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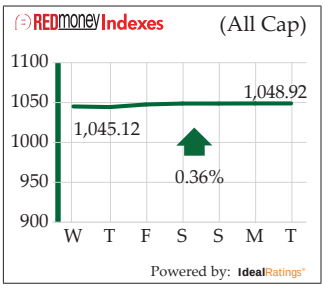

COVER STORY

17th August 2016 (*Volume 13 Issue 33*)

The new normal? Diplomatic implications of a united Eurasia

Islamic finance crosses borders, and its implications go beyond individual markets. It's not just annual profits and Sukuk issuances that inform industry development — geopolitical trends and strategic decisions at a national and international level also inform the global progress of the industry, and in a world of incessant uncertainty, it is the political as well as the economic arena that we must look to for indicators of evolution. With unprecedented new moves now taking place on the global chessboard, LAUREN MCAUGHTRY looks at how the shifting sands of diplomatic relations could impact the growth of international Islamic finance.

The big news on the world stage this week has been the suggestion that Russia and Turkey could be moving toward closer diplomatic ties. This has huge geopolitical implications. It demonstrates that Turkey is moving away from European influence, it suggests a confluence (despite their current opposition) in approach toward Arab/Islamic state policy and it opens the door for a new economic bloc in the Eurasian region — possibly including Iran and almost certainly supported by China — which could swing the global balance of power in an unexpected direction.

Given President Recep Tayyip Erdogan's historic support for Islam and Islamic finance, combined with a growing interest from Russia and recent steps to promote Islamic financial products from Russian state banks, closer ties could have a positive impact on the growth of the industry in the region — as well as wider implications. Both Russia and Turkey are competing to build a strong economic relationship with Iran, as well as building new ties with China — a country which is also making forays into the Islamic finance space in order to woo new trading partners (see IFN Report: 'Growing awareness of Shariah compliance among Chinese firms' on page 6).

Russia is already a member of the Eurasian Economic Union (EAEU), a powerhouse that rarely makes the headlines, yet along with Kazakhstan, Belarus, Armenia and Kyrgyzstan, has a single integrated market of over 182 million, a GDP of over US$4 trillion, over 20 million square kilometers of land and 14% of the world's total farmland (according to the Eurasian Commission website), as well as including some of the biggest natural gas producers in the world. This includes a population of over 26 million Muslims, including two Muslim-majority countries (Kazakhstan and Kyrgyzstan). Should Turkey, 98% Muslim and with a population of over 74 million, join the ranks of the EAEU, this would swell the single market to well over 250 million, which would then be dominated by a 40% Muslim population of over 100 million strong.

Swelling the ranks

So could this ever become a reality? In all likelihood, yes. An invitation to join the EAEU was extended to Turkey in 2014 by the Kazakhstan president — one which, at the time, Turkey was unable to accept due to its current customs agreement with the EU. However, in April 2015 the annual EAEU meeting was held in Ankara, hosted by Andrey Karlov, Russia's ambassador to Turkey, during which a positive approach was reported regarding Turkey's potential membership. With the current chill between Turkey and the EU only exacerbated by concerns over the adverse impact of new EU trade agreements,

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DEALS

NASDAQ Dubai removes **Emaar Sukuk**'s securities from trading following final redemption

Central Bank of Bahrain's monthly Sukuk Ijarah fully subscribed

Indonesia issues IDR300 billion (US$22.86 million) Sukuk via private placement and raises IDR6.08 trillion (US$462.69 million) from Shariah securities auction

UEM Sunrise completes issuance of RM100 million (US$24.82 million) six-month Islamic commercial papers

Sarawak Hidro issues RM5.54 billion (US$1.37 billion) Sukuk Murabahah in various tranches

Mitsubishi UFJ Financial Group establishes RM20 billion (US$5 billion) Sukuk program; first tranche to be backed by Shariah auto financing facilities

International Islamic Liquidity Management to auction two short-term Sukuk facilities

Nigeria postpones Sukuk issuance to first quarter of 2017

Malaysian government receives RM7.48 billion (US$1.85 billion) in bids for RM3 billion (US$743.49 million) GII Murabahah issuance

BRI Syariah to issue IDR1 trillion (US$76.2 million) Sukuk Mudarabah; bookbuilding to commence in October 2016

NEWS

Al Baraka Bank Sudan to roll out mobile banking services this year and open new branch

The **IDB** extends EGP50 million (US$5.62 million) SME credit line to **Al Baraka Bank Egypt**

National Bank of Kenya's 2015 record loss due to corporate governance violations, not misuse of Islamic banking, says expert

MFB Holdings working on establishing new Islamic bank in Nigeria; secures **Islamic Corporation for the Development of the Private Sector**'s assistance

Bank Aceh receives approval to convert into a fully-fledged Shariah compliant entity

Pakistani government unable to legislate Eradication of Riba Bill 2015 as matter is sub judice, says parliament

ASSET MANAGEMENT

Pelaburan Hartanah Bumiputera selects **AmBank** as new distributor for its Shariah compliant unit trust fund

Employees Provident Fund witnesses encouraging response for its Shariah investment option

CIMB Islamic Trustee completes RM24 million (US$6 million) property acquisition for **AmanahRaya Real Estate Investment Trust**

TAKAFUL

Dubai Islamic Bank Pakistan and **Adamjee Life Assurance Company** enter into bancaTakaful agreement

RATINGS

Fitch assigns 'AAA(idn)' ratings to **Indosat Ooredoo**'s Sukuk and bonds

MARC affirms 'AA-IS' rating on **Kimanis Power**'s Sukuk program with a stable outlook

Turkish participation banks receive negative rating outlook following outlook downgrade on sovereign rating

Islamic International Rating Agency reaffirms **Kuveyt Turk Participation Bank**'s ratings

Axis REIT maintains Sukuk ratings with a stable outlook

Attijariwafa Bank receives 'BBB' rating

Capital Intelligence affirms negative outlook on Oman's sovereign ratings

NUR Power maintains 'AAA' Sukuk ratings supported by guarantees from **Maybank Islamic** and **Danajamin Nasional**

MARC withdraws 'AAA-ID(bg)' rating on **Horizon Hills Development**'s Islamic notes program

S&P affirms Kuwait's ratings at 'AA/A-1+' with a stable outlook

MARC revises Sukuk rating methodology

MOVES

Central Bank of the Republic of Turkey appoints Mustafa Begun as vice-president of markets

National Bank of Abu Dhabi makes key executive appointments as Group CEO Alex Thursby steps down amid merger talks

Perbadanan Insurans Deposit Malaysia appoints Dr Nik Ramlah to board

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and with negotiations regarding the Turkey/EU customs agreement due to recommence in the second half of 2016, there is a very real possibility that attention could turn toward a new trading partnership. While the current customs relationship offers obvious benefits, the planned accension of Turkey to the EU has failed to progress since its application in 1987. The Austrian prime minister in August this year suggested that accession talks should be ended altogether and a successful accension is expected to be at least 10 or 20 years away. In addition, concerns have arisen in Turkey over the economic partnership, as it currently exists. For example, new EU trading agreements mean Turkey has been obliged (due to the principle of joint customs harmonization) to open up its market to third-party countries (such as Japan and Canada) when the EU signs free trade agreements with them. However, Turkey cannot in return claim the benefits negotiated for European exporters to these third countries, as it is not an EU member, putting it at a disadvantage.

> ***"As a country that has shown such a presence in Iran following the removal of sanctions, Turkey's exports to neighboring Iran will [considerably] increase"***

In comparison, membership of the EAEU would give Turkey access to attractive new trading routes, allowing it to reach the Middle East and the Mediterranean region as well as Turkistan and large swathes of Asia through Kazakhstan and Eastern Europe through Belarus. Turkey would also get access to the coveted Black Sea region, which could offer a free zone for inbound goods and act as the major open-sea port for the EAEU single market. With other countries including Tajikistan (98% Muslim), Uzbekistan (90% Muslim) and Georgia (10% Muslim) as well as Syria and Ukraine all considering membership of the EAEU, what is currently a fledgling idea has the potential to rapidly turn into a real force to be reckoned with.

Turkey/Russia ties

Yet even if a membership of the EAEU does not materialize immediately, Turkey and Russia are building stronger ties of their own that could stimulate the market for Islamic finance across both countries. Despite the frigidity between the two countries since Turkey shot down a Russian military jet last November, and the subsequent trade sanctions from Russia, relations continue to warm up even as Turkey's friendliness toward the EU and US cools down. Russian sanctions on Turkey's tourism, construction and food export industries are being gradually phased out, while two major joint energy projects are set to be unfrozen, and last week Erdogan confirmed that the annual bilateral trade target of US$100 billion had been reinstated.

Russia has the political will to promote the Islamic finance industry but lacks the domestic market, awareness and economies of scale to make the sector competitive or cost-effective. In comparison, Turkey has a well-established Islamic finance market but needs a strong economic partner to provide demand, support and a welcoming export market. The two countries have strong ties — Russia is Turkey's main energy supplier, and its seventh-largest export market as well as its fourth-biggest foreign investor. Russia's state-owned Sberbank owns Turkey's Denizbank, while five Turkish banks already have subsidiaries in Russia. On the other side, Turkish business is highly active in Russia — especially in the construction industry, with Turkish contractors signing around US$12 billion in Russian contracts in 2015. With three Russian banks (including Sberbank) reported to be launching Islamic financial products this year, the potential for cross-border collaboration between the two markets is significant.

The elephant in the corner

Nor do the two countries exist in a vacuum. There is of course one major player whose participation could change the whole power structure currently playing out across the Eurasian landscape — the Islamic Republic of Iran.

Iran has spent the past year building firm connections with both Turkey and Russia, and the three countries together have the potential to develop into a very real power bloc — to the potential concern of the EU, the US and the GCC. Trade between Iran and Turkey has increased 30% since sanctions were lifted, and the two countries have agreed a goal of tripling bilateral trade to US$30 billion annually. Since January, Turkish exports to Iran have increased 25% and leaders also emphasized a closer financial relationship. "The most important part is closer ties between banks and credit lines. We decided to improve banking relations," confirmed Iranian President Hassan Rouhani at a news conference last week. "Turkish banks can now establish branches in Iran to help facilitate economic relations between the two countries." In fact, according to Omer Cihad Vardan, the chairman of the Foreign Economic Relations Board of Turkey, the country has the potential to play a pivotal role in reintegrating Iran into the global economy and especially into western markets. "As a country that has shown such a presence in Iran following the removal of sanctions, Turkey's exports to neighboring Iran will [considerably] increase and we will further approach our target of US$30 billion in exports in a short time in the new period thanks to our old business relations and geographical proximity," he said in June.

Iran and Russia have also cemented significant economic ties. Trade turnover between Tehran and Moscow has grown 71% year-on-year to US$856 million since the lifting of sanctions against Iran,

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according to the latest figures from Russian ambassador to Iran, Levan Dzhagaryan. "Russian companies are resuming existing ties with Iran, while new firms are ready to get access to the market. Of course, the further expansion of trade is one of the main priorities of the bilateral cooperation with Iran," he said in a press conference last week. Russian exports to Iran have jumped 91.5% to US$697 million while imports have increased 16% to US$158 million, year-on-year.

Tripartite influence

Iran has notably also expressed a firm interest in joining the EAEU. A 2015 meeting between Kazakh President Nursultan Nazarbayev and Rouhani reportedly discussed the prospect of cooperation through the EAEU, with a potential agreement on the cards regarding mutual trade and the reduction of import tariffs to Central Asian countries as well as trading in national currencies rather than US dollars. The EAEU minister of trade, Veronica Nikishina, in June this year confirmed that: "As a first step, we see the conclusion of an interim agreement with Iran on free trade as a characteristic feature which may result in the reduction of duties on some export of goods, which will allow us to maximize the benefit from trade with Iran."

These growing trade relationships could signal a burgeoning relationship that has the potential to alter the global diplomatic landscape — and change the face, over the long term, of the Islamic finance industry. Iran's foreign ministry has already involved itself in international diplomatic relations, reportedly offering to organize a trilateral meeting between Iranian, Russian and Turkish officials last month to discuss the settlement of the Syrian crisis. In a visit to Ankara in August, the first since the failed Turkish military coup, Iranian Foreign Minister Mohammad Javad Zarif met with Erdogan, as well as Prime Minister Binali Yildrim and Foreign Minister Mevlut Cavusoglu. In a joint press conference with Cavusoglu, Zarif emphasized that the three countries were "key players in the region" and needed to "engage in dialogue and cooperation". A united Iran, Russia and Turkey, no matter how unlikely this may seem right now, would represent a dominant global power both in the economic and political arenas.

Chinese involvement

Speaking of dominant global powers, no discussion of the changing face of global diplomacy would be complete without a mention of the Middle Kingdom.

With the potential of a weakened and divided Europe (especially in the context of Brexit), the developing 'entente cordiale' between Russia, Turkey and Iran could be another gap through which China can slip. Already building up its influence in the region, China has been steadily increasing its Islamic finance capacity and confirming economic and trade ties with regional players. Iran and China have signed 17 major trade agreements across the sectors of energy, trade and industry — including bringing Iran fully into the New Economic Silk Road and Maritime Road plans, while a high-speed freight train line between Iran and China is already in operation and Iran is also likely to be invited to join the powerful Shanghai Cooperation Organization later this year, further strengthening ties with the existing members of Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

China and Iran are working together on a series of major infrastructure developments that could have enormous geopolitical implications for the Eurasian landmass, encompassing Pakistan, Iraq and a swathe of territory from Europe all the way to Asia, incorporating almost half the world's population. With bilateral trade between Iran and China expected to increase tenfold over the next decade to more than US$600 billion, the strengthening partnership will cement China's involvement — and interest — in the Eurasian market.

Looking ahead

The developing relationship between these three key players in the Eurasian region, combined with valuable Chinese ties, could cement a new powerhouse on the global stage. While this may not have an immediate or direct impact on the Islamic finance industry, the geopolitical implications cannot be ignored and any institution with ambitions in the Shariah compliant space needs to be aware of the vast potential that these developing diplomatic ties might offer.

> ***"Russian companies are resuming existing ties with Iran, while new firms are ready to get access to the market. Of course, the further expansion of trade is one of the main priorities of the bilateral cooperation with Iran"***

Large Muslim populations and strong Islamic demand in Eurasian markets, coupled with and supported by funding and demand from giants such as China keen to establish influence outside the NATO sphere, have the potential to create a vast new unified market for Islamic financial products as well as a surge in demand for project and infrastructure financing.

At the moment, these countries might be focusing on bilateral trade and economic ties — but should they join forces to build capacity on the Shariah compliant front, this would not only propel the wider industry forward but create an interesting new power bloc to counter the twin influences of Malaysia and the GCC, which currently dominate the global Islamic finance industry.

Indonesia — too big to regulate

Indonesia wins the bragging rights when it comes to Islamic finance opportunities arising from its massive population and sheer size of the country; but bigger doesn't always necessarily mean better, and if anything, it has been impeding the growth of its Shariah finance industry as VINEETA TAN finds out.

Titanic task

With 258 million citizens, over 18,000 islands and 1.92 million square kilometers, Muslim-majority Indonesia is one of the world's largest countries by population (4th) and land mass (15th); and for many, that means enormous (Islamic) commercial and investment opportunities, but that also spells out a herculean task for the regulators to effectively supervise and regulate financial services, especially microfinance activities.

> ***"This averages out to at least one license being canceled every week since the Microfinance Act 2013 was enacted in January 2015; and all but one of these banks, lost their license because they were convicted of fraud"***

"There are just too many microfinance institutions — over 110,000; it is very hard for us to regulate each one of them," shared Dr Mulya Siregar, the deputy commissioner at Otoritas Jasa Keuangan (OJK), Indonesia's financial services authority.

For a country whose majority of its GDP (58%) is contributed by MSMEs, this is a severe problem. An astounding 98.8% of entrepreneurial initiatives in the country are run by the country's poorest of the poor, according to Dr Mulya, with the rest constituted by SMEs and large entrepreneurs taking the smallest chunk of 0.01%. Yet only 22% of Indonesians have access to formal financial services; 96 million out of the 203 million Indonesians of the lowest level of the country's economy pyramid (those living on less than US$4.5 a day) are considered too risky for loans or too far removed from formal financial institutions, according to KPMG Indonesia.

