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COVER STORY

29th June 2016 (Volume 13 Issue 26)

Safe haven switch: Islamic funds flip their flows as global markets stumble

Last week we looked at the potential impact of a Brexit on the UK's Islamic finance economy, with most participants sanguine about the prospect. Yet in the wake of a surprise win for the Leave campaign, global markets have been plunged into unexpected turmoil: with uncertainty sending the UK economy into freefall. What does this mean for Islamic investors – and which regions will benefit from the current volatility? LAUREN MCAUGHTRY learns that as a safe haven, the US is suddenly looking a lot more appealing...

This article is not going to be about Brexit. We covered that issue (we hope) fairly comprehensively last week, and let's face it – while the UK is a vital piece on the global chessboard, it is not yet one of the top players in the Islamic finance game. So why do we keep banging on about its impact on Islamic finance? Simply put, because billions of Shariah compliant dollars are invested into the UK and Europe, and these latest events look set to disrupt an unprecedented period of economic strength that has seen funds pour into the region from Middle Eastern and Asian investors seeking

a safe haven from the geopolitical instability in their own regions. So where else can this money go?

Global ripples

The UK and Europe have certainly lost their luster for international investors. Sterling is at its lowest level in three decades, the FTSE 100 fell by almost 9% the day after the referendum result and Moody's has already downgraded the UK's credit outlook to negative. And it's not just the UK suffering. According to S&P, global equity markets lost over US\$2 trillion on the 24th June – the largest daily loss on record, beating the Lehman Brothers's bankruptcy in 2008 and the Black Monday crash of 1987. "We expect considerable foreign exchange volatility, a slowdown in inbound foreign direct investment [and] a weakening of real estate markets," said the rating agency in its latest note on the 27th June, followed by a shock downgrade of the UK's 'AAA' credit rating.

Continental Europe has also experienced extreme turbulence – both Milan and Madrid saw their biggest stock market declines ever at over 12% each, Germany's DAX was down 6.7% and France's CAC fell 7.9%. Globally, the Nikkei also dropped

7.9% last week while even Wall Street was not immune with a 3.6% fall for the S&P 500. Brexit does not just affect the UK – the ripple effect is very obviously global.

Islamic impact

So what does this mean for the Islamic finance industry? In terms of domestic influence, the initial reaction is positive. In Malaysia, the response has been largely restricted to optimism around a strengthening ringgit, while in the Middle East leaders have been quick to distance themselves. "Due to the limited connection between the UAE financial system and that of the UK, the channels through which financial institutions in the UAE could be affected by the state of uncertainty over relations between the UK and the EU are limited," said the Central Bank of the UAE. Over in Saudi Arabia Ahmed al-Kholifey, the governor of the Saudi Arabian Monetary Authority, confirmed that the Kingdom had, in advance of the vote, already revised its investment policy regarding assets denominated in the euro and sterling. "It is early to assess the impact of the UK exit from the EU... but we expect the impact on the banking sector to be minimal due to its limited exposure to those two currencies," he said.

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Anup

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Indonesia to raise IDR4 trillion (US\$301.2 million) via sovereign Sukuk auction

RCE Capital establishes Sukuk Murabahah program of up to RM900 million (US\$222.86 million)

State-backed Iranian mining company to issue IRR4 trillion (US\$132.63 million)-worth of Sukuk Musharakah for mining development

DP World to distribute Sukuk profit on 5th July for US\$1.5 billion trust certificates due 2017

Sarawak Hidro to issue RM5.5 billion (US\$1.34 billion) Sukuk facility; expected in July

Sarawak Power Generation makes Sukuk payment

Pakistani Islamic banking industry invests PKR155 billion (US\$1.45 billion) in government securities in first quarter of 2016

Hijrah Pertama to make periodic distribution for Class B Sukuk

Chellam Plantations (Sabah) issues first tranche of RM300 million (US\$73.2 million) **Danajamin-guaranteed** Sukuk Murabahah

Proposed novation for **Konsortium ProHAWK's** Sukuk Murabahah

Saratoga Investama Sedaya studying possibility of issuing Sukuk

NEWS

Banque Misr secures US\$105 million Murabahah financing from UAE banks to boost foreign currency resources

Egyptian court voids nine-

year term limit decree for bank CEOs

Tunisia aims for more sustainable growth, but reforms will be key, says **Moody's**

Kenyan Islamic financial institutions join hands to set up Shariah finance lobby group

Allied Bank's Islamic unit and **International Islamic University Islamabad** sign MoU to promote Islamic finance and banking knowledge

Neelum Jhelum Hydropower Company to issue PKR100 billion (US\$947.02 million) 10-year Sukuk; inks financing agreement with local banks led by **National Bank of Pakistan**

Faysal Bank opens 76th Islamic banking branch

Securities and Exchange Commission proposes amendment to Modaraba rules including making appointment of Shariah advisors mandatory

Islamic banking assets capture 11.4% market share of overall Pakistani banking industry in the first quarter

Indonesia weighs setting up offshore financial center

ASSET MANAGEMENT

NBAD Sukuk Income Fund distributes semi-annual 2.57% dividend

UBL Funds launches Al-Ameen Islamic Active Allocation Plan-V

TAKAFUL

Amana Takaful Life announces IPO worth LKR75 million (US\$502,816)

RATINGS

Banque Saudi Fransi ratings affirmed at 'A+'

United Gulf Bank's ratings revised from stable to negative

RAM assesses rating impact of NBAD-FGB merger

Fitch affirms **IDB's** 'AAA' rating with a stable outlook

RAM reaffirms 'AA1/Stable/P1' ratings on **Sabah Credit Corporation's** outstanding Sukuk

Dubai Islamic Bank's rights issue credit positive, says **Moody's**

Moody's changes outlook on UK's sovereign ratings to negative from stable

AEON Credit Service's Islamic commercial paper program maintains 'P1' rating

Adira Dinamika's IDR500 billion (US\$37.05 million) Sukuk Mudarabah rated 'idAAA(sy)'

Capital Intelligence affirms Saudi Arabia's 'AA-' and 'A1+' ratings

MOVES

Dr Jamil El Jaroudi to step down as CEO of **Bank Nizwa**; Khalid Al Kayed appointed as acting CEO

RHB Banking Group to build on the potential of Singapore with key leadership appointments

Prime Minister Najib Razak reshuffles cabinet; appoints new finance minister among others

Maldivian government names Ahmed Munawwar as minister of finance and treasury

National Bank of Fujairah appoints new board member

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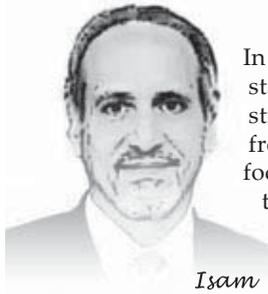


Safe haven switch: Islamic funds flip their flows as global markets stumble

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Uncle Sam

For Islamic investors, the consequences are less clear — but in every game there are winners and losers. So who stands to gain from this global turbulence ... and if investors are running scared from a disintegrating Europe, where else can they turn to stash their cash?

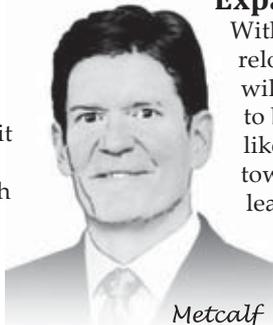


Isam

In fact, this process has already started. “We have seen strategies shifting overnight from clients reorienting their focus from the UK and Europe to the US,” confirmed Anup. “We expect this to continue — not just in the GCC, but globally.”

“**Capital that would otherwise be oriented toward the UK and Europe is likely to be diverted to the US, which will now be perceived as an even greater safe haven**”

The obvious answer is of course America. The US dollar has been one of the key beneficiaries of the recent turmoil, seeing a sharp rise as safe haven funds reversed back across the Atlantic. “The general view today is one of uncertainty,” said Anup Patel, the president and chief investment officer at Arch Street Capital Advisors, a real estate and investment advisory firm focused on the US real estate market with a specialty in Islamic finance. “Capital that would otherwise be oriented toward the UK and Europe is likely to be diverted to the US, which will now be perceived as an even greater safe haven — simply because it is too difficult to quantify the impact associated with the current uncertainty in the UK and European markets at the moment.”



Metcalf

Steady surge

This is not a new trend — US markets have seen a steady influx of Islamic funds over the last few years. “Since the end of the financial crisis, we have seen annual increases in Shariah compliant investment in US real estate, not only in the number of institutions and groups sponsoring such investments, but also in the number and size of investments undertaken by these institutions and groups,” noted Andy Metcalf, a partner with King & Spalding in New York. “We expect that the current turmoil in Europe (exacerbated by the Brexit) and in the Middle East will encourage Middle Eastern investors to invest in safe havens such as the US.”

But it is not just Middle Eastern investors who are flocking to American shores. Earlier this year we saw one of the first major investments from Asia, with Malaysia’s Maybank leading a US\$219 million Shariah compliant syndicated construction loan to help Soho Properties to develop luxury New York skyscraper 45 Park Place. “This is one of the most difficult times in the post-Lehman construction market,” Sharif El-Gamal, CEO of Soho Properties, told the Financial Times in May. “It doesn’t matter who you are, you cannot get conventional financing in New York.” Islamic financing, in today’s climate, could be an increasingly viable alternative.

Expanding options

With all this foreign capital relocating to the US, what will investors be looking to buy? Initially, there is likely to be an orientation toward high-quality assets leased on a long-term basis to creditworthy tenants, such as the US government



Amr

Gold standard

While the future looks bright for Islamic finance, concerns remain over a global economic slowdown — in which case no markets will be left unaffected. Where then will be the safest haven for investors? As always, it is gold that wins in a crisis.

Gold soared to a two-year high last week following the UK vote. The standard safe haven for scared investors, the price jumped over 8% to US\$1,358 an ounce on the 24th June, its highest since March 2014, while Google reported a 500% increase in searches for the term ‘buy gold’ over just four hours following the Brexit decision. With a new Shariah gold standard already drawn up and under consideration by AAOIFI, Islamic investors could soon be spoiled for choice.

or investment-grade credit tenants, so that investors can replicate a fixed income yield. “If you invest in a 10-year US Treasury, you’re going to be getting a 1.5% yield that is not inflation-protected,” pointed out Anup. “If you invest in a government-leased asset you might get 5-6% with inflation protection plus the ability to leverage above and beyond that.” This yield premium that investors achieve by investing in real estate in comparison to other fixed income products is likely to make the US real estate sector very desirable for both foreign and domestic capital.

Yet while real estate is certainly the flavor of the month, with increased demand comes increased competition. “Markets are strong, and people are looking out of the core markets, where prices have got very expensive, and exploring secondary markets and value-added opportunities,” said Isam Salah, a senior finance partner with King & Spalding in New York and the head of the firm’s Middle East and Islamic finance practice group. “We are beginning to see interest in development transactions and we are seeing investors put money into mezzanine financing as an alternative to equity investment, to get the kind

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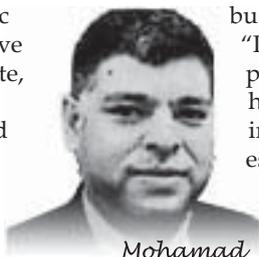
of return they are looking for. There is still a pressure to seek strong returns – sometimes bordering on the unrealistic – but that forces you to go into secondary markets and look at assets that have that potential for turnaround.”

“**A lot of overseas investors are put off by the prospect of an unfriendly American administration, and that can make it harder to raise funds**”

Other asset classes are also coming into play. “We have been seeing over the last few years an increased interest in US investments by Shariah compliant investors,” commented Amr El-Husseini, CEO of US-based Lodestone Advisory Group. “This interest is coming from across multiple geographies, particularly from the GCC, Turkey, and Southeast Asian markets. We’ve been talking very actively with clients and we are seeing an interesting repositioning of investors who are showing an increased appetite toward new asset classes – for example organic and Halal foods; and early stage innovation-based, research-driven assets related to healthcare, technology, financial services, and education.”

A period of transition

“There has been an increased interest in the last week and we expect to see much more on the back of Brexit. Traditional Islamic investments in the US have been focused on real estate, but this is changing both in terms of asset class and investment approach. This could be a great opportunity for the US to seize by starting



Mohamad

to develop its regulations for Islamic finance. The UK and Europe have seen tens of billions of dollars flow from the GCC alone in recent years. The US could and should be capturing that opportunity.”

But doubts still exist. “There’s a huge amount of money available that is looking for stable assets outside of [the GCC and especially] Saudi Arabia and if the pound continues to drop, then the US could be the next destination for that,” agreed Thom Polson, CEO of Californian fund manager Falah Capital. “The question is whether there are enough products or services or indeed awareness in general of what is available. When transactions happen here at the moment they tend to be one-offs. There is a lot of opportunity in the US but not enough awareness to take advantage of that yet.”

Mohamad Nasir, the general manager of Allied Asset Advisors, is more optimistic. “This could be an opportunity for the US to finally play a major role in Islamic finance. There is quite some interest from Dubai and Kuala Lumpur about growing Islamic finance here, so we could see the US market take the lead. However, we have had no political impetus yet, the way London did, which may be an impediment.”

November rain

Speaking of political impediments, could all this optimism change come November? The US elections will be the next major political event to send shockwaves through the global markets – with Donald Trump’s much-maligned rhetoric regarding immigration and foreign policy, what impact could this have on the last safe haven for Islamic assets should he come to power?

“The general view is that Trump will be pro-business,” said Anup. “Immigration aside, his positions should not have any significant implications on the real estate market as a whole, but will create more of a perception issue



Polson

Uptick for Islamic funds?

Could Islamic funds benefit from the Brexit crisis? The latest figures seem to suggest that Shariah compliant funds have weathered the storm better than expected.

The Aberdeen Islamic World Equity Fund was at its highest on the 24th June since May 2015. The Arabesque SICAV Systematic Fund, domiciled in Luxembourg, saw a rally taking it to within a whisker of its highest point since February. The BLME Global Sukuk Fund has performed equally well, with a steady climb since the start of the year to reach its highest point since January on the 24th. The iShares MSCI World Islamic Fund, domiciled in Dublin and tracking the MSCI World Islamic Index, saw one of the sharpest spikes: jumping almost 4% from 1,894.75 on the 23rd to 1,977.5 on the 24th, bringing its year-to-date return to 10.31%. Much of this is due to weighting – the MSCI fund holds 51.73% in US equities and 10.37% in Japanese equities, for example, both of which have performed well, with the US dollar and the yen soaring in the wake of the UK vote. Another factor is the absence of financial stocks from Islamic funds – in the UK, fears of up to 100,000 job losses as banks prepare to move across to Europe in anticipation of a UK departure have seen a wipeout in financial sector stocks – while in the US, financial institutions have also seen shares plummet due to European exposure.

It looks as if once again, Islamic funds have ridden the storm to benefit from their religious principles, ethical mandate and Shariah compliant asset allocation.

for global investors focused on the US. It will be up to the deployers of capital to decide whether or not they want to invest in the US given his rhetoric.”

Isam agrees. “I don’t think a Trump victory will have much of an impact. People are puzzled by him, and there might be a momentary

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hesitation, but I don't think Trump is looking to inhibit investments from coming into the US," he confirmed. Others, on the other hand, are less

convinced. "I do think Trump will have an impact on Islamic finance in the US," predicted David Loundy, CEO and chairman of Chicago-based Devon Bank. "A lot of overseas investors are put off by the prospect of an unfriendly American administration, and that can make it harder to raise funds. I think there would be global embarrassment if Trump was elected president."



Loundy

Interesting times

Either way, the future looks as bright for Islamic finance in the US as it looks bleak for the UK and Europe. "There is going to be a lot of change in the US in Islamic finance, and we are seeing momentum build," predicted Loundy.

"We expect strong performance for the rest of this year. We expect it to be very busy, regardless of what happens in November," agreed Isam.

But there is no knowing which way the wind may blow, and in the current climate of uncertainty, the outcome is anyone's guess. "This uncertainty will open up global opportunities for Islamic finance," predicted Amr. "The UK will start looking for more engagement with its global trading partners to compensate for the uncertainty, for example — and while the US will probably be the first place they turn to, they will also start looking to increase trade and FDIs from the Commonwealth, Turkey, China, the GCC and Asia. This will create interesting movements in the Islamic finance space."

Whatever happens, we are living in extraordinary times. It is up to us what we make of them. ☺



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11th October 2016

New York, US

While Islamic finance activities in the US have taken a back seat in recent years, momentum is now building, with the improving US economy and growing interest from overseas investors seeking solid assets. Deals are being done at the larger end of the spectrum and more discussions are being carried out about promoting large Sukuk and funds transactions. The IFN US Forum will offer delegates access and insight into efforts being taken by industry players and market makers within the US in developing Islamic financial products and lucrative opportunities for domestic and foreign investment into Shariah compliant investments.

Designed to profile the growing number of investment opportunities available to Shariah compliant investors, ranging from innovative real estate deals to agriculture and livestock investments the IFN US Forum will bring together key industry players, asset and fund managers and financial intermediaries in the US representing the retail finance, debt and equity markets.

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Bahrain’s liquidity fund — will it boost Islamic equities on the bourse?

Bahrain Bourse is set to receive a capital injection with the latest US\$100 million Bahrain Liquidity Fund (BLF) that is meant to enhance the depth of the country’s capital markets and provide better liquidity to investors involved with the bourse. DANIAL IDRABI looks at the situation and how Islamic investors might be able to take full advantage of the new initiative.

“Both Islamic and conventional investors are chasing yield in the current environment that is full of uncertainties and compressed returns,” Najla M Al Shirawi, CEO of Securities and Investment Company (SICO), told IFN recently, in explaining the current investment landscape in the Kingdom. Launched by SICO in collaboration with other market participants, the BLF will act as a market maker by providing two-way quotes on most of the listed stocks with a reasonable spread, to allow investors to actively trade their stocks. Restricted liquidity currently plaguing the stock market in Bahrain causes securities to trade at a discount to their underlying value and regional peers, and the fund aims to reduce that discount over the medium to long term.

The bourse currently has a market capitalization of US\$22 billion with over 45 listed companies, out of which 17 comply with Shariah standards. It has made several initiatives in recent times to boost the local Islamic and conventional capital markets, including the introduction of the Bahrain Islamic Index in September 2015, the introduction of rules for REITs and the offering of Bahraini government bonds and treasury bills. Najla said that part of the funds from the BLF will also be used to invest in Shariah compliant equity instruments listed on the Bahrain bourse.

