islamic financial institution as a commodity Murabahah payment. So, the Islamic financial institution will disburse RM99,000 (cost price) to the company and at the maturity date, will receive RM100,000 from the receivables.

Similarly, it can also be done by the company entering into a commodity Murabahah transaction with an Islamic financial institution for a Murabahah selling price of RM100,000 (cost) + RM1,000(profit). However, the Islamic financial institution will only disburse RM99,000 and the RM1,000 will be regarded as upfront profit payment. The company will then transfer the right to receive the receivables amount, ie RM100,000 to the Islamic financial institution as the balance of the commodity Murabahah payment. At the maturity date, the Islamic financial institution will receive RM100,000 from the receivables.

This is the most common structure used in structuring Islamic receivable financing due to its worldwide acceptance by Shariah scholars. However, since the structure would involve a commodity trading platform, it may incur additional charges such as a brokerage fee. Therefore, Islamic financial institutions need to identify the best commodity trading platform to facilitate the commodity Murabahah transaction and also to identify which party will bear the additional charges.

Diagram 3: Islamic factoring via Bai Dayn Bil Al Sila



Source: Author's own

*IFIs: Islamic financial institutions

Islamic factoring via Bai Dayn Bil Al Sila

Bai Dayn Bil Al Sila (BDBS) is a transaction where the debt is sold to the new creditor and the payment made to the original debtor is made in the form of commodities (ie crude palm oil, plastic resin, rubber, etc). Commodities can be traded at any price agreed by both parties and not necessary to be equal with the amount of debt, as it is not money. Diagram 3 explains how the transaction of BDBS is undertaken to facilitate the sale of receivables.

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The power of crowdfunding: Just what the leasing industry needs

Like every person has to go through different stages of life, every industry has to go through its industry life cycle", according to Avadhut Nigudkar, the founder and chief contributor at FinanceWalk. To that end, the leasing industry has had a fairly prolonged life cycle, considering that the earliest record of equipment leasing occurred in the ancient Sumerian city of Ur about 2010 BC (Crutcher, 1986). In this article, YOUSSEF ABOUL-NAJA looks at what crowdfunding can bring to the leasing industry

LEASING

By Youssef Aboul-Naja

Perhaps one of the reasons why leasing has stuck around for such a long time is the inherent flexibility of its product base in addressing financing needs, and the willingness of practitioners to test the boundaries of such flexibility. Within such a context, the time has probably come to update today's so-called modern flavor of leasing which has been in use since the 1960s.

But where does one start with the modernization process? A reasonable approach would entail focusing on industry bottlenecks. Considering that leasing is built atop a leveraging model, financing requirements represent a potential impediment given the struggle companies go through to secure additional funding; essentially, the growth of leasing companies is strongly correlated with its available funds. Accordingly, reimagining the funding channels should provide the industry with a catalyst for future sustainability, even if such a reworking is framed within the simplistic confines of only introducing an additional funding source.

Current funding channels include capital funding (equity) and banking lines. Forward-thinking companies, in possession of a superior portfolio, may even securitize portions of it by issuing bonds/Sukuk. But that's about it. Ijarah companies have it worse considering that willing funding sources still need to be put through a screen for Shariah compliance, further reducing the number of viable options.

To expand the limited traditional funding pools, one must turn to more modern tools, specifically, crowdfunding which, to the uninitiated, is the practice of funding a project or venture by raising a lot of small amounts of money from a large number of people, typically via the internet. This not-so-new financing mode has since

> ***"It's now a widely accepted notion that the crowd element of crowdfunding creates more value than the funding aspect"***

got a technological facelift and has been successfully applied at both the individual and corporate levels. Examples that come to mind, to name a few, include:

- KickStarter and Indiegogo (US): raising funds for personal projects by pre-ordering future products
- Shekra and Yomken (Egypt): raising funds through taking an equity stake in start-ups
- Eureeca (UK) and Beehive (UAE): global equity crowdfunding platforms geared toward SMEs
- AqarFunder (Egypt) and Ethis (Singapore): crowdfunding geared toward real estate investments
- SeedUps (Canada): raising funds by taking an equity stake in start-ups
- Islamic Crowdfunding Alliance: a group of nine companies, each focused on providing crowdfunding solutions geared toward the Muslim community/SMEs, and
- In July 2014, over US$8 billion was contributed exclusively by Egyptian citizens to finance the extension of the Suez Canal.

According to an industry report, crowdfunding has grown rapidly, from US$5.1 billion in 2013 to US$16.2 billion in 2014. A report commissioned by the World Bank projected that it could be worth almost US$100 billion by 2025.

So this means crowdfunding platforms are already there and in use. Leasing companies just need to securitize portions of their portfolios, and offer them to the masses. Of course, the way I presented the concept does sound too good, and simple, to be true. Tapping into the crowdfunding market will be shrouded by many jurisdiction-specific and legal issues. But conceptually speaking, applying such a solution does serve as a win/win situation for leasing companies and investors alike: companies get to tap a constant flow of cheaper funds (compared with equity/banking lines), while investors get access to yet another investment option. The added bonus is that if crowdfunding is treated as a Mudarabah structure, then it should be Shariah compliant.

Consider the following untapped potential: In a World Bank report from April 2015, the global financial institution cited a statistic that stated that 5% of the world's unbanked population cite religious reasons for their status. In predominantly Muslim countries like Turkey and Uzbekistan, the number jumps to around a quarter of all adults (McSpadden, 2016). Leasing companies need to push regulators to open this funding solution to them. Nick NM Yap, the founder of smart, wireless music system ROCKI, said: "It's now a widely accepted notion that the crowd element of crowdfunding creates more value than the funding aspect. The crowdfunding process of crowd input, engagement and activation creates a secret sauce that lifts the product/project with an X-factor." The leasing industry needs to get onto the crowdfunding wave to sustain its future momentum and sustainability.

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

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Is robo-advisory a threat to Middle Eastern wealth managers?

Financial technology or fintech refers to the use of technology, usually in the form of software applications or digital platforms, to deliver financial services to consumers. An important feature of fintech is its disruptive nature, as it tears down existing business models and creates new and efficient means of providing services to consumers, usually by cutting down processes and middlemen. M R RAGHU MANDAGOLATHUR delves further.

FINANCIAL TECHNOLOGY

By M R Raghu Mandagolathur

Fintech has yet to find its feet in the GCC, despite several digital transformation drives initiated by the regional governments, but is soon expected to overhaul the financial services industry, especially in payment systems, lending, insurance, remittances, and advisory functions. Among these up-and-coming financial technologies, robo-advisory is expected to be a major disruptor, and could potentially upend the investment advisory segment of the financial services industry.

Who are robot advisors?

Robot advisors (automated investment services) are a set of algorithms that are programmed to provide wealth management services without the help of human financial advisors. They are typically low-cost services, require low minimum balance and currently popular among the younger tech-savvy generation. Robot advisors require customers to fill out a set of questionnaires with their goals and appetite for risk. Once that is completed, it makes decisions to construct a portfolio, invest in exchange-traded funds, rebalances and reinvests the gains. Human intervention is required only when the portfolio needs to have new risk-tolerance parameters or the asset allocation should be changed. This new breed of investment advisory services currently has close to US$100 billion of assets under management in the US market which has a total size of close to US$30 trillion.

Suitability of robo-advisory for the Middle East and Islamic finance

The GCC and the wider Middle East market have largely been served by private bankers. According to the BCG's 2015 Global wealth report, private wealth in the Middle East and Africa region increased by more than 7% to surpass US$8 trillion in 2014 and is expected to reach US$13 trillion by 2019. Privacy of wealth is also of paramount importance in the region as a result of which private banking has been the most preferred route for investors in the region. Western private bankers command about 70% of the assets as of June 2015 with regional banks developing their own private banking offerings. A recent survey of high-net-worth individuals by Emirates Investment Bank found that 59% preferred to use a local bank as their main banking partner.

Saudi Arabia and the UAE are expected to be the two major markets with total private wealth of US$2 trillion and US$1 trillion respectively. The wealth of the Middle East and Africa accounts for 5% of global wealth in 2014 which is expected to increase to 6% by 2019. The growth and distribution of private wealth in the Middle East and the GCC region are more suited toward private banking in the region. However, with the GCC region waking up to regulate 'briefcase banking' of foreign funds, it would open up opportunities for local banks, asset managers and online fund distribution. With both local and foreign banks competing against each other for market share, the effective use of technology could help banks and wealth managers to maintain their squeezed margins.

Robo-advisory in its current iteration does not have the capability to service the varied needs of high-net-worth individuals and ultra-high-net-worth individuals (UHNWIs) of the region. These investors typically have complex investment requirements spread over multiple countries which is one of the reasons that private banking is preferred. Challenges include taxation, international regulation (money laundering, know-your-customer norms), estate planning and such which the automated robot advisory services in their current phase are ill-equipped to handle.

While we can certainly rule out the possibility of robot advisors gaining enough knowledge to service UHNWIs and upper-high-net-worth individuals, the lower-high-net-worth individuals and the mass affluent segment can prove to be ideal markets for the technology. Individuals in these segments mostly would have some sort of investment advisory relationship with the regional banks which can be explored and built on. For instance, a local bank tying up with globally recognized robo-advisory services can turn around the rules of the game very quickly in the Middle Eastern market a few years down the line. While the thought of robo-advisory completely taking over one's investments is a remote possibility, it can be mellowed down via a hybrid model. The hybrid model involves automated recommendations which are then supplemented by more personal advice from a finance professional. This segment which balances the best of both worlds is expected to grow to US$16.3 trillion worldwide over the next nine years globally (to the year 2025).

Sukuk have become a popular investment avenue among Islamic investors globally as well as in the region. S&P expects Sukuk issuance to reach US$50-55 billion in 2016. The size of Sukuk market is testament to the popularity of these investments and the complex nature serves as an ideal place for innovation.

Sukuk issuances have shifted from using a single Islamic finance contract to hybrid structures which involve more than one Islamic finance contract. Other innovations in the area of Sukuk include perpetual, retail and insurance-linked issuances. Given the complex nature of Islamic finance, individual investors might not be able to choose their investments effectively – an area where investment automation satisfies the dual requirements of religious compliance as well as ideal asset allocation.

M R Raghu is the managing director of Marmore MENA Intelligence, a research house focused on conducting MENA-specific business, economic and capital market research. Raghu is also the senior vice-president of the research unit at MARKAZ (Kuwait Financial Center). He can be contacted at RMandagolathur@markaz.com.

Suriname and Guyana lead the way for Islamic finance in South America

In this article, the Islamic Corporation for the Development of the Private Sector (ICD) takes a look at Suriname and Guyana, two countries in South America that are pushing ahead with Islamic finance.

SOUTH AMERICA

By ICD

Suriname's foray into Islamic finance

Suriname, a former Dutch colony with a population of roughly 540,000, is a small country located in the northeast of South America. On the economic front, Suriname is heavily reliant on the extractive industries such as gold, oil and bauxite for their fiscal revenues. Due to the country's high dependence on natural resource revenues, the economy has been largely affected by the recent decline in commodity prices and the dampening of domestic demand as a result of fiscal consolidation. Consequently, the government has prioritized economic diversification through broad private sector development in order to reverse Suriname's slowing growth, and this is where Islamic finance has a role to play.

While Islamic finance has aggressively expanded its footprint in its traditional markets of Asia and Africa, South America represents a new frontier. Indeed, Suriname aims to be an Islamic finance hub in a region where Islamic finance has been slow to take root.

Since 1997, Suriname remains the only member country of the IDB Group from the western hemisphere and the Caribbean Community (CARICOM), positioning it to act as the natural link between countries in South America, the Caribbean and the Muslim world. Suriname now shares that status with Guyana, the newest IDB member country from the same region.

In December 2015, the ICD – the private sector arm of the IDB Group – inked a cooperation agreement with Suriname's Trust Bank to offer advisory support and technical assistance during all stages of Trust Bank's integration process into Islamic finance. Indeed, this will make Trust Bank the first fully-fledged Shariah compliant bank not only in Suriname but the whole of the Caribbean and South America. This key milestone will hopefully pave the way for other financial institutions in the country to consider jumping onto the Islamic finance bandwagon. In the long run, it could also encourage Shariah compliant investors to do business in the country.