While the spread of the demographics creates immense avenues for microcredit (and microinsurance) but it has also left poor households vulnerable to predatory lenders (loan sharks, black market financiers), but perhaps more shocking however, is that regulated institutions, ie rural banks which extend microfinance services, are also preying on the poor.

Frequent fraud

IFN has learned that approximately 140 rural banking licenses have been revoked (slashing the number of Islamic rural banks from over 200 to about 160 and conventional rural lenders from an excess of 1,700 to roughly 1,600) — this averages out to at least one license being canceled every week since the Microfinance Act 2013 was enacted in January 2015; and all but one of these banks, lost their license because they were convicted of fraud.

"It seems to us that owners of these banks had the intention from the very beginning to steal the money of the people — and we cannot tolerate this," said Dr Mulya. The rampant fraud committed microfinance institutions pushed the OJK to pass the Microfinance Act 2013, designed to tighten the reins on these lenders and compelling them to take up risk management processes and corporate governance mechanisms previously only applied to commercial banks. Microfinance institutions are also now required to report their financials every four months.

Divide and conquer

Yet although the regulation is a significant step up in removing unscrupulous players from the system, the authority can only do so much. Out of the 110,000 non-bank microfinance institutions, only 61 (11 Islamic) are registered with the OJK, leaving 99.9% of microfinanciers out there unregulated. "These institutions avoid registering with the OJK because they want to escape strict regulations," lamented Dr Mulya.

The OJK understands that it alone would not be able to effectively regulate and supervise the large microfinance community, and therefore, under the Microfinance Act, the task of supervision is now the responsibility of municipalities; the OJK is strictly responsible for regulation on an institutional basis: to issue licenses and approve new products as well as deciding the level of capital and constituents of boards (directors and Shariah) of microfinance institutions.

"We really do hope that by introducing this new regulation, we will improve the microfinancing environment," said Dr Mulya, who is cautiously optimistic that with the OJK now present at every province in Indonesia and with the help of district governments and non-governmental microfinance organizations, that task is more plausible than before.

Growing awareness of Shariah compliance among Chinese firms

As trade and economic relations between China and the UAE thrive over the past few years, Chinese firms are increasingly placing a growing importance on being Shariah compliant certified in order to attract Islamic investors and expand businesses in the Emirates. DANIAL IDRAKI writes.

China is the UAE's number one trading partner as bilateral trade between the two countries was estimated at US$60 billion in 2015, compared with US47.6 billion in 2014, according to Dubai International Center (DIFC), with approximately 4,000 Chinese companies currently present in the UAE. Fresh from establishing a joint strategic investment fund of US$10 billion in December last year to invest in projects linked to the 'One Belt, One Road' (OBOR) initiative, the two countries further bolstered economic ties when it was recently reported that China's central bank expects to pick a Chinese financial institution to clear yuan transactions in the UAE by the end of the year, being only the second Middle Eastern country after Qatar to do so. As the estimated US$1.4 trillion OBOR initiative gains pace, Chinese firms are increasingly searching for opportunities in the Islamic finance space and are willing to innovate on products that suit the preference of Islamic investors.

Dubai, for its part, is becoming an important gateway for Chinese businesses eager to expand operations in the wider GCC region. One example is Chinese Business Hub (CBH) which aims to take advantage of the potential returns in the southern part of the city using Shariah compliant solutions. Initially set up to provide Chinese companies with an opportunity to build a presence in the UAE, CBH has revised its growth strategy to include non-Chinese firms following significant demand from global investors, particularly Muslim investors, keen to capture a slice of the Dubai economy. The firm recently had its Dubai Commercial Investment product, an Ijarah-structured office space investment product, certified as Shariah compliant.

> ***"The markets in both countries can expect a more welcoming approach from Chinese firms toward Islamic finance, as it seeks to unlock untapped opportunities in cross-border Shariah compliant transactions"***

"It is important for us that this investment is now fully Shariah compliant as we have received a lot of global interest, particularly here in the GCC and Pakistan, from Islamic investors looking for an investment product that is Shariah certified," Gavin Smyth, the director at Crowngate International, told IFN. Crowngate is the exclusive master agent to market, promote and sell CBH's investment product.

Beyond making progress in the UAE, Chinese firms are also utilizing Shariah compliant financial solutions to attract investors from the Middle East into the Chinese market. Hong Kong-based Fullgoal Asset Management, for example, recently entered into a strategic partnership with Dubai-based Mawarid Finance to launch a Shariah compliant fund to tap into investment opportunities in the stock market of the world's second-largest economy.

As China and the UAE step up bilateral relations on the back of the progress made with regards to OBOR and the yuan-clearing center in the Emirates, which would boost trade and investment between the two, the markets in both countries can expect a more welcoming approach from Chinese firms toward Islamic finance, as it seeks to unlock untapped opportunities in cross-border Shariah compliant transactions.

Straight to Web Feature

The importance of standardization in Islamic finance

Despite over half a century of history in modern Islamic banking, the issue of standardization of Islamic financial transactions from the Shariah, governance and accounting perspectives are still on the agenda with more and more countries entering the Islamic financial market. Internationally, the successful stories are that of the AAOIFI and IFSB standards which focus on the aforementioned perspectives. Moreover, AAOIFI has been going through a revision of all its standards since 2015 and prepared 10 new standards in 2015, with the total number of the Shariah standards now 64. MADINA KALIMULLINA explores.

To read the full article, log on to www.islamicfinancenews.com.

Arab Monetary Fund takes further step to promote Islamic finance

Last month, the Arab Monetary Fund (AMF) joined forces with global standard-setting body IFSB in a three-year framework to foster Islamic finance across the Arab region. The new program is the latest in a long line of high-profile partnerships with leading development agencies, and demonstrates a growing trend toward cross-border collaboration within the wider industry. LAUREN MCAUGHTRY explores.

While we may not hear as much about the AMF on a regular basis as some other high-profile development agencies, the organization has a strong history of collaboration with leading global institutions to promote the interests of the Arab region.

In April 2015, the AMF signed an enhanced partnership framework with the World Bank Group to support countries in the MENA region, including joint strategies for promoting financial markets and trade, while in October 2015 the group signed a further partnership with the African Development Bank to strengthen their partnership across their 10 common member countries.

A regional institution founded in 1976, the AMF has 22 member countries stretching across the Middle East and North Africa and includes some of the poorest and most war-town nations of the region as well as their wealthier GCC counterparts. With capital of US$2.7 billion (as of June 2012, the latest data available), the group's mission is to lay the monetary foundation of Arab economic integration and to accelerate the process of economic development in its member countries.

Unlike many more general organizations, the AMF has a specific remit and a targeted focus: with objectives to correct and balance the payment of its member states, remove payment restrictions between members, improve Arab monetary cooperation, facilitate and promote trade between member states and encourage the development of Arab financial markets — including technical assistance to banking and monetary institutions.

While the AMF has a long-standing relationship with the IDB through its membership of the Arab Coordination Group (a unification of national and regional development institutions, the IDB and the OPEC Fund for International Development), the latest partnership with the IFSB marks a new era in Islamic finance collaboration, recognizing the growing influence and increasing importance of Islamic finance to regional stability and financial growth.

At the signing of the new framework in Kuala Lumpur on the 26th July, Dr Abdulrahman Al Hamidy, the AMF's director-general and chairman of the board, noted the importance of the collaboration in terms of increased capacity-building, knowledge-sharing and greater sustainable access to finance across member countries. "Providing assistance to the development of the Islamic finance industry and supporting capacity development in the region have always been among our top priorities, and we look forward to pursuing and intensifying this effort to better tackle the needs of [the] Arab region to building up innovative, robust and competitive financial systems at both domestic and regional levels. Our ongoing cooperation with the IFSB has always been successful and we are glad that today it's being reinforced and strengthened."

The new agreement will see the new institutions undertaking joint research on stability and macroprudential supervision of the Islamic finance sector, as well as a range of initiatives including joint awareness workshops, e-learning programs and a new Islamic finance database across member countries, as well as the development of new international standards and guidelines for financial institutions. But this is just the beginning of a new focus on Islamic finance and a wider dissemination of information and training programs for the AMF.

"We expect and hope to achieve more collaboration and more training," said Dr Ibrahim Al-Karasneh, the division chief at the AMF, speaking to IFN. "We are trying to intensify our program in Islamic finance. Last year, we had three training programs with the World Bank related to Sukuk issuance, and we also have a joint program with [the] IDB. We now want to move on to capacity-building across the 22 member states of the AMF."

In 2016-17, the organization plans to enact over 30 training activities, of which a further three to five are likely to be related to Islamic finance. But there are new initiatives also on the horizon, which will also have an indirect impact on the industry.

The AMF in collaboration with the IMF in 2013 launched ArabStat, a MENA-based statistical program with the goal of improving the quality and dissemination of macroeconomic data in Arab countries, developing further statistical capacity and systems, and promoting transparency and cooperation among Arab national and regional statistics-producing agencies. According to Dr Ibrahim, there are now plans to incorporate Islamic banking data into the initiative. "There is high development in this sector, and we will be able to obtain credible data that will help to promote the Islamic banking industry," he told IFN.

Straight to Web Feature

Positive outlook for Islamic finance in the UK

In October 2013, at the World Islamic Economic Forum (WIEF), the UK government pledged to make London one of the world's 'great capitals of Islamic finance'. Has this been achieved? In this article, SULTAN CHOUDHURY provides an insight into Islamic finance in the UK.

To read the full article, log on to www.islamicfinancenews.com.

EXCLUSIVE — Sri Lanka issues first corporate Sukuk; dollar Sukuk in the works

VINEETA TAN brings you an exclusive look at Sri Lanka's groundbreaking inaugural corporate Sukuk issuance.

LOLC Finance has beaten the government at issuing Sukuk, raising LKR500 million (US$3.37 million) from the domestic market and setting a precedent for corporate Sukuk issuances in the South Asian nation whose Islamic finance development has been held back largely due to the lack of enabling Shariah finance regulations and religious tensions.

Subscribed entirely by the Bank of Ceylon, the three-year Ijarah facility — proceeds from which will be used as the company's working capital — was nine months in the making. "As there has never been a Sukuk issuance in Sri Lanka, we had the challenge of drafting the agreements and arranging the parties," Krishan Thilakaratne, the general manager of LOLC Finance's Al-Falaah Islamic Business Unit, told IFN. The paper was priced at 11%, 100bps cheaper than conventional facilities.

Thilakaratne also revealed that the firm is working on selling a dollar Sukuk next year, with the possibility of tapping the domestic market again this year if demand is there.

"We are building a fairly substantial Ijarah base and we have the capacity to go [with] a larger issue. Ideally, we would like to get overseas investors buying the paper but there are hurdles to overcome such as foreign exchange rates and what not," said Thilakaratne.

Despite recognizing Shariah compliant banking transactions, Sri Lanka still grapples with the absence of an effective and comprehensive Islamic finance regulatory infrastructure — the lack of documentation standardization and double taxation are some of the issues Islamic financial players have to face.

LOLC Finance circumvented the double taxation issue by backing the paper with mortgages and receivables with an undertaking for transfer, therefore bypassing the complete transfer of assets which would have incurred extra taxation.

Focusing on foreign funds

Having successfully raised Islamic capital from the domestic market, LOLC Finance is focusing on capturing foreign funds – in a Shariah compliant manner. The LOLC Group, supported by Japan's multinational conglomerate ORIX Corporation, has a strong international

funding base — almost half on its books are funded by international lines, although conventionally.

"There is a lot of appetite for the company but we could not raise Islamically from the same investor base as we did not have a proper Sukuk structure or product that we could bring to the international market. The focus for us now is to fine-tune what we have now for the international market."

If materialized, LOLC Finance's dollar Islamic paper could add to Sri Lanka's dollar Sukuk repertoire, provided the government — which has been scrambling to attract foreign debt — does follow through with its plans to issue a sovereign Sukuk facility of between US$500 million and US$1 billion this year.

Saudi to implement revised Qualified Foreign Financial Institutions Investment in Listed Securities rules next month

VINEETA TAN reports on the latest investment regulation passed by Saudi Arabian regulators.

Saudi Arabian regulators are further relaxing rules to attract foreign investments onto its shores at a time when the world's largest Islamic finance market is bleeding foreign direct investment battered by weak oil prices.

The Capital Market Authority (CMA) has amended the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities which would significantly ease non-Saudi investors channeling investments into the Kingdom.

"The amendment of the rules is in line with the CMA's efforts that aim to develop the capital market given that the approach to free the capital market is based on a gradual method, and on the basis of the CMA's strategic objectives to expand the base of institutional investment," the CMA said.

Under the revised rules, investors with assets under management (AUM) of at least SAR3.75 billion (US$999.62 million) will now be allowed to invest in listed securities — an 80% slash from the previous SAR18.75 billion (US$5 billion) requirement (in other words US$1 billion instead of US$5 billion in AUM).

To come into effect the 4th September 2016, Saudi Arabia will also add governments and government-related entities into its mix of foreign financial institutions and allow a qualified foreign investor (QFI) to engage with a local or non-Saudi portfolio manager to manage investments in the Saudi capital market. The rules also eliminated the QFI client's concept and removed certain ownership thresholds while relaxing others.

Fund Focus: Maybank Asset Management's Asia Pacific ambition

As the Shariah compliant mutual fund sector in Indonesia gains pace, Maybank Asset Management (Maybank AM), a subsidiary of Maybank Asset Management Group, is jumping on the bandwagon with a plan to launch a new offshore fund this year, as it targets to become one of Indonesia's market leaders in Shariah mutual fund management. DANIAL IDRAKI writes.

> ***"Bypassing the hassle of having to set up individual accounts beyond Indonesia's shores, the fund will provide would-be investors with direct access to offshore opportunities"***

To be known as the Maybank Asiapac Syariah Equity USD, the fund will have a minimum investment of US$10,000 and will invest in Shariah compliant securities in the Asia Pacific region. Bypassing the hassle of having to set up individual accounts beyond Indonesia's shores, the fund will provide would-be investors with direct access to offshore opportunities.

Maybank AM has already made some strides in Shariah mutual fund management previously. In November 2015, it launched Maybank Syariah Equity Fund, which gave a return of 20.34% year-to-date, as it gains from having a diversified portfolio with stakes in the automotive, consumption, infrastructure and telecommunications sectors. Up to the 29th July 2016, the fund's assets under management stood at IDR615.9 billion (US$46.93 million), with an investment allocation consisting of 99.64% in equities and 0.36% in money markets.

As the fund management firm seeks to gain market share in the sector by continuing to expand its product suites in the domestic market, it is confident that the new Maybank Asiapac Syariah Equity USD fund will contribute to the healthy growth of Indonesia's Shariah mutual fund industry.

Shariah mutual funds in the world's most populous Muslim country have been making significant progress in setting up offshore investment funds in recent times. The Republic is seeking to boost its Shariah financing pool, following the issuance of a regulation by the Financial Services Authority in 2015 that allows Shariah fund managers to invest proceeds in offshore Shariah securities. Since then, the likes of Mandiri Manajemen Investasi, Manulife Asset Management and BNP Paribas have begun to offer global Shariah funds denominated in US dollars.

Straight to Web Feature

How Trans-Pacific Partnership Agreement impacts Shariah banking

In order to cope with international growth in trade and investment, Malaysia became a party to the Trans-Pacific Partnership (TPP) Agreement (TPPA). The TPPA is intended as a platform for regional economic integration and is designed to include additional economies across the Asia Pacific region where investors are given market access domestically as well as internationally. Trade barriers both tariff and non-tariff will either be eliminated or reduced to demonstrate the free flow of trade and services among member countries. Despite negative comments, Malaysia has high hopes for the TPPA. Ministers of the 12 TPP countries from Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam concluded their negotiations on the 5th October 2015.

To read the full article, log on to www.islamicfinancenews.com.