“The BLF shall endeavor to increase liquidity and free float on the Islamic listed equities, among which there are five banking stocks representing around 11% of the total market cap. [The] BLF will also participate in future Islamic equities primary and secondary offerings to be traded on [the] Bahrain Bourse, encouraging more Islamic capital-raising activities to utilize [the] Bahrain Bourse as a platform that has the sufficient depth to support such activities,” Najla



explained. She added that there is plenty of room for improvement since the Bahrain Islamic Index has a liquidity of just US\$300,000 on average since its launch.

“ [The] BLF will also participate in future Islamic equities primary and secondary offerings to be traded on [the] Bahrain Bourse, encouraging more Islamic capital-raising activities to utilize [the] Bahrain Bourse as a platform that has the sufficient depth to support such activities ”

The timing of the new liquidity fund could not have happened at a more critical moment for the Kingdom, as it braces itself for a challenging economic outlook with lowered energy prices and a reduction in government spending, in line with the overall cutbacks in the wider GCC region. Year to date, the

Bahrain All Share Index has declined 8.62% to 1,111.14 points, while the Bahrain Islamic Index also dipped by 12.74% to 714.08 points. Najla commented that general sentiment in the capital markets, including Islamic capital markets, is risk-off sentiment, whereby there is more liquidity in safer instruments such as government Sukuk compared with higher risk instruments such as equities or sub-investment grade corporate Sukuk.

There are 91 Islamic funds with total assets amounting to US\$1.3 billion as of March 2016 which dipped slightly from US\$1.4 billion a year earlier. The overall assets under management of more than 2,740 mutual funds in the country, meanwhile, stood at approximately US\$7 billion. These figures were noted during the Middle East Asset Management Forum 2016 in May by Abdul Rahman Al Baker, the executive director of financial institutions supervision at the Central Bank of Bahrain.

“Certainly, we believe that the liquidity available for investing in Shariah compliant products is far better than the liquidity available for conventional products, specifically in the region, due to the limited number and variety of Shariah compliant investment products. Investors are essentially looking for products that would give sustainable income over a reasonable investment period with very clear risk mitigation tools in place,” Najla affirmed.

It has been a difficult year for Bahrain, as exemplified by the ratings assigned by Moody’s when it downgraded the country’s long-term issuer ratings to ‘Ba2’ from ‘Ba1’ and assigned a negative outlook. Perhaps the BLF will be a turning point to the right direction for the country’s bourse.☺

Pakistani Islamic banks gain liquidity investment options as country builds infrastructure with Shariah finance

Flush with liquidity, the fast-growing Islamic banking fraternity of Pakistan has always struggled to find suitable avenues to park excess liquidity but VINEETA TAN observes that the landscape is becoming more fluid, thanks to concerted efforts by Prime Minister Nawaz Sharif’s government in creating quality instruments to absorb abundant Shariah liquidity from the system.

“ More of such offerings can be expected as Prime Minister Nawaz puts in place a robust infrastructure project pipeline particularly in the China-Pakistan Economic Corridor ”

The numbers are encouraging. Official central bank data shows that Pakistani Islamic banking institutions have significantly increased their investments: in the first quarter, a total of PKR593.6 billion (US\$5.62 billion)-worth of Shariah banking investments were channeled into a variety of asset classes including

sovereign securities, shares and Sukuk — a 60.6% surge as compared to the corresponding period in 2015.

This upswing — which reflects the growing options Islamic banks have to park liquidity — is mainly driven by the stream of investments into federal government securities which swelled by 67.9% year-on-year to PKR417.6 billion (US\$3.96 billion) at the end of March 2016. While the exasperated domestic Shariah banking community has for a long time been pushed to a corner with few Islamic-friendly investment avenues, the financial circle has received reprieve: in the first quarter alone, the government printed PKR80.4 billion (US\$761.58 million)-worth of Sukuk Ijarah to meet the overflowing demand of Islamic banking institutions which collectively has over PKR200 billion (US\$1.89 billion) of excess idle funds, according to some estimates.

The government did not stop there. This week, state-owned Water & Power Development Authority (WAPDA) raised PKR100 billion (US\$947.24 million) through Sukuk — the country’s largest-ever fund (both conventional and Islamic) mobilization for a public entity. The private fundraising exercise, conducted to finance the 969 MW Neelum Jhelum hydropower project, was described as a “milestone” in the history of Pakistan by WAPDA Chairman Muhammad Zubair, who also added that this issuance will go a long way in facilitating funds for other hydropower projects.

More significantly, the 10-year diminishing Musharakah facility will have great implications to the wider



Pakistani financial market: Syed Iqbal Ashraf, the president and CEO of the National Bank of Pakistan, which is the single largest subscriber of the landmark debt with a 35% share, believes that the Sukuk, to be listed on the Pakistan Stock Exchange, will pave the way for Islamic banks and Shariah mutual funds to invest their liquid funds.

With a ‘AAA’ rating (JCR-VIS) and a sovereign guarantee, it does not come as a surprise that investment-hungry Islamic banks would clamor for a piece of the Sukuk in an environment where high-quality assets are scarce; and more of such offerings can be expected as Prime Minister Nawaz puts in place a robust infrastructure project pipeline particularly in the China-Pakistan Economic Corridor — as part of the ambitious ‘One Belt, One Road’ initiative — expected to be commissioned in 2018. Already approximately US\$1.95 billion of financing involving some of China’s and Pakistan’s largest banks have been raised, part of which is Shariah compliant, and the multibillion-dollar projects will open the door for Islamic banks to participate as the government consciously decides to utilize Shariah compliant financing to make its infrastructure plans a reality.⁽²⁾

Table 1: Pakistani Islamic banking investments in PKR billion

	Period			Growth (%)	
	March 2015	December 2015	March 2016	Year-on-year	Quarter-on-quarter
Federal government securities	248.7	307.4	417.6	67.9	35.8
Fully paid-up ordinary shares	5.8	12	12.4	113.8	3.3
Bonds/PTCs/Sukuk	50.2	56.7	50.6	0.8	(10.8)
Other investments	64.9	62.5	113	74.1	80.8
Total investments	369.6	438.6	593.6	60.6	35.3
Provisions and deficit (surplus)	(1.5)	(6.7)	(6.7)	346.7	0
Net investment	368.1	431.9	586.9	59.4	35.9

Source: State Bank of Pakistan

Property funds: The next big thing for Islamic investors?

The uncertainty surrounding the UK exit from Europe has hit, and hit hard. With property investment up there as the number one asset class for Islamic investors into Britain, LAUREN MCAUGHTRY takes a look at the latest trend likely to hit a sector already under fire — the growing popularity of property funds.

While Brexit could have a serious impact on the UK investment landscape, industry insiders are pragmatic that the consequences for Islamic investors are unlikely to be too serious (see cover story, Vol 13 Issue 25: ‘The Big Brexit’). Other issues, however, continue to impinge on the real estate market — which could be on the verge of a sea change in the way overseas investors get involved.

New taxes on UK property, combined with stamp duty changes and a more rigid regulatory approach, have meant that investments must now be structured to take account of the new landscape. And while direct investment has until now been the favored form of investment, a new avenue has emerged that is about to explode onto the Islamic scene.

“Property funds are becoming increasingly popular and specifically

more important to the Middle East[ern] investor,” explained Naomi Heaton, CEO of UK-based property investment firm London Central Portfolio (LCP). “They are Shariah compliant, but in addition the taxes on direct investments are not applicable if you invest through a fund structure.”

Islamic investors active in the UK market will soon have to pay capital gains tax, inheritance tax and stamp duty, while even offshore companies and holdings are soon to come under scrutiny. “The UK government doesn’t charge tax on property funds which have multiple investors and diverse ownership,” noted Heaton. “Middle Eastern investors don’t feel very comfortable with tax, so that is a major attraction especially given the recent changes in the UK property market.”

For those investors buying for investment purposes, this approach simply makes more financial sense, and industry insiders are expecting a significant shift toward both residential and commercial funds. But this does not just benefit overseas buyers — it also has an inclusive effect for the domestic market. For UK investors keen to allocate their funds according to their religious principles, these funds

are also eligible for inclusion in their Self Invested Personal Pensions and Individual Savings Accounts, two of the most popular tax-efficient savings vehicles — allowing them to access central London investments in a way they might not be able to do on a direct basis, while ensuring they are not penalized on a tax level.

“While Brexit is expected to have an overall negative effect on the UK economy and inward investment, the small central London segment could in fact benefit from the upheaval”

And while Brexit is expected to have an overall negative effect on the UK economy and inward investment, the small central London segment could in fact benefit from the upheaval. “Prime Central London real estate is expected to benefit from a flight to quality and the security of blue-chip tangible assets, against a background of highly volatile financial markets,” noted LCP on the 24th June. “It is now likely that property prices in Prime Central London will increase.... LCP have received a stream of enquiries from the early hours of this morning.”

As this market strengthens, funds will play a vital role in its development. “Over the next five years, you will find that funds will become significantly more important,” agreed Heaton. “Everything is shifting toward the funds arena. There are huge new dynamics coming into the property market and for people who have an investment strategy, this is going to be a major new trend.” ☺



Islamic finance retail space sees wave of new interest on the back of improving financial literacy

Muslims and non-Muslims globally may not be as aware of Islamic financial products as they should be, let alone understand their unique value proposition, but data from the UAE suggests that more Emiratis are buying into the concept of Shariah compliant finance and are increasingly turning to Islamic instruments to meet their financing needs. VINEETA TAN takes a closer look at the numbers.

In the first quarter of 2016, the number of enquiries by UAE residents into Islamic finance facilities surged 240% while Shariah compliant mortgage searches jumped 380%, according to financial comparison site compareit4me.com. This impressive year-on-year growth is a huge leap from figures released earlier in January which showed a 53% increase in consumers searching for Shariah compliant products, particularly personal financing facilities. Jon Richards, CEO of the UAE comparison site at that time said: “For a while Islamic banks slipped behind conventional banking in terms

of educating customers about what they offer, how they are different and why they are an appealing alternative. But they have stepped up. Now the awareness is much greater, the products available are much wider and these efforts are paying off [as] the spikes on compareit4me indicate.”

Although this upsurge is likely driven by the effective awareness-raising campaigns launched by domestic Islamic banks as well as by the government as part of its global Islamic economy ambitions, this rush into the Shariah finance space by retail consumers is also triggered by the competitive rates offered by Islamic banks to grab a larger market share away from their conventional peers.

Statistics from global intelligence firm RFI Group indicate that in the first half of 2015, 20% of retail banking customers in the UAE subscribe to an Islamic banking product with both expat Arabs and Emiratis the most likely to utilize Shariah financial facilities (one in two expat

Arabs and two in five Emiratis hold Islamic banking products).

This new wave of interest in Islamic finance comes amid a cascade of enquiries into personal finance solutions in general, demonstrating improving financial literacy in the Emirate which learned a painful and hard lesson back in 2008 during the global financial crisis which impacted many highly-leveraged individuals. Over the January-March 2016 period, enquiries via compareit4me into mortgages that don’t require salary transfer were up 450%, searches for ‘free for life’ credit cards hiked up by 543% and searches for cash bank and air miles benefits went up 500% and 367% respectively.

“This boost in people taking their finances into their own hands can only be a good thing,” said Richards, who added that this shows that UAE residents are becoming more confident in their ability to manage their current finances and orchestrate their financial future.☺

World nations turn to Islamic arbitration services as Shariah finance goes international

Litigation through the courts may be the most popular choice for Islamic financial commercial disputes; however, VINEETA TAN writes that an increasing number of market participants are gravitating outside the courts to settle transaction disputes as the internationalization of Shariah finance reaches an all-time high.

According to Prof Sundra Rajoo, the director of the Kuala Lumpur Regional Center for Arbitration (KLRCA), there has been a meaningful increase in the number of commercial disputes crossing over to the Islamic arbitration side, although the level of take-up, while on the upward trajectory, could still be improved.

“It’s hard to proportionate this against dispute resolution cases in the conventional financial industry — that would be similar to comparing apples to oranges. But the demand for a Shariah compliant dispute resolution avenue is at par with the industry’s growth and

market share needs at the moment,” Prof Rajoo told IFN, adding that he expects the adoption of the Islamic arbitration services to expand as the Shariah finance market matures.

Very encouraging is that Chinese President Xi Jinping’s ‘One Belt, One Road’ strategic initiative, which has opened the doors for Shariah compliant project funding opportunities, has also cleared the way for third-party commercial dispute resolution services.

Multiple arbitration centers worldwide, including the KLRCA, are now working together to launch a platform to market their services together; Prof Rajoo confirms that the proposed alliance will approach the government of China once things have been formalized.

Qatari authorities have also shown interest in possibly utilizing the KLRCA’s set of Shariah compliant arbitration rules — the world’s first to adopt the United Nations Commission on International

Trade Law’s Rules for Arbitration.

When the KLRCA’s i-Rules were launched in 2012, industry observers welcomed it as a positive step toward broadening arbitral options and fortifying Malaysia’s position as an international Islamic finance hub, and to a large extent, to enhance standardization across the global Islamic finance industry.

And while one can hope for that, Prof Rajoo however highlighted: “It is important to remember that [the i-Rules] are a means to an end, and not an end to a means in the larger picture for harmonization in the industry.”

The i-Rules are currently in the process of being updated in tandem with the review of Malaysia’s Arbitration Act which was last revised in 2011. Recommendations to the government, which include recognizing emergency arbitrators, are expected to be made this year, confirms Prof Rajoo.☺

DIB's oversubscribed rights issue a boost to its expansion plans within the UAE

Reassuring its position as one of the UAE's leading financial institutions when it comes to Islamic finance, Dubai Islamic Bank (DIB) saw its rights issue amounting to AED3.2 billion (US\$870.96 million) being oversubscribed approximately three times, after receiving total subscription of nearly AED9 billion (US\$2.45 billion). DANIAL IDRAKI writes that the rights issue by the UAE's largest Islamic bank will increase its share capital from AED3.95 billion (US\$1.08 billion) to AED4.94 billion (US\$1.34 billion) through the issuance of 988.44 million new shares.

With the rights issue, DIB will now be able to expand its business through the deeper penetration of existing and new wholesale segments as it attempts to gain a larger slice of the market share within the UAE. Dr Adnan Chilwan, group CEO of DIB, commented in a statement that the oversubscription not only came from the local shareholder base, but also saw substantial take-up from international investors. "[This] clearly depicts the tremendous faith that the global investor community has on the bank's strategic direction and long-term growth aspirations," Dr Adnan affirmed.

The increased capital will enable DIB to continue its expansion plans while at the same time ensuring that it meets the regulatory requirements under the capital and liquidity guidelines as imposed by the Central Bank of the UAE. "Building on the momentum we have established in the past two and a half years, we will continue to pursue our strategy to achieve sustainable business impetus in the medium term," Mohammad Ebrahim Al Shaibani, the director-general of the Ruler's Court of Dubai and Chairman of DIB, said.

In a recent note, Moody's Investors Service said DIB's capital increase is credit positive as it replenishes reserves and enhances loss-absorption buffers of the bank after a period of high growth during 2012-15, and will improve its liquidity after a period of decline. "As a result of this rights issue, we estimate that DIB's consolidated tangible common equity to risk-weighted-assets ratio will improve to around 12.3% from 9.8% as of March 2016. Concurrently, the new capital will also increase the bank's reported Tier 1 capital ratio to 18.1% from 15.6% as of

“ [This] clearly depicts the tremendous faith that the global investor community has on the bank's strategic direction and long-term growth aspirations ”

the same date," Moody's stated. DIB's increased capital ratio to such an amount significantly exceeds the 8% regulatory minimum, which includes hybrid additional Tier 1 Sukuk instruments that constituted around 4.5% of total assets as of March 2016.

Besides strengthening the bank's capital base, the rights issue will also boost its cash liquidity by AED2.2 billion (US\$598.79 million), based on its share premium. DIB's liquidity has been on the decline since 2013 as a result of its higher-than-average credit growth, while its liquid assets declined to 20% of total assets as of December 2015, from 35% at the end of December 2013, according to Moody's.

The extra cash to its balance sheet will push up liquid assets to around 21.3% and reverse the decline in liquid assets. Credit growth has also slowed to 5.6% during first quarter of 2016, down from 9.8% a year earlier. "This trend, when combined with the higher deposit growth of 12% over the same period, will further improve liquidity going forward," the rating agency added.

The new shares have a face value of AED1 (27.22 US cents) per new share and a premium of AED2.2 (59.88 US cents) per share, raising the issue price to AED3.2 (87.1 US cents) per new share.☺

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US commercial real estate market continues to capture Shariah investment despite slowdown

The US commercial real estate market may be showing signs of cooling down, but this has not deterred Islamic investors from jumping into the US property business as global demand for North American real estate continues to surge. VINEETA TAN reports.

Gulf Islamic Investments (GII), based in the UAE, is the latest to join a string of Shariah-inclined financial institutions in capitalizing real estate opportunities in the US. GII recently acquired a Class A Commercial Building in Pennsylvania for US\$48 million using a five-year Shariah compliant financing facility. The deal is the firm's first foray in the US market and certainly not the last as GII intends to expand its portfolio to include assets in the European and US markets. Tapping the US market follows its entry into the UK – both of which were executed in the span of eight months.

International demand for US real estate has been on the upward trend; however, the market is already showing signs of

slowing down. According to Moody's and Real Capital Analytics, prices of commercial properties in major US cities have dropped 3% since April while Cushman & Wakefield projects the New York property market to shrink by as much as 30% in 2016. Pacific Investment Management attributes this slowdown to a stricter regulatory environment and the weaker growth of China among others; the firm expects domestic real estate values to slide as much as 5% over the next 12 months.

Yet, despite the weaker environment, there are encouraging signs from the Islamic investor pool which still sees US real estate as a lucrative asset class.

"We have plans to acquire high-quality income-yielding real estate assets in the US, the UK, Germany and other parts of Europe and also to invest selectively in attractive value-added development opportunities in these regions," confirmed Pankaj Gupta, the co-founder and co-CEO of GII.

GII is not alone. Saudi Arabia's Islamic investment firm Sidra Capital in April broke into the US market with a SAR350 million (US\$93.28 million) purchase of a South Carolina property to kick-start its future US acquisition plans. UK Shariah compliant real estate specialist 90 North in February closed a US\$123 million acquisition of Saint Gobain's North American headquarters outside of Philadelphia.

More recently, Soho Properties raised US\$219 million in Shariah compliant funding from financiers in Malaysia, Kuwait and Saudi Arabia to finance the construction of its Tribeca condominium tower in Manhattan.

"This transaction aptly demonstrates the increased activity in Islamic financings in the US which has emerged over the past year," commented Baker & McKenzie partner Mona Dajani, who advised the Saudi Arabian firm, MASIC, involved in the Tribeca transaction.☺

Sovereign Sukuk: A subdued week

Coming to an end of the first half of the year, the sovereign Sukuk front has been relatively quiet over the past week, with no new issuance. DANIAL IDRAKI takes a look at some of the announcements that keep the momentum going, no matter how miniscule it may seem.