Trust Bank's bright potential in contributing to the economic development and wellbeing of Suriname through efficient, Shariah compliant means will benefit the country's SME sector tremendously, where the major challenge is the lack of financing options available to local SMEs. As the asset-backed finance and risk-sharing nature of Islamic financial products aim to promote social and economic development through encouraging entrepreneurship, this bodes well for Suriname's future.

Meanwhile, the IDB and Malaysia recently partnered to spur the development and export of the agricultural sector in Suriname. The reverse-linking project is a tripartite cooperation (financing) between the IDB, the Malaysian government and the Surinamese government to enable Suriname to achieve self-sufficiency in rice production and increase its export of high-quality rice. Additionally, as part of the country's multiyear development program, multiple government and private sector projects have been earmarked to benefit from further investment capital from the IDB Group. To date, Suriname has received financing from the IDB worth a combined US$149 million for 18 projects.

Guyana becomes newest member of the IDB; opening its doors to Islamic finance
The third-smallest country on mainland South America, Guyana has a population of roughly 800,000, with about 10% of the population being Muslim. Like Suriname, Guyana too, is well-endowed with natural resources, and generates a large share of its economic activity from the extractive sectors. In March 2016, Guyana became the second CARICOM member and the 57th member of the IDB.

Historically, Guyana had been dependent on bilateral support from China, India, the Inter-American Development Bank and the Caribbean Development Bank. By gaining IDB membership, Guyana will now have access to the US$2 trillion global Islamic finance market which represents an appealing alternative to traditional financing sources. Indeed, Islamic finance will greatly assist in financing the government's development agenda and attract liquidity from both Islamic and conventional investors in local and international markets.

After years of social and economic progress, South America is currently facing challenging times where numerous countries are suffering the economic repercussions of the substantial decline in commodity prices. Access to traditional sources of liquidity is proving harder to come by, requiring a financing strategy that steps outside the boundaries of what is conventional in the region.

The introduction of Islamic finance will likely expand the sources of capital available to South America, which is crucial given its numerous economic and development challenges. With its strong resource mobilization potential, especially for infrastructure development and project financing, Islamic finance can help catalyze long-term sustainable economic development in a region with significant untapped opportunities. As Suriname and Guyana lead the way for Islamic finance in South America, key issues which need to be confronted in order for the industry to flourish are: a) developing an ecosystem to build confidence in the system, and (b) the widening knowledge and awareness gaps in Islamic finance.

Islamic finance brings with it opportunities to create financial inclusiveness in a country through much-needed private sector initiatives such as SME financing and equity participation SME funds. Typically, SMEs make up more than half of any economy and SME funding programs have been seen to accelerate both the economic and developmental impact in any country. Both equity and financing programs have been successfully tested in other member countries and can be made available to Suriname and Guyana to suit local requirements.

Malaysia takes the lead in setting best practices in the Takaful industry with pioneering framework

The global financial crisis and the subsequent period of financial instability, presented a set of challenges to regulators and policymakers. Countries looked to deposit insurers and insurance guarantee schemes to restore market confidence and avoid financial contagion via runs on financial institutions. In that respect, MOHD IZAZEE ISMAIL brings us a detailed look at a first-in-the-world framework by Malaysia's deposit insurer designed to foster a sustainable and resilient Takaful industry with the aim of promoting financial stability.

TAKAFUL

By Mohd Izazee Ismail

Post-crisis, financial safety net players, including the Malaysia Deposit Insurance Corporation (MDIC), have taken steps to put in place robust measures to address the evolving financial landscape and better protect the interests of financial consumers.

Overview

In April 2016, the MDIC completed the differential levy systems framework for Takaful operators (DLST), a framework which provides incentives for sound risk management and levels the playing field between Takaful operators and insurance companies. Implemented this year, it also has the distinction of being the first differential levy system in the world for Takaful operators.

This follows the transition of the MDIC, whose key mandate is to promote financial stability, from the flat-rate levy system to a differential levy system framework (DLS framework) for insurance companies in 2013. The DLS framework was not applicable to Takaful operators and the MDIC continued to work on developing a suitable framework for Takaful operators, with an implementation date in 2016.

Impetus for the implementation of a DLST framework

The growth of the Takaful industry and its increasing contribution to the financial sector emphasized the importance of implementing a suitable DLS framework for the 11 Takaful operators in the Malaysian Takaful sector. The industry has made significant strides in terms of business growth, maturity of operations and consumer awareness of Takaful and associated products.

In terms of the regulatory environment, international best practice stresses the importance of a robust regulatory and supervisory regime when implementing deposit insurance systems and DLS frameworks. Therefore, the role of Malaysia's central bank, Bank Negara Malaysia (BNM), has been critical in setting strong prudential standards and providing effective supervision to facilitate the implementation of the DLST framework. Moreover, BNM has been a leader in implementing regulation for Takaful operators, including the Risk-Based Capital Framework for Takaful Operators (RBCT).

Accordingly, the implementation of RBCT in 2014 provided vital data for the DLST framework's Free Capital Index (FCI), a capital measure, which is a fundamental aspect of the DLST framework methodology. This timely combination of a growing Takaful sector and robust regulatory regime provided the right conditions to implement the DLST framework.

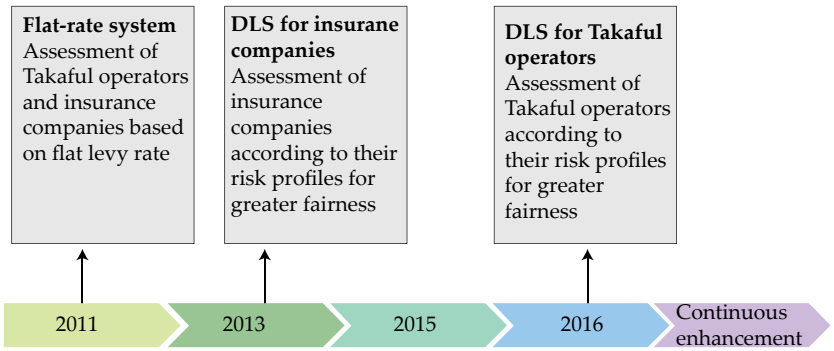
The framework adopted by the DLST has a strong track record since 2008, when it was implemented by the MDIC for deposit-taking members and tested further in 2013 with the implementation of the DLS framework for insurance companies.

The implementation of the DLST framework is important to ensure a level playing field among Takaful operators and insurance companies, in terms of providing meaningful financial incentives for sound risk management. Well-managed Takaful operators now have the same opportunities to benefit from a lower levy rate as with well-managed insurance companies.

In addition, the DLST framework is a world's first, with no other jurisdiction applying a differential levy system for Takaful operators. The implementation of the DLST framework demonstrates Malaysia's leadership position in promoting best practices in the Takaful industry.

Diagram 1: Takaful and Insurance Benefits Protection System (TIPS)

- Financial consumer protection system for Takaful and insurance policy owner established on 31st December 2010
- Protects Takaful and insurance benefits in the event of failure of a Takaful operator or insurance company
- Funded by levies paid by Takaful operators and insurance companies



Source: MDIC

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Utilizing quantitative and qualitative measures to assess Takaful operators' risk profiles

Turning to the operational aspects of the framework, DLST incorporates both the quantitative and qualitative approaches with a 60% weightage assigned to quantitative measures while the remaining 40% is carried by qualitative measures. The rationale for the heavier weightage on quantitative measures is to ensure that the framework is objective, transparent and forward looking.

The quantitative criteria includes the FCI, a capital measure to assess capital management, and operational and sustainability measures to assess business performance and operational efficiency. Thus, a two-dimensional matrix approach is used with one of the dimensions being the FCI and the other composed of the operational and sustainability measures. The combined scores of the two-dimensions determine the position of a Takaful operator in the quantitative criteria matrix. The position of the Takaful operator in the matrix would determine the quantitative criteria score of the DLST, which carries a maximum score of 60%. The remaining 40% qualitative score consists of a supervisory rating which holds a maximum score of 35% and 5% for other information.

In the DLST framework, the primary component of the quantitative measurements is the FCI. Capital is important because it provides a crucial cushion against adverse changes in a Takaful operator's earnings and asset quality. Moreover, a well-capitalized Takaful operator is in a better position to carry out its fiduciary duties to Takaful participants including covering the expenses of managing the Takaful business and providing an interest-free loan (Qard) if there is a deficit in the Takaful business.

In terms of the operational and sustainability measures, the objective is to comprehensively assess the ability of the Takaful operators to generate and sustain the income needed to meet their contractual obligations to Takaful participants while maintaining sound underwriting and investment practices.

The operational and sustainability measures include business growth, investment yield, business diversification and business concentration, among others. So as to capture the differences between Family Takaful and General Takaful, the framework adopts specific measures to assess the General Takaful business and Family Takaful business.

Moving on to the qualitative criteria, the purpose is to provide important information on current and future risk profiles of the Takaful operators. The qualitative criteria gives a greater weightage of 35% to the supervisory rating as assessed by BNM, due to the direct supervisory relationship between BNM and the Takaful operators. The supervisory rating captures first-hand information about the Takaful operators by BNM which supervises and monitors the Takaful operators' risk profiles, operational management and their risk management control functions.

The remaining 5% score within the qualitative criteria incorporates other information not considered by the quantitative and qualitative criteria as described previously. This other qualitative criteria would assess the Takaful operators based on their compliance with regulations, guidelines and any other regulatory requirements which may include supervisory concerns and intervention actions. This factor aims to capture any issues that may have a significant impact on the financial performance and/or reputation of the Takaful operators.

The DLST framework scoring methodology uses a matrix approach, whereby the sum of the respective scores from the quantitative and qualitative measures will determine the overall DLST score, ultimately translating into the levy category and levy payable by a Takaful operator. Each levy category carries a prescribed levy rate and minimum levy amount for the purpose of computing the levy payable to the MDIC for the respective assessment year.

As seen in Table 1, Takaful operators will be classified into four categories based on their DLST score, with Category 1 being the best, representing the lowest risk category and Category 4 being the highest risk category. The levy rates are designed using a double-up approach from each category to provide an incentive for Takaful operators to improve their overall risk profiles.

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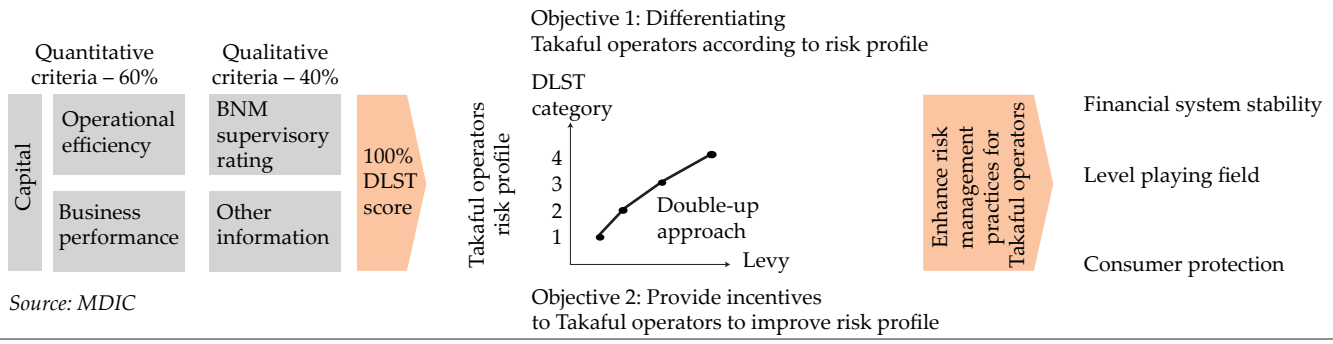
To read the rest of this article, please log on to www.islamicfinancenews.com

Diagram 2: Differential levy systems for Takaful operators



Source: MDIC

DEALS

Indonesia auctions sovereign Sukuk

INDONESIA: The government of Indonesia conducted a sovereign Sukuk auction (SPN-S 01122016 and four other project-based Sukuk series) on the 14th June to raise a targeted IDR4 trillion (US$298.4 million) to finance the 2016 State Budget, according to an announcement by the Ministry of Finance.