Kuveyt Turk plans dollar Sukuk targeting global investors

Kuveyt Turk Participation Bank is seeking to raise US$500 million from the international Sukuk market. The participation bank confirmed with IFN that it has submitted an application to the Capital Markets Board (CMB) of Turkey to float a Wakalah facility that will be sold to qualified investors abroad although no specific issuance date has been set yet. DANIAL IDRAKI reports.

Kuveyt Turk Participation Bank has been one of the most active Turkish issuers of Sukuk in the financial institution and corporate category this year, as the country gears up to increase its share in the Islamic financial markets. In May, the participation bank issued a TRY300 million (US$101.22 million) six-month Sukuk facility via a public offering, its largest lira-dominated Islamic paper to date. Earlier in February, the bank successfully issued a US$350 million Basel III-compliant Sukuk facility at a profit rate of 7.9% to boost its Tier 1 capital. Furthermore, the Islamic bank confirmed earlier this month that it is planning to issue ringgit-denominated Sukuk in different tranches from the remaining limit of RM1.2 billion (US$296.33 million) under its RM2 billion (US$493.88 million) Sukuk program, and had submitted a renewal application to the CMB.

Other Turkish entities are also increasingly tapping the Islamic capital markets on a regular basis. Turkiye Finans had in June this year received approval from the authorities to issue a short-term privately placed TRY125 million (US$42.18 million) tranche under its TRY1.5 billion (US$506.11 million) Sukuk program, in addition to its plan of issuing the Republic's first euro-denominated Sukuk. State-run Ziraat Bank's Islamic arm, which only began operations in May 2015, applied to the CMB for the issuance of TRY1.5 billion-worth of Sukuk, while Aktif Bank Sukuk Varlik Kiralama, a subsidiary of Aktif Bank, is also planning a Turkish lira-denominated Sukuk worth TRY100 million (US$33.74 million).

The growth momentum of Islamic finance in the Republic has shifted somewhat to a higher gear over the past one year, and received a further boost when the government successfully issued a US$1 billion five-year Sukuk facility earlier in June with a commendable take-up rate from global investors. S&P reckons that Islamic banking will increase its share of the Turkish banking sector to over 10% in 2025, from its current 5%, taking into account the considerable government support for Shariah compliant financing activities.

RAM has assigned a negative outlook on the 'AA3/P1' ratings of Kuveyt Turk and Turkiye Finans following the outlook revision on Turkey's global-scale sovereign rating of 'gBBB3(pi)' to negative based on expected weaker growth prospects and external position after the recent attempted coup. Taking into consideration the political volatility engulfing the Republic in recent times, the Islamic International Rating Agency (IIRA), assigned a stable outlook to the bank's ratings: 'AA(tr)/A1+(tr)' on the national scale, 'BBB-/A3' (foreign currency rating) and 'BBB/A3' (local currency rating). The IIRA noted that the bank's stable outlook and ratings are underpinned by the strong institutional ownership and its overall sound risk profile.

Almaty receives Islamic banking boost as local lender expands portfolio to include Shariah compliant products

Local lender Zaman Bank will finally be offering Shariah compliant banking products, breaking the monopoly Abu Dhabi's Al Hilal Bank has in the Kazakhstani market, and giving Almaty another edge in its bid to become the Shariah finance hub for the CIS region. VINEETA TAN brings you the story.

After three years since it initiated measures to transform itself to become Kazakhstan's first local fully-fledged Islamic bank, Zaman Bank, with assets of KZT15 billion (US$42.72 million) as at the end of 2015, will soon be expanding its portfolio to include Shariah-friendly facilities catering to both the retail, SME and corporate markets.

"We have received positive feedback from both the retail and corporate marketplace regarding Islamic financial products," said Deputy Chairman Diar N Smagulov, who will lead the bank's Islamic finance business. The bank's stable of Islamic products — developed in collaboration with Bahrain's Shariyah Review Bureau — will include auto and home financing, credit programs, deposits and restructuring of conventional loans to become Shariah compliant.

Less than 1% of Kazakhstan's banking market is Shariah compliant and the 17 million Muslim-majority population is largely served by the country's sole foreign Islamic bank, Al Hilal, which makes the entry of Zaman Bank a most welcomed move to expand product offerings and increase competitiveness. The local bank in 2013 engaged the Islamic Corporation for the Development of the Private Sector (ICD) to convert its business to comply with Shariah laws; the ICD — which is actively pushing to develop Islamic finance in Central Asia and the CIS — is expected to enter the Kazakh market with an investment of up to 35% of the subscribed and paid-up capital of the bank, an increase from its 5% investment.

The government has been consistent in supporting the industry: in 2015, authorities reduced the capital requirements for Islamic banks from KZT10 billion (US$28.48 million) to KZT5 billion (US$14.24 million) following legislative amendments allowing conventional banks to convert into fully-fledged Shariah banks. The Republic also has plans to tap the Islamic capital markets.

"With the opening of Islamic operations in the Republic of Kazakhstan, we are seeing superior dispersion in the performance of financial services. This makes the current environment well-suited for more quality banking products and services," commented Yelena A Gupalo, CEO of Zaman Bank.

Sovereign Sukuk: Say hello to Indonesia's savings Sukuk

It has been a busy week in the sovereign Sukuk space, as the momentum shifted upwards compared with a relatively quiet period earlier this month. Indonesia will be offering a new savings Sukuk soon, while at the same time raising funds from both privately-placed and public Sukuk offerings. While Togo, Senegal and Ivory Coast made splashes in the African sovereign pool, Nigeria will have to wait until early 2017 for its time to shine. DANIAL IDRAKI brings you the usual updates.

Upcoming sovereign Sukuk

Country	Amount	Expected date
Ivory Coast	XOF150 billion	31st Aug 2016
Oman	US$2 billion	TBA
Iran	IRR60 trillion	2016
Nigeria	TBA	1st quarter 2017
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
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	KWD5 billion	Sept 2016
Maldives	TBA	TBA
Sri Lanka	US$1 billion	TBA
Germany	US$1 billion	TBA

Indonesia

The Ministry of Finance of Indonesia is set to offer two-year savings Sukuk from the 22nd August until the 2nd September 2016. The Wakalah-structured Islamic debt will be available at a minimum investment of IDR2 million (US$152.4) as the government targets individual investors who are placing excess cash in bank deposits, and is expected to raise approximately IDR3.9 trillion (US$297.18 million) in sales. The finance ministry has also appointed Bank Mandiri, Bank Rakyat Indonesia, Bank Tabungan Negara, Bank Negara Indonesia, Bank Syariah Mandiri, Bank Muamalat, Bank BRI Syariah, Bank OCB CNISP, HSBC, Bank CIMB Niaga, Bank Central Asia, Bank Permata, Bank Pan Indonesia, Maybank Indonesia, ANZ Indonesia, DBS Indonesia, Standard Chartered, Citibank, Bank Danamon Indonesia and Bank Mega as sales agents for the savings Sukuk program.

Indonesia also recently issued a privately-placed IDR300 billion (US$22.86 million) Sukuk facility consisting of a series of tradable Sukuk (PBS-010) at a fixed coupon rate of 8.63% with a yield of 6.74%, According to a statement on the Ministry of Finance's website, the facility will mature on the 25th January 2019. The Republic also raised IDR6.08 trillion (US$462.69 million) from the sale of five sovereign Sukuk securities (SPNS 27012017, PBS009, PBS006, PBS011 and PBS012), after receiving total incoming bids of IDR17.55 trillion (US$1.34 billion).

Malaysia

In neighboring Malaysia, the government's RM3 billion (US$743.49 million) GII Murabahah offering issued on the 15th August received a total of RM7.48 billion (US$1.85 billion) in incoming bids from 222 participants. According to a statement, the facility, which will mature on the 30th September 2030, was sold at a profit rate of 4.25%. Bank Negara Malaysia said it may purchase up to 10% of the issuance size.

Bahrain

Over in the Middle East, the Central Bank of Bahrain (CBB)'s monthly issue of Sukuk Ijarah worth BHD26 million (US$68.48 million) was fully subscribed and has an expected return of 2.2%, equivalent to the previous issue on the 14th July 2016. The issue began on the 11th August 2016 and will mature on the 9th February 2017 and is the 132nd of the CBB's short-term Sukuk Ijarah series.

Nigeria

While Togo, Senegal and Ivory Coast recently made waves in the sovereign space, Nigeria's sovereign Sukuk issuance initially slated for the third quarter of 2016 will now be postponed to the first quarter of 2017 due to unforeseen circumstances, the News Agency of Nigeria quoted the Securities and Exchange Commission (SEC)'s director-general, Mounir Gwarzo, as saying. The Debt Management Office and the SEC had earlier this year established a committee to develop a framework for the issuance of Sukuk.

Women and Words: Modern Ustazah and derivative debates

By Laura Elder, a cultural anthropologist who teaches in the Department of Global Studies at Saint Mary's College in Notre Dame. Her primary research interests are global political economy, Islam and gender. She can be contacted at lauraeveelder@gmail.com.

Over the past 30 years, the most profitable advances in both conventional and Islamic finance have centered on the separation of credit and risk and their re-bundling through securitization and sale in derivative markets. One reason for this growth in profitability is that banks, unlike other financial intermediaries, are required to hedge risk by taking measures to offset exposures. And secondary or derivative markets are the primary means used by banks to hedge risk exposures.

As is well known, derivatives are financial tools used by traders to take positions based on their predictions about the timing of market volatility. Traders using derivatives profit from change itself rather than from change in the value of an underlying asset, eg change in a stock index rather than in stocks themselves. Fund managers build derivative packages, bundles of contracts with different time and volatility projections, which allow them to maneuver through changes in different asset classes in different countries and in different time frames.

Indeed, the value of derivatives lies in their power of self-transformation by contracting relationships that render different assets commensurable. These transformations can be seen in Islamic finance in the way that derivative contracts are being structured by bankers and risk managers, authorized by the scholars in banks' Shariah committees, and sold to counterparties across conventional and Islamic financial circuits. While derivatives are generally viewed as forbidden, some Malaysian Shariah scholars have argued that the institutional advances of modern futures exchanges eliminate all excessive uncertainty or Gharar from futures by specifying, in standardized contracts, the characteristics of objects of sale and the compensation for various delivery options.

But, pointing to the abrogation of some principle tenets of Shariah, other Malaysian scholars argue against this 'efficient markets' view of derivatives. In their view, because futures involve the sale of a thing not yet in existence as well as the exchange of one outstanding debt for another, derivatives increase the risk of conflict and uncertainty and, therefore, abrogate fundamentals of Islamic contract law. Their views are in line with other scholars' critiques of the use of derivatives which center on the potential for speculative rather than productive financing and the use of Waad or promises (as opposed to Ijarah or build and sale contracts) within Sukuk structures. Critics argue that the use of Waad circumvents the Shariah prohibition of linked contracts and the prohibition of intangibles in an exchange.

While these arguments are well known, it is particularly notable that women are currently at the forefront of these scholarly debates. Their central role marks a significant change from the initial forays into the use of derivatives in Islamic finance. In his book, Heaven's Bankers, for example, Harris Irfan recounts how the structuring of derivatives through Waad originated in Deutsche Bank's Total Profit Rate Swap Academic Research Paper from 2007, known as the 'White Paper'. In fact, many industry practitioners view the White Paper as a watershed moment. Previously, only Malaysian scholars were advocating the use of derivatives, but with Deutsche Bank's intervention, the arguments shifted away from controlling speculation and toward risk management.

Deutsche Bank's total profit rate swap justification hinges on the analysis of price discovery and justice. As argued by Deutsche Bank's all-male team of research consultants and scholars, the fundamental aspect of removing elements of ignorance or Jahiliyyah is through ensuring a just price. And, in their reasoning, a just price is equated to the current market price. While they ground their reasoning in the Hadith, the efficient market hypothesis from conventional finance also looms large as Deutsche Bank reconfirms 'the market' as the source of value, justice and just profit.

Of course, bankers rely on additional contract structures to create secondary markets for Sukuk securities. A syndicated Islamic facility, for example, combines Murabahah with Mudarabah profit and loss-sharing investment structures. These are considered funding agreements and governed by an investment agency agreement and, as long as the transactions are carried out independently and in the right order, then they are considered Shariah compliant. For example, AAOIFI affirms the basic legality of this combination of contracts and further states that combined contracts can be stipulated as conditions in other contracts. Hence, banks use these contracts and Waad to achieve their risk management objectives.

It is telling that debates about the use of derivatives in Islamic finance are in no sense settled. For example, the International Swaps and Derivatives Association's set of legal documentation for derivatives contracts in Islamic finance states that Shariah derivatives are whatever the given bank, which is party to the contract, says they should be. As discussed in previous columns, there are conflicting assumptions about women's financial expertise. Many commentators argue, for example, that women are inherently more conservative and take fewer risks. The central role of the modern Ustazah in debating derivatives in Islamic finance would certainly seem to contradict these assumptions.

Morocco: Actions needed

Struggling with liquidity, one of Africa's largest and most sophisticated economies — Morocco — is taking assertive measures to boost its infrastructure and make itself more appealing to foreign investors, and this includes being a Muslim-friendly investment destination. VINEETA TAN takes a look at the Kingdom's efforts in positioning itself as an attractive Islamic finance market as it endeavors to make its regional financial hub (Casablanca Finance City) ambition come true.

Regulatory environment

Since passing an Islamic finance bill in November 2014, Morocco has continued working toward strengthening its regulatory framework to facilitate Shariah compliant banking and financial services. In February 2015, the Higher Council of Ulamas established a new commission dedicated to Islamic banking and in July 2015, the Ministry of Finance and Economy approved an earlier circular outlining the banking licensing process including for Shariah compliant units. New Takaful provisions are anticipated in 2016 covering the licensing process of operators, among others.

Banking and finance

While official regulations were not passed until 2014, several Islamic banking products such as Ijarah, Musharakah and Murabahah were made available via conventional banks since 2007, although the take-up was limited. There were efforts to launch an Islamic window via Bank Wafa; however, that failed following political oppositions. Up to date, only one bank in Morocco (out of 19 commercial banks and six offshore banks) has a Shariah compliant spinoff — Attijariwafa Bank, the country's largest bank by assets.

However, the country is expected to welcome new Islamic banks/banking units this year: it has been reported that 10 applications (seven on a subsidiary basis and three on a window basis) have been submitted to Bank Al Maghrib and the approval process will begin this year, allowing these Islamic financial outfits to commence operations in early 2017. IFN understands that several partnerships to this effect have been concluded including: Al Baraka Bank with La Banque Marocaine du Commerce Extérieur, Guidance Residential Financial Group with Groupe des Banques populaires and Qatar International Islamic Bank (QIIB) with CIH Bank (Crédit immobilier et hotelier). A ministerial decree was issued to authorize CIH Bank and the Caisse de dépôt et de gestion group to get into a partnership with QIIB in order to launch a participative bank. The three applications for Islamic windows are from the Moroccan subsidiaries of French banks: BNP Paribas, Credit Agricole and Societe Generale.

Takaful

In May 2015, the Moroccan government approved an insurance bill (project law no 59-13 completing and amending law no 17-99) which introduced the concept of Shariah compliant insurance and details guidelines for running Takaful and re-Takaful operations including the segregation of funds and Shariah governance. Designed based on AAOIFI and acting as a general guideline, further specifics would be revealed after the final vote of law via circulars/decrees.

Interbank market and Sukuk

This year it is also learned that the central bank is considering establishing an Islamic interbank market and working on sovereign treasury Sukuk issuances in order to support the Islamic finance industry.

Challenges and outlook

Moroccan authorities may have passed an Islamic finance bill two years ago with more regulatory and market enhancements promised; since then, however, market participants have voiced concerns over the lack of real progress since the bill was approved, ie no Islamic banking license have been granted yet. The demand for Shariah finance services in the North African country is significant as demonstrated by the number of foreign players keen to expand their geographical footprint into the market, attracted by its Muslim demographics, strategic location as a gateway between Europe and Africa and also its position as one of the region's top economies. Islamic financial products have been projected to be worth US$7 billion by 2018, less than 5% of the expected total market share, according to the Moroccan Association of Participative Financiers.

Islamic finance opportunities may be lucrative in Morocco, with many eager to jump at them; however, in order for the potential to be realized, the regulatory infrastructure needs to be further bolstered such as in the areas of Islamic insurance and tax. The country will also need to look at developing Shariah liquidity instruments.