Indonesia

The government of Indonesia is targeting to raise IDR4 trillion (US\$296.4 million) via an auction of sovereign Sukuk (SPN-S 29122016 and four project-based Sukuk series) conducted on the 28th June to finance the 2016 State Budget, according to an announcement on the Ministry of Finance's website.

Iran

The Iranian Mines and Mining Industries Development and Renovation Organization (IMIDRO), a state-owned holding company active in the mining sector, is planning to issue IRR4 trillion (US\$132.64 million)-worth of Sukuk Musharakah. Over IRR3.3 trillion (US\$109.42 million) of the overall figure will be allocated to the production of

titanium pigment from the Kahnouj mine located in Kerman Province, whereas IRR700 billion (US\$23.21 million) will be

spent on the development of the second phase of West Azerbaijan Province's Zarshooran gold mine.☺

Upcoming sovereign Sukuk		
Country	Amount	Expected date
Oman	US\$2.5 billion	TBA
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

Company Focus: Shariah compliant Abraham’s River set to unleash further Islamic finance growth in the US

Although growing at a rapid pace, the Islamic finance industry in the US remains relatively small and fragmented compared with other parts of the world. However, incremental changes seem to be taking place, and the recent Shariah compliance certification for new kid on the block Abraham’s River is welcome news for the fledgling industry. DANIAL IDRAKI brings you the story.

“ We will increase business on the financing side, add investments on the other side of the balance sheet in a way we have not been able to so far ”

The Chicago-based Abraham’s River was established in 2015 by David Loundy, the CEO and chairman of Devon Bank, and describes itself as operating in accordance with “the requirements of the Abrahamic faiths” (Judaism, Christianity and Islam). It aims to expand

the provision of religiously compliant financing in the US, and to provide religiously acceptable income-oriented investment options. “Throughout the ‘Great Recession’, we at Devon Bank tried various attempts to create Shariah compliant investment products and to launch a non-interest-based bank. It was the wrong thing at the wrong time, as we could not find the investor support we needed,” Loundy explained to IFN.

After gaining further experience in deposit management for Islamic banks, the concept for Abraham’s River was born. Launched a year ago, the firm bought its first asset in September 2015, and began operations in January this year. “At the end of May, we received the Fatwa approving the structure, and in June we paid our sixth monthly dividends and finished our private placement memorandum,” Loundy added.

Currently, Abraham’s River’s assets are predominantly in the Ijarah structure, with a few shorter-term Murabahah transactions. It has nine religious institution properties under its commercial real estate portfolio, aside from retail and industrial properties. The institution also provides a small amount of residential property and medical equipment financing.

“Abraham’s River functions as an Islamic bank, but not in a way that the US regulators would call it a ‘bank’ – no charter, no branches, no employees – sort of a clownfish living in the anemone

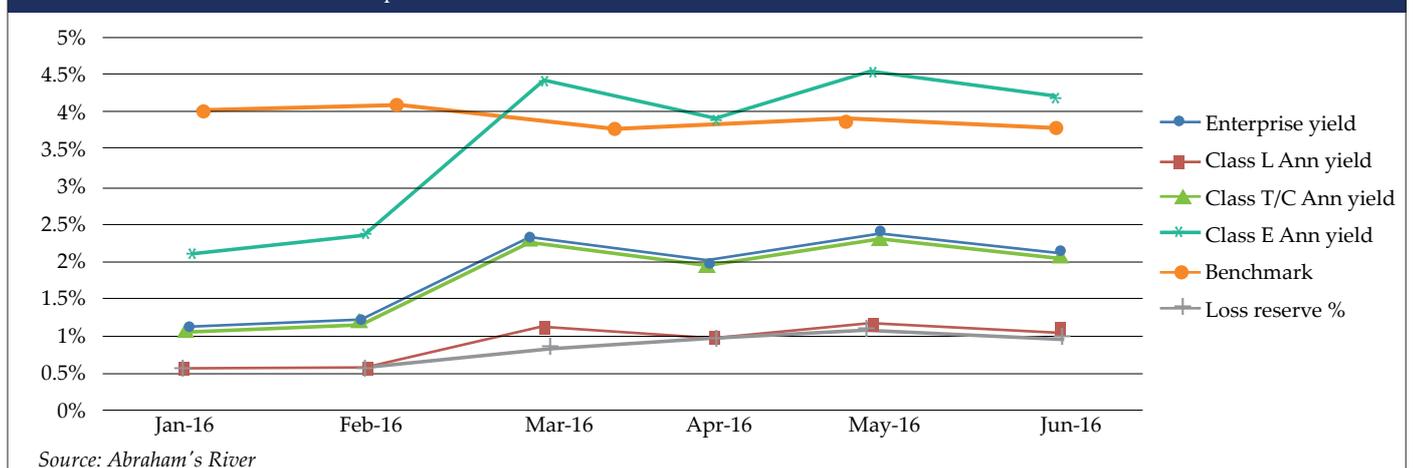
of Devon Bank, which also means very low overheads,” Loundy noted.

Abraham’s River is based on the dual concepts of Wakalah and Musharakah. Investors pool their funds under a Musharakah agreement and invest into Shariah compliant transactions as approved and endorsed by the Shariah Board of Devon Bank. As part of its investment mandate, no more than 10% of investments may be focused outside of the US. The major focus, although not necessarily exclusive, is on assets that support the payment of a monthly dividend and a stable price for membership units of Abraham’s River. It currently has four unit classes, which include liquid (class L), term (class T), charity (class C) and equity (class E).

Aside from receiving the official Fatwa, Abraham’s River is waiting to hear from the Chicago Rabbinical Council on its documentary review. While barely one year old, Abraham’s River is by no means taking things slow, and sees plenty of opportunities in a country with 3.3 million Muslims (according to Pew Research Center).

“We are now ready to take the ship out to sea. We will increase business on the financing side, add investments on the other side of the balance sheet in a way we have not been able to so far, and possibly use the company as a warehouse to accumulate assets to generate Sukuk,” Loundy opined.☺

Chart 1: Abraham’s River’s dividends paid



Sudan: Finding opportunities

In the African continent, Sudan is among the more sophisticated of economies; and in terms of Islamic finance, the Republic's commitment is perhaps unparalleled as it is the only nation to adopt a fully Shariah compliant platform. However, VINEETA TAN writes that the country's Islamic finance ambitions face titanic challenges due to economic volatility and political instability.

Economic overview

Social conflict and civil war taint the Sudanese financial and political landscape which has severely dampened the resource-rich country's economic potential. The secession of South Sudan in 2011 resulted in the loss of about 75% of its oil production and the Islamic country continues to feel the shocks from the secession and constraints of US sanctions.

Regulatory landscape

After unsuccessful attempts to Islamicize its finance and banking system in the 1980s, President Omar Al-Bashir managed to successfully convert Sudan's financial system to become fully Shariah compliant in the early 1990s. The High Shariah Supervisory Board was created in 1992 to monitor the implementation of reforms and oversee the compliance of the financial industry as well as serve as an appeal body for the Republic's Shariah banks, Central Bank and banking customers.

Governed by the Central Bank of Sudan Act 2002, the Act was however amended in 2006 following the conclusion of the Comprehensive Peace Agreement which ended the civil war involving the southern part of the country and as a result, the Sudanese banking system was no longer wholly Shariah compliant; instead, it became a dual banking system divided by geographical lines: Islamic in the north and conventional in the south. The amended Act also saw the establishment of the Bank of Southern Sudan (BOSS) as a branch of the Central Bank of Sudan (CBOS) to render conventional banking services in Southern Sudan in addition to other tasks.

In 2011, following the secession of Southern Sudan, BOSS became the central bank of the newly independent state and all topics related to banking and lending among others have been frozen, and all circulars related to the dual system have been suspended until the amendment of the law of the CBOS for the year 2002.

Banking and finance

There are 34 licensed banks, according to the Central Bank — which is a founding member of the IFSB; however, the population remains largely unbanked: figures from Islamic Research Training Institute (IRTI) and CIBAFI indicate that banking penetration is disproportionate with the majority of financial activities (41%) taking place in the capital of Khartoum while remaining relatively dismal in rural areas such as Darfur and Kurdufan (6%). Such uneven distribution has serious implications to the level of awareness (and subsequently development) of Islamic banking among the public, which has been identified as a major barrier to the development of the country's financial system.

The low banking penetration also prompted the Bank of Sudan to create the Microfinance Unit in 2007 to push for microfinancing on a larger scale in the country in order to increase financial access. According to the Consultative Group to Assist the Poor, 12 Sudanese banks have introduced dedicated Islamic microfinance windows while 10 stand-alone microfinance institutions have come to market. In 2014, Shariah compliant microcredit extension commanded 4.6% of total banking financing.

Total banking deposits, according to the Central Bank, reached SDG65.42 billion (US\$10.75 billion) at the end of 2015, building on relatively healthy growth rates. A 2016 report by IRTI and CIBAFI indicates that for the 2009-14 period, banking assets registered a 16.64% compound growth reaching SDG92 billion (US\$15.11 billion) while insurance contributions amounted to SDG1.1 billion (US\$180.68 million) at the end of 2013.

In 2015, Bank of Khartoum became the first Sudanese financial institution to operate Shariah compliant wholesale banking operations in Bahrain.

Sukuk

In terms of sovereign short-term Sukuk, Sudan is leading in the world

after Malaysia. It is also one of the pioneering African players (along with Gambia) in this space. The country in 2003 established a special committee to address the topic of Sukuk and issues Islamic debts (Ijarah and Musharakah) four times a year. A total of US\$130 million of Sukuk has been issued since 2007, according to IRTI and CIBAFI.

Takaful

The Decree of the Minister of Finance No 219 in 1992 required all insurance operators to convert their operations to be in compliance with Shariah, in tandem with the country's banking system.

There are at least 15 Takaful operators in Sudan with five of them offering microTakaful products and two reinsurers. Islamic insurance was introduced in Sudan by Faisal Islamic Bank Sudan which in 1978 established the Islamic Insurance Company — the world's first Takaful operator. Several other banks followed suit including Al Baraka Bank, Islamic Cooperative Development Bank and Sudanese Islamic Bank.

General Takaful accounts for the majority of contributions and health coverage generates the most demand.

Challenges and opportunities

The secession of South Sudan has severely impacted Sudan, leaving it to wrestle with tough macroeconomic and fiscal challenges (as well as political instability). The lack of access to finance and inadequate infrastructure services as well as incomprehensive taxation policies and an underdeveloped human capital pool weigh heavily on the African nation.

However, the country's political will and commitment to Shariah compliant finance is commendable and its infrastructure investment and plan to diversify its economy create opportunities for its Islamic financial system to prosper. Public-private partnerships and microfinance have been identified as areas of growth.☺

Private equity and venture capital in Islamic finance

Private equity and venture capital are always welcomed by Shariah-seeking investors due to its equity-based, profit and loss-sharing nature, as well as the fact that they encourage the financing of the real economy. Transactions in this market segment usually involve start-ups and SMEs, and common structures used are typically based on the principles of Mudarabah, Musharakah and Wakalah. DANIAL IDRAKI takes a look at transactions and developments that have transpired over the last few months.

Private equity

In Qatar, The First Investor (TFI) had in March this year expressed its interest in investing in Turkey's real estate, healthcare, education and food and beverage industries. TFI, which is Barwa Bank's Shariah compliant investment banking arm, is involved in private equity and asset management. It is expected that TFI could spend more than US\$150 million per deal.

Earlier in January, Iran's Turquoise Partners said that it plans to start a US\$200 million private equity fund in the first half of this year with REYL Finance (MEA), REYL & Cie's Dubai unit, according to a statement sent to IFN. The fund will focus on the following sectors in Iran: consumer goods, pharmaceuticals and hospitality that are expected to see significant growth with the lifting of the country's economic sanctions.

Doha-based Islamic investment bank QInvest had in February provided a five-year US\$30 million Murabahah mezzanine facility to Crescent Capital to acquire Akocak HPP, an operational 81 MW hydroelectric power plant in Turkey. The investment was made through Crescent's Clean Energy Transition Fund (CETF), the first energy-focused private equity fund in Turkey.

In January, global Islamic investment management firm Arcapita announced the US\$85 million acquisition of a private portfolio of senior living communities in Colorado in the US – a joint venture with MorningStar Senior Living that emphasizes the growing appeal of US investment opportunities for Shariah compliant private equity investors.

Bahrain-based wholesale Islamic bank Ibdar in January announced the successful exit from four Bahraini real estate investments for a total value of US\$21.7 million, and noted a strong pipeline of

opportunities in developed markets including the UK, Europe and the US.

The bank had also invested GBP8 million (US\$10.92 million) in a private rented sector development project in the UK's Manchester City, known as Angel Gardens, in February. The 458-apartment residential project has a total development value of GBP124 million (US\$169.28 million) and is being funded through a combination of equity invested by the wholesale Islamic bank and other co-investors as well as senior debt. The expected income return through operations starts at 9.1% on stabilized income, rising to 10.8% per year after three years of stabilized operations and a targeted internal return rate of over 15% over a five-year investment period.

In August 2015, three of the biggest private equity firms in the Gulf, namely Abraaj Group, Fajr Capital and Gulf Capital, were competing for a controlling stake in Saudi supermarket chain Al Raya for Foodstuff Co in a deal worth as much as US\$300 million. However, talks for the sale were said to have stalled due to differences over valuation.

While firms and industries across the GCC scramble to diversify away from relying on the oil and gas sector, asset management and investment firm Alkhabeer Capital recently launched its first education-focused product in its private equity investment portfolio. The Alkhabeer Education Private Equity Fund I seek to tap into the growing private education sector in Saudi Arabia.

The Arab Petroleum Investments Corporation (APICORP) extended a US\$10 million Shariah compliant financing facility in May to Algeria-based Oil Recovery Services SAL, a service contracting company which works for Sonatrach. The transaction was arranged with 4D Global Energy Advisors, a Paris-based oil and gas private equity firm and the initial financing provided by

APICORP will act as a template for the financing of several other contracts in the pipeline.

Venture capital

Malaysia and the IDB are collaborating to establish the world's first Islamic venture capital fund, according to Malaysia's treasury secretary-general, Dr Mohd Irwan Serigar Abdullah. Dr Irwan said that treasury officials and Malaysia Venture Capital are finalizing the US\$100 million deal with the IDB, and an MoU is expected to be signed soon.

In a bid to support alternative financing for small enterprises and start-ups, Otoritas Jasa Keuangan (OJK) had in January this year issued a number of regulations on venture capital, covering matters such as licensing and institutional matters, doing business, good corporate governance and direct supervision by the OJK.

An investor or institution wishing to establish an Islamic-based venture capital company is required to provide a minimum paid-up capital of IDR20 billion (US\$1.48 billion) for a limited company and IDR10 billion (US\$741,000) for either a cooperative or a limited partnership. Venture capital firms are also allowed to develop their fee-based income through their services.

Outlook

Demand for real economic activities requires a significant amount of fundraising, and this provides both entrepreneurs and investors within the Islamic private equity and venture capital universe a sustainable growth opportunity.

The energy, mining, utilities and chemicals sectors appear to interest many private equity firms, whereas venture capital firms continue to focus on consumer services and information technology.☺

Turkey's US\$1 billion Sukuk: An exciting comeback

After an 18-month hiatus, Turkey returned to the international Sukuk market early this month with a successful US\$1 billion lease certificate issuance, which saw overwhelming demand from a diverse pool of investors amid weak market conditions. Speaking to Emirates NBD Capital, NURUL ABD HALIM explores in detail the exciting deal.

The five-year lease certificates were priced at 290bps over midswaps with a coupon rate of 4.25%, attracting an orderbook of approximately four times its actual size from 150 accounts. Listed on the London Stock Exchange, the Sukuk facility, IFN learned, traded at the same level of pricing to that of comparable conventional bonds on the first day of opening — a first for Turkey.

“ The strong support from the sovereign in the Sukuk market paves the way for further issuances from various corporates/banks in the country ”

The issuer also witnessed strong demand for its paper with the Middle East commanding 54% of the Sukuk pie, followed by Turkey (16%), Europe (11%), the UK (10%), Asia (5%) and the US (4%).

“[This paper attracted] among the highest-ever Middle Eastern participation for a Sukuk [facility] from the Republic of Turkey,” said lead manager Emirates NBD Capital.

Proceeds received from the facility will be used by the Republic for general

financing purposes, which may include the repayment of debt. The Sukuk is engineered based on the Ijarah structure as it is the most common structure used globally across transactions and because it was also employed in all the Republic's previous issuances.

Besides marking its comeback to the US dollar Sukuk market after an 18-month gap, the unique features of the Ijarah deal also include the government of Turkey's ability to price the latest offering with negligible new issue premium — a demonstration of investor confidence and demand for the sovereign paper. This is despite prevailing uncertainties in the Turkish political landscape, a weak market backdrop, the overcrowded primary debt markets and split ratings (the certificates were assigned investment grade ratings by Moody's and Fitch while the sovereign possesses an unsolicited 'BB+' rating from S&P).

“The Sukuk market remains very strategic from the Republic's point of view as they see it as a tool for investor diversification,” commented Emirates NBD Capital on the importance of this transaction to the industry. “The strong support from the sovereign in the Sukuk market paves the way for further issuances from various corporates/banks in the country.”

The deal is a stand-alone offering and also the sovereign's fourth issuance in the international Islamic debt capital market. According to data by the Turkish Treasury, Turkey has US\$3.75 billion-worth of international lease certificates which are outstanding in the market.

Previously, Turkey accessed the international Sukuk market in 2014 with a US\$1 billion 10-year 4.49% Ijarah paper, its longest-tenor US dollar Sukuk. With the latest US dollar offering, Turkey's US\$4.5 billion-worth of 2016 eurobond and lease certificate issuance programs amount to US\$4 billion.☺

The Republic of Turkey's US\$1 billion lease certificates



1st June 2016

Issuer	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi
Obligor	The Republic of Turkey
Size of issue	US\$1 billion
Mode of issue	Public, 144A/Reg S
Purpose	General financing purpose which may include repayment of debt
Tenor	Five years
Issuance price	100%
Profit rate	4.25% (five-year midswaps + 290bps)
Payment	Semi-annual
Currency	US dollars
Maturity date	8 th June 2021
Lead manager(s), principal advisor(s) and bookrunner(s)	Emirates NBD Capital, HSBC, Standard Chartered Bank
Governing law	English and Turkish
Legal advisor(s)/counsel	Turkey: Arnold & Porter, Paksoy Ortak Banks: Clifford Chance and Yegin Ciftci
Listing	Irish Stock Exchange
Underlying assets	100% tangible assets (real estate)
Rating	Moody's: 'Baa3' Fitch: 'BBB-'
Shariah advisor(s)	HSBC, Standard Chartered Bank
Structure	Ijarah
Tradability	Tradable
Investor breakdown	Middle East: 54% Turkey: 16% Europe: 11% UK: 10% Asia: 5% US: 4%
Face value/minimum investment	US\$200,000

Thinking big

By Kavilash Chawla, a partner at boutique management consulting firm Bâton Global and a visiting scholar at Drake University.