Maybank Indonesia's Sukuk Mudarabah oversubscribed

INDONESIA: Maybank Indonesia's IDR700 billion (US$52.22 million) three-year senior Sukuk Mudarabah facility has been oversubscribed two-fold, according to Republika.co.id. The rate of return on the Sukuk is fixed at 8.25% annually, with proceeds to be used to finance the expansion of its Shariah banking unit. The facility, said to be the largest offering by a local bank, forms part of its Shariah senior debt program I of up to IDR1 trillion (US$74.6 million) and was issued on the 10th June 2016 and listed on the Jakarta Stock Exchange on the 13th June.

Iran's Islamic treasury bills in the works

IRAN: The government of Iran is finalizing the issuance of IRR10 trillion (US$331.46 million)-worth of Islamic treasury bills, with the papers as well as the issued Sukuk Ijarah being guaranteed by the incumbent administration, reported Tehran Times quoting Fara Bourse's managing director Amir Hamooni. It was also reported that the Republic's over-the-counter (OTC) market has attracted IRR2 trillion (US$66.29 million) in foreign investments so far in the current Iranian calendar year. The OTC market has witnessed a rush of foreign applicants buying Islamic treasury bills and is ready to facilitate foreign presence and activities in the domestic debt market.

Mahan Air plans its largest Sukuk

IRAN: Mahan Air is planning to sell IRR5 trillion (US$165.73 million)-worth of Sukuk Ijarah in the coming months as the carrier is looking to purchase two new aircraft, SENA reported. However, the yield for the upcoming Sukuk, said to be the carrier's largest corporate Sukuk offering so far, has yet to be announced. Mahan Air recently floated a IRR2.1 trillion (US$69.6 million) Sukuk Ijarah facility which was sold out on the first day, demonstrating a high investor demand for corporate Sukuk.

Saudi housing ministry plans Sukuk

SAUDI ARABIA: The Ministry of Housing is considering issuing Sukuk at the end of 2017 to help fund the Kingdom's Real Estate Development Fund, said Housing Minister Majed Al Hogail, as reported by Bloomberg. Majed, however, added that there are no plans to issue Sukuk this year.

LPPSA to issue maiden Sukuk

MALAYSIA: The Public Sector Home Financing Board (LPPSA) has unveiled its maiden RM25 billion (US$6.12 billion) Sukuk/bond programs, comprising an Islamic commercial paper/Islamic medium-term note program and a conventional commercial paper/medium-term note program with the first issuance expected in July and around RM7-10 billion (US$1.71-2.45 billion) to be issued this year, an arranger confirmed with IFN. Backed by the government, the three-year programs will be issued over several tranches to finance the provision of housing loans to civil servants.

AmInvestment, CIMB Bank, Maybank Investment and RHB Bank have been mandated as joint lead arrangers for the program while Affin Hwang Investment Bank, Bank Islam and OCBC Bank Malaysia will jointly manage the transaction.

Malaysia's GII Murabahah oversubscribed

MALAYSIA: Malaysia's RM3.5 billion (US$864.79 million) GII Murabahah issuance was oversubscribed 2.3 times after receiving total incoming bids of RM8.08 billion (US$2 billion), according to a filing with Bank Negara Malaysia. The three-month sovereign issuance has a profit rate of 4.07%.

Almarai looks to Sukuk to fund investments

SAUDI ARABIA: Almarai Company's board of directors has approved its five-year plan for the 2017-21 period which will see its investment programs being financed through Sukuk, bank financing, the Saudi Industrial Development Fund, the Agricultural Development Fund and Almarai's operating cash flow. The company estimates capital investment during this period to reach SAR14.5 billion (US$3.86 billion), according to a bourse filing.

Turkiye Finans to issue Sukuk

TURKEY: Turkey Finans has received approval to issue a tranche of its TRY1.5 billion (US$510.82 million) Sukuk program, according to a bourse filing. The privately-placed TRY125 million (US$42.57 million) offering will carry a 179-day tenor.

DEAL TRACKER Full Deal Tracker on page 29

EXPECTEDDATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENT DATE
TBA	Turkiye Finans	TRY125 million	Sukuk	13th June 2016
Jul-16	Public Sector Home Financing Board	RM25 billion	Sukuk/Bonds	13th June 2016
TBA	Almarai Company	TBA	Sukuk	10th June 2016
By the end of 2017	Ministry of Housing Saudi Arabia	TBA	Sukuk	9th June 2016
TBA	Mahan Air	IRR5 trillion	Sukuk Ijarah	8th June 2016

AFRICA

Al Salam Bank now in Seychelles

SEYCHELLES: BMI Offshore Bank Seychelles has been fully acquired by Al Salam Bank-Bahrain (ASBB) and Seychelles Pension Fund and has been rebranded as Al Salam Bank-Seychelles. ASBB confirmed in a statement that the new Shariah compliant entity has resumed regular operations in Victoria, Seychelles and will commence business as an offshore financial institution initially with a view of expanding into the domestic banking sector targeting various market segments and supporting local and regional SMEs and corporates. Using Seychelles as a launchpad to other regional markets, ASBB intends to use its new unit to bridge the gap between the GCC and nations of the Indian Ocean Rim.

AMERICAS

GFH to acquire US properties

US: GFH Financial Group will acquire a portfolio of distribution, warehousing and industrial real estate in the Midwest of the US for approximately US$65 million. The Shariah compliant group said in a statement that the new acquisition is expected to provide an average annual cash yield of over 8.5% and an internal rate of return of 10% for itself and its clients. The latest purchase is GFH's third in the US following the purchase of about 30 buildings in seven states and the acquisition of three multifamily properties in Texas and Georgia over the last 18 months.

ASIA

Bank Syariah Bukopin to go into home financing

INDONESIA: Bank Syariah Bukopin (BSB) plans to grow its consumer finance segment by as much as 20% this year by expanding its business into home financing, Kontan.co.id reported.

Bank Danamon Syariah targets 20-25% growth

INDONESIA: Bank Danamon Syariah is targeting around 20-25% growth in financing this year, with the bulk of it coming from the manufacturing and construction sectors, Kontan.co.id reported.

OJK revises rules on state debentures

INDONESIA: In a response to the interest shown by non-bank financial institutions in investing in state debentures, Otoritas Jasa Keuangan (OJK) has relaxed the rules allowing institutions to invest in state-owned enterprises' bonds and Sukuk, according to Kontan.co.id. In the newly released revised POJK Nomor 1/POJK.05/2015 regarding investment securities for financial services institutions, institutions are allowed to hold bonds or Sukuk issued by state and regional-owned enterprises up to 50% from the minimum limit, among others. However, the rules are still in a public test phase.

Danamon Syariah launches new Ijarah product

INDONESIA: Bank Danamon Syariah has launched its new Ijarah Muntahiya Bil Tamleek (IMBT) compliant financial lease in an effort to grow around 20-30% this year, The Jakarta Post reported. The bank's director, Herry Hykmanto, was quoted as saying that the bank targets to disburse up to IDR500 trillion (US$37.75 billion) by early 2017 for the IMBT facility. He added that the financial service was designed for businesses, including those related to infrastructure projects.

MBSB revises proceeds from rights issue

MALAYSIA: Malaysia Building Society (MBSB), which plans to convert into a fully-fledged Shariah compliant financial institution, will raise approximately RM1.71 billion (US$418.4 million) from its rights issue, approximately 14.5% lower from the RM2 billion (US$489.36 million) it had initially intended to raise, according to a bourse filing. MBSB fixed the price for the new shares at RM1 (24.47 US cents) each, with the entitlement of one rights share for each existing MBSB share held.

Islamic Banking Kashmir conducts statewide survey

INDIA: Islamic Banking Kashmir, the recently established awareness, research and advocacy group in India's northern state of Jammu and Kashmir, has launched its survey campaign in all 22 districts of the state. According to greaterkashmir.com, the objective of the survey is to prove the potential of Islamic banking in Jammu and Kashmir while also highlighting the need to amend laws accordingly and allow such an option for the people of the states. The data from the survey will be incorporated into a comprehensive report and will be sent to the Reserve Bank of India and the Ministry of Finance, as well as to the media.

IBank to support businesses

THAILAND: The Islamic Bank of Thailand (IBank) is one of three banks (the other two being Government Savings Bank and Krung Thai Bank) which will be approached by Deputy Prime Minister Somkhid Jatusriphitak to provide benefits and opportunities for new businesses in the southern border provinces where economic plans have yet to be executed, according to the National News Bureau of Thailand.

Bank Muamalat looks to infrastructure financing

INDONESIA: Bank Muamalat is targeting to reach IDR2 trillion (US$149.6 million) in infrastructure project financing in 2016, according to Indra Sugiarto, the bank's director of corporate business, as reported by Kontan.co.id. The target is expected to help expand the bank's corporate credit business by 10% this year. Indra added that the infrastructure projects include toll roads and power plant projects.

EUROPE

Al Rayan Bank launches mobile-friendly website

UK: Al Rayan Bank (UK) has launched a new, mobile-friendly website for professional mortgage intermediaries, according to a press release. The website provides information and support that intermediaries need to help them advise on Al Rayan Bank's range of ethical and Shariah compliant mortgage alternatives. The bank hopes to help raise awareness of Islamic home finance among the general mortgage intermediary market to help advisors to better service the needs of the UK Muslim market while seeking to expand its volume of retail assets it services through the intermediary market which currently account for 16% of its retail assets sales, less than half of the amount that come via the Islamic bank's direct channel or branch and agency network.

Stella Cox awarded one of UK's highest royal honors

UK: Stella Cox, the managing director of DDCAP Group and a highly respected practitioner within the Islamic finance marketplace for over 30 years, was among 11 tax officials from HM Revenue & Customs to top the Queen's Birthday Honors List for her 90th birthday celebrations.

A champion of Islamic finance, Cox was awarded the honor of Commander of the Order of the British Empire (CBE) for her services to the economy. Cox was previously a member of HM Treasury's Islamic finance experts group and is currently a member of the University of East London's Islamic finance and banking advisory board.

GLOBAL

ITFC to open Dubai branch

GLOBAL: The International Islamic Trade Finance Corporation (ITFC) will be opening a branch in Dubai in 2016 to serve as a gateway to Africa, Reuters reported quoting Hani Salem Sonbol, CEO of the ITFC, who added that it will also distribute more staff to its current offices in Jakarta, Dakar and Istanbul. These measures are part of its plan to strengthen its global network of offices in an effort to increase the use of Shariah compliant banking in merchandise trade.

BoK to acquire Canar

GLOBAL: Bank of Khartoum (BoK), an Islamic bank based in Sudan, has signed definitive documentation with the UAE-based Etisalat Group for the purchase of Etisalat's 92.3% stake in Canar Telecommunication Company (Canar) for a total cash consideration of AED349.6 million (US$95.18 million), implying a price per share of AED17.5 (US$4.76). According to a statement, BoK, which currently has a 3.7% shareholding in Canar, has exercised its Right of First Refusal with regards to the sale by Etisalat Group of its shareholding in Canar to Sudanese Mobile Telephone (Zain) Company.

MIDDLE EAST

New bill to boost banks' capital

IRAN: The government of Iran is formulating plans to help fix the credit crunch besetting the economy and raise the capital of banks, according to the Financial Tribune. Citing the shortage of capital and the high level of non-performing loans as two major challenges hindering the performance of banks, Minister of Economy and Finance Ali Tayebnia was quoted as saying that a new bill to boost banks' capital will soon be presented to the parliament. Ali also hinted at shedding the excessive assets of banks as another plan designed to raise capital.

DBG sells Shuaa stake to ADFG

UAE: Dubai Banking Group (DBG), a subsidiary of Dubai Group, will sell 48.36% of its stake in Shuaa Capital to Abu Dhabi Financial Group (ADFG), according to a press release. Fadel Al Ali, the chairman of Dubai Group, said that the sale of DBG's stake in Shuaa Capital is in line with Dubai Group's restructuring agreement. The completion of the sale is subject to regulatory approvals.