Regulatory issues in Islamic finance

As Islamic finance gains traction and enters new territories, the regulations and guidelines governing the industry around the world progress to spur further growth and highlight its growing importance to a nation's economy. DANIAL IDRAKI recaps recent developments and changes in Islamic finance regulation.

Asia

The Indonesian financial services regulator (Otoritas Jasa Keuangan or OJK) recently released a draft regulation on Islamic investment managers, which was designed with the objective of enhancing the role of market participants in the Islamic space, and details the licensing process and requirements of Islamic investment managers, among other things. The new rules are expected to come into effect this year as outlined by the OJK's Islamic Capital Market Roadmap (2015-19).

The Indonesian government also launched a 10-year master plan to boost Islamic finance in Indonesia, known as the 'Masterplan Arsitektur Keuangan Syariah Indonesia', which will also support Indonesia's long-term economic development plans. The blueprint was designed by Islamic Finance Advisory & Assurance Services (IFAAS) in partnership with the Indonesian government and the IDB, with international law firm Simmons & Simmons working with IFAAS to provide regulatory advice and guidance.

Furthermore, OJK issued a new regulation for collective investment contracts (CIC), which added new types of securities to be the underlying assets of real estate investment funds including debt securities, fixed-income Islamic securities, asset-backed securities (conventional and Islamic) which are not offered via a public offering and have received a rating, and units of CIC real estate investment trusts (conventional and Islamic) not offered via a public offering with the limit not more than 15% of the net asset value of the fund.

Over in neighboring Malaysia, Bank Negara Malaysia (BNM) is developing a regulatory framework to facilitate the growth of the microinsurance and microTakaful market in the country. BNM issued a discussion paper which provides guidance on the proportionate regulation of microinsurance and microTakaful products, and the operating environment that is envisioned for microinsurance and microTakaful in Malaysia. In addition, the Securities Commission Malaysia is expected to launch the Islamic finance blueprint sometime this year. The blueprint will chart the medium to long-term strategic direction for the industry as well as map out strategies and recommendations to strengthen Malaysia's competitive edge.

GCC

In June, the UAE's Ministerial Development Council said it is preparing an international Islamic finance framework as part of its global Islamic economy ambition, which includes establishing standards for Shariah compliant financial transactions under a global regulatory mechanism. Earlier in May, the emirate's cabinet approved the launch of a national regulatory Shariah authority, which will oversee the Islamic financial sector, set standards for and approve Islamic finance products and set rules and principles for banking transactions in accordance with Islamic jurisprudence in finance.

Over in Qatar earlier this year, the Qatar Financial Center Regulatory Authority issued the new Islamic Banking Business Prudential Rules 2015 and a revised Conduct of Business Rule 2007. The regulator implemented the new guidelines to reinforce the current foundation of financial and business practices as well as to ensure a steady growth of the sector.

Being one of the latest nations to make its mark in the sovereign Sukuk space, the Capital Market Authority of Oman had in April issued a new Sukuk regulation to spur innovation. The new Sukuk regulation saw the introduction of a trust structure, allowing for the issuance of a Sukuk program, removing restrictions on the Sukuk structure depending on the approval of the issuer's Shariah Supervisory Board (which is engaged by the issuer), allowing for an optional rating requirement, incorporating a limited liability company as the SPV and not imposing any restrictions on the Sukuk amount to be raised based on the company's capital.

Iran

Iran had this month submitted the National Banking Reform Bill (Interest-Free Banking Bill) to the parliament, which includes special attention on the promotion of Islamic finance. The new bill is one of two banking reform bills proposed by the government, and covers the subject of the Central Bank of Iran's independence from the government, providing it with more authority over monetary policy-making.

Turkey

The government of Turkey is looking to introduce new regulations to the existing tax scheme in a bid to boost the inflow of Islamic capital to its shores. Deputy Prime Minister Nurettin Canikli was quoted as saying that there will be adjustments to corporate tax law, value-added tax, stamp tax and fees in this context.

Russia

In October 2015, the Central Bank of the Russian Federation created a working group to study the regulatory and institutional arrangements and capacity to provide Islamic banking services in Russia. The pilot project to establish Islamic banking windows in Tatarstan was based on the results of a feasibility study that was carried out by Universiti Tun Abdul Razak (Malaysia), the Islamic Banking and Finance Institute Malaysia and the Islamic Business and Finance Development Fund (Russia). For the full functioning of Islamic finance, the study found that proper regulations need to be introduced into the system by adapting Russian legislation.

Africa

The Central Bank of Nigeria (CBN) had in May released draft guidelines for the regulation and supervision of Islamic microfinance banks in the country for inputs and comments, while Tanzania last month finalized the process to regulate Islamic financial institutions in Mainland Tanzania and Zanzibar, with the regulations expected to come into force before the end of the year.

Sarawak Hidro's sophomore Sukuk: Adding depth to the Malaysian power bond issuances

Sarawak Hidro recently returned to the Islamic capital market with a RM5.54 billion (US$1.38 billion) Sukuk Murabahah offering, generating an electrifying demand from a wide range of investors for this infrastructure Sukuk. NURUL ABD HALIM has the exclusive.

The Murabahah paper is accorded a 'AAA' rating, underpinned by irrevocable and unconditional liquidity support from the Malaysian government even in the event of future changes in the shareholding of Sarawak Hidro. In an exclusive interview with IFN, Sarawak Hidro conveyed that the rating assigned to the issue is a testament to its credit strength on a stand-alone basis. The issuer previously tapped the Sukuk market in 2013 with a Sukuk Ijarah program of up to RM1 billion (US$250 million), which was unrated and fully supported by the government.

Engineered based on the Islamic structure of Murabahah (via a Tawarruq arrangement), the stand-alone facility was sold by way of a bought deal transaction in multiple tranches carrying various tenors. "The bought deal mode was chosen as it locked the yields at a level comfortable to the issuer as well as eliminating risks against market volatility," reasoned Sarawak Hidro, affirming that this option is in the best interest of the state-owned company.

Commenting on the price, the issuer enthused that the transaction fared as anticipated: "Yes, the pricing meets expectations as compared to our earlier cash flow projection." Robert Huray, CEO of RHB Investment Bank, one of the banks advising the deal, asserted that this transaction will further Malaysia's position as one of the leading key markets in the global Sukuk industry.

In view of the vital role the issuer plays in the development of the Sarawak Corridor of Renewable Energy and the top investment grade rating, the Sukuk have definitely powered up local investors' interests to subscribe. A quick look at the breakdown of investors showed that financial institutions commanded the lion's share of the facility size, followed by asset management firms, insurance companies and pension funds, among others. "There is still a strong demand for high credit quality and energy-related papers," observed Huray.

Proceeds raised from the Sukuk will be used by the issuer mainly to refinance its existing borrowings, which include two short-term revolving credit-i facilities worth up to RM100 million (US$25 million) and RM285 million (US$71.25 million) in maximum aggregate principal sum from Maybank Islamic; and the existing term loan facilities provided by the Employees Provident Fund.

State-owned Sarawak Hidro is Malaysia's largest hydropower producer and a key source of electricity supply in Sarawak, operating the 2,400 MW Bakun Hydroelectric plant, with Sarawak Electricity Supply Corporation being the sole off-taker of its electricity output under the power purchase agreement which runs until the 31st March 2043.

Rating	'AAA' by RAM Ratings
Shariah advisor(s)	Maybank Islamic
Structure	Murabahah (via Tawarruq arrangement)
Tradability	Tradable and transferable
Investor breakdown	

Investors	Allocation portion (%)
Financial institutions	44.6
Asset/ investment management	19.7
Insurance	18.4
Pension funds	13.5
Government	3.4
Corporate	0.4
TOTAL	**100**

Face value/ minimum investment	RM5.54 billion and in multiples of RM1 million (US$249,993)

Sukuk Murabahah of up to RM5.54 billion

(US$1.38 billion)

11th August 2016

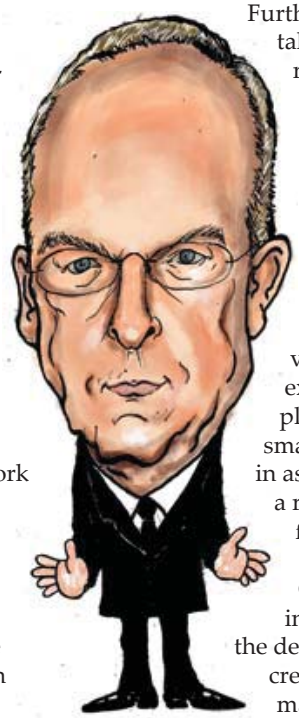
Issuer	Sarawak Hidro
Size of issue	RM5.54 billion
Mode of issue	Bought deal
Purpose	(a) To refinance existing financing facilities (b) To defray fees, costs and expenses incurred in relation to the issuance of the Sukuk Murabahah (c) To pre-fund the FSRA (if applicable), and (d) The balance (if any), to finance general working capital requirements
Tenor	Various tenor ranging from three years and up to 15 years
Issuance price	Ranges from RM245 million (US$61.25 million) to RM625 million (US$156.25 million) depending on the tranches
Profit rate (per annum)	Ranges from 4.11% to 4.67% depending on the tranches
Payment	Profit: Semi-annually
Currency	Ringgit Malaysia
Maturity date	Varies from 9th August 2019 to 11th August 2031 depending on the tranches
Joint lead manager(s) and bookrunner(s)	RHB Investment Bank and Maybank Investment Bank
Principal advisor(s)	Maybank Investment Bank
Governing law	Laws of Malaysia
Legal advisor	Messrs Wong & Partners
Listing	Not listed
Underlying assets	Plastic resin

Daud speaks

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

It has been a busy period post-Eid. Time has been occupied, in part by planning and budgeting for 2017 which is always a challenging experience, and in part by business development. On the latter point, I had the experience of visiting a country for the first time during the last month.

The country in question was the Maldives, where my organization has been doing work for the last couple of years. An opportunity came up to further cement relationships in the country with a collaborative partnership with the Islamic university, which also gave rise to the opportunity to present on 'Women in Islamic Finance' to a remarkable organization known as 'Women on Boards'.



Further opportunity was taken to build on existing relationships with the government and regulators to provide support to the growing momentum for Islamic finance in the Maldives.

Throughout my brief trip, I was made to feel not only welcome but very much a part of the exciting initiatives taking place in a country which is small in population but big in aspirations — aiming to be a regional hub for Islamic finance.

Core to the plans are initiatives for education, the development of talent and creating awareness in the market. Without these, there will be a constant reliance on outside consultants coming in and doing things for you, which, in the long term, is an unsustainable model.

Building capacity, through education and partnering with like-minded organizations that have shared similar experiences, is absolutely essential for future success. I have a strong sense that an excellent case study for future reference is being created in the Maldives.

In the context of my well-worn phrase of education, perception and liquidity, the Maldives falls very much into the model. Despite the challenges ahead, I found that the contacts that I made during this visit understand the need very well for education to change perceptions. One small step at a time leads to a journey of a thousand miles!

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

Morocco: More needs to be done apart from approving new Takaful regulations

MOROCCO

By Dr Ahmed Tahiri Jouti

In the spring session of the parliament, the House of Representatives voted in project law n° 59-13 in modifying and completing law n° 17-99 related to the insurance code that includes new provisions related to Takaful.

The project law has already been transmitted to the second house of the Moroccan parliament (House of Counsellors) to be voted in and then published in the Official Journal of the Kingdom of Morocco.

Once published, the ACAPS (the Moroccan authority for insurance) would issue circulars related to the licensing process and to the terms of exercising of Takaful companies in Morocco.

However, the future of the Takaful industry would depend on many factors such as the strategies of the existing insurance companies, the launch and development of Islamic banks in the country, the openness of the country to foreign players to join the industry and the strategy of the ACAPS to stabilize the local insurance market.

Takaful players in the market

In the Moroccan insurance market, there are three types of companies:

- Local insurance companies that are subsidiaries of banks or that belong to a financial group that owns a banking group such as RMA Watanya and Wafa Assurance.
- Local insurance companies that are independent that deal with Moroccan banks such as Saham Assurances, Atlanta and Sanad.
- Foreign insurance companies such as La Marocaine Vie, Zurich and AXA.

The existing local players dealing with banks that are willing to launch Islamic subsidiaries are those who are more interested in the Takaful industry. Some of these players have already started revising their strategies in the market in order to accommodate the Islamic banking sector.

Since the project law stipulates that insurance companies willing to offer Takaful products need to create a separate subsidiary, the main possible strategies that can be adopted by existing local players are:

- The local insurance company can create its own Takaful subsidiary mainly to accompany its partner (the Islamic bank).
- The local insurance company can create a common Takaful subsidiary with the Islamic bank.
- The local insurance company can create a common Takaful subsidiary with a foreign Takaful group.

Takaful products

In order to accompany the Islamic banks' needs in the beginning, the product offerings will focus mainly on bancaTakaful and Family Takaful.

It is worth noting that the ACAPS will decide on the definition of the initial product offerings in order to ensure the stability of the whole Moroccan insurance market.

The project law stipulates that the Takaful surplus should be exclusively distributed to the participants and based on that, any Takaful model has to be approved by the Higher Council of Ulamas.

The launch of Takaful companies

At the moment, there is no timeline for the start of the Takaful industry as it depends mainly on the launching of Islamic banks.

Currently, local players are waiting for Islamic banks to be launched to decide about the strategies to be adopted, the products to be offered and the partnerships to be concluded.

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Absence of supervisory tools dampens conversion plans

BANGLADESH

By Md Siddiqur Rahman

Islamic banks in Bangladesh have been growing faster than conventional banks with a good number of interest-based banks recently showing interest in introducing Islamic banking due to the increasing trend of Islamic banking in Bangladesh attributed to its intrinsic value and uniqueness of distinctive banking and also its ethical and sustainability aspects.

With a predominantly Muslim population of 160 million in Bangladesh, Islamic banking has strong positioning among customers and shareholders. From the 56 scheduled banks operating in the country, eight are fully-fledged Islamic banks with 966 branches and 15 conventional banks with 21 branches and 15 windows have Shariah banking operations that contribute to one-fifth of the industry.

IFIC Bank, Jamuna Bank, NCC Bank, Standard Bank, Southeast Bank and South Bangla Agriculture and Commerce Bank have applied to Bangladesh Bank, the central bank, to become fully-fledged Islamic banks although approval has not been obtained so far. Standard Bank, a second-generation private commercial bank with two Islamic banking windows, has resumed its conversion efforts to get the final nod from the regulator.

However, the central bank is not allowing banks to convert to Islamic banking. Even conventional banks, which were earlier permitted to open Islamic banking branches or windows, are not allowed to do this anymore. According to industry experts, without a unified Shariah policy or council, it appears difficult to establish good governance or apply regulations on these banks. The committee formed by the government to amend the Banking Company Act had previously recommended not allowing new Islamic banking branches because of the difficulty in monitoring their activities.

As Islamic finance, which is booming globally, makes strides and gains popularity in Bangladesh, experts predict that the Shariah compliant industry will continue with steady steps on its journey to becoming the mainstream banking system.

A proper conversion guideline is expected to be in place to facilitate such a transformation in line with international standards.

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Kenya still a potentially lucrative market for Islamic banking despite challenges

KENYA

By Mona K Doshi

Despite Kenya being hailed as a leading Islamic financial and investment hub in East Africa, the last quarter has seen minimal activity in the Islamic finance sector. Current events in the banking sector in Kenya, particularly the placing of Imperial Bank and Chase Bank Kenya (Chase Bank) under receivership by the Central Bank of Kenya, have caused major concerns to depositors and investors alike. The effects have been felt across the banking industry.

In the case of Chase Bank, there have been accusations by the Central Bank of Kenya, which regulates the banking sector, that the Islamic banking window that Chase Bank operated was used to grant unsecured interest-free financing to insiders under the guise of Islamic financing. A misunderstanding between the former directors of Chase Bank and their auditors on how to classify Islamic banking assets led to a restatement of the financial reports of Chase Bank. The now former directors of Chase Bank deflected blame by pointing fingers

at their audit firm for 'professional ignorance' regarding Islamic banking products. The former directors argue that the auditors misunderstood the principles of Islamic banking. Whatever the real story, this case highlights the need for a better understanding by all relevant professionals of Islamic finance products including their structures, the accounting treatment and classification of assets.