In the four weeks since my last column, there has been an opportunity to ‘think big’ about a number of catalytic, world-changing events. Let’s start with the most recent: Brexit. What does Brexit mean for Islamic finance?

While none of us has a crystal ball, the first casualty is likely to be London itself. Since the city hosted the World Islamic Economic Forum a couple of years ago, outgoing Prime Minister David Cameron had successfully begun to establish London as the hub and gateway for European Islamic finance. Now, it seems likely that it was all for naught. Firstly, part of the attractiveness of London as a hub for Islamic finance was its access to Europe. While the new operating reality is yet to unfold, it is hard to imagine that the UK will be able to retain its passporting privileges to the European market. A second loss to the city’s aspirations to be an Islamic finance hub is talent. While home-grown talent in the UK will likely continue to be strong, the isolationist,



anti-immigrant message Brexit sends is very hard to ignore. As organizations think about and evaluate their growth strategies, the implications of Brexit as it relates to accessing world-class talent are certainly going to weaken the prospects of London as a hub.

Another casualty is likely to be the growth and expansion of Islamic finance in western markets like the UK. The engagement between UK financial market regulators and the Islamic finance industry has been very positive over the last decade, and that relationship is often held up as an exemplar of how regulators and industry can work together to find solutions that meet the needs of the local population. As an external observer, it is hard to remain optimistic that the new UK is going to be as engaged. This means a champion and exemplar for integrating Islamic finance into a conventional system has been lost. As the US and other markets may look to attract Islamic finance, and as Islamic finance looks to expand further into non-OIC

countries, the potential loss of the UK regulatory authorities as a partner could be costly.

I am, however, an eternal optimist. While we all expect significant turmoil and fallout from Brexit over the coming months (and years), Brexit creates new opportunities. For other European cities, it creates an opportunity to continue to establish themselves as the hub of European Islamic finance. Luxembourg, Switzerland, or perhaps even France, Germany or Belgium could emerge as a hub for the region. While the European political climate still needs to be navigated and poses a formidable barrier, a pivot east from the UK may be where Islamic finance’s European future lies.

Other than Brexit, this past week also saw the arrival of 1,000 Mandela Fellows from sub-Saharan Africa to 36 elite universities in the US for a six-week leadership program. Does Brexit signal that the move south may be more strategic and prosperous for Islamic finance, at least in the medium term?

While it ultimately depends on an organization’s capabilities, capacity and resources, Brexit has certainly forced the need to ‘think big’ about the next few years for Islamic finance in Europe, and where the opportunities for growth and success are going to be found over the next five to 10 years. For my own part, I have been very impressed by the Mandela Fellows! ☺

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Islamic treasury bills/notes to be issued in the Iranian financial system until March 2017



IRAN

By Majid Pireh

On the 30th September 2015, the first treasury bills after the Islamic revolution in the Iranian capital market were issued. The face value of each bill was IRR1 million (US\$33.16) and on the first trading day, each bill had been discounted at IRR900,500 (US\$29.86). The maturity date of the treasury bills was the 13th March 2016 which meant that these bills had a maturity period of 5.5 months. The Iranian Farabourse Company is the financial market for trading treasury bills in Iran. On the maturity date, the Iranian government fulfilled its obligations and paid the nominal value to the holders.

“ There is no coupon payments for these instruments and investors may gain from the different prices on what they pay and what they receive when they want to sell ”

Moving on, the government used the authorized amount for issuing Islamic treasury bills which was indicated in the Budget Act and in the previous Iranian year (from the 21st March 2015 to the 21st March 2016).

After that, in the current Iranian year (from the 21st March 2016 to the 21st March 2017) according to the country's Budget Act enacted by the Iranian Islamic Consultative Parliament, the government received permission for fundraising by issuing over US\$5.5 billion-worth of Islamic treasury bills/notes. This amount shows the success of prior activities in the previous year and for this year, the government plans to issue higher amounts of Islamic treasury bills/notes.

Table 1 shows the main characteristics of Iranian Islamic treasury bills/notes to be issued in the current Iranian year (from the 21st March 2016 to the 21st March 2017).

As is common for treasury notes in financial markets, there is no coupon payments for these instruments and investors may gain from the different prices on what they pay and what they receive when they want to sell. This is on the basis of a discounting structure.

Nevertheless, the permitted amount for Islamic treasury notes/bills is due on the 21st March 2017 and the government should realize the available potential until then.⁽²⁾

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Table 1: Main characteristics of Iranian Islamic treasury bills/notes

Name	Islamic treasury bills	Islamic treasury notes
Value	IRR100 trillion (US\$3.32 billion)	IRR75 trillion (US\$2.49 billion)
Tenor	Less than one year	One to three years
Tax treatment	Exempted	Exempted
Tradable	Yes (at the Securities Exchange)	Yes (at the Securities Exchange)
Legal base	Iran Budget Act ratified by Iranian Islamic Consultative Parliament	Iran Budget Act ratified by Iranian Islamic Consultative Parliament

Source: Securities and Exchange Organization of Iran

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Global collaborations and Shariah compliant hydroponic investments



UAE

By Rima Mrad

The UAE Islamic industry is continuing to expand on a steady trajectory. The month of May ended with the 1st China-UAE Conference on Islamic Banking and Finance held under the theme 'Islamic Banking and Finance: Perspectives, Challenges and Sustainable Impact'. This conference was organized by Hamdan Bin Mohammed Smart University's Dubai Center for Islamic Banking and Finance and the Dubai Islamic Economy Development Center in cooperation with China Islamic Finance Club and ZhiShang Intercultural Communication.

A number of other major announcements were issued this month. AAOIFI visited the UAE in early June and signed a memorandum of cooperation with the UAE's Securities and Commodities Authority which set the framework for cooperation between both of these bodies including exchanging expertise, building capabilities of human resources and raising awareness of Shariah compliant financial products and instruments relevant to financial markets.

Also, 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. This is expected to establish standards for Shariah compliant financial transactions under a global regulatory mechanism.

With respect to finance deals, Dubai real estate developer Meydan Group raised AED1 billion (US\$272.18 million) in Islamic financing from UAE banks on a dual-tranche offering comprising a AED700 million (US\$190.52 million) Sukuk issue and a AED300 million (US\$81.65 million) term facility, both maturing in 2024. This is reported to be one of the largest Islamic financing deals in the first half of 2016. The deal is supposed to support Meydan's financing objectives, enhance its capital structure, diversify its investor base and secure additional funding for new projects.



Further to this, Ajman Bank raised AED675 million (US\$183.72 million) through a rights issue which was oversubscribed by 195% and of which AED500 million (US\$136.09 million) was raised from the issuance of 500 million new ordinary shares and AED175 million (US\$47.63 million) represented share premium. Following this issuance, the bank increased its share capital to AED162 million (US\$44.09 million).

On another front, international hydroponic expert Pegasus Agriculture, which operates hydroponic farming facilities based in Dubai, announced that they have secured a certificate from the Shariah Supervisory Board announcing that its Hydroponic Investment Product is now officially Shariah compliant.

With respect to new set-ups, Abu Dhabi Financial Group and GFH Financial Group will establish a new Islamic bank in the Abu Dhabi Global Market with an initial capital of US\$100 million. The Abu Dhabi Global Market is the UAE's international financial center for local, regional and international institutions and in October 2015 started accepting applications for registrations. ☺

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Islamic banking and finance opens its doors in Suriname to economic empowerment for Latin America and the Caribbean

Given the recent recession and skyrocketing inflation, the conversion of Trust Bank in Suriname to a fully-fledged Islamic bank in line with the demand of its stakeholders that prompted its board members to undertake the necessary steps to achieve this goal by 2017, creates the opportunity for the Suriname economy to strengthen itself. The economy is currently experiencing steep inflation, declining purchasing power and diminishing SMEs. MAUREEN BADJOERI explores.



SURINAME

By Maureen Badjoeri

Trust Bank is a small private bank in Suriname, South America's smallest country; established in 1989 with the vision to foster sustainable development and growth and a special focus on the low-income segment of society. The aim to establish the first Islamic financial hub in Suriname was addressed recently during the IDB's 41st Annual Meeting in Indonesia, emphasizing the benefit it could bring to the economy as well as facilitating foreign direct investments, not only for Suriname but for the Caribbean and Latin America.

SMEs are the backbone of most economies in the world, more so in Suriname and the rest of the Caribbean. Local production of goods and services, sector diversification and wealth creation among SMEs are crucial to economic growth without which it will slow down.

The renewed strategy is to contribute to the socioeconomic development of SMEs which frequently encounter difficulties accessing finance. In line with this, Trust Bank has partnered with the Islamic Corporation for the Development of the Private Sector (ICD) to realize this ambition as they commonly share the main objective of having a developmental impact and working toward financial inclusion. Both parties have signed a partnership agreement in December 2015 and the permit to proceed with the conversion of the bank was granted by the Central Bank of Suriname in May 2016. When fully converted, the bank's name will be Trustbank Amanah.

The partnership will enable the bank to facilitate SMEs not only financially but in other aspects as well. SMEs will

be offered a partnership where the investment risk is shared, technical assistance is provided and sector expertise is available for support. This approach, which is in accordance with ICD principles, will allow SMEs to start-up production of goods and services with a spin-off in job creation, trade and export, adding to GDP growth and strengthening the Suriname currency and economy.

“*Suriname is strategically positioned and is a perfect gateway to the Caribbean and the rest of Latin America*”

Trust Bank and the ICD foresee great economic value in further exploring the partnership, connecting the east and west together. Suriname is strategically positioned and is a perfect gateway to the Caribbean and the rest of Latin America – an unexplored market for investors from the eastern hemisphere with about 600 million people and untapped resources of natural gas, copper, nickel, iron and granite; a technology industry; large-scale manufacturing; and health tourism. Underdeveloped markets include fishery, agriculture, organic food, natural medicine, aviation, shipping and ecotourism.

With the establishment of the first Islamic bank and financial hub in Suriname, the gateway is now opened to all foreign

investors to explore new and exciting ventures in Suriname and the region. Apart from banking and finance, due to the impact of climate change on global food reserves, Suriname can be developed into a food haven. Limitless opportunities exist in the underdeveloped markets such as fishery, agriculture, organic food, natural medicine, aviation and shipping. Suriname's membership in the IDB Group since 1997, which provides it access to funding, knowledge and expertise that so far have not been fully utilized by the private sector, will now pave the way for Trust Bank to exploit these available options and resources.

Suriname also has a membership with the Caribbean Community which facilitates free trade movement for people and products; is party to the 'Cotonou Agreement', the partnership agreement between members of the African, Caribbean and Pacific Group of States and the European Union; and is a member of UNASUR (Union of South American Nations). These agreements and partnerships are the vehicles to be accessed for new market entry and development.

With the renewed strategy that focuses on SMEs and the introduction of a new business model for Islamic banking and finance, Trust Bank's future plans are not only to strengthen the bank institutionally but also the whole financial sector of Suriname by bringing benefits from collaborations that will deepen the financial sector with new financial products and services such as knowledge transfer and job creations, to name a few.☺

Maureen Badjoeri is CEO of Trust Bank. She can be contacted at maureen.badjoeri@trustbanknv.com.

The phenomenon of Shariah compliant funds

Much of the focus in recent years in the Islamic finance space has been on the explosion in the issuance of Sukuk (or so-called Islamic bonds), the use of Islamic finance or tranches in financing large infrastructure projects and the equally notable growth in the retail market. However, another industry has also been quietly and very successfully developing – the phenomenon of the Shariah compliant fund and with it, the creation of a complementary Islamic fund and asset management market. NEALE DOWNES writes.



PRIVATE EQUITY

By Neale A Downes

In many ways, this is not at all surprising, as Islamic finance structures are, at their heart, far more akin to equity than to debt. Musharakah (joint venture) and Mudarabah (a limited partnership) – perhaps the purest of Islamic finance contracts – are arrangements whose very nature is in the sharing, between the partners therein, of risk and reward or, put another way, of profits and losses.

Structure

Shariah compliant private equity funds are normally structured as a limited partnership which, as explained previously, to all intents, is the same as a Mudarabah arrangement. As a general rule, Shariah prohibits investments in preference shares, as they go against the principle that all investors or stakeholders should bear losses equally or, at the very least, pro rata to the level of their equity participation. Hence, investing in or through a company which issues different participating classes of shares is generally not allowed, although the use of management shares (for control) is not uncommon.

One alternative is a closed-ended unit trust structure, whereby a fund company issues units to investors and then delegates management and administration to a third party – usually the fund sponsor or one of its affiliates. For example, this contractual structure is the norm for Middle East-sponsored funds domiciled in Bahrain. Shariah compliant private equity funds with international investors are, however, typically domiciled in traditional offshore jurisdictions familiar to such international investors.

The flat, opening or annual management fee is categorized as an agency arrangement (where the fee is a fixed amount or a percentage of capital commitments or the net asset value) and

the carried interest or performance fee is viewed as a Mudarabah agreement (a silent partnership where certain parties (the Rab Al Maal) provide capital and the other party (the Mudarib) manages and deploys that capital toward an agreed investment policy or within investment guidelines and provides expertise in return for a share of the profit). Payment of the carry or performance is, as is usual in the conventional fund sector, dependent upon the investors first achieving a certain rate or return and/or on the returns exceeding a high water mark.

While the basic documentation for a Shariah compliant fund is similar to that of a conventional fund – ie analogous to a limited partnership agreement – certain terms, such as the equalization mechanism for investors admitted after the first closing and the charging of default or penalty interest on amounts due from limited partners which is not contributed (ie using a typical commitment model), must be adjusted in the context of Shariah.

As a result of their unique operating and investment restrictions, fund managers often set up the Shariah compliant fund as a parallel fund which invests proportionately in portfolio investments on substantially the same terms and at the same time as a separate conventional fund. While the parallel fund will have the same fund manager and investment focus as the conventional fund, such a structure allows the fund manager to provide a Shariah compliant investment vehicle to investors without restricting the operations of the conventional fund and burdening its investors with any additional costs.

Shariah supervisory board

A Shariah compliant fund must appoint a Shariah supervisory board that reviews proposed investments and issues opinions (Fatwa) as to their compliance or otherwise with Shariah. Most private equity funds from the Middle East simply engage an already existing

Shariah board (typically the Shariah supervisory board of the fund's sponsor or anchor investor). Alternatively, a fund may hire a Shariah consultant or establish its own Shariah supervisory board comprised of various Islamic scholars. There are also certain service providers with their own Shariah boards which may be engaged on a contractual basis to advise a fund.

The Shariah consultant or supervisory board is required to review and approve the private placement memorandum or other offering documentation and all other fund documents.

“ Shariah prohibits investments in preference shares, as they go against the principle that all investors or stakeholders should bear losses equally or, at the very least, pro rata to the level of their equity participation ”

The Shariah consultant or supervisory board routinely audits the fund's activities and produces an annual report regarding ongoing Shariah compliance. Such a review may involve, among other things, visiting portfolio companies and the examination of documentation pertaining to investments. Details of investments proposed by a fund manager

Continued

involving structures or securities not previously approved by a Shariah consultant or supervisory board are usually presented to the consultant or board for review and approval prior to investment.

Permissible investment areas

In order to qualify as Shariah compliant, a fund's investment policy must contain restrictions that prohibit investment in industries or asset classes considered to be forbidden or Haram. These restrictions thus prohibit investment in companies active in the following industries and activities:

- (a) conventional financial services (including conventional banks and insurance companies)
- (b) tobacco
- (c) gambling
- (d) alcohol or pork products
- (e) certain entertainment, such as pornography (but often including cinemas, music and publications)
- (f) weapons or military equipment, and
- (g) any other immoral or unethical activities identified by the Shariah consultant or supervisory board.

The application of these investment restrictions is subject to differing interpretations. For instance, some Shariah scholars argue that an investment by a fund in a hotel or restaurant that serves alcohol and/or pork is prohibited, whereas other scholars argue that if the alcohol sales are less than a certain percentage of the total revenue of the hotel or restaurant, the investment by the fund may still qualify as Shariah compliant. Alternatively, funds or other investments are often structured so that any revenues from any activities considered to be Haram are segregated and not distributed to the Shariah compliant investors – they are

typically donated to a charity – or that such revenues are applied or reinvested in permissible activities or assets, so that any further ensuing revenues are 'purified'.

“ Cash held by a fund may only be invested in Shariah compliant, short-term investment products, such as Islamic money market instruments (eg Sukuk) ”

While a Shariah compliant fund may engage in leverage through the use of Islamic financing instruments (such as Murabahah), it may not obtain or provide conventional loans or otherwise invest in conventional interest-bearing instruments, including convertible debt securities. Cash held by a fund may only be invested in Shariah compliant, short-term investment products, such as Islamic money market instruments (eg Sukuk).

Similarly, a Shariah compliant fund is subject to restrictions on the amount of conventional leverage permitted at the portfolio company level. This often takes the form of financial parameters in relation to the debt-to-equity ratios and interest income of its investments. The generally accepted standard is that

the ratio of total conventional debt to total assets should be less than 33%. Additionally, the ratio of interest income (plus income from any incidental Haram or unidentifiable activity) to total revenue typically must be less than 5%. The ratio of liquid assets (cash plus accounts receivable) to total assets should be less than 45%. Finally, any conventional debt of a portfolio company must be restructured in a Shariah compliant manner generally within three years after acquisition.

Conclusion

As we can see, therefore, the inherent nature of a fund as a partnership between providers of capital and one or more expert and experienced managers of that capital and the requirement that all such parties should bear the risk and enjoy the rewards of their investment on an even or proportionate footing fits very comfortably into the ethos of Islamic finance.

The creation of screening services and widely accepted and trusted Islamic indices by a number of market participants – perhaps most notably Dow Jones – has further facilitated and hastened the growth of this exciting market.

Notwithstanding the continuing era of low interest rates and inflation, signs of tightening liquidity in the traditional debt markets would suggest that further opportunities will open up for the well-advised and fleet-footed equity investor, including those requiring Shariah compliance. ☺

Neale A Downes is a partner at Watson Farley & Williams. He can be contacted at ndownes@wfv.com.