Pegasus Agriculture secures Shariah compliance

UAE: International hydroponic expert Pegasus Agriculture has secured a certificate from the Shariah Supervisory Board stating that its Hydroponic Investment Product is now officially Shariah compliant, according to a statement. Pegasus Agriculture is the owner and operator of hydroponic farming facilities in the MENA region and is headquartered in Dubai.

Bank Dhofar and Bank Sohar agree on share swap

OMAN: Bank Dhofar and Bank Sohar have reached an agreement pertaining to its proposed merger, according to a bourse filing. The agreement states that, should the merger come to fruition, every one share of Bank Dhofar will be exchanged for 1.29 shares of Bank Sohar. All other terms and conditions of the proposed merger will be agreed upon and documented in a merger agreement to be entered into by both banks, subject to regulatory and shareholder approvals. Bank Dhofar operates Maisarah Islamic Banking Services while Bank Sohar runs Sohar Islamic.

CMA adopts amended funds regulations

SAUDI ARABIA: The Capital Market Authority (CMA)'s board has issued a resolution on the adoption of the amended Investment Funds Regulations, according to a statement. Aiming to regulate the establishment, registration, offering and management of investment funds and associated activities in the Kingdom, the amended regulations will be published and become effective from the 11th June 2016.

Emirates Airline repays bonds and Sukuk

UAE: Emirates Airline will have repaid six bonds and Sukuk in full over the course of the last five years by the end of June 2016, totaling US$2.84 billion, according to a statement. The airline said that it has repaid a bullet bond in full for the value of US$1 billion on its maturity on the 8th June, and will be making a repayment on a bond totaling SG$150 million (US$111.06 million) later this month.

World Bank slashes the UAE's growth forecast to 2%

UAE: The World Bank has slashed the UAE's growth forecast to 2% this year due to the lower oil prices and cuts in the government's spending, according to its latest Global Economic Prospects report. In comparison, the country's GDP for 2015 was estimated at 3.4%, according to the bank.

Al Yusr expands

OMAN: Al Yusr Islamic Banking, the Shariah compliant window of Oman Arab Bank, has opened its first dedicated branch in the Al Buraimi governorate, according to Times of Oman. The bank now has seven branches in the Sultanate including those in Muscat, Al Buraimi, Sohar, Ibra, Nizwa and Salalah.

The UAE readies global Islamic finance framework

UAE: The UAE's Ministerial Development Council is preparing an international Islamic finance framework as part of its global Islamic economy ambition, according to the country's official news agency, Emirates News Agency. The proposal includes establishing standards for Shariah compliant financial transactions under a global regulatory mechanism.

Inovest and VKL Holdings collaborate

BAHRAIN: Shariah compliant Inovest, the founder and project manager of the BIW Labour Accommodation Project, has inked several agreements with VKL Holdings for the completion of its labor accommodation development within Bahrain Investment Wharf, according to a statement. Under the agreements, BIW Labour Accommodation Company has appointed Al Namal Contracting Co (a subsidiary of VKL Holdings) to complete the construction works on the remaining nine buildings within the first compound which are expected to be completed by October 2016.

VKL Holdings also signed another agreement with BIW Labour Accommodation Company to invest in developing the second BIW Labour Accommodation Compound for an expected investment value of US$70 million. The completion of the BIW Labour Accommodation Project is earmarked at a total value of US$140 million.

Mohammed Al Barwani lists shares

OMAN: The shares of Mohammed Al Barwani Sukuk Issue Co worth OMR500,000 (US$1.29 million) (divided into 500,000 at OMR1 (US$2.59) per share) have been listed on the Muscat Securities Market's Third Market following regulatory approval, according to a bourse filing.

QIB launches special auto financings

QATAR: Qatar Islamic Bank (QIB) has partnered with automotive dealers across the country to offer special Islamic financing packages for the purchase of new and used vehicles during Ramadan, according to a press release. QIB customers will benefit from instant approval and competitive profit rates, with a grace period of up to six months for Qataris and up to three months for expats. Customers will also be eligible to receive a free QIB-Qatar Airways co-brand credit card for the first year, attractive Takaful rates, comprehensive auto Takaful of up to three years and extended car warranty.

Al Madina to amend company statute

KUWAIT: Al Madina for Finance & Investment, a Shariah compliant investment company based in Kuwait, will be holding an extraordinary general assembly meeting on the 26th June, where amendments to the company's statute will be approved, including allowing the company to buy and sell its treasury stock equal to 10% of the company's shares issued at market value, according to a statement released on the website of the Dubai Financial Market. Al Madina is listed on both the Kuwait Stock Exchange and the Dubai Financial Market.

NBF's bad loan spike "manageable"

UAE: National Bank of Fujairah (NBF), which operates NBF Islamic, saw a spike in bad loans and provision in the first quarter of this year owing to problems linked to the SMEs from the last quarter of 2014, reported Gulf News quoting Vince Cook, CEO of NBF, who added that the situation looks "manageable" and the bank expects to see a gradual normalization of non-performing loans (NPLs) over the next two to three quarters.

RESULTS

Bank Muamalat

MALAYSIA: Bank Muamalat has released its audited report for the year ended the 31st March 2016 with its profit before Zakat and taxation rising by 36.9% from RM122 million (US$29.83 million) to RM167.2 million (US$40.89 million). Annual revenue grew by 12.9% to a value of RM1.21 billion (US$295.7 million) and total net income increased by 2.5% to RM533 million (US$130.26 million). The bank also managed to reduce overheads by 8.5% to RM345.1 million (US$84.34 million) compared with RM377.2 million (US$92.19 million) the year before. Growth has been attributed to higher financing income and higher income from securities; however, these were offset by higher allowances for impairment on financing and investment and also higher income attributable to depositors.

Faisal Islamic Bank

EGYPT: Faisal Islamic Bank registered a 3.7% year-on-year growth in its volume of businesses amounting to EGP57.87 billion (US$6.5 billion) as at the end of May 2016, according to Amwal Al Ghad. Total assets also rose 4.2% from EGP54.58 billion (US$6.13 billion) to EGP56.89 billion (US$6.39 billion) between May 2015 and May 2016. The same period also saw a growth in current and savings accounts by 3.6% to EGP50.54 billion (US$5.68 billion).

Zitouna Takaful

TUNISIA: For the full year of 2015, Zitouna Takaful posted a net profit of TND1.05 million (US$491,658) against a loss of TND2.76 million (US$1.29 million) in 2014, according to ilboursa.com. The Takaful operator's turnover for the reported period rose 42% to TND28 million (US$13.11 million) with Family Takaful representing 21% of the overall turnover.

TAKAFUL

New requirement for Pakistani Takaful operators

PAKISTAN: The Securities and Exchange Commission of Pakistan (SECP) has issued a circular drawing attention to clauses 8.1, 8.2 and 11.1 of the Directive Life Insurance and Family Takaful Illustrations, 2016, whereby life insurers and Family Takaful operators are now required to present inflation-adjusted growth rate scenarios, in addition to the three growth rate scenarios under their illustration report for the maturity year only. According to a statement, the three nominal growth rate scenarios of 6%, 8% and 10% for the year 2016 will remain applicable throughout the remaining part of 2016 whereas in respect of inflation-adjusted growth rate scenarios, the commission has decided the rates to be 3%, 4% and 5% for 2016 and onwards.

Takaful companies capture 7.6% of total compensations

EGYPT: Takaful companies in Egypt represented 7.6% or around EGP199.8 million (US$22.43 million) of the total insurance compensations of EGP2.6 billion (US$291.83 million) paid during the first quarter of 2016, according to Amwal Al Ghad, based on a report by the Egyptian Financial Supervisory Authority.

RATINGS

Al Dzahab's Sukuk assigned final ratings

MALAYSIA: RAM has assigned final ratings of 'AAA/Stable' and 'AA3/Stable' to Al Dzahab Assets's RM95 million (US$23.23 million) Class A Sukuk and RM25 million (US$6.11 million) Class B Sukuk respectively. According to a statement, the Sukuk facilities are the first issuances under Al Dzahab's RM900 million (US$220.08 million) Sukuk Murabahah asset-backed securitization program and will be collateralized by personal financing facilities originated by RCE Marketing.

Gulf Investment affirmed at 'A-' by Fitch

GLOBAL: Fitch has affirmed Kuwait-based Gulf Investment Corporation (GIC)'s long-term issuer default rating (IDR) at 'A-' with a stable outlook and its short-term IDR at 'F1', according to a statement. At the same time, the rating agency also affirmed GIC's viability rating at 'bb' and support rating at '1'.

Turkey's global Sukuk assigned 'BBB-' by Fitch

TURKEY: Fitch has assigned a 'BBB-' rating on Hazine Mustesarligi Varlik Kiralama Anonim Sirketi (Hazine)'s US$1 billion global Sukuk due in June 2021, according to a statement. The Sukuk facility has a profit rate of 4.25% and the rating is in line with Turkey's long-term foreign currency issuer default rating of 'BBB-' which has a stable outlook.

Al Meezan's rating revised

PAKISTAN: JCR-VIS Credit Rating Company (JCR-VIS) has assigned the revised rating of 'AM2++' with a stable outlook on Al Meezan Investment Management (Al Meezan), according to a statement. The rating revision was done by JCR-VIS to harmonize its notations for the Management Quality Rating scale.

Saudi Investment Bank's ratings lowered

SAUDI ARABIA: Capital Intelligence has lowered the financial strength rating of Saudi Investment Bank to 'BBB+' from 'A-' due to the deterioration in both asset quality and liquidity, according to a statement. The rating is constrained by declining profitability at several levels and by the high dividend payout ratio, which impedes capital growth. The rating agency also lowered the bank's long-term foreign currency rating (FCR) to 'A-' from 'A', while the short-term FCR was lowered to 'A3' from 'A2'. The outlook for all ratings remains stable.

Fitch affirms Ivory Coast at 'B+'

IVORY COAST: Ivory Coast's long-term foreign and local currency issuer default ratings of 'B+' have been affirmed with a stable outlook by Fitch, according to a statement. The rating agency also affirmed the country's senior unsecured foreign currency bonds at 'B+' with its country ceiling at 'BBB-' whereas the short-term foreign currency IDR has been affirmed at 'B'.

Fitch affirms the UK at 'AA+'

UK: The UK's long-term foreign and local currency issuer default ratings (IDR) have been affirmed at 'AA+' with a stable outlook by Fitch together with its senior unsecured foreign and local currency bonds, according to a statement. The UK's country ceiling and its short-term foreign currency IDR have been affirmed at 'AAA' and 'F1+' respectively. Fitch said the ratings benefit from the country's high-income, diversified and flexible economy and are also supported by its credible macroeconomic policy framework and the pound's international reserve currency status.

Bahrain's 'BB/B' ratings affirmed

BAHRAIN: S&P has affirmed the long and short-term foreign and local currency sovereign credit ratings of 'BB/B' on Bahrain and the long and short-term foreign and local currency issuer credit ratings of 'BB/B' on the Central Bank of Bahrain with a stable outlook, according to a statement.

MARC withdraws MMM's BaIDS rating

MALAYSIA: MARC has withdrawn its rating of 'DID' on Malaysian Merchant Marine (MMM)'s RM120 million (US$29.35 million) Bai Bithaman Ajil Islamic debt securities following the cancellation of the program on the 10th June, according to a press release. The rating was downgraded to 'DID' on the 2nd April 2010 following MMM's failure to meet an accelerated repayment of the program.

RAM reaffirms Turkey's global-scale rating

TURKEY: In a press release, RAM has reaffirmed Turkey's global-scale rating of 'gBBB3(pi)/Stable' which reflects the country's consistent fiscal surpluses, well-established institutions and moderate levels of government debt at 32.9% of GDP in 2015. However, these rating drivers continue to be offset by the country's still-precarious external position. Concurrently, the outlook on Turkey's ASEAN-scale and Malaysia national-scale ratings have been revised to negative from stable to reflect RAM's concerns on growth relative to its peers on these two rating scales, while respectively reaffirming the 'seaA1(pi)' and 'A1(pi)' ratings.

MOVES

Emirates REIT Management

UAE: Emirates REIT Management, the REIT manager of Shariah compliant Emirates REIT, has announced the appointment of **Abdul Wahab Al Halabi** as its acting CFO replacing **James Anderson**, effective immediately. Abdul Wahab, who joined the group as the group chief investment officer, will assume the position until a permanent replacement is recruited, according to a bourse filing.