It was widely expected that Kenya would issue its debut Sukuk in the 2016/17 financial year. The cabinet secretary for finance, Henry Rotich, in the recent budget indicated that Kenya would explore an Islamic bond as one of the options in which it would seek to finance its budget. However, a lack of a proper regulatory framework has seen the Kenyan government go slow on the proposed issuance of the Sukuk.

All is not lost though. In June this year, in an event attended by representatives from the Kenya Bankers Association and other Islamic finance industry players, organizations offering Shariah compliant financial services came up with a plan to set up a lobby group to champion for a better legal and regulatory framework to boost the growth of this subsector. A team was consequently formed to prepare for the launch of the lobby group to be referred to as the Association for Islamic Finance in Kenya which is scheduled to be unveiled soon with its major mandate being to advocate for better policies. This, coupled with the Kenyan government's support for Shariah compliant finance, makes Kenya a potentially lucrative market for Islamic banking.

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Smart Waqf

NEW ZEALAND

By Mohamed Nalar

The Waqf sector has a key role to play in the social development space and to solve some of the greater challenges facing humanity. The UN's Sustainable Development Goals have clearly identified specific areas of focus including some of the obstacles to tackling these issues successfully. Funding is an important area where it requires innovative solutions to generate the billions and trillions of dollars required.

Developing Sukuk Waqf and the revival of the concept and application of Qard Hasan as a main financing vehicle will be a catalyst in this endeavor.

In order for the Waqf community to become a key contributor in this sector, the institution of Waqf needs to be professionalized in terms of governance, operations and performance management. This will help raise the credibility of the institutions among donors, industry players and government agencies to work in partnership to tackle the mammoth task ahead.

Awqaf New Zealand (Awqaf NZ) is now working toward developing and launching a Smart Waqf (S-WAQF), essentially a vehicle to issue and manage Sukuk Waqf globally.

Awqaf NZ has commissioned International Shariah Research Academy for Islamic Finance (ISRA) to assess the Sukuk Waqf from two areas, namely to assist in the proper structuring of the Sukuk Waqf and to assess its Shariah compliance. If successful, this will be the first such Sukuk Waqf in the world and will open up a market for a global scale Islamic social financing model and platform.

A collective approach is vital for this initiative to be successful. Awqaf NZ has promoted and increased the awareness of this initiative through a program reaching out to the global Waqf and Islamic finance industry and has formed a number of critical strategic partnerships with like-minded organizations around the globe. Awqaf NZ continues to encourage innovation in non-banking Islamic financial institutions and to reveal the potential of the minority Muslim community in developing the Islamic economy.

By the end of August 2016, it is anticipated that ISRA will conclude its S-WAQF Shariah verification and overall assessment of the world's first socially favorable Sukuk Waqf structure based on Securities Commission Malaysia's March 2015 'Sukuk for Awqaf Development' regulations. It is greatly anticipated that Awqaf NZ, along with ISRA's support, will structure the world's first Sukuk Waqf sometime in the near future. Through the joint collaboration between Awqaf NZ and ISRA, they are expected to reshape the Waqf industry globally.

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Turkey standing strong against aftereffects of attempted coup

TURKEY

By Ali Ceylan

On the 15th July 2016, Turkey overcame an attempted coup that failed. It resulted in the Turkish lira hitting an all-time low in exchange for the US dollar, prompting S&P to change the country's outlook to negative as a result of the coup. The rating agency said it could raise Turkey's credit rating "if a sustained rebalancing of the source of economic growth resulted in much lower external borrowing needs". However, despite the shake-up, Turkey's deputy prime minister and the former minister of finance, Mehmet Simsek, said the model of the market economy will not change and that there is confidence in the Turkish economy to withstand the current storm as it has done in the past.

> ***"Our economy is still as steady as a rock. There was not even a minor economic shock. But this situation disturbed some sides"***

Moody's review of Turkey's ratings remains ongoing and as a result, the sovereign release calendar date for Turkey is not being used. On the 18th July, three days after the failed coup attempt, Moody's announced that it will begin a "review for downgrade" of the country's credit rating. The rating agency also plans to conclude the review within 90 days of its announcement. "Our economy is still as steady as a rock. There was not even a minor economic shock. But this situation disturbed some sides", Turkish Prime Minister Binali Yildirim said during a press conference in Ankara on the 2nd August.

Turkey declared a state of emergency as a result of the failed coup attempt. More than 1,000 companies had asked for a suspension of bankruptcy since the beginning of 2015 but experts warned that companies could abuse this condition, leading to a negative effect on the economy. The suspension of bankruptcy is an easy way to recover their losses and improve their condition. Companies in Turkey cannot ask for a suspension of bankruptcy during the current state of emergency, according to a new decree published in the Official Gazette on the 31st July.

Meanwhile, the Turkish parliament approved a comprehensive draft law amending various laws and regulations to improve the economy in the country, including significant amendments involving the stamp tax, a deferral of bankruptcy and bad checks.

In a press conference on the 5th August, Turkish Finance Minister Naci Agbal noted: "The receivables by the tax offices are TRY90 billion (US$30.37 billion) with a total of 6.3 million indebted citizens. We can restructure these debts and will delete the debts which value at TRY50 (US$16.87); the number of files of citizens who are indebted less than TRY50 to the tax office is 29 million." The restructuring plan will also cover debt of some TRY67 billion (US$22.61 billion) to the Social Security Institution, according to Naci.

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India's Islamic finance: The first steps forward

The Islamic finance and banking system model based on Shariah law encompasses concepts which prevent the acceptance of interest or usury and the accumulation of wealth (Riba) and prohibit investment in immoral activities. The system also gives importance to the compulsory levy of tax (Zakat). Islamic finance, though unconventional, embodies unique concepts of financing. JAYESH H, MONIL CHHEDA and SANJANA RAO write.

INDIA

By Jayesh H, Monil Chheda & Sanjana Rao

In September 2015, the IMF estimated that the aggregate financial assets, held in Islamic accounts, were above US$2 trillion globally and that they would outperform the growth of conventional finance in many countries.

Renowned Indian economist MS Swaminathan, who is also the pioneer of green revolution in India, stated that Islamic finance could be an effective solution for resolving farmer suicides in India. Though Islamic finance has been sluggish in its traction in the Indian economy, there have been developments from an Indian context which provide hope for the future.

A concrete step toward ushering in Islamic finance into India was the execution of an MoU between the IDB and the Export-Import Bank of India (EXIM). The MoU's terms permit IDB to open its first branch in India to offer Shariah compliant financial and banking services. A commercial line of credit amounting to US$100 million is to be extended by the Islamic Corporation for the Development of the Private Sector to EXIM pursuant to the MoU. A state-of-the-art rural mobile network in Gujarat worth US$55 million has also been promised by the IDB. The SME sector seems to be the primary focus of IDB funding and investments in India.

The Committee on Medium-term Path on Financial Inclusion (the Committee), set up on the 15th July 2015 by the Reserve Bank of India (RBI) and headed by Deepak Mohanty, released a report (the Report) that strongly advocated the introduction of interest-free banking in India and also set out the advantages of adopting an Islamic finance-based model in India. The Report was submitted on the 28th December 2015, with various recommendations pertaining to the existing policy on payment and small banks, socially inclusive financial products and services and credit facilities which may be extended in the agricultural sector.

The Report elaborated upon the disadvantages the lower strata of Indian society faces due to the lack of access to Shariah compliant funding from conventional banks. The Committee delved into empirical research at a household level and collated the same in detail to reflect the present need for such a model of financing in India. The Committee acknowledged that commercial banks may approach this model and offer Shariah compatible instruments in a limited manner or as pilot projects initially.

One of the main reasons behind the slow growth of Islamic finance in India has been the lack of an adequate legislative framework for setting up Shariah compliant finance institutions. Due to the lack of laws to promote this financing model and the reluctance on the part of the legislature to amend the existing framework regulating the banking and finance sector, individuals and entities following Shariah rules find it difficult to invest or undertake any ancillary financing activities in India. This also leads to a sparsity of institutions, banking and investment products in this sector.

Private equity and venture capital investments based on the Islamic finance model have seen tremendous growth globally, although the same remain nascent in the Indian markets. Offshore investors based in countries which are a part of the OIC consider India an untapped market; the opening of this avenue will present innumerable options in the funding sector not just from an offshore perspective but also for investors domestically.

A development in this sphere took place in 2014 when the Indian capital markets regulator, the Securities and Exchange Board of India, was all set to introduce a new type of bond in the Indian market known as 'Sukuk bonds'. However, on the eve of this progressive step, the plan was abandoned and the scheme never took off.

> ***"The primary objection raised in relation to the entry of Islamic finance in India has come largely from a religious angle, with parties advocating for or against it based on their political affiliations"***

Although shrouded by ample political controversy, the RBI has been analyzing the effect of the introduction of Islamic finance from an Indian perspective for the past decade. The RBI released a detailed working group report in 2006 giving its opinion on a variety of issues plaguing the entrance of the financing model into India. The Committee in the Report had concluded that to effectively implement concepts of the Islamic finance model in India, a substantial legislative framework in addition to a change in the outlook of the masses would be required, for which India was (then) still unprepared.

The primary objection raised in relation to the entry of Islamic finance in India has come largely from a religious angle, with parties advocating for or against it based on their political affiliations. The common perception or misconception currently in India is that Islamic finance is aimed toward a particular section of

Continued

the religious community. In this din, what is overlooked is that the principles embodying this model are beneficial universally. This point was even underscored by the Kerala High Court when it dismissed the petition filed by Dr Subrahmaniam Swamy against the Kerala government investing in a Shariah compliant infrastructure financing company.

In the Indian scenario, despite various steps being taken by the government to introduce Islamic finance in India, various issues need to be ironed out.

From a political standpoint, the approach toward this alternative means of financing must be unbiased and propounded agnostically. Presently, any step taken toward furthering the establishment or offer of Shariah compliant institutions or products is colored with electoral politics. In a recent debate in parliament, objections were raised against the introduction of the IDB's branch in Ahmedabad; reasons cited being that it went against the secular fabric of the country. To counter this strong political aversion to Islamic finance in India, there needs to be political and social acceptance of the same.

Banks and financial institutions are bound by the Banking Regulation Act, 1949 where sections 5(b), 5(c), 9 and 19 are incongruent with the Islamic finance model and prevent banks from providing financial services without an interest component. Various reports published by the RBI and the Report by the Committee have stated that to give Islamic finance in India a jumpstart, the existing laws, including the Banking Regulation Act, 1949, the Partnership Act, 1932 (relating to the maximum number of partners who may be appointed in a firm), the Contract Act, 1872 (for provisions relating to wagering which is against Shariah rules), the RBI Act, 1934, the Negotiable Instruments Act, 1881 and the Co-operative Societies Act, 1961, must be amended.

Proposals have also been floated to set up an entire legislative framework to regulate this financial model in India which will contemplate all aspects the model will touch upon. The pinch felt due to an absence of a framework for regulating this model is compounded by the general lack of awareness of how Islamic financing works. Some of these issues can be dealt with through executive action without resorting to legislative changes. The government can easily notify an interest-free banking window in select banks on a pilot basis, as recommended by the Committee via the Report.

> ***"Acceptance of Shariah-based financing is possible only when, apart from political and legislative support, the concept gains traction among the people in India"***

To encourage banks to take up this model more actively, the Report further recommends that commercial banks must be enabled to open specialized interest-free windows like demand deposits, agencies and participation securities on their liability side and to offer products based on cost-plus financing and deferred payment and deferred delivery contracts on the asset side. An interest-free window essentially refers to a window in the bank through which customers may conduct business using only Shariah compliant instruments. The Report also states that there must be a firewall in place to ensure that the conventional mode of funding does not co-mingle with interest-free banking services and products.

In relation to extant capital adequacy and statutory liquidity ratio requirements prescribed by the RBI, the Report states that the same must be amended to reflect a carve-out for Islamic finance banks from the aforementioned requirements. Apart from the legislation and regulations mentioned, the RBI may also consider prescribing a separate set of regulations under the Foreign Exchange Management Act, 1999 and various circulars for banks and financial institutions offering Shariah compliant financial products.

A potential issue faced is that conventional life insurance is not Shariah compliant. This is because the proceeds of the same may be lent or invested by the insurance firms in activities that are considered Haram. With this in mind, the entry of Islamic finance may not be favored much by institutions offering investment products. However, this fear has been substantially addressed by the Life Insurance Corporation of India which has introduced specialized investment products aimed at being Shariah compliant. This is a desirable step toward setting up base for Shariah compliant financial products in India.

A need for adequately trained personnel, apart from a legislative framework, is also required; banks and financial institutions need to recruit professionals well versed with the principles of Shariah laws to effectively help in the growth of this system. Further diversification in other sectors such as infrastructure funding, private equity investments and IT will then follow. The manner of marketing of Shariah compliant products will also play an important role in the success of the model.

Acceptance of Shariah-based financing is possible only when, apart from political and legislative support, the concept gains traction among the people in India. Apart from making funding accessible to a wider public, this type of funding needs to be marketed adequately as a viable source of ethical financing and be seen as promoting the general welfare of the community. In the economic sphere, the general apprehension of a parallel banking system undermining the present system must also be effectively negated.

The entry of the IDB is a progressive step in the direction of adopting a Shariah compliant model in India that builds on the positive views expressed in the Report. The response of the Indian masses (and not just the Muslim populace) remains to be seen.

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New regulations ease real estate investment in Turkey: Real estate as an asset class

Being part of the greater 'alternative investments', real estate is an important asset class, and the source of enormous wealth. However, it is not easily accessible for many investors – this is even more valid when it comes to investing in a market other than your home country. Because each real estate is unique, investment ticket sizes as well as transaction costs are high, liquidity can be very low, market knowledge is often very local, and many critical factors such as rent rolls, replacement costs, etc, are not widely known. TAYFUN OZKAN writes.

REGULATORY ISSUES

By Tayfun Ozkan

Hence, developed financial markets have created investment instruments such as real estate investment funds (REIFs), real estate investment trusts (REITs) and real estate certificates to ease access to the return of real estate assets. Turkey, a developing financial market with aspirations to make Istanbul a global financial center, is the latest to join the club.

Overhaul in Turkish capital markets

Turkish capital markets have been undergoing a structural transformation since 2013: (i) The new Capital Markets Law no. 6362 (the Law) entered into force on the last day of 2013; and (ii) secondary legislation within the scope of the Law as well as studies in an effort to form a legal infrastructure compatible with the EU Directives have been completed.

The private pension system, collective investment schemes and the asset management industry are all redesigned and some are even newly designed by the legislation. Complementary technical reforms are also put in place: (i) The three main exchanges, namely Istanbul Stock Exchange, Istanbul Gold Exchange, and Futures and Options Exchange, have merged under the roof of Borsa Istanbul; and (ii) the National Mutual Funds Trading Platform was established.

All these new regulations are to contribute to Istanbul's quest to become an international financial center, an objective set by the government about seven years ago including the development of a of 2.5 million square meters (sqm) land in Atasehir, a central location in Istanbul which is a US$2.6 billion landmark project. When completed, the Istanbul International Financial Center is expected to host 30,000 employees in 560,000 sqm of offices, 90,000 sqm of shopping malls, 70,000 sqm of hotels, 60,000 sqm of residences and a congress center with a capacity of 2,000 people.

All these regulatory and technical developments are destined to place the Turkish economy, already the 17th-largest economy in the world, among the largest 10 by 2023.