IFN ONLINE DIRECTORY



Over 6,840 individual companies directly involved in the Islamic finance industry

DEALS

Indonesia auctions Sukuk

INDONESIA: The government of Indonesia is targeting to raise IDR4 trillion (US\$301.2 million) via an auction of sovereign Sukuk (SPN-S 29122016 and four project-based Sukuk series) conducted on the 28th June to finance the 2016 State Budget, according to an announcement on the Ministry of Finance's website.^(f)

RCE Capital sets up Sukuk Murabahah program

MALAYSIA: RCE Capital has established a Sukuk Murabahah program of up to RM900 million (US\$222.86 million) in nominal value via Al Dzahab Assets (ADA), according to a filing with Bursa Malaysia. ADA is a trust-owned special purpose bankruptcy remote vehicle incorporated solely for the Sukuk program and successfully launched its first issuance of RM155.48 million (US\$38.5 million) on the 21st June. RCE Marketing (RCEM), a wholly-owned subsidiary of RCE Capital, is the originator of the loan receivables forming the underlying assets for the Sukuk program, and has also been appointed to act as the servicer. The Sukuk Murabahah program is expected to increase RCEM's capital funds for future business growth.^(f)

IMIDRO plans Sukuk Musharakah

IRAN: The Iranian Mines and Mining Industries Development and Renovation Organization (IMIDRO), a state-owned holding company active in the mining sector, is planning to issue IRR4 trillion (US\$132.63 million)-worth of Sukuk Musharakah of which over IRR3.3 trillion (US\$109.42 million) of the overall figure will be allocated to the production of titanium pigment from the Kahnouj mine

located in Kerman Province, whereas IRR700 billion (US\$23.21 million) will be spent on the development of the second phase of West Azerbaijan Province's Zarshooran gold mine, according to the Financial Tribune.^(f)

Hijrah Pertama to make Sukuk periodic distribution

MALAYSIA: Hijrah Pertama will be making a periodic distribution on the 30th June 2016 for its Class B Sukuk with a profit rate of 4.87% amounting to RM22.52 million (US\$5.49 million) under its RM2.92 billion (US\$712.49 million) in aggregate nominal value Sukuk Ijarah facility, according to an announcement on Bank Negara Malaysia's website.^(f)

Pakistan's Islamic investments on the rise

PAKISTAN: The Islamic banking industry in Pakistan invested PKR155 billion (US\$1.45 billion) in government securities during the January to March 2016 period, according to the latest Islamic Banking Bulletin report by the State Bank of Pakistan. The investments grew 35.89% to reach PKR586.9 billion (US\$5.49 billion) by the end of March, compared with PKR431.9 billion (US\$4.04 billion) by the end of December 2015. The industry's assets and deposits were recorded at PKR1.63 trillion (US\$15.26 billion) and PKR1.34 trillion (US\$12.54 billion) respectively during the quarter under review.^(f)

Sarawak Hidro to issue Sukuk

MALAYSIA: Sarawak Hidro, a Ministry of Finance-owned developer of Malaysia's biggest hydropower project, is planning to issue RM5.5 billion (US\$1.34 billion)-worth of Sukuk without a government guarantee in July, confirmed the issuer to IFN. The Sukuk program has been assigned with a preliminary 'AAA' rating from RAM Rating Services,

CLOSING BELL

Badlisyah Abdul Ghani joins Tabung Haji

MALAYSIA: IFN can officially confirm that Badlisyah Abdul Ghani, former CEO of CIMB Islamic, will assume the role of deputy managing director of Lembaga Tabung Haji on the 1st July. Badlisyah is also slated to become a board member of Bank Islam, pending regulatory approval.^(f)

with Maybank and RHB Investment Bank appointed as the joint lead managers for the offering. The electricity generator intends to use the Sukuk proceeds to refinance its existing debt.^(f)

Chellam Plantations floats Sukuk Murabahah

MALAYSIA: Chellam Plantations (Sabah) has issued the first tranche of its RM300 million (US\$73.2 million) 17-year Sukuk Murabahah program amounting to RM150 million (US\$36.6 million), with the balance to be issued at a later date, according to a press release. The facility, rated 'AAA(fg)' by RAM Rating Services, will be used to support the company's new planting in Kalimantan and expansion in Indonesia, refinance its outstanding borrowings and finance its capital expenditures. The Sukuk program is being guaranteed by Danajamin Nasional, marking its 30th guarantee issuance.^(f)

Proposed novation for Sukuk

MALAYSIA: According to an announcement on Bank Negara Malaysia's website, Malaysian Trustees issued a notice on the 17th June to certificate holders of Konsortium ProHAWK's RM900 million (US\$219.6 million) Sukuk Murabahah program, informing them of a proposed novation

DEAL TRACKER

Full Deal Tracker on page 29

EXPECTED DATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENT DATE
July 2016	Sarawak Hidro	RM5.5 billion	Sukuk	28 th June 2016
TBA	Iranian Mines and Mining Industries Development and Renovation Organization	IRR4 trillion	Sukuk Musharakah	24 th June 2016
TBA	Bank Sulsebar	IDR50 billion	Sukuk Mudarabah	20 th June 2016
TBA	Government of Oman	US\$2.5 billion	Sukuk	20 th June 2016
Second quarter of 2016	Bank Albilad	up to SAR2 billion	Sukuk	20 th June 2016
TBA	Tiga Pilar Sejahtera Food	IDR1.5 trillion	Sukuk	17 th June 2016

of the asset management services agreement from Edgenta Mediserve to its parent company Edgenta Healthcare Management. ⁽²⁾

DP World to distribute Sukuk profit

UAE: Port operator DP World is expected to make a periodic distribution payment on the 5th July for its US\$1.5 billion trust certificates due 2017 for the period of the 1st January to the 30th June 2016. According to a statement, the distribution

is for the profit rate of 6.25% for the total amount of US\$18.09 million. ⁽²⁾

SPG makes Sukuk payment

MALAYSIA: Sarawak Power Generation (SPG) has made the principal and profit payment under its Sukuk Musharakah program of up to RM215 million (US\$53.24 million), according to an announcement on Bank Negara Malaysia's website. The principal redemption of stock code VM070751 and the semi-annual profit payment of stock

codes VO062342, VO062343, VR062348, VS062350, VS062351 and VM070751 were due and payable on the 27th June 2016. ⁽²⁾

Saratoga eyes Sukuk issuance

INDONESIA: Saratoga Investama Sedaya is studying the possibility of issuing Sukuk as the investment company looks to add Islamic instruments as an optional source of funding besides conventional bonds, according to Republika.co.id quoting Saratoga's finance director Jerry Ngo. ⁽²⁾

AFRICA

Banque Misr receives Murabahah financing

EGYPT: Banque Misr has obtained a US\$105 million Murabahah financing facility from three undisclosed UAE banks to supplement its foreign currency resources, Reuters quoted the bank's chairman, Mohamed Mahmoud Eletreby, as saying. Mohamed added that the facility will be paid back in two years. ⁽²⁾

CBE's ruling on CEO term limit void

EGYPT: The Administrative Court in Cairo has rescinded the Central Bank of Egypt (CBE)'s decision to limit the tenure of CEOs of commercial banks to nine years, Amwal Al Ghad reported. The measure was introduced in March by CBE's governor, Tarek Amer, in a bid to modernize the sector and "inject

new blood" where both consecutive and non-consecutive CEO terms would count toward the nine-year limit. The decision to cap CEO terms, however, caused consternation among bankers who described it as an unexpected overreach into the private sector's affairs. ⁽²⁾

Tunisia aims for sustainable growth

TUNISIA: Tunisia's structural reform effort aims to lift the country's future growth potential with the assistance of international institutions, although social and security-related challenges weigh on tourism revenues and on investment activity, Moody's noted in its report titled 'Government of Tunisia — 'Ba3 Stable', Annual Credit Analysis'. The rating agency added that the implementation of the long-delayed structural reform agenda in the banking, fiscal and business environment areas is key to lifting the country's future

potential growth path. Tunisia has been planning for a sovereign Sukuk worth approximately TND1 billion (US\$452.9 million) for some time, but the issuance has been delayed multiple times. It was reported that the government plans to tap the Islamic capital markets under the 2016 State Budget. ⁽²⁾

Firms to launch Islamic finance association

KENYA: Islamic financial firms have joined hands to set up a team tasked with preparing the launch of a lobby group to push for the development of Islamic finance in the country, reported Kenya's The Star. To be known as the Association for Islamic Finance in Kenya, the proposed entity is expected to be operational "soon", and will assist with the engineering of a legal and regulatory framework for the Shariah finance industry. ⁽²⁾

AMERICAS

Guidance Residential wins court battle

US: Guidance Residential, a provider of Shariah compliant home financing, has won the court case against University Islamic Financial Corporation (UIF), as well as parent company the University Bank of Ann Arbor, over the misappropriation of trade secrets, according to a statement. Guidance Residential was awarded a judgment exceeding US\$1 million by the Washington Superior Court, after a jury trial found former Guidance Residential employees, Mohamad Aijaz Hussain, Anwer Mangrio and others to have used proprietary information in soliciting applicants for mortgages shortly after

joining their new employer, UIF. The jury found that the information used was a trade secret of Guidance Residential and that the actions of all defendants were "willful and malicious" in the misappropriation. ⁽²⁾

US institution certified Shariah compliant

US: Abraham's River, a financial institution based in Chicago, has received a Fatwa certifying its Shariah compliance and is waiting to hear from the Chicago Rabbinical Council on its documentary review. The firm, established in 2015, aims to expand the amount of religiously-compliant financing and to provide religiously acceptable income-oriented investment options. David Loundy, the CEO and chairman of

Devon Bank, is a managing member of Abraham's River. ⁽²⁾

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ASIA

Allied Bank and IIUI sign MoU

PAKISTAN: The Islamic Banking Group of Allied Bank and the International Islamic University Islamabad (IIUI) have signed an MoU to promote learning, research and development awareness of Islamic finance and banking throughout the country, according to a press release. ⁽²⁾

NJHPC signs Sukuk agreement

PAKISTAN: The Neelum Jhelum Hydropower Company (NJHPC) has entered into a financing agreement with a consortium of banks led by the National Bank of Pakistan (NBP) as the mandated lead arranger for the issuance of a PKR100 billion (US\$947.02 million) Sukuk facility, according to the Business Recorder. The 10-year Sukuk facility is based on the diminishing Musharakah structure, which is structured by NBP Aitemaad, and backed by the sovereign guarantee from the government of Pakistan.

The NBP has a share of PKR35 billion (US\$331.46 million) of the PKR100 billion transaction with the remaining PKR65 billion (US\$615.57 million) provided by Meezan Bank, United Bank, Habib Bank, Askari Bank, Bank Al Habib, BankIslami Pakistan, Dubai Islamic Bank, Faysal Bank, Bank of Punjab, Bank of Khyber, Allied Bank, Al-Baraka Bank (Pakistan), Soneri Bank, Pak-Brunei Investment Company and Pak-China Investment Company. Proceeds from the 'AAA'-rated, privately-placed Sukuk will be used to partially finance the construction of a strategically important 969 MW hydel power project located in the districts of Muzaffarabad, Azad Jammu and Kashmir. (See *IFN Report page 7*). ⁽²⁾

Faysal Bank expands branch network

PAKISTAN: Faysal Bank has launched eight Islamic banking branches all over Pakistan in 2016 up until the first week of Ramadan, with the latest launch being the 76th such branch to date, as reported by The News International. ⁽²⁾

SECP seeks feedback on proposed Modaraba rules

PAKISTAN: In order to promote Islamic financial services, the Securities and Exchange Commission of Pakistan (SECP) has proposed amendments to the Modaraba Companies and Modaraba (Floatation and Control) Ordinance,

1980 and is seeking feedback from the public and stakeholders, according to the Associated Press of Pakistan. The amendments include making the appointment of Shariah advisors mandatory, making the Shariah advisor's report as part of the annual audited accounts of the Modaraba, the prohibition of the use of the word 'Modaraba' or any of its derivatives by any person other than a Modaraba company and the prohibition on deposit-raising by a Modaraba. ⁽²⁾

SBP releases Islamic banking data

PAKISTAN: Pakistani Islamic banking assets stood at PKR1.63 trillion (US\$15.44 billion) in the first quarter of 2016, capturing a market share of 11.4%, according to the latest data from the State Bank of Pakistan (SBP). Shariah compliant deposits totaled PKR1.34 trillion (US\$12.69 billion), a 12.9% market share. ⁽²⁾

Indonesia to set up OFC

INDONESIA: The Indonesian government intends to establish an offshore financial center (OFC) in the country allowing residents and non-residents to set up shell companies for offshore investments, according to Finance Minister Bambang Brodjonegoro as reported by the Jakarta Globe. Bambang, however, added that the establishment of the tax haven is dependent upon a tax amnesty program which seeks to repatriate IDR1 quadrillion (US\$75 billion) of funds owned by Indonesians in OFCs. Discussions on the tax amnesty bill with the House of Representatives are underway and expected to conclude this week before the 2016 revised state budget is passed. ⁽²⁾

RHB undergoes corporate reorganization

MALAYSIA: RHB Banking Group, which has an Islamic banking subsidiary, has carried out a corporate reorganization exercise which will see RHB Bank become the financial holding company of the group in addition to the establishment of the Group Wholesale Banking (GWB) strategic business sector, according to a press release. The business pillars under the GWB will comprise corporate banking, investment banking, client coverage, group treasury and global markets, asset management and private equity to be led in the interim by Group Managing Director Khairussaleh

Ramli. The new organizational structure will be effective on the 1st July 2016. ⁽²⁾

Amended Finance Bill tax reduction

PAKISTAN: Among a host of changes brought about by the amended Finance Bill 2016 is a 2% reduction of tax rates on income of a listed company that is recognized as being Shariah compliant by the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and the board; derives income from manufacturing only; has declared its taxable income for the last three consecutive tax years; and issued dividends for the last five consecutive tax years, according to the Business Recorder. ⁽²⁾

Indonesian Islamic banks merger

INDONESIA: The State-Owned Enterprises (SOEs) Ministry is now aiming for a merger of two Islamic state-owned banks, BNI Syariah and BTN Syariah, the Jakarta Post reported. The government had previously included Bank Mandiri Syariah and BRI Syariah in the merger plan. The SOEs Ministry's deputy for business service, Gatot Trihargo, was quoted as saying that the ministry aims to complete the Islamic banking consolidation by this year. ⁽²⁾

EUROPE

Turkey's Islamic banking sector to grow by 2025

TURKEY: According to a recent report by S&P on Islamic banking developments in Turkey, the sector is expected to grow its share in the overall Turkish banking sector from its current 5% (US\$42.2 billion) to over 10% in 2025 despite an expected slowdown of 11% between 2016 and 2019, as noted by Daily Sabah. The annual volume of Sukuk issuances increased by around 20 times from US\$100 million in 2010 to close to US\$2 billion by the end of 2015. Government support is considered to be a major factor in this regard reflected by the government's decision to increase the rate of assets and loans in the participation banking sector to 15% by the end of 2023. S&P also reiterated that the entrance of new Islamic banks in the sector, such as Ziraat Participation and Vakif Participation, marks a turning point for the development process of Islamic banking in Turkey. ⁽²⁾

GLOBAL

QFB invests in aviation industry

GLOBAL: Shariah compliant Qatar First Bank (QFB) has made an investment in

the global aircraft leasing industry, in partnership with Dubai-based Novus Aviation Capital (NAC), through the indirect acquisition and lease of two 2011 vintage Boeing 737-900ER single-aisle aircraft to Indonesia's Lion Air.

According to The Peninsula, QFB was exclusively involved in the Islamic financing part of the transaction whereas NAC acted as the sole arranger for both the financing and leasing elements of the deal.⁽²⁾

MIDDLE EAST

Waha Land secures Islamic financing package

UAE: Waha Land, a wholly-owned subsidiary of Waha Capital, has secured a financing package worth AED426 million (US\$115.96 million) from Emirates Islamic for the further development of its ALMARKAZ light industrial real estate project, according to a press release.⁽²⁾

Ithmaar Bank opens 18th branch

BAHRAIN: Ithmaar Bank in a press release has announced the opening of a new full-service branch in the Galali neighborhood of Muharraq. The bank now has 18 branches and 48 ATMs, which gives it the widest branch network of any Islamic bank in the country and the third-largest of any bank in Bahrain.⁽²⁾

QIB partners with Jaidah Equipment

QATAR: Qatar Islamic Bank (QIB) has entered into a strategic partnership with Jaidah Equipment which will see the Islamic bank offer its 'Fleet and Heavy Equipment Financing' package to customers of Jaidah Equipment, according to a press release. The financing package is part of QIB's Aamaly program, a collection of products and services designed specifically for SMEs.⁽²⁾

Alba seeks financing for project

BAHRAIN: Aluminium Bahrain (Alba) is considering Sukuk or an international bond issuance along with loans from banks and export credit agencies to raise US\$3 billion to finance its Line 6 expansion project, reported Reuters. Quoting unnamed sources, the newswire said that Alba has approached banks for a US\$750 million seven-year loan for the project, to be priced within the range of 300-350bps over LIBOR, with the option

of providing cash either through the conventional or Islamic finance route. Production from the facility is expected to start in early 2019. Alba had initially targeted US\$3.5 billion, but this was cut back due to lower oil and commodity prices.⁽²⁾

CBO approves share transfer

OMAN: During its second meeting of the year held on the 20th June, the Central Bank of Oman (CBO) has approved the application of Alizz Islamic Bank to transfer its shares in Tasameem Real Estates to the United International Representation of Companies, according to a statement.⁽²⁾

Islamic banks to finance renewable energy projects

JORDAN: The Jordan Renewable Energy and Energy Efficiency Fund (JREEEF) has entered into agreements with local banks — Islamic International Arab Bank, Bank Etihad, Jordan Ahli Bank, Jordan Islamic Bank, Cairo Amman Bank and Capital Bank — and the Jordan Loan Guarantee Corporation (JLGC) for the financing of renewable energy projects, according to the Jordan News Agency, Petra. The agreements aim to speed up the implementation of JREEEF-supported projects by providing the necessary funds to individuals and SMEs, mostly in industrial and tourism sectors.