Mashreq

UAE: Mashreq, which offers Shariah compliant solutions, has announced that its head of asset management and CEO of Mashreq Capital, **Abdul Kadir Hussain**, has resigned from the group for personal reasons, and will be replaced by **Aamir Peracha**, currently the managing director and head of equities and derivatives at Mashreq.

Central Bank of the Republic of Turkey

TURKEY: Halkbank has announced the resignation of its deputy general manager **Murat Uysal**, who will be assuming the position of deputy governor at the Central Bank of the Republic of Turkey, according to a statement released on the website of the Capital Markets Board of Turkey.

Bank Melli Iran

IRAN: Bank Melli Iran has appointed **Mohammadreza Hosseinzadeh** as its new CEO, replacing **Abdolnaser Hemmati** who has been appointed to lead the Central Insurance of Iran, according to the Financial Tribune.

Bank Muscat

GLOBAL: Bank Muscat, which also operates Islamic window Meethaq, has appointed **Najah Al Sulaiman** as CEO of the Kuwait branch, according to Kuwait Times. Najah joined the bank's Kuwait branch in 2014 as the head of corporate banking.

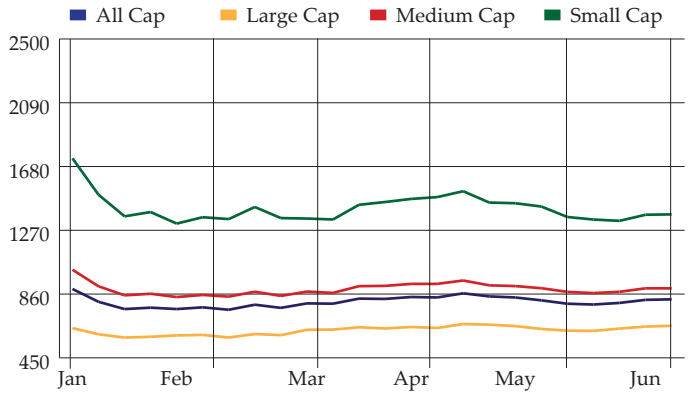
Bank Sohar

OMAN: Bank Sohar, which runs Islamic window Sohar Islamic, has appointed **Sasi Kumar** as its acting CEO effective the 29th June, following the resignation of **Rashad Ali Al Musafir**, according to a bourse filing. Sasi is currently the bank's general manager.

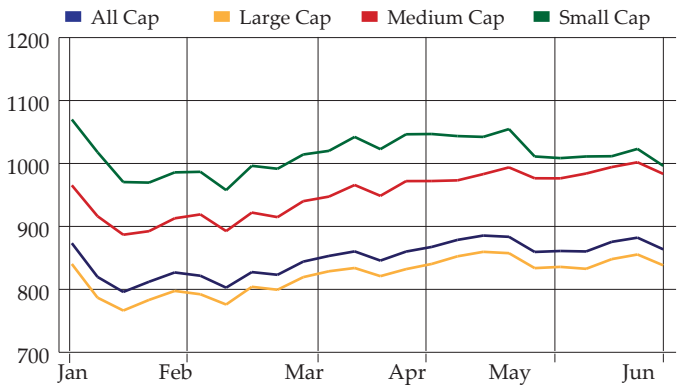
Expected date	Company's name	Size	Structure	Announcement Date
TBA	Turkiye Finans	TRY125 million	Sukuk	13th June 2016
Jul-16	Public Sector Home Financing Board	RM25 billion	Sukuk/Bonds	13th June 2016
TBA	Almarai Company	TBA	Sukuk	10th June 2016
By the end of 2017	Ministry of Housing Saudi Arabia	TBA	Sukuk	9th June 2016
TBA	Mahan Air	IRR5 trillion	Sukuk Ijarah	8th June 2016
TBA	Government of Pakistan	PKR79.1 billion	Sukuk	7th June 2016
TBA	The Philippines	TBA	Sukuk	6th June 2016
Jun-16	Pengurusan Air SPV	RM1.4 billion	Sukuk	3rd June 2016
TBA	Ekovest	RM3.64 billion	Sukuk Wakalah	2nd June 2016
TBA	GFH Financial Group	US$150 million	Sukuk	2nd June 2016
July 2016	MB Holding Co	US$150 million	Sukuk	31st May 2016
TBA	Government of Sri Lanka	US$1 billion	Sukuk	27th May 2016
TBA	Saudi Aramco	TBA	Sukuk	26th May 2016
TBA	Al-Tajamaout for Touristic Projects	JOD45 million	Sukuk Ijarah	24th May 2016
Third quarter of 2016	Government of Nigeria	TBA	Sukuk	23rd May 2016
TBA	Societe Generale	RM1 billion	Sukuk	23rd May 2016
TBA	Bank Muamalat Malaysia	RM1 billion	Sukuk Murabahah	23rd May 2016
TBA	Bank Rakyat Malaysia	RM5 billion	Sukuk Murabahah	20th May 2016
TBA	Government of Germany	TBA	Sukuk	18th May 2016
Second quarter of 2016	Bank Albilad	SAR1-2 billion	Sukuk	17th May 2016
TBA	Saudi International Petrochemical Company	SAR1.8 billion	Sukuk	16th May 2016
TBA	Aktif Bank	TRY100 million	Sukuk	9th May 2016
By 2017	Republic of Maldives	TBA	Sukuk	29th April 2016
Third quarter of 2016	Saudia	up to SAR5 billion	Sukuk	26th April 2016
TBA	Neelum Jhelum Hydropower Company	PKR100 billion	Sukuk	25th April 2016
By 2017	BRI Syariah	TBA	Sukuk	21st April 2016
TBA	PRAN Foods	BDT1 billion	Sukuk	11th April 2016
TBA	Government of Kuwait	KWD2 billion	Sukuk	5th April 2016
Fourth quarter of 2016	Bank Syariah Mandiri	IDR1 trillion	Sukuk	5th April 2016
TBA	Qatar International Islamic Bank	QAR1 billion	Sukuk	31st March 2016
Second quarter of 2016	Government of Oman	TBA	Sukuk	9th March 2016
2016-17	Sarana Multigriya Finansial	IDR200 billion	Sukuk	4th March 2016
TBA	Kuveyt Turk	TRY1.85 billion	Sukuk	1st March 2016
TBA	Ziraat Bank (Participation Unit)	TRY1.5 billion	Sukuk	1st March 2016
TBA	Hong Kong	TBA	Sukuk	1st March 2016
TBA	Cahya Mata Sarawak	RM1 billion	Sukuk Ijarah	22nd February 2016
TBA	Saudi Electricity Company	US$2.5 billion	Sukuk	16th February 2016
2016	Kuwait Finance House	TBA	Sukuk	1st February 2016
TBA	Oman Telecommunications	US$130 million	Sukuk	28th January 2016
March-April 2016	Government of Qatar	TBA	Sukuk	26th January 2016
2017	Government of Kenya	TBA	Sukuk	26th January 2016
TBA	Tenaga Nasional	US$3 billion	Sukuk	8th January 2016
TBA	Toprak Mahsulleri Ofisi	up to TRY600 million	Sukuk	7th January 2016
First quarter of 2016	Government of Egypt	TBA	Sukuk	7th December 2015
TBA	Samalaju Industrial Port	up to RM950 million	Sukuk Murabahah	27th November 2015