Table 1: Return comparison of various assets in Turkey between 2011 and 2016

	Real estate (Istanbul)	Real estate (Turkey)	FX (USDTRY)	Deposit (1-year)	Stock exchange (BIST 100)	2-year Treasury note	Gold (gr TL)
2011	13.4%	11.3%	19.7%	8.4%	-24.9%	11.5%	7.6%
2012	13%	11.5%	1.5%	10.1%	48%	6.2%	2.2%
2013	20.4%	13.8%	20.6%	8.1%	-13.7%	10.1%	1.1%
2014	25.6%	16.1%	8.7%	9.3%	26.4%	8%	4.8%
2015	24.9%	18.4%	25%	10.6%	-16.3%	10.9%	13.2%
2016 (as of May)	18%	14.6%	9.9%	10.1%	-6.7%	9.3%	16.5%
Median	19.2%	14.2%	14.8%	9.7%	-10.2%	9.7%	6.2%
Arithmetic mean	19.2%	14.2%	15.1%	9.4%	3.9%	9.3%	5.8%
Geometric mean	18.6%	14.1%	10.5%	9.4%	a.d.	9.1%	5.2%
Risk (Std Dev)	5.4%	2.7%	8.7%	1%	28.3%	2%	4.3%
Sharpe ratio	1,8%	1.8	0.7	n.m.	n.m.	0.0	n.m.

Source: Central Bank of the Republic of Turkey and TurkStat data. Calculations by KT Asset Management.

The real estate market in Turkey

One of the best investment assets, if not the best, in Turkey has been the real estate asset class, especially the housing subclass. House prices has yielded the highest risk-adjusted return (measured by the Sharpe ratio) in Turkey for the last five years (see Table 1).

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

DEALS

Emaar Sukuk's securities delisted

UAE: NASDAQ Dubai announced in a statement that it will remove Emaar Sukuk's US$500 million trust certificates due 2016 (ISIN XS0586840588) from trading on the exchange effective immediately, following the complete and final redemption of the securities.

CBB's Sukuk Ijarah fully subscribed

BAHRAIN: The Central Bank of Bahrain (CBB)'s monthly issue of Sukuk Ijarah worth BHD26 million (US$68.48 million) has been fully subscribed, according to a statement. The issue, which carries a maturity of 182 days, has an expected return of 2.2%, equivalent to the previous issue on the 14th July 2016. The issue began on the 11th August 2016 and will mature on the 9th February 2017 and is the 132nd of the CBB's short-term Sukuk Ijarah series.

Indonesia issues privately-placed Sukuk

INDONESIA: Indonesia has issued a IDR300 billion (US$22.86 million) Sukuk facility consisting of a series of tradable Sukuk (PBS-010) at a fixed coupon rate of 8.63% with a yield of 6.74%, according to a statement on the Ministry of Finance's website. The privately-placed Sukuk will mature on the 25th January 2019.

According to a separate statement, the country also raised IDR6.08 trillion (US$462.69 million) from the sale of five sovereign Sukuk securities (SPNS 27012017, PBS009, PBS006, PBS011 and PBS012), after receiving total incoming bids of IDR17.55 trillion (US$1.34 billion).

UEM issues Islamic notes

MALAYSIA: UEM Sunrise has completed the issuance of Islamic commercial papers (ICP) worth RM100 million (US$24.82 million) in nominal value under the ICP program, according to a bourse filing. The Islamic papers were issued at a discount rate of 3.8% per annum and have a tenor of six months. The company intends to use the proceeds for its Shariah compliant general corporate purposes.

Sarawak Hidro issues Sukuk Murabahah

MALAYSIA: Sarawak Hidro has issued RM5.54 billion (US$1.37 billion)-worth of Sukuk Murabahah, IFN learned from a lead manager. The 'AAA'-rated paper has various tenors ranging from three to 15 years, with profit rates between 4.11% and 4.67% and was subscribed by financial institutions (44.6%), asset management companies (19.7%), insurance/Takaful operators (18.4%), pension funds (13.5%), the government (3.4%) and corporates (0.4%).

MUFG sets up ringgit Sukuk

GLOBAL: Mitsubishi UFJ Financial Group (MUFG) has established a RM20 billion (US$5 billion) Sukuk program, the Japanese bank confirmed with IFN. The first tranche of the program, worth RM900 million (US$224.64 million), will be underpinned by Shariah compliant auto financing of CIMB Islamic Bank.

IILM to auction two short-term Sukuk

GLOBAL: The International Islamic Liquidity Management Corporation (IILM) was due to auction two short-term Sukuk facilities on the 17th August 2016: a US$840 million facility with a three-month tenor, and a US$500 million facility with a four-month tenor, maturing on the 22nd November and the 14th December respectively, according to an announcement on Bank Negara Malaysia (BNM)'s website. The auction for the certificates will be conducted in BNM's Fully Automated System for Issuing/Tendering (FAST).

Nigeria postpones Sukuk issuance

NIGERIA: Nigeria's sovereign Sukuk issuance initially slated for the third quarter of 2016 will now be postponed to the first quarter of 2017 due to unforeseen circumstances, the News Agency of Nigeria quoted the Securities and Exchange Commission (SEC)'s director-general, Mounir Gwarzo, as saying during the commission's Capital Market Committee second quarter media briefing. The Debt Management Office and the SEC had earlier this year established a committee to develop a framework for the issuance of Sukuk.

GII Murabahah oversubscribed

MALAYSIA: The Malaysian government's RM3 billion (US$743.49 million) GII Murabahah offering issued on the 15th August received a total of RM7.48 billion (US$1.85 billion) in incoming bids from 222 participants. According to a statement, the facility, to mature on the 30th September 2030, was sold at a profit rate of 4.25% and Bank Negara Malaysia may purchase up to 10% of the issuance size.

Indonesia appoints savings Sukuk sales agents

INDONESIA: The Indonesian finance ministry has appointed Bank Mandiri, Bank Rakyat Indonesia, Bank Tabungan Negara, Bank Negara Indonesia, Bank

DEAL TRACKER Full Deal Tracker on page 31

EXPECTEDDATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENTDATE
Fourth quarter of 2016	BRI Syariah	IDR1 trillion	Sukuk Mudarabah	16th August 2016
August-September 2016	Government of Indonesia	TBA	Sukuk Wakalah	12th August 2016
TBA	Mitsubishi UFJ Financial Group	RM900 million	Sukuk	12th August 2016
First quarter of 2017	Government of Nigeria	TBA	Sukuk	11th August 2016

Syariah Mandiri, Bank Muamalat, Bank BRI Syariah, Bank OCB CNISP, HSBC, Bank CIMB Niaga, Bank Central Asia, Bank Permata, Bank Pan Indonesia, Maybank Indonesia, ANZ Indonesia, DBS Indonesia, Standard Chartered, Citibank, Bank Danamon Indonesia and Bank Mega as sales agents for its IDR2 trillion (US$152.6 million) savings Sukuk program, according to a statement. The government will issue the two-year Wakalah facility from the 22nd August until the 2nd September 2016, with a minimum investment of IDR2 million (US$152.4).

BRI Syariah plans Tier II Sukuk

INDONESIA: BRI Syariah is set to issue a IDR1 trillion (US$76.2 million) seven-year Sukuk Mudarabah facility with bookbuilding to begin in October 2016, according to Kontan.co.id. Finance Director Haru Koesmahargyo was quoted as saying that the Sukuk Mudarabah issuance will go into the bank's Tier II capital and is expected to shore up BRI Syariah's capital adequacy ratio to 14% from 12% as at the end of June 2016.

AFRICA

Al Baraka Bank Sudan plans expansion

SUDAN: Al Baraka Bank Sudan expects to add one new branch every year over the next five years, expanding the network to 31 by 2020. The Islamic bank said in a statement that it plans to open a branch in Khartoum this year and also establish a new headquarters building in the capital. The bank will also formally launch its mobile banking service this year as well as a new Smart Account for university students.

Al Baraka Egypt procures SME funding

EGYPT: The IDB has provided Al Baraka Bank Egypt a credit line of EGP50 million (US$5.62 million) through the Egyptian Social Fund for Development, to be channeled toward SMEs. Al Baraka Bank Egypt's vice-chairman and CEO, Ashraf El Ghamrawy, confirmed in a statement that the Islamic bank intends to launch two new branches this year, aimed specifically at the retail and SME sectors. Separately, the Islamic bank has also earmarked EGP1 billion (US$112.33 million) to finance all the anticipated projects in the Suez Canal development axis in addition to energy projects with economic feasibility, said Ashraf El-Ghamrawy, CEO of the Egyptian unit of Al Baraka Banking Group, as reported by Amwal Al Ghad.

Islamic banking absolved of blame

KENYA: The National Bank of Kenya (NBK)'s 2015 record loss was due to corporate governance violations, which could not be blamed on the Islamic banking segment, said board chairman Mohammed Hassan and Abdullatif Essajee, an expert in Islamic banking, as reported by Kenya's Daily Nation. Six managers of the bank, including CEO Munir Ahmed, were dismissed and are currently under investigation for allegedly flouting banking principles. The NBK in 2015 suffered a KES1.15 billion (US$11.14 million) loss after non-performing loans nearly doubled to KES11.7 billion (US$113.37 million) in the last quarter of the year and Islamic banking was cited as one of the major sources of bad loans.

New Nigerian Islamic bank in the making

NIGERIA: MFB Holdings plans to establish a new Islamic bank in Nigeria with the assistance of the Islamic Corporation for the Development of the Private Sector (ICD) under an advisory services agreement signed between the two parties.

According to the Saudi Gazette, the ICD will provide technical advisory and fundraising services to MFB and dedicate eight key teams across the full establishment process: including the areas of project management, Shariah governance and product development, treasury, accounting, risk management, human resources, information technology, marketing and legal support.

The proposed bank, the second Shariah bank in the country after Jaiz Bank, will apply for a nationwide banking license.

ASIA

Bank Aceh converts to an Islamic entity

INDONESIA: Bank Aceh has obtained permission from Otoritas Jasa Keuangan to convert into a Shariah compliant entity, Republika.co.id quoted the bank's Shariah and human resources director, Haizir Sulaiman, as saying.

Stumbling block for Pakistani Riba bill

PAKISTAN: The Pakistani parliament on the 11th August opposed the Eradication of Riba Bill based on the argument that the matter was sub judice before the Federal Shariat Court and therefore the parliament cannot legislate on the matter, reported The News International. The proposed bill, tabled by Sher Akbar Khan, a member of the national assembly from Jamaat-e-Islami, suggests omitting the word 'interest' in 28 different laws.

ABPL readies merger with Burj Bank

PAKISTAN: Al Baraka Bank Pakistan (ABPL) has submitted a request to the State Bank of Pakistan to get final approval for the acquisition of Burj Bank, according to Pakistan Today. ABPL will purchase Burj Bank via a swap ratio of one share of ABPL for every 1.7 shares of Burj Bank for shareholders of Burj Bank, while its face value will be PKR10 (9.44 US cents) each in the ABPL for every 1.7 shares of Burj Bank. ABPL is expected to finalize this merger during the 9th extraordinary general meeting of shareholders on the 22nd August 2016, in which the shareholders will give final approval to the scheme of amalgamation.

ETP now handles multicurrency instruments

MALAYSIA: Bursa Malaysia has enabled multicurrency fixed income instruments on its web-based Electronic Trading Platform (ETP), a centralized price and trade repository and dissemination for the primary and secondary bond market, to ensure the ongoing relevance of the platform for fixed income instruments, according to a statement.

BNM launches Murabahah manual and reissues RCLF

MALAYSIA: Bank Negara Malaysia (BNM) has launched the Educator' Manual on Shariah Standard Murabahah, the first of 14 series of manuals. The manual was developed by BNM together with the International Shariah Research Academy for Islamic Finance and the Islamic Banking and Finance Institute Malaysia while Universiti Sains Islam Malaysia and International Islamic University Malaysia also participated in the pilot project.
Separately, BNM has updated the Restricted Committed Liquidity Facility (RCLF) document to reflect its applicability to licensed Islamic banks, according to a statement. The reissued document provides the operational details for the establishment of an RCLF between eligible banking institutions and BNM.

Meezan and Yamaha collaborate

PAKISTAN: Meezan Bank has signed an MoU with Yamaha Motor Pakistan for the provision of Shariah compliant financing under its recently launched Bike Ijarah product for all models of Yamaha motorcycles, according to a statement.

MIDDLE EAST

Short-term challenges for Bank Dhofar-Sohar merger

OMAN: The proposed merger between Bank Dhofar and Bank Sohar will bring long-term benefits with an overall positive impact on the former's credit profile, but will generate short-term implementation challenges exacerbated by the weak operating environment, according to Moody's Investors Service in a new report. Merger implementation costs as well as Bank Sohar's weakening profitability will negatively affect the combined entity's profitability metrics over the medium term, the rating agency noted. The deal would give the new entity a 19% share by assets of Oman's banking market. Both the banks offer Islamic banking services.

New financing product for corporates

OMAN: Maisarah Islamic Banking Services of Bank Dhofar has introduced a new product, the Mudarabah-based transaction finance solution, to cater to the needs and requirements of its corporate customers, according to a statement. The new product is based on the concept of restricted Mudarabah and will be launched in line with the Islamic window's strategic growth plan.

KFH commits to developing SMEs

KUWAIT: Kuwait Finance House (KFH) saw its SME portfolio achieve a 7% growth in customers in the first half of 2016 and aspires to increase the number of customers to 2,400 by the end of this year, according to a statement. Manaf Al-Menaifi, the executive manager of business banking, said that the credit limit of the business banking that is specialized in financing SMEs is about KWD300 million (US$991.57 million), indicating that over 2,285 customers have benefited from the services.

CBK makes payment to KFH

KUWAIT: According to The Investment Dar (TID)'s investor bulletin No. 91, the Commercial Bank of Kuwait has completed a payment of KWD44.5 million (US$147.08 million) to Kuwait Finance House on the 1st August pursuant to a ruling of the Kuwaiti Court of Cassation. TID has recommended its investors to consider taking legal advice on how they may protect their own rights in order to share in the proceeds arising from any of TID's assets (including TID's claims over shares in Boubyan Bank). Reuters had reported in May that TID is in a legal dispute with the Commercial Bank of Kuwait over part of its nearly 20% stake in Kuwait's Boubyan Bank which is one of the assets it aims to hand over to creditors as part of a debt restructuring plan.

Kuwait's fiscal strength also means slower adjustment

KUWAIT: Kuwait's new budget indicates smaller fiscal consolidation compared with many of its highly rated regional peers, which reflects the government's exceptionally strong fiscal position, according to Fitch Ratings in a statement. The ratings agency noted, however, that this also means that the government will have a difficulty in pursuing structural reforms as well as catching up with its domestic infrastructure investment plan. Kuwait, rated 'AA/Stable', has ample fiscal space and this reduces pressure to make rapid fiscal adjustments, with sovereign net foreign assets being the largest of any Fitch-rated sovereign and its debt-to-GDP ratio among the lowest.

RIH acquires new property

UAE: Rasameel Investment House (RIH), the investment arm of Rasameel Structured Finance Company, has made a Shariah compliant acquisition of labor accommodation in Dubai for US$24 million, according to a press release. The deal is expected to yield an annual cash return of up to 12% to be distributed monthly with an average expected return of 14% upon sale. RIH is also seeking to expand its operations in the region.

Ithmaar Bank's new entity expected later this year

BAHRAIN: Ithmaar Bank, which plans to create a new holding company that will retain 100% ownership of all assets presently owned by the bank, confirmed in a statement that it is currently working with regulators toward finalizing the necessary legal and other requirements ahead of anticipated implementation later this year. The new holding company will own two subsidiaries, namely an Islamic retail bank which will hold the core retail banking business, and an asset management outfit which will hold the investment assets.

ADIB launches new investment product

UAE: Abu Dhabi Islamic Bank (ADIB) has launched a new Shariah compliant investment note, offering investors the opportunity to invest in an equity basket of blue chip companies from a diversified basket of sectors, according to a statement. Maturing in 12 months, the note provides 100% capital protection at maturity to minimize investment risk and is currently open for subscription until the 25th August 2016 with a minimum investment of US$30,000. Customers will also be offered the redemption option after a three-month lock-in period.