The funding, which is 70% guaranteed by the JLGC, is offered without interest or commission and the only requirement for borrowers is to repay the actual value of the financing within a maximum of six years for companies or 18 months for solar heater financing, Rasmi Hamzeh, an executive director at JREEEF, was quoted as saying.⁽²⁾

GFH to set up GFH Real Estate

BAHRAIN: GFH Financial Group confirmed in a statement that it will be undertaking the development of its real estate portfolio in Bahrain and Dubai with value exceeding US\$300 million including Harbor Row, Harbor North

and Dubai California Village under a specialized company known as GFH Real Estate. The company will have initial assets and capital worth US\$40 million. The bank also said that it intends to launch the development of the remaining phases of the Harbor Row project before the end of year 2016 with the development value at US\$150 million.⁽²⁾

MSM updates Shariah index

OMAN: Muscat Securities Market (MSM) has announced new constituents of the MSM Shariah Index based on first quarter financials of 2016, according to a statement. The new sample, which passed AAOIFI's rules for compliance with Islamic investment principles, will be effective from the 28th June 2016.⁽²⁾

SEO welcomes rating agencies

IRAN: The Securities and Exchange Organization of Iran (SEO) has given the go-ahead for the creation of rating agencies in the Iranian capital market as a first step to acquiring the trust of foreign investors in a bid to increase market transparency, said the SEO's chairman, Dr Mohammad Fetanat, in conjunction with the commencement of the 9th financial institution under the supervision of the SEO, as reported by the Financial Tribune.⁽²⁾

CBI to issue new reporting standards

IRAN: The head of the Monetary and Banking Research Institute of the Central Bank of Iran (CBI), Ali Divandari, announced that new financial reporting standards for banks will be released soon, and banks in Iran are obliged to abide by them, according to IRNA. These procedures are modeled in line with the International Financial Reporting Standards in an effort to standardize Iranian banking reporting procedures and make them comparable with global reporting standards. This is also expected to improve the transparency of transactions including a clearer disclosure of bank CEOs' and board members' salaries and benefits.⁽²⁾

CMA to open debt market to foreign investors

SAUDI ARABIA: The Capital Market Authority (CMA) has announced in a statement new amendments to the Rules for Qualified Foreign Financial Institutions Investment in a bid to open up its capital market to foreign investors. According to the suggested amendments,

qualified foreign financial institutions are allowed to invest in the debt market, with the minimum limit for the assets under management decreased to SAR3.75 billion (US\$999.49 million) from SAR18.75 billion (US\$5 billion). The CMA has also increased the types of financial institutions to include government funds and university endowments and other CMA-approved entities.

The new rules are, however, subject to investment and legislative limitations in addition to the limitations set forth in the articles of association or bylaws of the listed companies or any instructions issued by the supervisory or regulatory authorities to which these companies are subject. (F)

ASSET MANAGEMENT

NBAD Sukuk Income Fund distributes dividend

UAE: The National Bank of Abu Dhabi (NBAD)'s NBAD Sukuk Income Fund has distributed a semi-annual dividend of 2.57% of the fund's net asset value as at the 9th June, according to a press release. The fund had earned a dividend income equivalent to US\$716,081.76 which equates to an annualized yield of 5.2% during the period between the 19th November 2015 to the 9th June 2016, and each unit in the fund will receive a dividend payout of 12.61 US cents. (F)

UBL Funds rolls out new Islamic fund

PAKISTAN: UBL Fund Managers (UBL Funds) has launched the Al-Ameen Islamic Active Allocation Plan-V under its Al-Ameen Islamic Financial Planning Fund, according to a statement. The latest plan actively allocates investments between Islamic equity and Islamic income/money market classes, and has a term of two years. Yasir Qadri, CEO of UBL Funds, commented that the Al-Ameen Islamic Active Allocation Plan series has been well received by investors and has a combined initial size of PKR7.6 billion (US\$71.14 million) for the first four Al-Ameen Islamic Active Allocation Plans. (F)

TAKAFUL

Amana Takaful Life announces IPO

SRI LANKA: Amana Takaful Life, a fully-owned subsidiary of Amana Takaful, has received in-principle approval from the Colombo Stock Exchange to float an IPO by way of an offer for sale. The Takaful operator will offer 50 million ordinary voting shares at a price of LKR1.5 (one US cent) per share, which represents a 10% stake in the company, on the 21st July, according to a bourse filing. Amana Takaful will become the first segregated life insurer in the country to do so following the mandatory segregation of life and general insurance companies from the 1st February 2015. (F)

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Panel Speakers:

 Douglas Bongartz-Renaud Former Global Head of Currency, Derivatives and Global Head of Rate, Derivatives and Structured Products, ABN AMRO	 Eckart Koerner Executive Director, Financial Risk Management Services, PwC	 Sophia Lee Co-Head, Financial Institutions Ratings, RAM Rating Services
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Shariah non-compliance risk has been defined as 'The risk that arises from the bank's failure to comply with the Shariah rules and principles determined by the relevant Shariah regulatory councils (IFS). This timely one day course sets out Shariah compliance and governance requirements under Malaysian law. It also discusses the role of compliance and Shariah compliance functions, as well as specifically the obligations, procedures, disclosure and reporting requirements and rectification options in the case of Shariah non-compliance.

HIGHLIGHTS

- Shariah Compliance and Governance Requirements within an IFI
- Regulatory Issues of Shariah Governance and Shariah Non-Compliance Reporting
- Procedures, Obligations and Responsibilities of Shariah Non Compliance Reporting (SNC)
- Rectification Options in the Situation of SNC

Panel Speakers:

 Associate Professor Dr Rusni Hassan Member, Shariah Advisory Council, Bank Negara Malaysia and Deputy Dean, IUM Institute of Islamic Banking and Finance	 Ahmad 'Arif Bin Mohd Arshad Head, Group Shariah Business Compliance, Group Risk, Compliance & Credit Management, RHB Islamic
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RATINGS

BSF ratings affirmed at 'A+'

SAUDI ARABIA: Capital Intelligence has affirmed Banque Saudi Fransi (BSF)'s financial strength rating at 'A+', its long-term foreign currency rating (FCR) at 'A+' and the short-term FCR at 'A1', according to a press release. The strong ratings are attributed to the bank's strong and improving asset quality, resilience in its liquidity profile, continued improvement in operating profitability, sound capital profile and the ongoing support from the bank's principal shareholder. The support rating remains at '2'. Despite the deteriorating operating environment, all ratings continue to carry a stable outlook because of the bank's overall financial condition. ⁽²⁾

United Gulf Bank's ratings revised

BAHRAIN: Capital Intelligence has affirmed in a press release the financial strength rating of United Gulf Bank (UGB), which offers Islamic investment banking services, at 'BBB'. The long and short-term foreign currency ratings (FCRs) have been rated 'BBB' and 'A3' respectively.

Factors contributing to these ratings include the bank's strong ownership combined with the demonstrated financial and liquidity support from its parent, Kuwait Projects Company Holding. UGB's support rating is affirmed at '3'. The fall in oil prices and challenging equity conditions in Kuwait will continue to impact UGB's already suppressed and very weak profitability ratios. Therefore, the outlook for all the ratings is revised from stable to negative. ⁽²⁾

RAM assesses NBAD-FGB merger rating impact

UAE: RAM in a statement said that the proposed merger between the National Bank of Abu Dhabi (NBAD) and First Gulf Bank (FGB) will not have any immediate impact on the NBAD's 'AAA/Stable/P1' financial institution ratings and debt ratings. The rating agency also said that should the proposed merger materialize, the enlarged entity is expected to remain majority-owned by the government of Abu Dhabi or its related parties.

According to RAM, this development is anticipated to encourage the further

consolidation of the crowded UAE market, which currently has 49 lenders (23 of which are local) serving a population of fewer than 10 million. RAM is currently in the process of conducting the annual rating review on the NBAD which it expects to complete within the next one to two months. The NBAD's senior notes currently carry an 'AAA/Stable' rating while its subordinated notes are rated 'AA1/Stable'. Both represent part of the bank's RM3 billion (US\$742.86 million) Islamic/conventional medium-term note program (2010/2030). ⁽²⁾

IDB's outlook remains stable

GLOBAL: Fitch has affirmed the IDB's 'AAA' long-term issuer default rating (IDR) with a stable outlook, while the short-term IDR has been affirmed at 'F1+', according to a statement. Concurrently, the rating agency has also affirmed the trust certificates issued by the IDB Trust Services at 'AAA', with the benefit of a guarantee provided by the IDB. The ratings reflect the IDB's strong capitalization whereas its liquidity and low concentration risk compare favorably with other regional multilateral development banks, Fitch noted. ⁽²⁾

SCC's outstanding Sukuk reaffirmed

MALAYSIA: RAM has reaffirmed the 'AA1/Stable/P1' ratings on Sabah Credit Corporation (SCC)'s outstanding Sukuk instruments, according to a statement. SCC is wholly owned by the state government of Sabah, and operates under the purview of the Sabah State Ministry of Finance. The ratings reflect the rating agency's expectation of continued support from the state government.

According to RAM, this is clearly demonstrated through the subordination of SCC's loans from the state government to its debt securities, the conversion of such loans into share capital, the reinvestment of dividends and the extension of letters of support for SCC's debt securities. ⁽²⁾

DIB's rights issue credit positive

UAE: The AED3.2 billion (US\$871 million) rights issue by Dubai Islamic Bank (DIB) is credit positive as it replenishes reserves and enhances loss-absorption buffers of DIB after a period of high growth during 2012-15 and will

improve the bank's liquidity after a period of decline, according to Moody's in a statement. The rights issue increases the bank's share capital to AED4.9 billion (US\$1.33 billion) from AED3.9 billion (US\$1.06 billion) and boosts DIB's cash liquidity by AED2.2 billion (US\$598.8 million) based on share premium. ⁽²⁾

UK's outlook revised to negative

UK: Moody's announced in a statement that it has changed the outlook on the UK's affirmed 'Aa1' long-term issuer and debt ratings to negative from stable, following the country's vote in favor of exiting the European Union which will herald a prolonged period of uncertainty for the country.

Concurrently, the outlook on the Bank of England's 'Aa1' rating has also been changed to negative from stable with the 'Aa1/P-1' ratings affirmed. The UK's long-term and short-term foreign and local currency bond and deposit ceilings, however, remain unchanged at 'Aaa/P-1'. ⁽²⁾

AEON Credit's Islamic paper reaffirmed

MALAYSIA: AEON Credit Service's Islamic commercial paper program of up to RM1 billion (US\$244 million) has been reaffirmed at 'P1' by RAM, which attributed the rating to the high likelihood of parental support from AEON Financial Service Co. ⁽²⁾

Adira Dinamika's Sukuk rated 'idAAA(sy)'

INDONESIA: Pefindo has affirmed the 'idAAA(sy)' rating on Adira Dinamika Multi Finance's IDR500 billion (US\$37.05 million) Phase I (Series A and B) Sukuk Mudarabah, according to a statement. ⁽²⁾

CI affirms Saudi Arabia's ratings

SAUDI ARABIA: In a press release, Capital Intelligence (CI) has affirmed Saudi Arabia's long-term foreign and local currency ratings at 'AA-' and its short-term foreign and local currency ratings at 'A1+'. The negative outlook on these ratings reflects the ongoing weakness in the Kingdom's public finances, as well as CI's expectation that the drawdown of external assets under the management of the Saudi Arabian Monetary Agency is likely to persist. ⁽²⁾

MOVES

Bank Nizwa

OMAN: Bank Nizwa has announced in a bourse filing that the employment contract of its CEO, **Dr Jamil El Jaroudi**, will end by the 2nd July 2016 and the Islamic bank's general manager of finance, **Khalid Al Kayed**, has been appointed as acting CEO until further notice. (3)

RHB Banking Group

GLOBAL: RHB Banking Group, which also operates RHB Islamic Bank, has announced in a statement several key leadership appointments as it gears itself toward building on the potential of Singapore as a key market. Incumbent managing director and CEO of RHB Investment Bank of Malaysia (RHBIB) Mike Chan will be appointed as CEO of RHB Bank Singapore, while **Robert Huray**, who is currently the CEO of RHB Securities Singapore, will take the helm at RHBIB as CEO. The head of Asia debt capital markets for RHB Securities Singapore, **Kenneth Yeoh Wei Ming**, will be taking over from Huray as CEO of RHB Securities Singapore. The current country head of RHB Bank Singapore, **Jason Wong**, has decided to pursue other opportunities. (3)

Government of Maldives

MALDIVES: Ahmed Munawwar has been appointed as the minister of finance and treasury of Maldives following a raft of changes to the cabinet made by President **Abdulla Yameen Abdul Gayoom** recently, according to a statement. Ahmed takes over from **Abdulla Jihad** who has been sworn in as the vice-president of the Maldives. (3)

Government of Malaysia

MALAYSIA: Prime Minister Najib Razak has reshuffled his cabinet with the announcement of new ministers and deputy ministers: Deputy Finance Minister II **Johari Abdul Ghani** is now Finance Minister II with **Othman Aziz** and **Lee Chee Leong** as the new deputy finance ministers. (3)

National Bank of Fujairah

UAE: The National Bank of Fujairah (NBF), which offers Shariah compliant services, has appointed **Ahmed Saeed Al Raqbani** to the board of directors during its general assembly meeting, thereby increasing the number of the bank's board members from eight to nine, according to a statement. (3)



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The SBP and the Securities and Exchange Commission of Pakistan have played key roles in driving the growth of Islamic finance in the country by creating a facilitative environment. As a result, both the regulators' initiatives over the years have led to the stability and resilience of the Islamic finance industry, making it a worthy consideration to the conventional finance and banking activities among investors and banking consumers.

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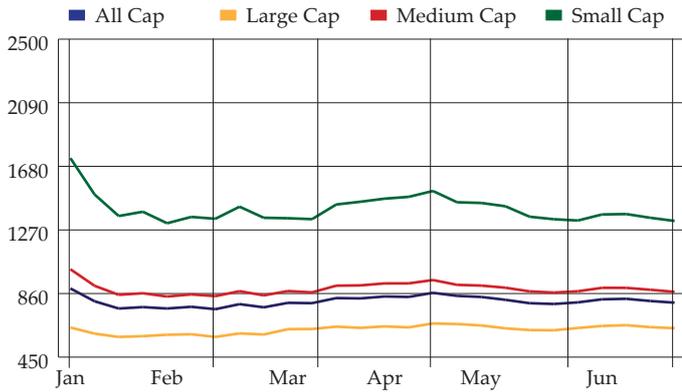
DEAL TRACKER

Expected date	Company's name	Size	Structure	Announcement Date
July 2016	Sarawak Hidro	RM5.5 billion	Sukuk	28 th June 2016
TBA	Iranian Mines and Mining Industries Development and Renovation Organization	IRR4 trillion	Sukuk Musharakah	24 th June 2016
TBA	Bank Sulsebar	IDR50 billion	Sukuk Mudarabah	20 th June 2016
TBA	Government of Oman	US\$2.5 billion	Sukuk	20 th June 2016
Second quarter of 2016	Bank Albilad	up to SAR2 billion	Sukuk	20 th June 2016
TBA	Tiga Pilar Sejahtera Food	IDR1.5 trillion	Sukuk	17 th June 2016
TBA	Islamic Development Bank	RM400 million	Sukuk	17 th June 2016
Jul-16	Public Sector Home Financing Board	RM25 billion	Sukuk/Bonds	13 th June 2016
TBA	Almarai Company	TBA	Sukuk	10 th June 2016
By the end of 2017	Ministry of Housing Saudi Arabia	TBA	Sukuk	9 th June 2016
TBA	Mahan Air	IRR5 trillion	Sukuk Ijarah	8 th June 2016
TBA	Government of Pakistan	PKR79.1 billion	Sukuk	7 th June 2016
TBA	The Philippines	TBA	Sukuk	6 th June 2016
Jun-16	Pengurusan Air SPV	RM1.4 billion	Sukuk	3 rd June 2016
TBA	Ekovest	RM3.64 billion	Sukuk Wakalah	2 nd June 2016
TBA	GFH Financial Group	US\$150 million	Sukuk	2 nd June 2016
July 2016	MB Holding Co	US\$150 million	Sukuk	31 st May 2016
TBA	Government of Sri Lanka	US\$1 billion	Sukuk	27 th May 2016
TBA	Saudi Aramco	TBA	Sukuk	26 th May 2016
TBA	Al-Tajamaout for Touristic Projects	JOD45 million	Sukuk Ijarah	24 th May 2016
Third quarter of 2016	Government of Nigeria	TBA	Sukuk	23 rd May 2016
TBA	Societe Generale	RM1 billion	Sukuk	23 rd May 2016
TBA	Bank Muamalat Malaysia	RM1 billion	Sukuk Murabahah	23 rd May 2016
TBA	Bank Rakyat Malaysia	RM5 billion	Sukuk Murabahah	20 th May 2016
TBA	Government of Germany	TBA	Sukuk	18 th May 2016
TBA	Aktif Bank	TRY100 million	Sukuk	9 th May 2016
By 2017	Republic of Maldives	TBA	Sukuk	29 th April 2016
Third quarter of 2016	Saudia	up to SAR5 billion	Sukuk	26 th April 2016
By 2017	BRI Syariah	TBA	Sukuk	21 st April 2016
TBA	PRAN Foods	BDT1 billion	Sukuk	11 th April 2016
TBA	Government of Kuwait	KWD2 billion	Sukuk	5 th April 2016
Fourth quarter of 2016	Bank Syariah Mandiri	IDR1 trillion	Sukuk	5 th April 2016
TBA	Qatar International Islamic Bank	QAR1 billion	Sukuk	31 st March 2016
2016-17	Sarana Multigriya Finansial	IDR200 billion	Sukuk	4 th March 2016
TBA	Kuveyt Turk	TRY1.85 billion	Sukuk	1 st March 2016
TBA	Ziraat Bank (Participation Unit)	TRY1.5 billion	Sukuk	1 st March 2016
TBA	Hong Kong	TBA	Sukuk	1 st March 2016
TBA	Cahaya Mata Sarawak	RM1 billion	Sukuk Ijarah	22 nd February 2016
TBA	Saudi Electricity Company	US\$2.5 billion	Sukuk	16 th February 2016
2016	Kuwait Finance House	TBA	Sukuk	1 st February 2016
TBA	Oman Telecommunications	US\$130 million	Sukuk	28 th January 2016
March-April 2016	Government of Qatar	TBA	Sukuk	26 th January 2016
2017	Government of Kenya	TBA	Sukuk	26 th January 2016
TBA	Tenaga Nasional	US\$3 billion	Sukuk	8 th January 2016
TBA	Toprak Mahsulleri Ofisi	up to TRY600 million	Sukuk	7 th January 2016