REDMONEY SHARIAH INDEXES

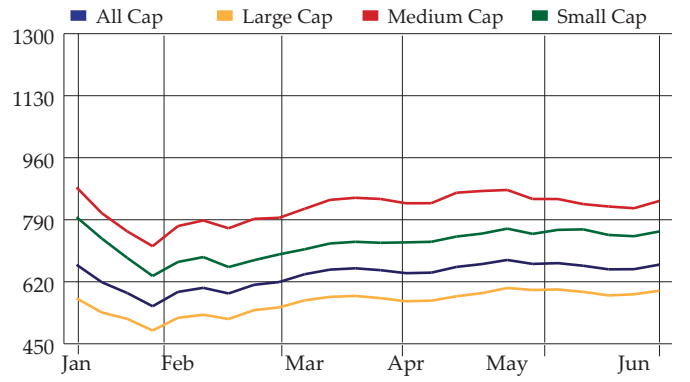
REDmoney Asia ex. Japan *6 Months*



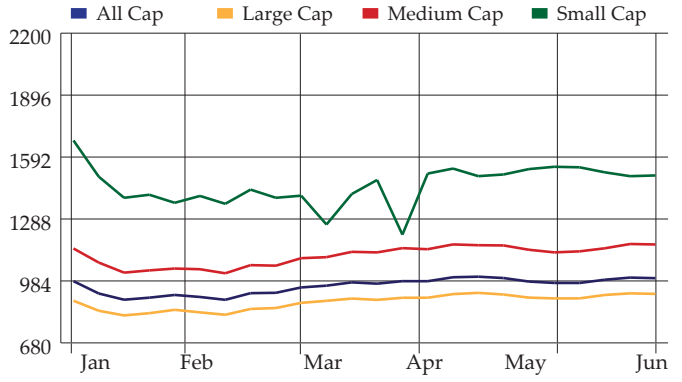
REDmoney Europe *6 Months*



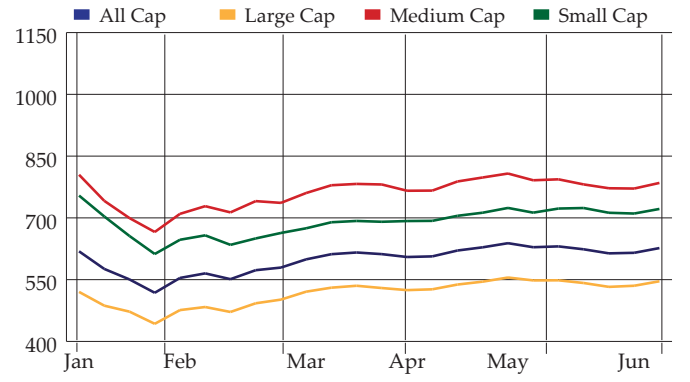
REDmoney GCC *6 Months*



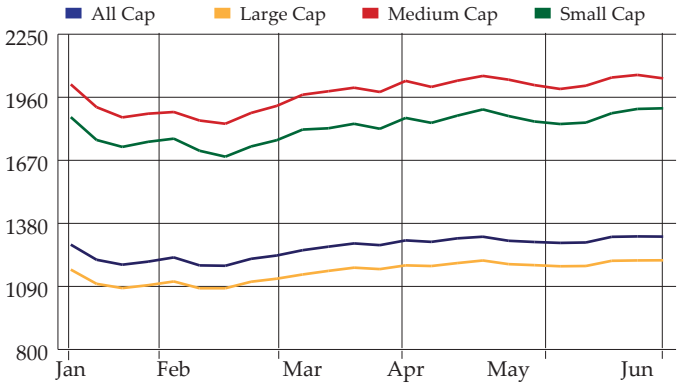
REDmoney Global *6 Months*



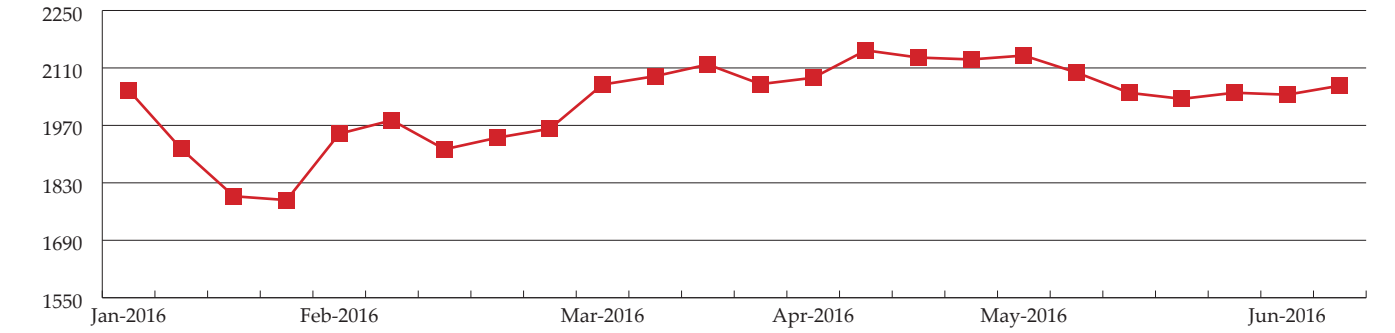
REDmoney MENA *6 Months*



REDmoney US *6 Months*

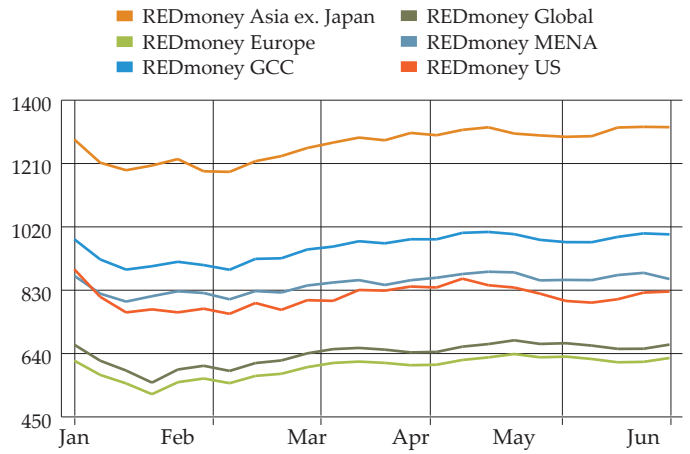


SAMI Halal Food Participation (All Cap) *6 months*

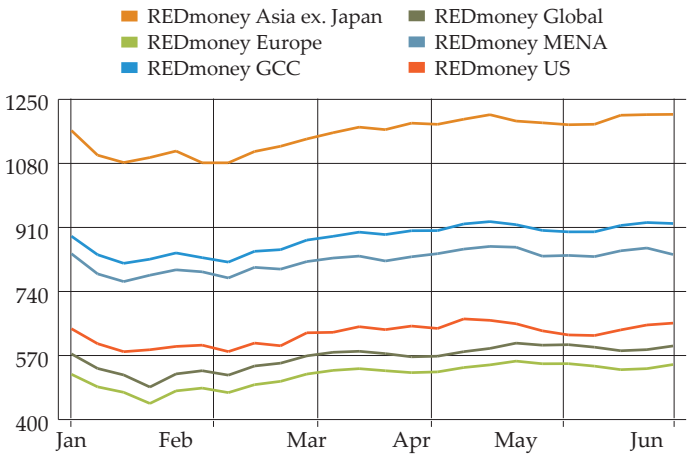


REDMONEY SHARIAH INDEXES

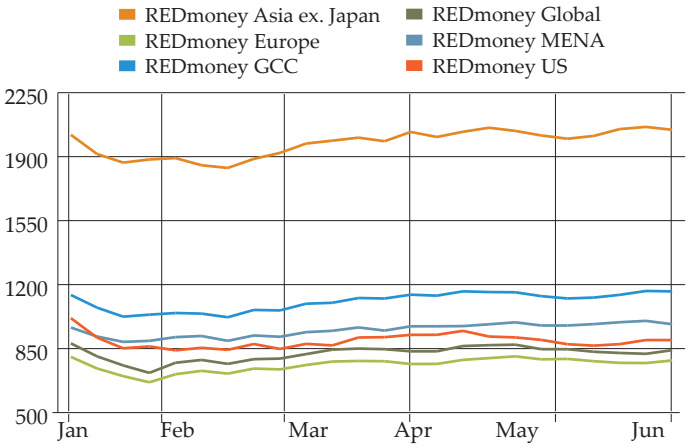
REDmoney Global Shariah Index Series (All Cap) *6 Months*



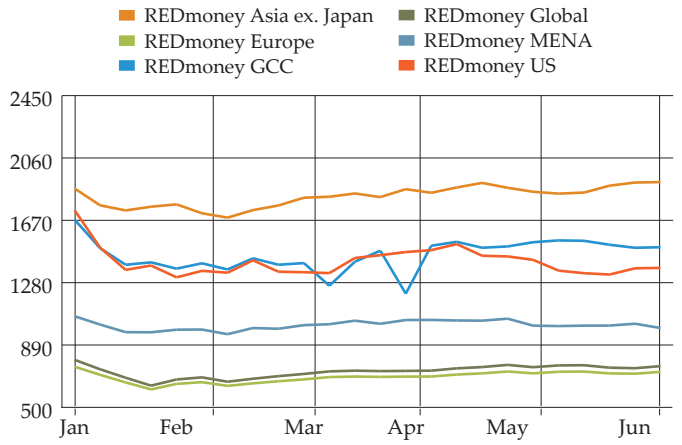
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



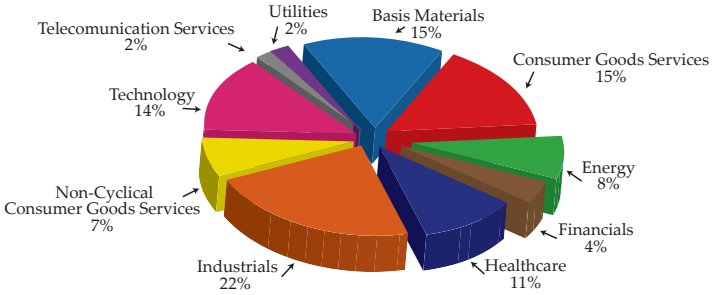
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



REDmoney Global Shariah

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

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



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

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

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

REDmoney Global Shariah Index Series

REDmoney Indexes IdealRatings®

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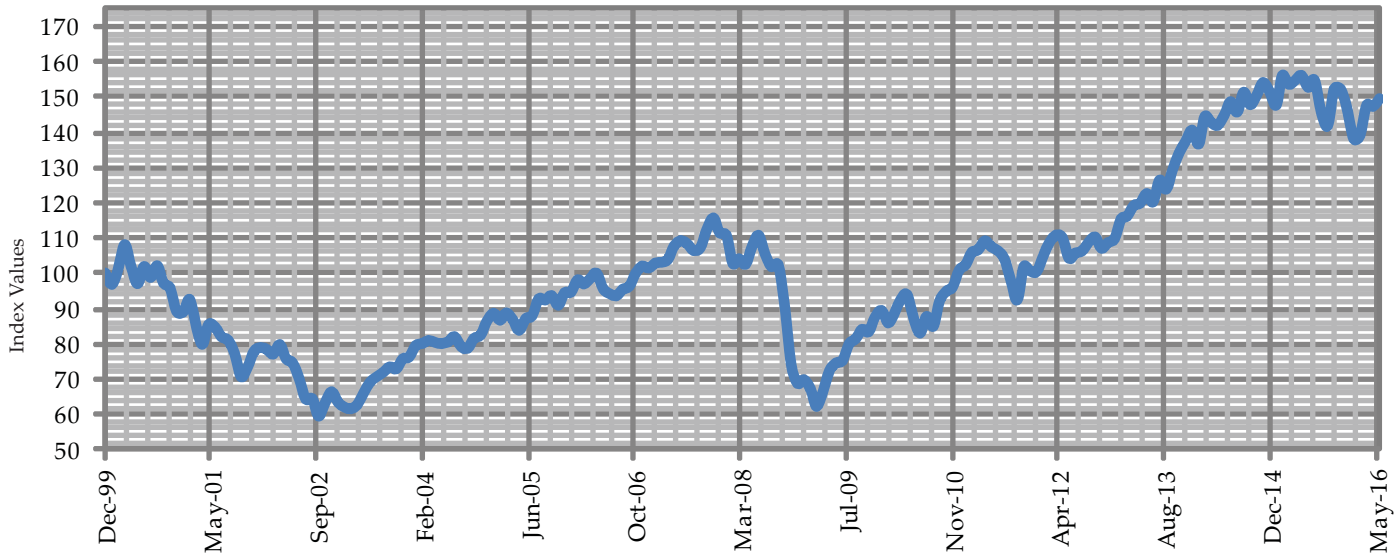
Managing Director, REDmoney Group

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

EUREKAHEDGE FUNDS TABLES

Eurekahedge North America Islamic Fund Index



Top 10 Monthly Returns for Asia Pacific Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Public China Ittikal	Public Mutual	6.19	Malaysia
2	PB Islamic Asia Strategic Sector	Public Mutual	5.69	Malaysia
3	Public Asia Ittikal	Public Mutual	4.99	Malaysia
4	CIMB Islamic Asia Pacific Equity - MYR	UOB Asset Management	4.91	Malaysia
5	Manulife Investment Shariah Asia-Pacific	MAAKL Mutual	4.79	Malaysia
6	PB Islamic Asia Equity	Public Mutual	4.79	Malaysia
7	Public Islamic Asia Dividend	Public Mutual	4.74	Malaysia
8	Public Islamic Asia Tactical Allocation (PIATAF)	Public Mutual	3.63	Malaysia
9	Atlas Islamic Stock	Atlas Asset Management	3.41	Pakistan
10	CIMB Islamic DALI Asia Pacific Equity Growth	CIMB-Principal Asset Management	3.36	Malaysia
	Eurekahedge Islamic Fund Index		**0.43**	

Based on 62.12% of funds which have reported May 2016 returns as at the 13th June 2016

Top 10 Monthly Returns for Middle East/Africa Funds

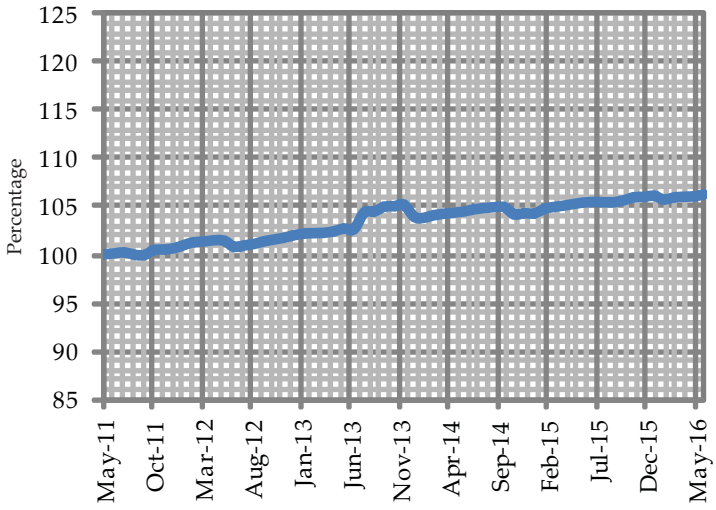
	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Kuwait Investment	Kuwait Investment Company	6.30	Kuwait
2	FALCOM SAR Murabaha	FALCOM Financial Services	0.25	Saudi Arabia
3	Boubyan KWD Money Market	Boubyan Bank	0.10	Cayman Islands
4	Emirates Islamic Money Market Limited Institutional Share Class I USD	Emirates NBD Asset Management	0.09	Jersey
5	Boubyan USD Liquidity	Boubyan Capital Investment Company	0.08	Kuwait
6	Emirates Global Sukuk Limited USD Institutional Share Class (Acc)	Emirates NBD Asset Management	-0.01	Jersey
7	Al Rajhi Multi Asset Balanced	Al Rajhi Bank	-0.51	Saudi Arabia
8	Emirates MENA Opportunities - Class A USD	Emirates NBD Asset Management	-2.33	Jersey
9	Al Rajhi Multi Asset Growth	Al Rajhi Bank	-2.61	Saudi Arabia
10	NBAD Islamic MENA Growth	National Bank of Abu Dhabi	-2.71	UAE
	Eurekahedge Islamic Fund Index		**(1.94)**	

Taking into account funds that have at least 12 months of returns as at the 13th June 2016
Based on 44.74% of funds which have reported May 2016 returns as at the 13th June 2016