Oman's Islamic banking financing increases 50%

OMAN: Islamic banks in Oman provided a total financing of OMR2.1 billion (US$5.44 billion) as at the end of June

2016, 50% higher year-on-year compared with OMR1.4 billion (US$3.62 billion) a year ago, according to the Central Bank of Oman's review of banking and monetary developments for the month of June. Total deposits held with Islamic banks and windows also increased to OMR1.8 billion (US$4.66 billion) for the period, from OMR1.1 billion (US$2.85 billion) outstanding as at the end of June 2015. Total assets of Islamic banks and windows combined constituted OMR2.7 billion (US$6.99 billion) or approximately 8.4% of the entire banking system.

Bahri procures Murabahah facility

SAUDI ARABIA: National Shipping Company of Saudi Arabia (Bahri) has announced in a bourse filing that its subsidiary, National Chemical Carriers, has procured a 10-year Murabahah financing facility worth US$133.2 million from Arab Petroleum Investments Corporation and BNP Paribas to purchase five chemical tankers.

Al Hammadi secures Islamic financing

SAUDI ARABIA: Al Hammadi Company for Development and Investment has signed an Islamic financing facility agreement worth SAR100 million (US$26.64 million) with Arab National Bank to finance its working capital. According to a bourse filing, the facility comprises specified medium-term Tawarruq financing with a SAR50 million (US$13.32 million) limit and a four-year financing period, including a one-year grace period; and revolving short-term Tawarruq financing with a SAR50 million limit and a one-year financing period.

Iran endorses currency futures market

IRAN: The head of the parliament's economic committee, Mohammad Reza Pourebrahimi, has expressed his support of the decision by the Securities and Exchange Supreme Council to launch a currency futures market in the country, adding that the move could cut currency risks, according to the Security and Exchange News Agency. The Iran Mercantile Exchange has already announced its readiness to host the market.

RESULTS

Kuveyt Turk

TURKEY: For the first half of 2016, Kuveyt Turk grew its net profit by 24.4% to TRY256 million (US$85.92 million) with total assets increasing 4.9% to TRY44.1 billion (US$14.75 billion) and shareholders' equity surging 8% to TRY3.7 billion (US$1.24 billion), according to a statement.

Turkiye Finans

TURKEY: Turkiye Finans registered a 56% growth in profit to TRY176 million (US$59.07 million) for the six month-period ending the 30th June 2016 with total assets reaching TRY40.4 billion (US$13.56 billion), up 4.6% year-on-year, according to a statement.

Ithmaar Bank

BAHRAIN: Ithmaar Bank recorded an 8.3% decline in net profit to US$11.96 million for the first half of 2016, while its profit for the three-month period ended the 30th June 2016 surged 31.7% to US$7.14 million, according to a statement.

Arab Insurance Group

BAHRAIN: Arab Insurance Group (Arig) announced a net profit of US$1.8 million for the first half of 2016, 71% lower year-on-year compared with US$6.2 million it posted in the similar period of 2015, according to a press release. The reinsurance provider noted that despite a 10.8% growth in its gross premium income, unsatisfactory insurance pricing, lower investment income and the impact of large losses from regional clients impacted the company's mid-year result. Arig's investment income was 25.56% lower at US$9.9 million from US$13.3 million in the first half of 2015, while total assets for the period were also lower at US$1.15 billion, from US$1.17 billion a year ago.

Bahrain Islamic Bank

BAHRAIN: Bahrain Islamic Bank recorded a net profit attributable to equity shareholders of BHD3.08 million (US$8.11 million) for the first half of 2016, 62.44% lower compared with BHD8.2 million (US$21.59 million) it posted in the same period of the previous year, according to a bourse filing.

Abu Dhabi Islamic Bank Egypt

EGYPT: Abu Dhabi Islamic Bank (ADIB) Egypt recorded a net profit of EGP171 million (US$19.21 million) in the first half of 2016, representing a 33% increase from the same period of 2015, Amwal Alghad reported. The bank's stand-alone net revenue was 42% higher year-on-year at EGP927 million (US$104.13 million), while total assets grew 16% to EGP27.4 billion (US$3.08 billion).

Inovest Group

BAHRAIN: Shariah compliant investment company Inovest Group recorded a net profit of US$5.4 million for the first half of 2016, compared with a net loss of US$1.9 million for the same period in the previous year, according to a statement. The group reported an operating income of US$9.2 million, 96% higher compared with US$4.7 million in the first half of 2015.

Gulf International Bank

BAHRAIN: Gulf International Bank, which offers Shariah compliant banking products, made a post-tax net income of US$41.7 million for the first six months of 2016, lower than the US$47.3 million recorded the year before. Total income, according to a statement, was US$2.4 million higher at US$151.4 million with year-on-year increases in all income categories except fee and commission income, and foreign exchange income. Consolidated total assets dropped US$900 million to US$23.3 billion as at the 30th June 2016, as compared with the December 2015 level.

Amana Bank

SRI LANKA: Amana Bank reported a 19.2% growth year-on-year in net operating income to LKR1.1 billion (US$7.4 million) with a profit before tax of LKR78 million (US$525,076) during the January-June 2016 period. Net financing income from core banking activities grew 23.5% to reach LKR866.3 million (US$5.83 million). The Islamic bank noted in a statement that total assets during the

first half of 2016 stood at LKR52.4 billion (US$352.74 million).

GFH Financial Group

BAHRAIN: GFH Financial Group made a 31% year-on-year increase in consolidated net profit in the first six months of 2016, reaching US$17.9 million. According to a statement, the group saw total consolidated revenues jump 50% to US$83.3 million during the period driven mainly by its real estate business.

Hisham Alrayes, CEO of GFH, revealed that the group will focus on building its real estate business in the coming quarters including launching a dedicated real estate entity.

SHUAA Capital

UAE: SHUAA Capital, which offers Islamic and conventional products, reported a net loss of AED50.8 million (US$13.83 million) for the quarter ending the 30th June 2016 against a AED1.7 million (US$462,824) net profit in the same period of 2015. The drop is attributed to AED56.9 million (US$15.49 million) in provisions allocated by its SME lending business, Gulf Finance, according to a statement. The firm's asset management arm recorded a AED2.4 million (US$653,399) profit, up from AED1.4 million (US$381,149) in the second quarter of 2015 while the investment banking division continued experiencing losses at AED1.4 million, an improvement from the AED2 million (US$544,499) loss recorded in the April-June 2015 period and the capital markets unit saw revenues decline from AED3 million (US$816,749) to AED1.9 million (US$517,274). Total assets as at the 30th June 2016 stood at AED1.4 billion (US$381.15 million).

Faisal Islamic Bank of Egypt

EGYPT: Faisal Islamic Bank of Egypt reported a profit of EGP427.03 million (US$47.97 million) in the first half of 2016, a 10% rise from EGP387.1 million (US$43.48 million) recorded in the same period in 2015, according to Amwal Al Ghad. Net profit after tax in the second quarter of 2016, however, were 20% lower at EGP152.23 million (US$17.1 million), compared with EGP190.2 million (US$21.37 million) in the corresponding quarter of the previous year.

Al Baraka Bank Sudan

SUDAN: Al Baraka Bank Sudan recorded a 176% surge in net income for the first half of 2016, reaching SDG64 million (US$10.46 million) as compared with the corresponding period in 2015. Total assets of the Islamic bank grew 7% to SDG2.4 billion (US$392.2 million) during the period against the December 2015 level with the total financing and investment portfolio reaching SDG1.3 billion (US$212.44 million) as at the end of June 2016, a 3% increase, according to a statement.

ASSET MANAGEMENT

AmBank teams up with PHB

MALAYSIA: AmBank has been appointed as the new distributor for Pelaburan Hartanah Bumiputera (PHB)'s fixed price Shariah compliant real estate-backed unit trust fund known as the Amanah Hartanah Bumiputera Fund which was officially launched to the public on the 3rd August. According to a press statement, the partnership marks AmBank's first collaboration with PHB and Maybank Asset Management which will manage the fund.

Strong demand for Simpanan Shariah

MALAYSIA: The Employees Provident Fund's Simpanan Shariah reached a total of RM25.1 billion (US$6.22 billion) or 25.09% of the initial allocation of RM100 billion (US$24.78 billion) as of the 14th August since the opening of registration on the 8th August 2016, according to a statement. Malaysia's pension fund saw a total of 208,795 registrations recorded for the fund, with an average of 40,000 registrations per day for the first week.

A fund size of RM100 billion (US$24.82 billion), which is equivalent to about 15% of the EPF's total investment asset of RM681.71 billion (US$169.17 billion) as at the end of March 2016, has been allocated for Simpanan Shariah 2017 and is based on a first-come, first-served basis.

ARREIT acquires real estate

MALAYSIA: CIMB Islamic Trustee, on behalf of AmanahRaya Real Estate Investment Trust (ARREIT), has acquired a property for RM24 million (US$6 million) in cash, according to a bourse filing. The lease agreement for the property commenced on the 11th August 2016.

RATINGS

Indosat Ooredoo's securities rated 'AAA(idn)'

INDONESIA: Fitch has assigned national long-term ratings of 'AAA(idn)' to Indosat Ooredoo's IDR288 billion (US$21.92 million) Sukuk Ijarah issues and IDR3.17 trillion (US$241.24 million) senior unsecured bonds, according to a statement. The Sukuk rating is at the same level as Indosat Ooredoo's national long-term rating of 'AAA(idn)', given the Sukuk's structure, and reflects the rating agency's view that default of these unsecured obligations would reflect default of the entity. The issues are launched from Indosat Ooredoo's IDR9 trillion (US$684.9 million) bond program and IDR1 trillion (US$76.1 million) Sukuk Ijarah program, affirmed at 'AAA(idn)' on the 15th March 2016.

MARC affirms Kimanis Power's Sukuk program

MALAYSIA: MARC has affirmed its 'AA-IS' rating on Kimanis Power (KPSB)'s RM1.16 billion (US$287.87 million) Sukuk program with a stable outlook, according to a statement. The affirmed rating is underpinned by the favorable terms of KPSB's 21-year power purchase agreement with the offtaker, Sabah Electricity (SESB), under which demand risk is transferred to the offtaker. SESB is an 83%-owned subsidiary of Tenaga Nasional which has a senior unsecured debt rating of 'AAA/Stable'.

Negative outlook for Turkish banks

TURKEY: RAM has assigned a negative outlook on the 'AA3/P1' ratings of Kuveyt Turk Katilim Bankasi and Turkiye Finans Katilim Bankasi following the outlook revision on Turkey's global-scale sovereign rating of 'gBBB3(pi)' to negative based on expected weaker growth prospects and external position after the recent attempted coup. The participation banks' respective RM2 billion (US$496.32 million) Islamic medium-term note (MTN) program (2015/2025) and RM3 billion (US$744.48 million) Sukuk Murabahah MTN program (2014/2034), both rated 'AA3', have also been assigned a negative outlook.

The rating agency noted in a statement that although the banks' ratings incorporate significant shareholder support, its sovereign-weight rating approach necessitates a negative rating action on the Islamic banks, due to their inextricable link to the Turkish economy.

IIRA reaffirms Kuveyt Turk

TURKEY: The Islamic International Rating Agency has reaffirmed Kuveyt Turk Participation Bank's ratings at 'AA(tr)/A1+(tr)' on the national scale, according to a statement. Ratings on the international scale have also been reaffirmed, with foreign currency rating at 'BBB-/A3' and the local currency rating at 'BBB/A3'. The outlook on Kuveyt Turk's assigned ratings is stable, underpinned by the strong institutional ownership and the bank's overall sound risk profile.

Axis REIT Sukuk ratings reaffirmed

MALAYSIA: The 'AAA', 'AA1', 'AA2' and 'AA3' ratings of Axis REIT Sukuk's RM110 million (US$27.5 million) Class A to Class D Sukuk under its First Sukuk Issue — part of its perpetual Islamic medium-term note program of up to RM3 billion (US$750 million) — have been reaffirmed by RAM, with a stable outlook. The rating agency noted in a statement that the reaffirmation is based on the overall stable net property income of the portfolio, supported by the underlying properties' strategic locations, longer-than-average lease maturities and healthy demand for the assets.

'BBB' for Attijariwafa Bank

MOROCCO: Attijariwafa Bank, which offers Shariah compliant banking services, has had its financial strength rating affirmed at 'BBB' by Capital Intelligence, with a stable outlook. According to a statement, the rating is constrained by the elevated level of non-performing loans, weak asset growth and challenging economic conditions.

Negative outlook for Oman

OMAN: Capital Intelligence has accorded an 'A-' long-term foreign currency and local currency rating to Oman, according to a statement. The rating agency, which also affirmed the Sultanate's short-term foreign and local currency ratings at 'A2', maintained the outlook on the sovereign ratings at negative.

NUR Power maintains top Sukuk ratings

MALAYSIA: Tranche 1 and Tranche 2 of independent power utility NUR Power's RM650 million (US$161.09 million) guaranteed Sukuk Mudarabah (2012/2027) program have been reaffirmed at 'AAA(bg)/Stable' and 'AAA(fg)/Stable' respectively by RAM, which noted in a statement that the ratings reflect the irrevocable and unconditional guarantees by Maybank Islamic and Danajamin Nasional which enhance the credit standing of the Sukuk beyond the firm's credit strength. NUR Power is a subsidiary of Northern Utility Resources mandated by the government to provide power supply to the Kulim Hi-Tech Park until the 27th May 2033.

MARC withdraws Horizon Hills's 'AAA-ID(bg)' rating

MALAYSIA: MARC has withdrawn its 'AAA-ID(bg)' rating on Horizon Hills Development's Islamic bank-guaranteed medium-term notes (IMTN) program of up to RM200 million (US$49.57 million), following the final redemption of RM30 million (US$7.43 million) IMTN and the expiration of the program on the 15th August 2016, according to a statement.

S&P affirms Kuwait's ratings with stable outlook

KUWAIT: S&P has affirmed Kuwait's long and short-term foreign and local currency sovereign credit ratings at 'AA/A-1+' with a stable outlook, according to a statement. The rating agency noted that the stable outlook reflects its expectation that Kuwait's overall fiscal and external positions will remain strong, backed by the significant stock of financial assets.

MARC updates methods

MALAYSIA: MARC has updated its rating approach to Sukuk, last updated in April 2015. The rating agency said that in a press release the updated approach includes slight changes to Sukuk rating definitions to accommodate both asset-based and asset-backed instruments. MARC currently uses two rating scales for rating Islamic fixed income instruments, an Islamic debt rating scale (with the subscript ID) and a Sukuk rating scale (with the subscript IS). It will migrate existing Islamic debt ratings to the Sukuk rating scale and subsequently withdraw its Islamic debt ratings and rating scale, which will affect 14 debt ratings accorded to outstanding combined conventional and Islamic medium-term note programs, Bai Bithaman Ajil debt securities and residential mortgage-backed securities of 12 issuers.

TAKAFUL

DIB Pakistan and Adamjee in bancaTakaful pact

PAKISTAN: Dubai Islamic Bank (DIB) Pakistan and Adamjee Life Assurance have entered into a corporate bancaTakaful agreement to provide customers with protection and investment solutions, according to a statement.

MOVES

Central Bank of the Republic of Turkey

TURKEY: **Mustafa Begun**, who was the head of investment banking at Kuveyt Turk, has been appointed to the Central Bank of the Republic of Turkey as the vice-president of markets, confirmed the Islamic bank to IFN.

National Bank of Abu Dhabi

UAE: **Alex Thursby**, the group CEO of the National Bank of Abu Dhabi (NBAD), has stepped down from his role after over three years of leading the bank. According to a statement, **Abhijit Choudhury**, the NBAD's group chief risk officer, has been appointed as acting CEO with immediate effect and will work closely with Deputy Group CEO **Abdulla MS AbdulRaheem** until the completion of the proposed merger with First Gulf Bank (FGB) which is scheduled for the first quarter of 2017. **Khalifa Sultan Al Suwaidi**, who is currently a member of the NBAD's board of directors, has been appointed to the newly-created position of managing director while **Abdulhamid M Saeed**, the current managing director of FGB, will take up the position of CEO of the NBAD on completion of the merger.