REDMONEY SHARIAH INDEXES

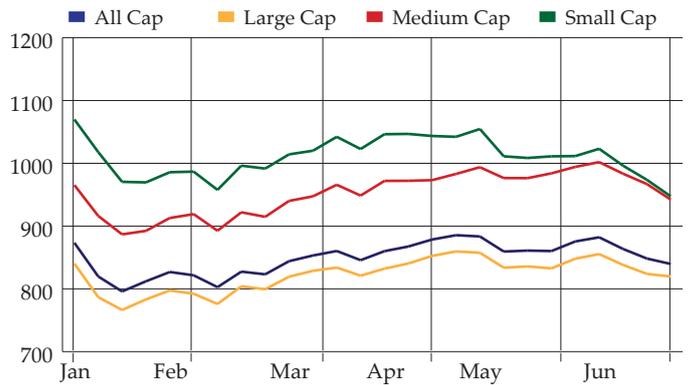
REDmoney Asia ex. Japan

6 Months



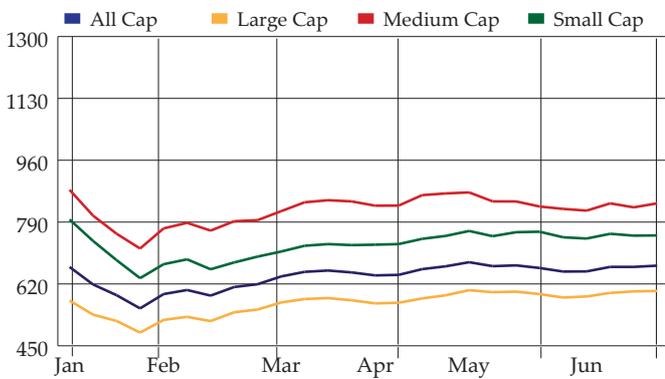
REDmoney Europe

6 Months



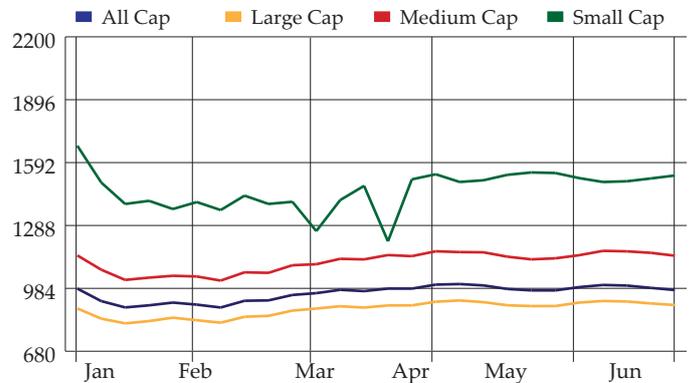
REDmoney GCC

6 Months



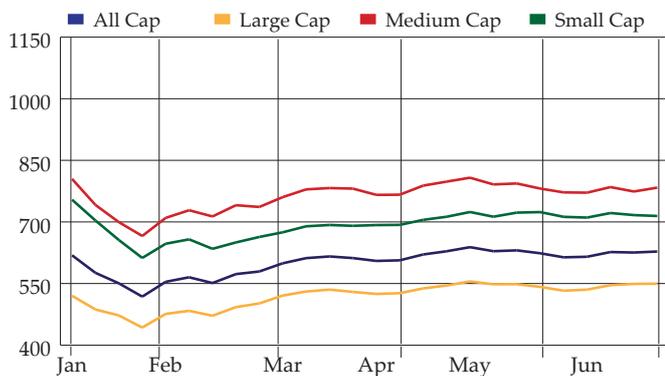
REDmoney Global

6 Months



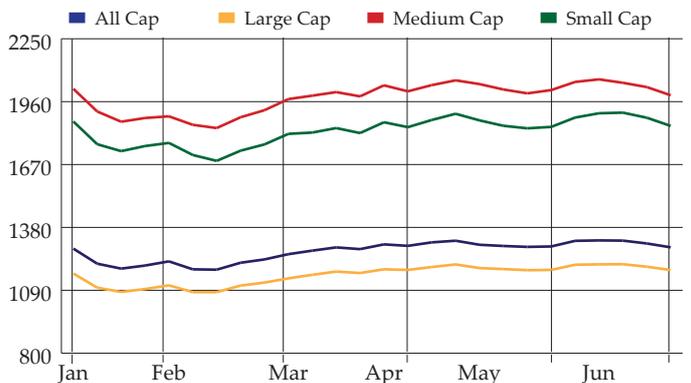
REDmoney MENA

6 Months



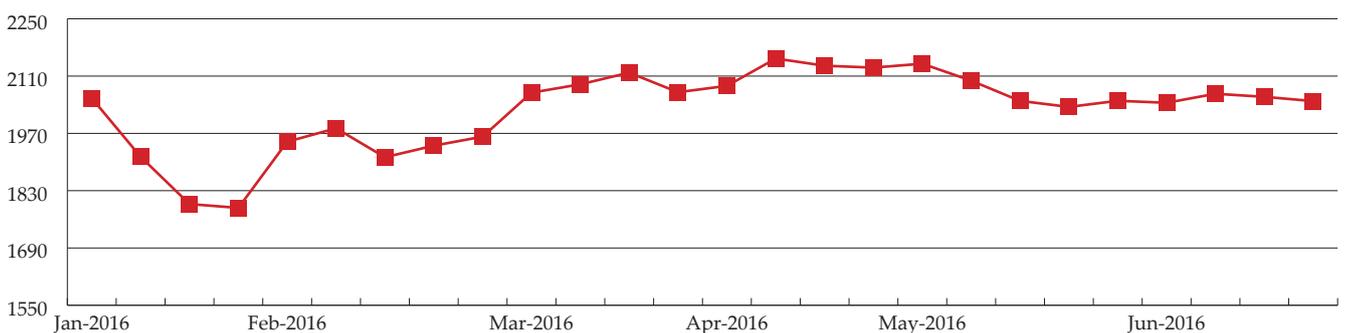
REDmoney US

6 Months



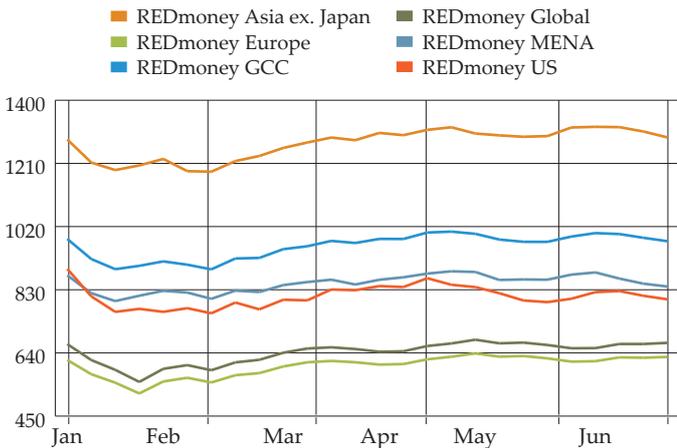
SAMI Halal Food Participation (All Cap)

6 months

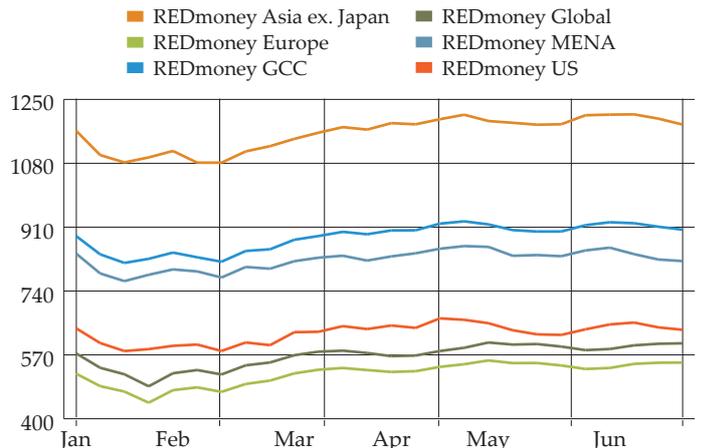


REDMONEY SHARIAH INDEXES

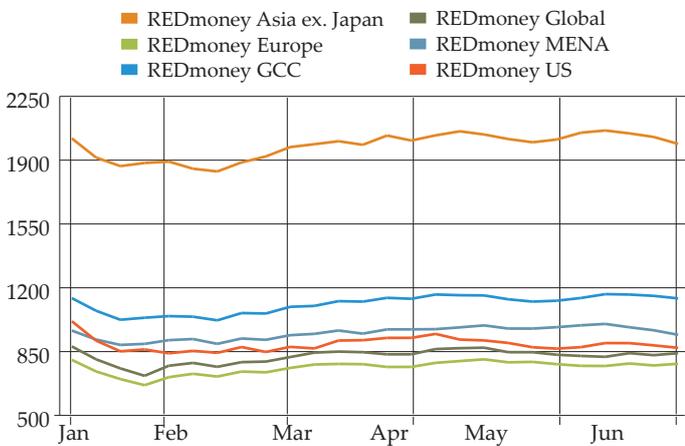
REDmoney Global Shariah Index Series (All Cap) 6 Months



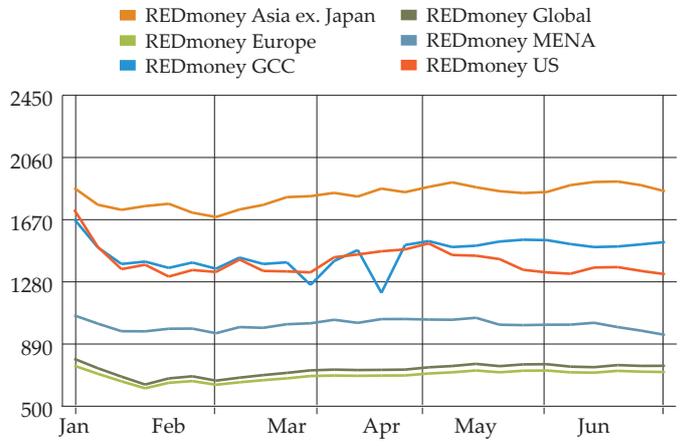
REDmoney Global Shariah Index Series (Large Cap) 6 Months



REDmoney Global Shariah Index Series (Medium Cap) 6 Months



REDmoney Global Shariah Index Series (Small Cap) 6 Months



REDmoney Global Shariah

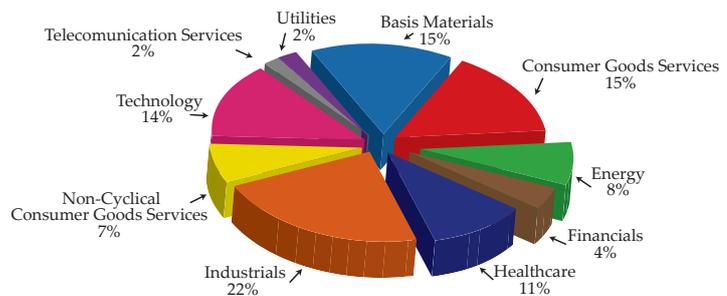
Equities are considered eligible for inclusion into the REDmoney Global Shariah Index Series only if they pass a series of market related guidelines related to minimum market capitalization and liquidity as well as country restrictions.

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

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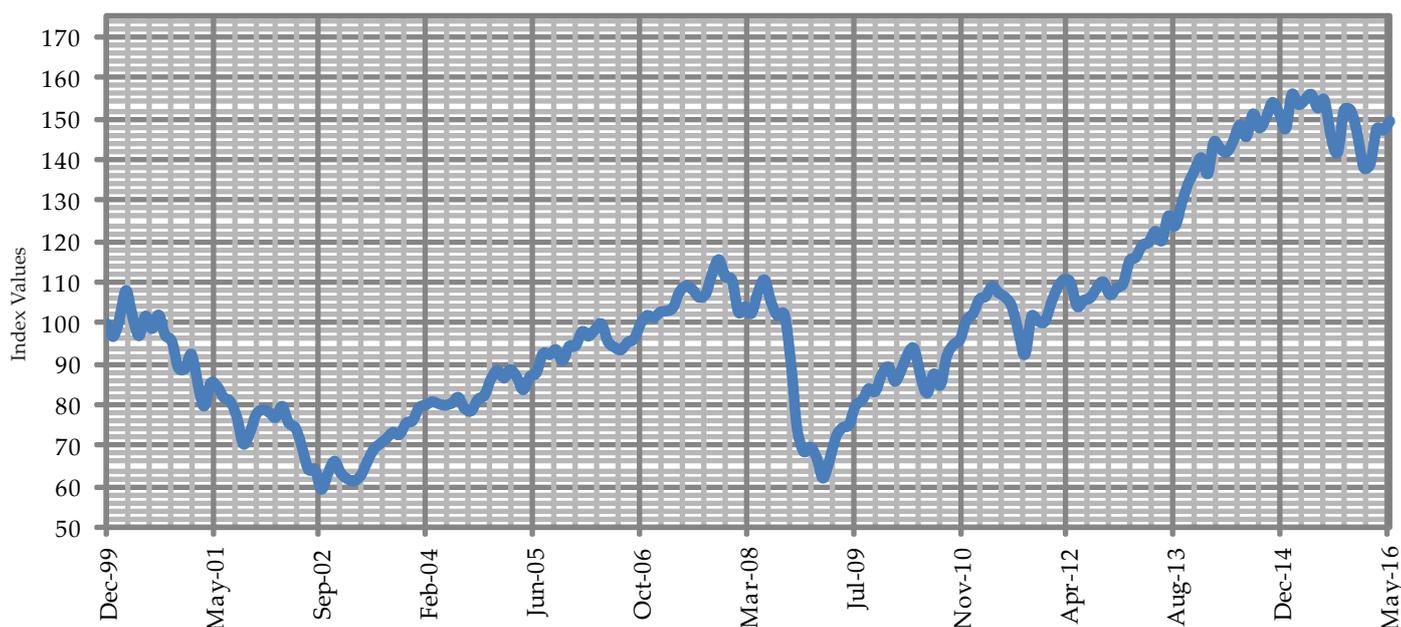
For further information regarding REDmoney Indexes contact:

Andrew Morgan
Managing Director, REDmoney Group

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

EUREKAHEDGE FUNDS TABLES

Eurekahedge North America Islamic Fund Index



Top 10 Yield-to-Date Returns for ALL Islamic Funds

Fund	Fund Manager	Performance Measure	Fund Domicile
1 Deutsche Noor Precious Metals Securities - Class A	DWS Noor Islamic Funds	58.90	Ireland
2 AmPrecious Metals	AmInvestment Management	42.38	Malaysia
3 NewFunds Shariah Top 40 Index ETF	NewFunds	14.91	South Africa
4 Al Meezan Mutual	Al Meezan Investment Management	10.72	Pakistan
5 Meezan Islamic	Al Meezan Investment Management	10.58	Pakistan
6 Wafa Gestion Cap Al Moucharaka	AttijariWafa Bank	10.36	Morocco
7 Atlas Islamic Stock	Atlas Asset Management	8.85	Pakistan
8 Atlas Pension Islamic - Equity Sub	Atlas Asset Management	8.50	Pakistan
9 Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	7.90	Pakistan
10 Pak Oman Islamic Asset Allocation	Pak Oman Asset Management	7.72	Pakistan
Eurekahedge Islamic Fund Index		(0.31)	

Based on 70.05% of funds which have reported May 2016 returns as at the 24th June 2016

Top 10 Sharpe Ratio for ALL Islamic Funds

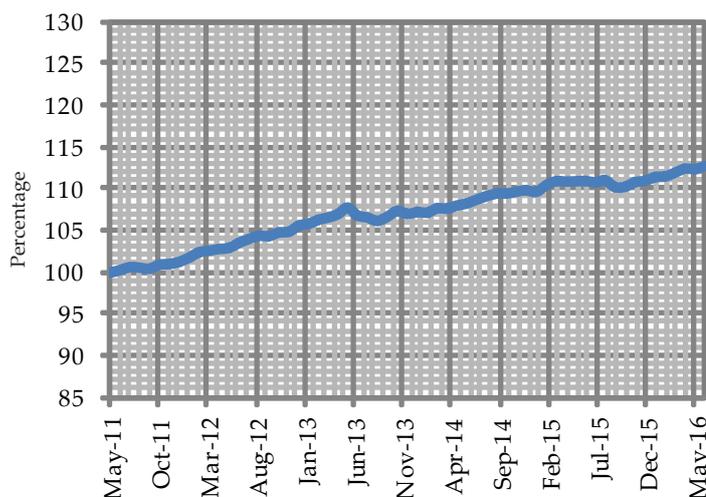
Fund	Fund Manager	Performance Measure	Fund Domicile
1 Public Islamic Money Market	Public Mutual	20.13	Malaysia
2 PB Islamic Cash Management	Public Mutual	17.60	Malaysia
3 Boubyan KWD Money Market	Boubyan Bank	17.29	Cayman Islands
4 PB Islamic Cash Plus	Public Mutual	12.05	Malaysia
5 Boubyan USD Liquidity	Boubyan Capital Investment Company	11.32	Kuwait
6 Meezan Tahaffuz Pension - Money Market Sub	Al Meezan Investment Management	9.94	Pakistan
7 Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	6.42	Pakistan
8 Al Rajhi Commodity Mudarabah - USD	Al Rajhi Bank	6.38	Saudi Arabia
9 Atlas Pension Islamic - Debt Sub	Atlas Asset Management	6.37	Pakistan
10 FALCOMSAR Murabaha	FALCOM Financial Services	5.80	Saudi Arabia
Eurekahedge Islamic Fund Index		0.10	

Based on 70.05% of funds which have reported May 2016 returns as at the 24th June 2016

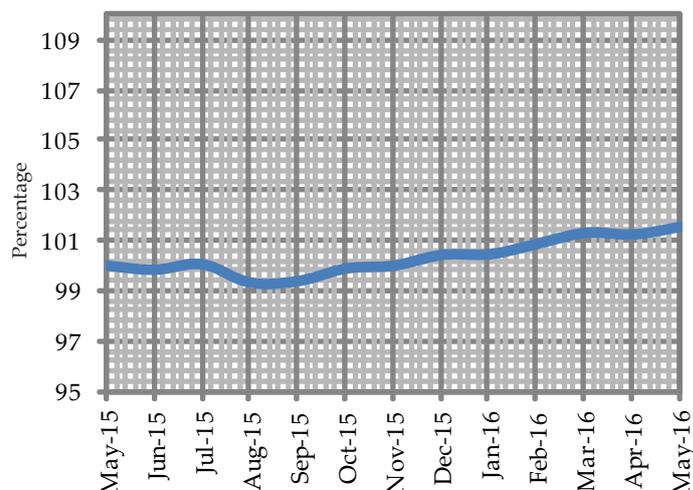
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity, 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 Fixed Income Index over the last 5 years