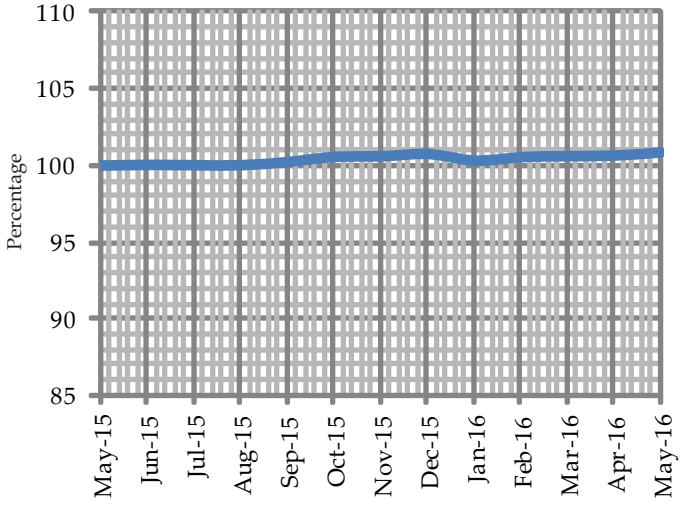
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity,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

EUREKAHEDGE FUNDS TABLES

Eurekahedge Islamic Fund Money Market Index over the last 5 years



Eurekahedge Islamic Fund Money Market Index over the last 1 year



Top 10 Islamic Fund Money Market by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Meezan Tahaffuz Pension - Money Market Sub	Al Meezan Investment Management	1.14	Pakistan
2	Atlas Pension Islamic - Money Market Sub	Atlas Asset Management	1.08	Pakistan
3	Manulife Investment Al-Ma'mun	MAAKL Mutual	0.93	Malaysia
4	Public Islamic Money Market	Public Mutual	0.84	Malaysia
5	PB Islamic Cash Plus	Public Mutual	0.84	Malaysia
6	PB Islamic Cash Management	Public Mutual	0.80	Malaysia
7	FALCOM SAR Murabaha	FALCOM Financial Services	0.64	Saudi Arabia
8	Al Rajhi Commodity Mudarabah - USD	Al Rajhi Bank	0.39	Saudi Arabia
9	CIMB Islamic Money Market	CIMB-Principal Asset Management	0.20	Malaysia
10	Watani KD Money Market	National Bank of Kuwait	0.17	Cayman Islands
	Eurekahedge Islamic Fund Index		**0.28**	

Based on 56.52% of funds which have reported May 2016 returns as at the 13th June 2016

Top 10 Islamic Fund Fixed Income by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	MNC Dana Syariah	MNC Asset Management	3.50	Indonesia
2	Public Islamic Bond	Public Mutual	1.54	Malaysia
3	PB Islamic Bond	Public Mutual	1.47	Malaysia
4	Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	1.45	Pakistan
5	Public Islamic Enhanced Bond	Public Mutual	1.45	Malaysia
6	Atlas Pension Islamic - Debt Sub	Atlas Asset Management	1.29	Pakistan
7	Meezan Islamic Income	Al Meezan Investment Management	1.26	Pakistan
8	Manulife Investment As-Saad	MAAKL Mutual	1.25	Malaysia
9	Pacific Dana Murni	Pacific Mutual Fund	1.16	Malaysia
10	Public Islamic Select Bond	Public Mutual	1.12	Malaysia
	Eurekahedge Islamic Fund Index		**1.20**	

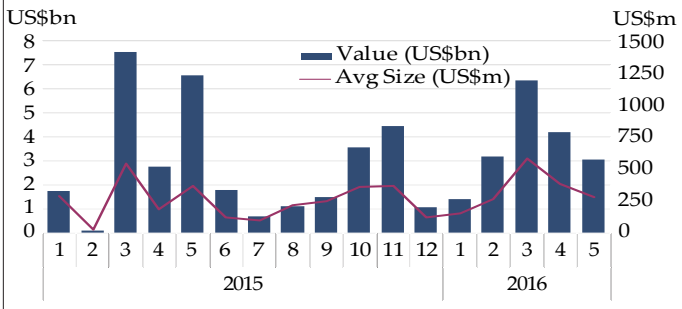
Based on 33.33% of funds which have reported May 2016 returns as at the 13th June 2016

Contact Eurekahedge
To list your fund or update your fund information: islamicfunds@eurekahedge.com
For further details on Eurekahedge: information@eurekahedge.com Tel: +65 6212 0900

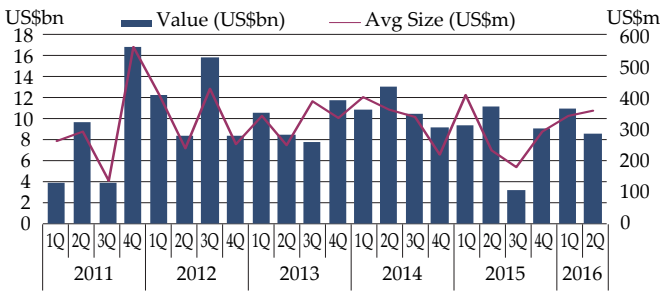
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
2nd Jun 2016	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	Standard Chartered Bank, HSBC, Emirates NBD
2nd Jun 2016	Pengurusan Air SPV	Malaysia	Sukuk	Domestic market public issue	350	CIMB Group, AmInvestment Bank
30th May 2016	GovCo Holdings	Malaysia	Sukuk	Domestic market public issue	306	HSBC, RHB Capital, CIMB Group
24th May 2016	Noor Bank	UAE	Sukuk	Euro market public issue	500	Standard Chartered Bank, First Gulf Bank, Dubai Islamic Bank, Sharjah Islamic Bank, Citigroup, Emirates NBD, Noor Bank
24th May 2016	DP World	UAE	Sukuk	Euro market public issue	1,200	JPMorgan, Deutsche Bank, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Barclays, Dubai Islamic Bank, SG Corporate & Investment Banking, Citigroup, Emirates NBD
17th May 2016	Cagamas	Malaysia	Sukuk	Domestic market public issue	104	CIMB Group
11th May 2016	Ezdan Holding Group	Qatar	Sukuk	Euro market public issue	500	Mashreqbank, HSBC, Abu Dhabi Islamic Bank, Emirates NBD, Barwa Bank
11th May 2016	UEM Sunrise	Malaysia	Sukuk	Domestic market public issue	123	Maybank, CIMB Group
10th May 2016	Boubyan Bank	Kuwait	Sukuk	Euro market public issue	250	Standard Chartered Bank, HSBC, Kuwait Finance House, National Bank of Kuwait, Dubai Islamic Bank, Emirates NBD
28th Apr 2016	Perdana Petroleum	Malaysia	Sukuk	Domestic market public issue	162	UOB
25th Apr 2016	MEX II	Malaysia	Sukuk	Domestic market public issue	333	CIMB Group
21st Apr 2016	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	1,164	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank
20th Apr 2016	Malaysia Sukuk Global	Malaysia	Sukuk	Euro market public issue	1,500	JPMorgan, HSBC, Maybank, CIMB Group
18th Apr 2016	Kuala Lumpur Kepong	Malaysia	Sukuk	Domestic market public issue	128	Maybank, CIMB Group
15th Apr 2016	Sarawak Energy	Malaysia	Sukuk	Domestic market public issue	387	RHB Capital, AmInvestment Bank
6th Apr 2016	Hilal Services	Saudi Arabia	Sukuk	Euro market public issue	300	Mizuho, Standard Chartered Bank, HSBC, Arab Banking, National Bank of Kuwait, First Gulf Bank, Dubai Islamic Bank, SG Corporate & Investment Banking, CIMB Group, Emirates NBD, Warba Bank, Noor Bank
4th Apr 2016	Putrajaya Holdings	Malaysia	Sukuk	Domestic market public issue	137	Maybank, CIMB Group, AmInvestment Bank
25th Mar 2016	Malaysia Airlines	Malaysia	Sukuk	Domestic market public issue	372	CIMB Group
22nd Mar 2016	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	500	Standard Chartered Bank, HSBC, Arab Banking, National Bank of Abu Dhabi, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD
21st Mar 2016	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	2,500	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, CIMB Group, Citigroup

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter



Top 30 Issuers of Global Sukuk *12 Months*

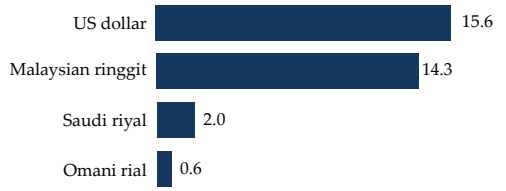
	Issuer	Nationality	Instrument	Market	US$ (mln)	Iss (%)	Managers
1	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	2,500	7.5	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, CIMB Group, Citigroup
2	Jimah East Power	Malaysia	Sukuk	Domestic market public issue	2,100	6.3	HSBC, Maybank, CIMB Group
3	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	1,891	5.7	HSBC, RHB Capital, Maybank, CIMB Group, AmInvestment Bank, Hong Leong Financial Group
4	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	1,836	5.5	Natixis, Standard Chartered Bank, JPMorgan, National Bank of Kuwait, Gulf International Bank, Natixis, CIMB Group, Emirates NBD
5	Malaysia Sukuk Global	Malaysia	Sukuk	Euro market public issue	1,500	4.5	JPMorgan, HSBC, Maybank, CIMB Group
6	DP World	UAE	Sukuk	Euro market public issue	1,200	3.6	JPMorgan, Deutsche Bank, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Barclays, Dubai Islamic Bank, SG Corporate & Investment Banking, Citigroup, Emirates NBD
7	Prasarana Malaysia	Malaysia	Sukuk	Domestic market public issue	1,192	3.6	RHB Capital, Maybank, Kenanga Investment Bank, CIMB Group, AmInvestment Bank
8	Pengurusan Air SPV	Malaysia	Sukuk	Domestic market public issue	1,111	3.4	Maybank, Bank Islam Malaysia, CIMB Group, RHB Capital, AmInvestment Bank
9	Danga Capital	Malaysia	Sukuk	Domestic market public issue	1,110	3.4	RHB Capital, AmInvestment Bank, Standard Chartered Bank, DBS, CIMB Group
10	National Shipping of Saudi Arabia	Saudi Arabia	Sukuk	Domestic market public issue	1,040	3.1	JPMorgan, HSBC, Samba Capital
11	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	3.0	Standard Chartered Bank, HSBC, Emirates NBD, HSBC
11	Axiata SPV2	Malaysia	Sukuk	Euro market public issue	1,000	3.0	Deutsche Bank, CIMB Group, HSBC, Maybank, Bank Mandiri (Persero)
13	Sarawak Energy	Malaysia	Sukuk	Domestic market public issue	774	2.3	RHB Capital, Kenanga Investment Bank, AmInvestment Bank
14	Qatar Islamic Bank	Qatar	Sukuk	Euro market public issue	750	2.3	Standard Chartered Bank, HSBC, Citigroup, QInvest, Barwa Bank, Noor Bank
15	Sultanate of Oman	Oman	Sukuk	Euro market public issue	649	2.0	Bank Muscat
16	Rantau Abang Capital	Malaysia	Sukuk	Domestic market public issue	595	1.8	CIMB Group, AmInvestment Bank, RHB Capital
17	Sime Darby	Malaysia	Sukuk	Domestic market public issue	535	1.6	Maybank
18	Arab National Bank	Saudi Arabia	Sukuk	Domestic market public issue	533	1.6	JPMorgan, Deutsche Bank, HSBC, Arab National Bank
19	Noor Bank	UAE	Sukuk	Euro market public issue	500	1.5	Standard Chartered Bank, First Gulf Bank, Dubai Islamic Bank, Sharjah Islamic Bank, Citigroup, Emirates NBD, Noor Bank
19	Emirate of Sharjah	UAE	Sukuk	Euro market public issue	500	1.5	Bank of Sharjah, HSBC, Barclays, Dubai Islamic Bank, Sharjah Islamic Bank, Commerzbank Group
19	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	500	1.5	Standard Chartered Bank, HSBC, Arab Banking Corporation, National Bank of Abu Dhabi, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD
19	Arab Petroleum Investments	Saudi Arabia	Sukuk	Euro market public issue	500	1.5	Saudi National Commercial Bank, Standard Chartered Bank, Goldman Sachs, First Gulf Bank, Emirates NBD, Noor Bank
23	Hilal Services	Saudi Arabia	Sukuk	Euro market private placement	500	1.5	Standard Chartered Bank, Mizuho, HSBC, Arab Banking Corporation, National Bank of Kuwait, First Gulf Bank, Dubai Islamic Bank, SG Corporate & Investment Banking, CIMB Group, Emirates NBD, Warba Bank, Noor Bank
24	Majid Al Futtaim Properties	UAE	Sukuk	Euro market public issue	499	1.5	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Abu Dhabi Islamic Bank
25	Ezdan Holding Group	Qatar	Sukuk	Euro market public issue	497	1.5	Mashreqbank, HSBC, Abu Dhabi Islamic Bank, Emirates NBD, Barwa Bank
26	Cagamas	Malaysia	Sukuk	Domestic market public issue	439	1.3	CIMB Group, Maybank
27	Almarai	Saudi Arabia	Sukuk	Domestic market public issue	427	1.3	HSBC, Samba Capital
28	Kuala Lumpur Kepong	Malaysia	Sukuk	Domestic market public issue	417	1.3	Maybank, CIMB Group
29	Putrajaya Holdings	Malaysia	Sukuk	Domestic market public issue	374	1.1	Maybank, CIMB Group, AmInvestment Bank
30	Malaysia Airlines	Malaysia	Sukuk	Domestic market public issue	372	1.1	CIMB Group
	Total				**33,135**	**100**	

DEALOGIC LEAGUE TABLES

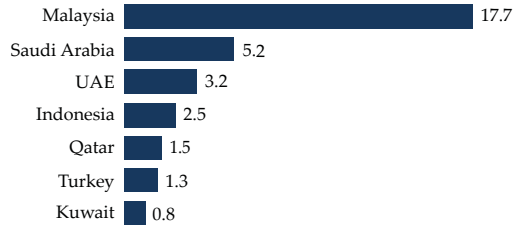
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	CIMB Group	5,770	38	17.4
2	Maybank	4,081	25	12.3
3	HSBC	3,361	22	10.1
4	RHB Capital	2,887	29	8.7
5	Standard Chartered Bank	2,596	19	7.8
6	AmInvestment Bank	1,919	19	5.8
7	JPMorgan	1,189	5	3.6
8	Emirates NBD	1,173	12	3.5
9	Deutsche Bank	1,170	5	3.5
10	Dubai Islamic Bank	1,111	11	3.4
11	Citigroup	816	4	2.5
12	Bank Muscat	649	1	2.0
13	National Bank of Abu Dhabi	606	6	1.8
14	Samba Capital	560	2	1.7
15	Natixis	551	2	1.7
16	Kenanga Investment Bank	391	10	1.2
17	Noor Bank	384	6	1.2
18	Hong Leong Financial Group	312	2	0.9
19	National Bank of Kuwait	311	3	0.9
20	First Gulf Bank	300	4	0.9
21	Barwa Bank	260	3	0.8
22	DBS	253	3	0.8
23	Abu Dhabi Islamic Bank	243	3	0.7
24	Sharjah Islamic Bank	226	3	0.7
25	Gulf International Bank	214	1	0.7
26	QInvest	204	3	0.6
27	Barclays	203	2	0.6
28	SG Corporate & Investment Banking	145	2	0.4
29	UOB	139	1	0.4
30	Bank Islam Malaysia	137	3	0.4
	Total	**33,135**	**113**	**100**

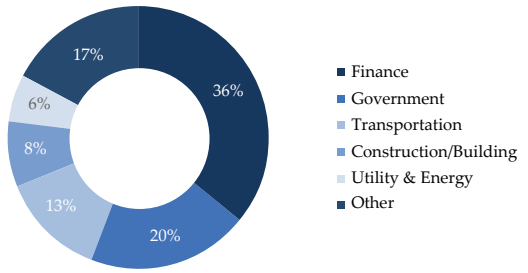
Sukuk Volume by Currency US$ (billion) *12 Months*



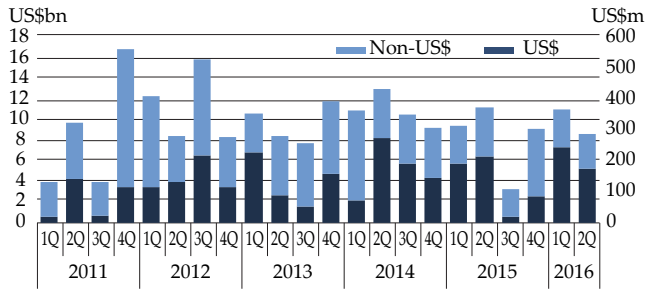
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



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	China Development Bank	821	2	9.3
2	National Commercial Bank	711	4	8.1
3	Banque Saudi Fransi	675	4	7.7
4	Samba Capital & Investment Management	670	4	7.6
5	HSBC	593	3	6.7
6	Mitsubishi UFJ Financial Group	474	3	5.4
7	Sumitomo Mitsui Financial Group	474	3	5.4
8	First Gulf Bank	414	4	4.7
9	Aga Khan Fund for Economic Development	354	2	4.0
10	Export Development Canada	299	2	3.4

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

	Legal Advisor	US$ (million)	No	%
1	Allen & Overy	1,532	1	15.6
1	Latham & Watkins	1,532	1	15.6
3	Adnan Sundra & Low	1,361	1	13.8
3	Zaid Ibrahim & Co	1,361	1	13.8
5	Clifford Chance	758	1	7.7
5	White & Case	758	1	7.7
7	Salans FMC SNR Denton Group	650	1	6.6
8	Anjarwalla Collins & Haidermota	172	2	1.7
8	Haidermota & Co	172	2	1.7
8	Lincolns Law Chamber	172	2	1.7
8	Linklaters	172	2	1.7
8	Mohsin Tayebaly & Co	172	2	1.7
8	Pinsent Masons	172	2	1.7

DEALOGIC LEAGUE TABLES

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

	Mandated Lead Arranger	US$ (mln)	No	%
1	Abu Dhabi Islamic Bank	1,081	10	6.4
2	First Gulf Bank	867	12	5.1
3	Saudi National Commercial Bank	838	6	4.9
4	Mashreqbank	824	10	4.9
5	Samba Capital	813	6	4.8
6	Banque Saudi Fransi	731	4	4.3
7	China Development Bank	621	1	3.7
8	Emirates NBD	605	8	3.6
9	HSBC	581	6	3.4
10	Dubai Islamic Bank	562	9	3.3
11	SABB	502	3	3.0
12	Noor Bank	484	7	2.9
13	Abu Dhabi Commercial Bank	437	6	2.6
14	Maybank	338	1	2.0
14	CIMB Group	338	1	2.0
16	Arab Banking Corporation	326	5	1.9
17	Al Hilal Bank	307	3	1.8
18	AKFED	292	2	1.7
19	Bank Albilad	292	2	1.7
20	Gulf International Bank	253	3	1.5
20	Ahli United Bank	253	3	1.5
22	Al Khaliji Commercial Bank	252	4	1.5
23	National Bank of Abu Dhabi	251	3	1.5
24	Qatar Islamic Bank	251	3	1.5
25	Kuwait Finance House	248	3	1.5
26	Standard Chartered Bank	243	4	1.4
27	Riyad Bank	229	1	1.4
27	Al Rajhi Capital	229	1	1.4
29	Sumitomo Mitsui Financial Group	175	1	1.0
29	SG Corporate & Investment Banking	175	1	1.0
29	Mizuho	175	1	1.0

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

	Bookrunner	US$ (mln)	No	%
1	Mashreqbank	1,789	6	18.9
2	Abu Dhabi Islamic Bank	1,543	6	16.3
3	Noor Bank	871	4	9.2
4	Emirates NBD	371	3	3.9
5	Standard Chartered Bank	354	3	3.7
6	Maybank	338	1	3.6
6	CIMB Group	338	1	3.6
8	Abu Dhabi Commercial Bank	327	1	3.5
9	Dubai Islamic Bank	319	3	3.4
10	Arab Banking Corporation	277	4	2.9

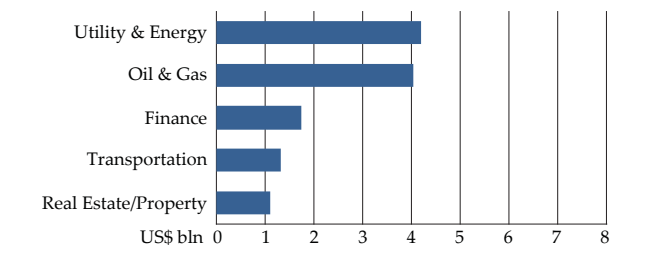
Top Islamic Finance Related Financing Deal List *12 Months*

Credit Date	Borrower	Nationality	US$ (mln)
15th Apr 2016	Yanbu Aramco Sinopec Refining	Saudi Arabia	4,700
24th Jun 2015	Jazan Gas Projects	Saudi Arabia	1,790
18th Jun 2015	Emirates National Oil	UAE	1,500
9th Mar 2016	Dhuruma Electricity	Saudi Arabia	1,138
21st Dec 2015	Engro Powergen	Pakistan	851
28th Jul 2015	GEMS Education	UAE	817
16th Aug 2015	ACWA Power International	Saudi Arabia	769
11th Dec 2015	Cititower	Malaysia	751
25th Jun 2015	Tecnimont SpA	Italy	650
29th Nov 2015	Gulf Marine Services	UAE	620

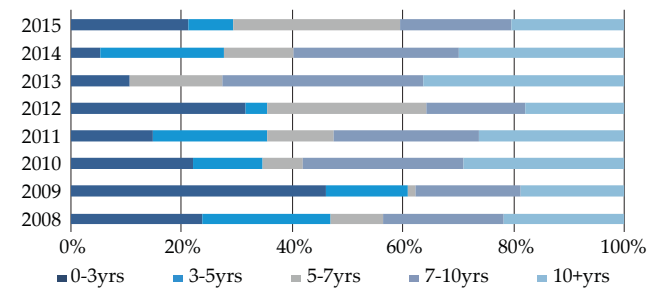
Top Islamic Finance Related Financing by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	UAE	5,851	16	34.5
2	Saudi Arabia	4,789	4	28.2
3	Pakistan	1,613	3	9.5
4	Turkey	818	4	4.8
5	Qatar	700	2	4.1
6	Malaysia	676	1	4.0
7	Bahrain	570	1	3.4
8	Jordan	550	2	3.2
9	Egypt	370	2	2.2
10	India	368	1	2.2

Top Islamic Finance Related Financing by Sector *12 Months*



Global Islamic Financing - Years to Maturity (YTD Comparison)



Are your deals listed here?
If you feel that the information within these tables is inaccurate, you may contact the following directly: Shireen Farhana (Media Relations)
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REDmoney events

SEPTEMBER 2016		
21st	IFN Investor Forum	Kuala Lumpur, Malaysia
28th	IFN Turkey Forum	Istanbul, Turkey
OCTOBER 2016		
TBA	IFN Iran Forum	Tehran, Iran
9th	IFN Project & Infrastructure Finance Forum	Dubai, UAE
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
MARCH 2017		
TBA	IFN Oman Forum	Muscat, Oman
TBA	China OIC Forum	TBA
APRIL 2017		
10th – 11th	IFN Asia Forum	Kuala Lumpur, Malaysia

REDmoney training

JULY 2016		
25th – 27th	Islamic Finance Qualification	Kuala Lumpur, Malaysia
20th – 21st	Developments in Basel 3 for Financial Institutions	Kuala Lumpur, Malaysia
26th – 27th	Shariah Non-Compliance & Operational Risk for Islamic Financial Institutions	Dubai, UAE
AUGUST 2016		
10th – 11th	Understanding, Structuring & Documenting Islamic Derivatives	Kuala Lumpur, Malaysia
10th – 17th	Funds Transfer Pricing	Kuala Lumpur, Malaysia
16th	Shariah Non-Compliance Reporting for Islamic Banking & Finance	Kuala Lumpur, Malaysia
24th – 25th	Islamic Treasury & Liquidity Management Products	Dubai, UAE
28th – 29th	Structuring & Shariah Issues for Islamic Trade Finance Products	Dubai, UAE
SEPTEMBER 2016		
20th – 21st	Structuring Islamic Financial Products	Kuala Lumpur, Malaysia

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