Eurekahedge Islamic Fund Fixed Income Index over the last 1 year



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 NBAD Sukuk Income	NBAD Asset Management Group	2.14	UAE
3 Public Islamic Bond	Public Mutual	1.54	Malaysia
4 PB Islamic Bond	Public Mutual	1.47	Malaysia
5 Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	1.45	Pakistan
6 Public Islamic Enhanced Bond	Public Mutual	1.45	Malaysia
7 Atlas Pension Islamic - Debt Sub	Atlas Asset Management	1.29	Pakistan
8 Meezan Islamic Income	Al Meezan Investment Management	1.26	Pakistan
9 Manulife Investment As-Saad	MAAKL Mutual	1.25	Malaysia
10 Eastspring Investments Dana Wafi	Eastspring Investments	1.20	Malaysia
Eurekahedge Islamic Fund Index		0.67	

Based on 68.97% of funds which have reported May 2016 returns as at the 24th June 2016

Top 10 Sortino Ratio for ALL Islamic Funds

Fund	Fund Manager	Performance Measure	Fund Domicile
1 CIMB Islamic Money Market	CIMB-Principal Asset Management	59.75	Malaysia
2 Atlas Pension Islamic - Debt Sub	Atlas Asset Management	25.55	Pakistan
3 Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	24.79	Pakistan
4 MNC Dana Syariah	MNC Asset Management	17.31	Indonesia
5 Public Islamic Income	Public Mutual	11.53	Malaysia
6 Public Islamic Select Bond	Public Mutual	6.17	Malaysia
7 PB Islamic Bond	Public Mutual	5.67	Malaysia
8 Public Islamic Bond	Public Mutual	5.67	Malaysia
9 Oasis Crescent Balanced Stable Fund of Funds	Oasis Crescent Management Company	4.26	South Africa
10 Atlas Pension Islamic - Money Market Sub	Atlas Asset Management	3.30	Pakistan
Eurekahedge Islamic Fund Index		0.13	

Taking into account funds that have at least 12 months of returns as at the 24th June 2016

Based on 70.05% of funds which have reported May 2016 returns as at 24th 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

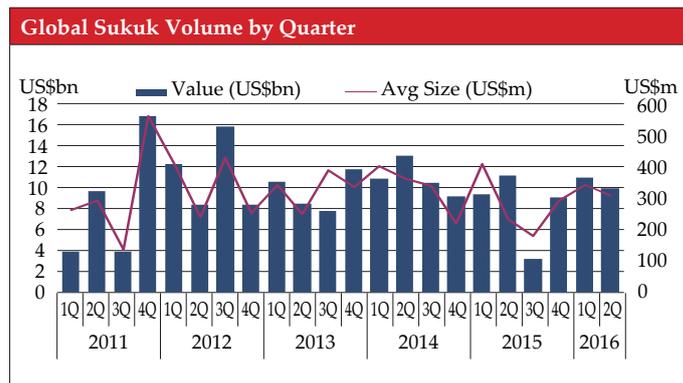
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DEALOGIC LEAGUE TABLES

Most Recent Global Sukuk						
Priced	Issuer	Nationality	Instrument	Market	US\$ (mln)	Managers
2 nd Jun 2016	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	Standard Chartered Bank, HSBC, Emirates NBD
2 nd Jun 2016	Pengurusan Air SPV	Malaysia	Sukuk	Domestic market public issue	350	CIMB Group, AmInvestment Bank
31 st May 2016	Al Hilal Bank	UAE	Sukuk	Euro market private placement	225	National Bank of Abu Dhabi
30 th May 2016	GovCo Holdings	Malaysia	Sukuk	Domestic market public issue	306	HSBC, RHB Capital, CIMB Group
24 th 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
24 th 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
23 rd May 2016	EI Sukuk	UAE	Sukuk	Euro market public issue	750	Standard Chartered Bank, HSBC, Arab Banking Corporation, Maybank, Dubai Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank
17 th May 2016	Cagamas	Malaysia	Sukuk	Domestic market public issue	104	CIMB Group
11 th May 2016	Ezdan Holding Group	Qatar	Sukuk	Euro market public issue	500	Mashreqbank, HSBC, Abu Dhabi Islamic Bank, Emirates NBD, Barwa Bank
11 th May 2016	UEM Sunrise	Malaysia	Sukuk	Domestic market public issue	123	Maybank, CIMB Group
10 th 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
28 th Apr 2016	Perdana Petroleum	Malaysia	Sukuk	Domestic market public issue	162	UOB
26 th Apr 2016	Barwa Bank	Qatar	Sukuk	Euro market private placement	125	National Bank of Abu Dhabi
25 th Apr 2016	MEX II	Malaysia	Sukuk	Domestic market public issue	333	CIMB Group
21 st Apr 2016	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	1,164	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank
20 th Apr 2016	Malaysia Sukuk Global	Malaysia	Sukuk	Euro market public issue	1,500	JPMorgan, HSBC, Maybank, CIMB Group
18 th Apr 2016	Kuala Lumpur Kepong	Malaysia	Sukuk	Domestic market public issue	128	Maybank, CIMB Group
15 th Apr 2016	Sarawak Energy	Malaysia	Sukuk	Domestic market public issue	387	RHB Capital, AmInvestment Bank
6 th 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
4 th Apr 2016	Putrajaya Holdings	Malaysia	Sukuk	Domestic market public issue	137	Maybank, CIMB Group, AmInvestment Bank



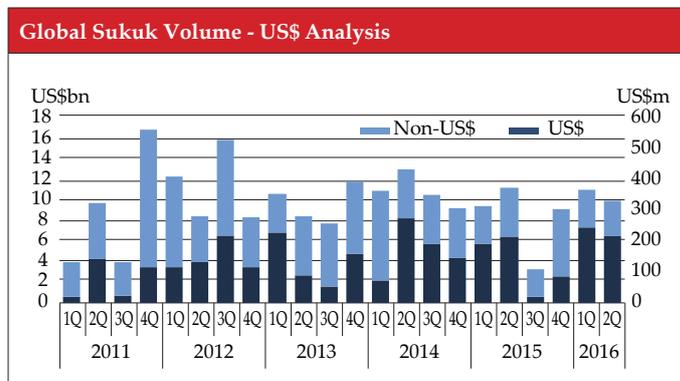
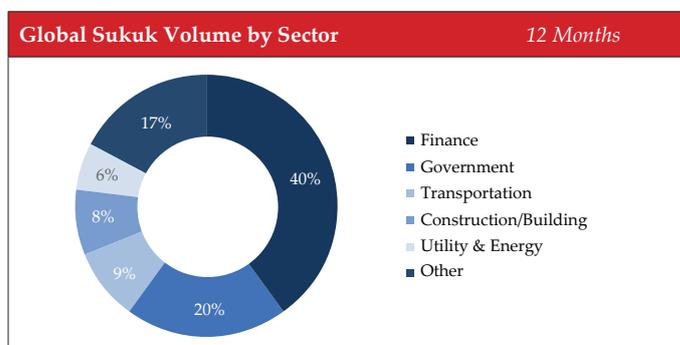
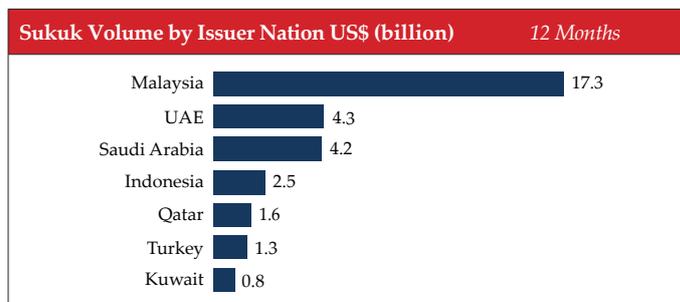
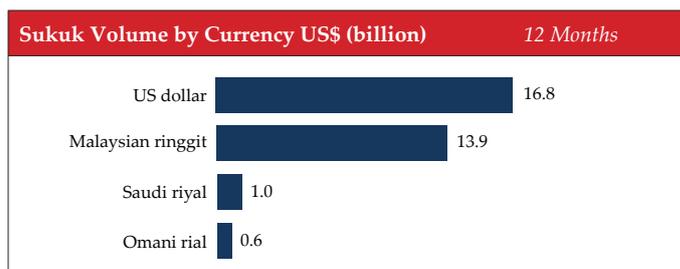
DEALOGIC LEAGUE TABLES

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	7.6	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, CIMB Group, Citigroup
2	Jimah East Power	Malaysia	Sukuk	Domestic market public issue	2,100	6.4	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	5.6	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	4.6	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	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	3.0	Standard Chartered Bank, HSBC, Emirates NBD, HSBC
10	Axiata SPV2	Malaysia	Sukuk	Euro market public issue	1,000	3.0	Deutsche Bank, CIMB Group, HSBC, Maybank, Bank Mandiri (Persero)
12	Sarawak Energy	Malaysia	Sukuk	Domestic market public issue	774	2.4	RHB Capital, Kenanga Investment Bank, AmInvestment Bank
13	Qatar Islamic Bank	Qatar	Sukuk	Euro market public issue	750	2.3	Standard Chartered Bank, HSBC, Citigroup, QInvest, Barwa Bank, Noor Bank
13	EI Sukuk	UAE	Sukuk	Euro market public issue	750	2.3	Standard Chartered Bank, HSBC, Arab Banking, Maybank, Dubai Islamic Bank, Emirates NBD, Al Hilal 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	Barwa Bank	Qatar	Sukuk	Euro market private placement	375	1.1	National Bank of Abu Dhabi
30	Putrajaya Holdings	Malaysia	Sukuk	Domestic market public issue	374	1.1	Maybank, CIMB Group, AmInvestment Bank
Total				32,954	100		

DEALOGIC LEAGUE TABLES

Top Managers of Sukuk		12 Months		
Manager	US\$ (mln)	Iss	%	
1	CIMB Group	5,099	36	15.5
2	Maybank	4,243	29	12.9
3	RHB Capital	3,137	29	9.5
4	HSBC	2,995	21	9.1
5	Standard Chartered Bank	2,678	19	8.1
6	AmInvestment Bank	1,943	19	5.9
7	Emirates NBD	1,440	14	4.4
8	Dubai Islamic Bank	1,195	12	3.6
9	Deutsche Bank	1,170	5	3.6
10	National Bank of Abu Dhabi	956	8	2.9
11	JPMorgan	843	4	2.6
12	Citigroup	816	4	2.5
13	Bank Muscat	649	1	2.0
14	Natixis	551	2	1.7
15	Noor Bank	468	7	1.4
16	Kenanga Investment Bank	390	9	1.2
17	Hong Leong Financial Group	312	2	1.0
18	National Bank of Kuwait	311	3	0.9
19	First Gulf Bank	300	4	0.9
20	Barwa Bank	260	3	0.8
21	DBS	253	2	0.8
22	Abu Dhabi Islamic Bank	243	3	0.7
23	Sharjah Islamic Bank	226	3	0.7
24	Gulf International Bank	214	1	0.7
25	Samba Capital	213	1	0.7
26	QInvest	204	3	0.6
27	Barclays	203	2	0.6
28	Arab Banking Corporation	180	3	0.6
29	SG Corporate & Investment Banking	145	2	0.4
30	UOB	139	1	0.4
Total	32,954	114	100	

Top Islamic Finance Related Project Finance Mandated Lead Arrangers		12 Months		
Mandated Lead Arranger	US\$ (million)	No	%	
1	China Development Bank	821	2	11.9
2	National Commercial Bank	483	3	7.0
3	Banque Saudi Fransi	446	3	6.4
4	Samba Capital & Investment Management	442	3	6.4
5	HSBC	365	2	5.3
6	Aga Khan Fund for Economic Development	354	2	5.1
7	Export Development Canada	299	2	4.3
7	Mitsubishi UFJ Financial Group	299	2	4.3
7	Sumitomo Mitsui Financial Group	299	2	4.3
10	Al Rajhi Capital	236	1	3.4
10	Bank Al-Jazira	236	1	3.4
10	BNP Paribas	236	1	3.4
10	NATIXIS	236	1	3.4
10	Riyad Bank	236	1	3.4
10	Saudi Investment Bank	236	1	3.4



Top Islamic Finance Related Project Financing Legal Advisors Ranking		12 Months		
Legal Advisor	US\$ (million)	No	%	
1	Allen & Overy	1,532	1	16.7
1	Latham & Watkins	1,532	1	16.7
3	Adnan Sundra & Low	1,361	1	14.8
3	Zaid Ibrahim & Co	1,361	1	14.8
5	Clifford Chance	758	1	8.3
5	White & Case	758	1	8.3
7	Anjarwalla Collins & Haidermota	172	2	1.9
7	Haidermota & Co	172	2	1.9
7	Lincolns Law Chamber	172	2	1.9
7	Linklaters	172	2	1.9
7	Mohsin Tayebaly & Co	172	2	1.9
7	Pinsent Masons	172	2	1.9
7	Riaalaw	172	2	1.9

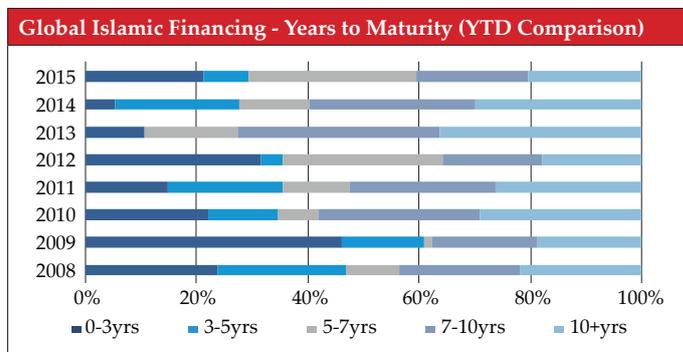
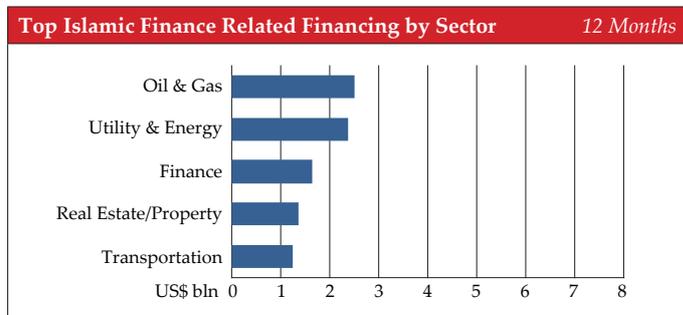
DEALOGIC LEAGUE TABLES

Top Islamic Finance Related Financing Mandated Lead Arrangers Ranking				
12 Months				
	Mandated Lead Arranger	US\$ (mln)	No	%
1	Abu Dhabi Islamic Bank	993	9	7.2
2	Mashreqbank	711	8	5.2
3	China Development Bank	621	1	4.5
4	Saudi National Commercial Bank	609	5	4.4
5	Noor Bank	600	8	4.4
6	First Gulf Bank	585	9	4.3
7	Samba Capital	584	5	4.3
8	Emirates NBD	517	7	3.8
9	SABB	502	3	3.7
9	Banque Saudi Fransi	502	3	3.7
11	Dubai Islamic Bank	474	8	3.5
12	Abu Dhabi Commercial Bank	437	6	3.2
13	Maybank	338	1	2.5
13	CIMB Group	338	1	2.5
15	Al Hilal Bank	307	3	2.2
16	HSBC	302	4	2.2
17	AKFED	292	2	2.1
18	Bank Albilad	292	2	2.1
19	National Bank of Abu Dhabi	251	3	1.8
20	Kuwait Finance House	248	3	1.8
21	Standard Chartered Bank	247	3	1.8
22	Arab Banking Corporation	238	4	1.7
23	Riyad Bank	229	1	1.7
23	Al Rajhi Capital	229	1	1.7
25	European Bank for Reconstruction & Development	170	1	1.2
26	Gulf International Bank	165	2	1.2
26	Ahli United Bank	165	2	1.2
28	Al Khalij Commercial Bank	163	3	1.2
29	OCBC	142	1	1.0
30	Alinma Bank	122	1	0.9

Top Islamic Finance Related Financing Mandated Lead Arrangers				
12 Months				
	Bookrunner	US\$ (mln)	No	%
1	Mashreqbank	1,550	4	20.2
2	Abu Dhabi Islamic Bank	1,328	5	17.3
3	Noor Bank	586	4	7.6
4	Maybank	338	1	4.4
4	CIMB Group	338	1	4.4
6	Abu Dhabi Commercial Bank	327	1	4.3
7	Arab Banking Corporation	277	4	3.6
8	Saudi National Commercial Bank	267	1	3.5
8	SABB	267	1	3.5
8	Samba Capital	267	1	3.5

Top Islamic Finance Related Financing Deal List				
12 Months				
Credit Date	Borrower	Nationality	US\$ (mln)	
15 th Apr 2016	Yanbu Aramco Sinopec Refining	Saudi Arabia	4,700	
9 th Mar 2016	Dhuruma Electricity	Saudi Arabia	1,138	
15 th Jun 2016	PNB Jersey	Malaysia	889	
21 st Dec 2015	Engro Powergen	Pakistan	851	
28 th Jul 2015	GEMS Education	UAE	817	
16 th Aug 2015	ACWA Power International	Saudi Arabia	769	
11 th Dec 2015	Cititower	Malaysia	751	
29 th Nov 2015	Gulf Marine Services	UAE	620	
1 st Mar 2016	National Oil & Gas Authority	Bahrain	570	
28 th Dec 2015	JBF RAK JBF Bahrain	UAE	500	

Top Islamic Finance Related Financing by Country				
12 Months				
	Nationality	US\$ (mln)	No	%
1	UAE	4,561	17	33.2
2	Saudi Arabia	3,000	3	21.9
3	Pakistan	1,613	3	11.8
4	Malaysia	959	2	7.0
5	Qatar	700	2	5.1
6	Turkey	645	3	4.7
7	Bahrain	570	1	4.2
8	Jordan	550	2	4.0
9	Egypt	475	3	3.5
10	India	368	1	2.7



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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AUGUST 2016			24 th	Kuwait Forum	Kuwait City, Kuwait
16 th	Islamic Investment Products & Accounts	Kuala Lumpur, Malaysia	NOVEMBER 2016		
SEPTEMBER 2016			7 th	IFN Iran Forum	Tehran, Iran
6 th	Islamic Investment Products & Accounts	Kuala Lumpur, Malaysia	28 th	Saudi Arabia Forum	Jeddah, Saudi Arabia
21 st	IFN Investor Forum	Kuala Lumpur, Malaysia	MARCH 2017		
26 th	IFN Pakistan Forum	Karachi, Pakistan	TBA	IFN Oman Forum	Muscat, Oman
28 th	IFN Turkey Forum	Istanbul, Turkey	TBA	China OIC Forum	TBA
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