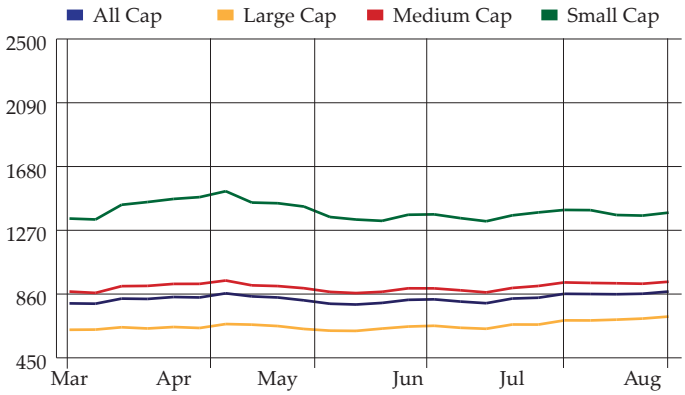
PIDM

MALAYSIA: **Dr Nik Ramlah**, previously deputy CEO of Securities Commission Malaysia, has been appointed to the board of directors of Perbadanan Insurans Deposit Malaysia (PIDM) for a three-year term. According to a statement, **Dr Gan Wee Beng**, previously with CIMB Group, has also been appointed to the board.

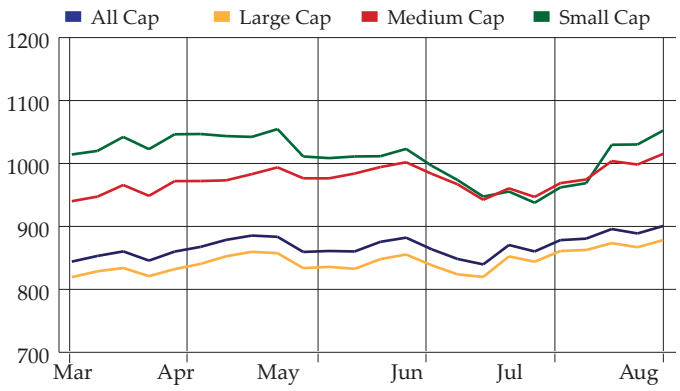
Expected date	Company's name	Size	Structure	Announcement Date
Fourth quarter of 2016	BRI Syariah	IDR1 trillion	Sukuk Mudarabah	16th August 2016
August-September 2016	Government of Indonesia	TBA	Sukuk Wakalah	12th August 2016
TBA	Mitsubishi UFJ Financial Group	RM900 million	Sukuk	12th August 2016
First quarter of 2017	Government of Nigeria	TBA	Sukuk	11th August 2016
August 2016	Republic of Cote d'Ivoire	XOF150 billion	Sukuk Ijarah	8th August 2016
Fourth quarter of 2016	Malaysia Debt Ventures	up to RM1 billion	Sukuk	4th August 2016
TBA	Warba Bank	US$250 million	Sukuk	28th July 2016
August 2016	Republic of Togo	XOF150 billion	Sukuk	26th July 2016
August-September 2016	DanaInfra Nasional	RM10 billion	Sukuk	19th July 2016
TBA	Ekovest	RM3.64 billion	Sukuk Wakalah	19th July 2016
September 2016	Government of Kuwait	up to KWD5 billion	Sukuk	4th July 2016
July 2016	Government of Senegal	XOF150 billion	Sukuk	30th June 2016
TBA	Iranian Mines and Mining Industries Development and Renovation Organization	IRR4 trillion	Sukuk Musharakah	24th June 2016
TBA	Neelum Jhelum Hydropower Company	PKR100 billion	Sukuk	23rd June 2016
TBA	Government of Oman	US$2.5 billion	Sukuk	20th June 2016
Second quarter of 2016	Bank Albilad	up to SAR2 billion	Sukuk	20th June 2016
TBA	Tiga Pilar Sejahtera Food	IDR1.5 trillion	Sukuk	17th June 2016
Jul-16	Public Sector Home Financing Board	RM25 billion	Sukuk/Bonds	13th June 2016
TBA	Almarai Company	TBA	Sukuk	10th June 2016
By the end of 2017	Ministry of Housing Saudi Arabia	TBA	Sukuk	9th June 2016
TBA	Mahan Air	IRR5 trillion	Sukuk Ijarah	8th June 2016
TBA	The Philippines	TBA	Sukuk	6th June 2016
Jun-16	Pengurusan Air SPV	RM1.4 billion	Sukuk	3rd June 2016
TBA	GFH Financial Group	US$150 million	Sukuk	2nd June 2016
TBA	Government of Sri Lanka	US$1 billion	Sukuk	27th May 2016
TBA	Saudi Aramco	TBA	Sukuk	26th May 2016
TBA	Al-Tajamaout for Touristic Projects	JOD45 million	Sukuk Ijarah	24th May 2016
TBA	Societe Generale	RM1 billion	Sukuk	23rd May 2016
TBA	Bank Muamalat Malaysia	RM1 billion	Sukuk Murabahah	23rd May 2016
TBA	Bank Rakyat Malaysia	RM5 billion	Sukuk Murabahah	20th May 2016
TBA	Government of Germany	US$1 billion	Sukuk	18th May 2016
TBA	Aktif Bank	TRY100 million	Sukuk	9th May 2016
By 2017	Republic of Maldives	TBA	Sukuk	29th April 2016
Second half of 2016	Saudia	up to SAR5 billion	Sukuk	26th April 2016
TBA	PRAN Foods	BDT1 billion	Sukuk	11th April 2016
Fourth quarter of 2016	Bank Syariah Mandiri	IDR1 trillion	Sukuk	5th April 2016
2016-17	Sarana Multigriya Finansial	IDR200 billion	Sukuk	4th March 2016
TBA	Ziraat Participation Bank	TRY1.5 billion	Sukuk	1st March 2016
TBA	Hong Kong	TBA	Sukuk	1st March 2016
TBA	Cahya Mata Sarawak	RM1 billion	Sukuk Ijarah	22nd February 2016
TBA	Saudi Electricity Company	US$2.5 billion	Sukuk	16th February 2016
2016	Kuwait Finance House	TBA	Sukuk	1st February 2016
TBA	Oman Telecommunications	US$130 million	Sukuk	28th January 2016

REDMONEY SHARIAH INDEXES

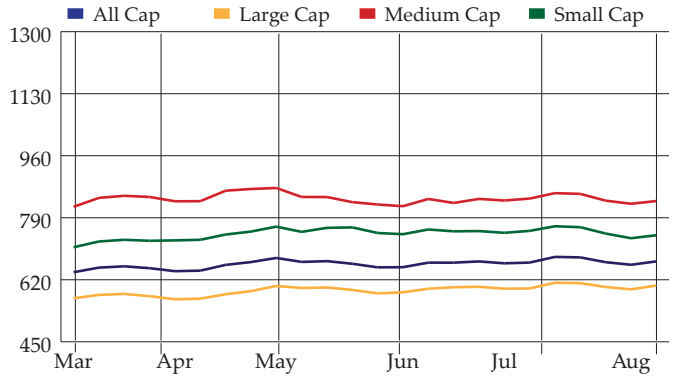
REDmoney Asia ex. Japan *6 Months*



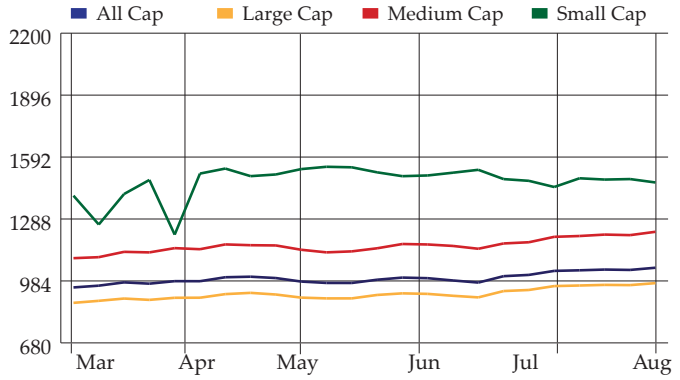
REDmoney Europe *6 Months*



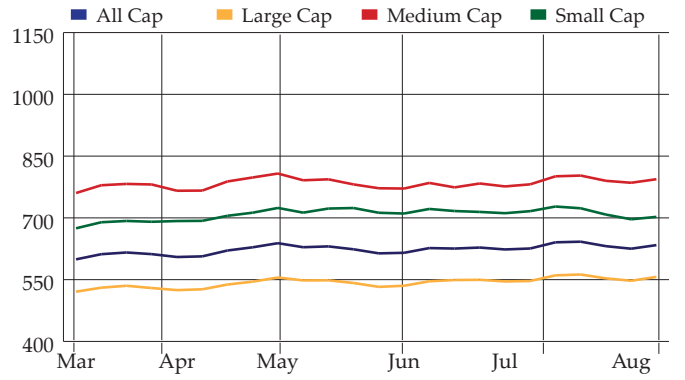
REDmoney GCC *6 Months*



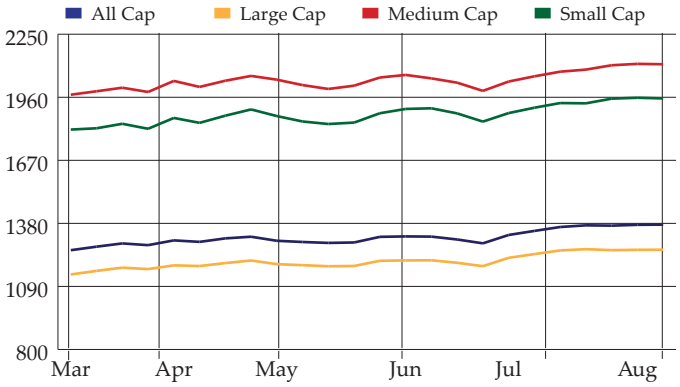
REDmoney Global *6 Months*



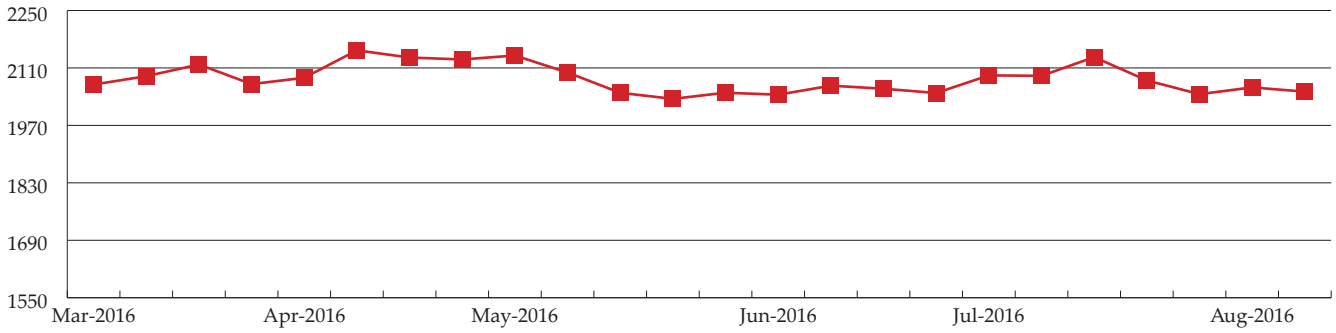
REDmoney MENA *6 Months*



REDmoney US *6 Months*

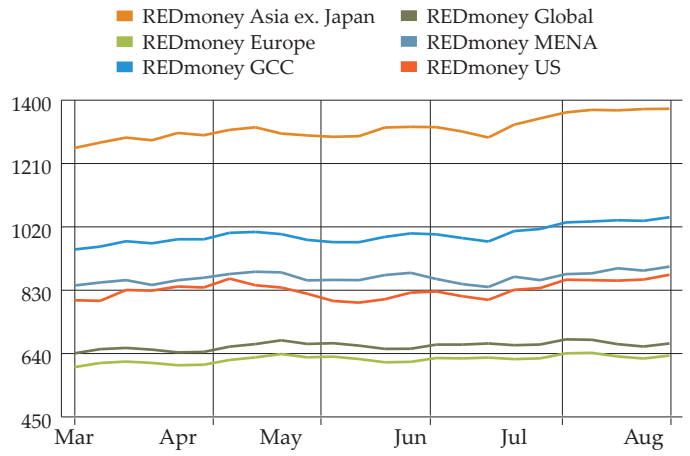


SAMI Halal Food Participation (All Cap) *6 months*

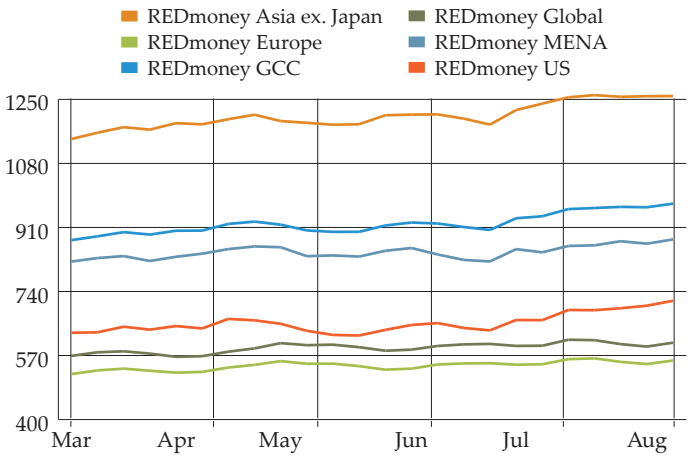


REDMONEY SHARIAH INDEXES

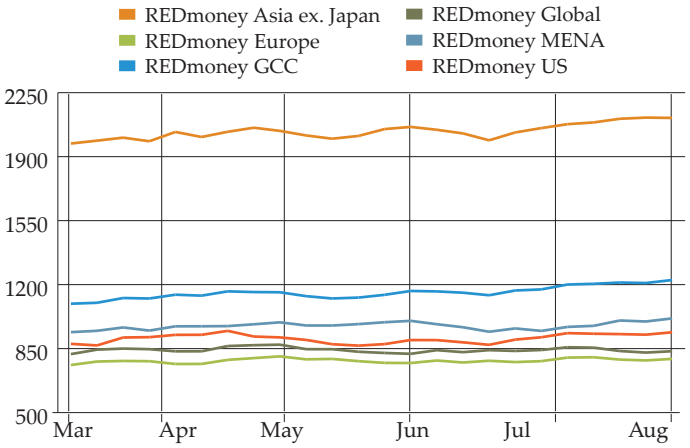
REDmoney Global Shariah Index Series (All Cap) *6 Months*



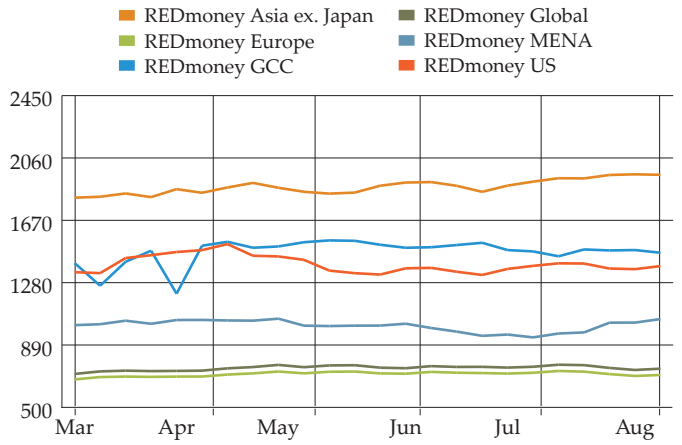
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



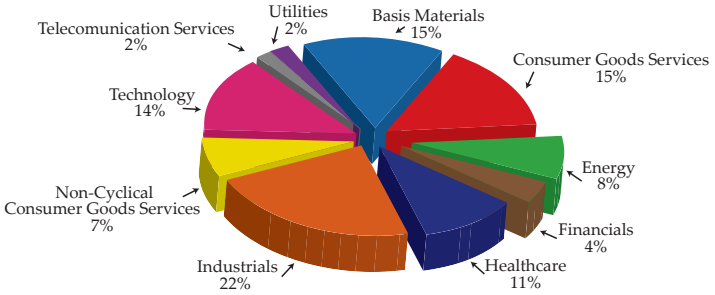
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



REDmoney Global Shariah

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

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



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

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

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

REDmoney Global Shariah Index Series

REDmoney Indexes IdealRatings®

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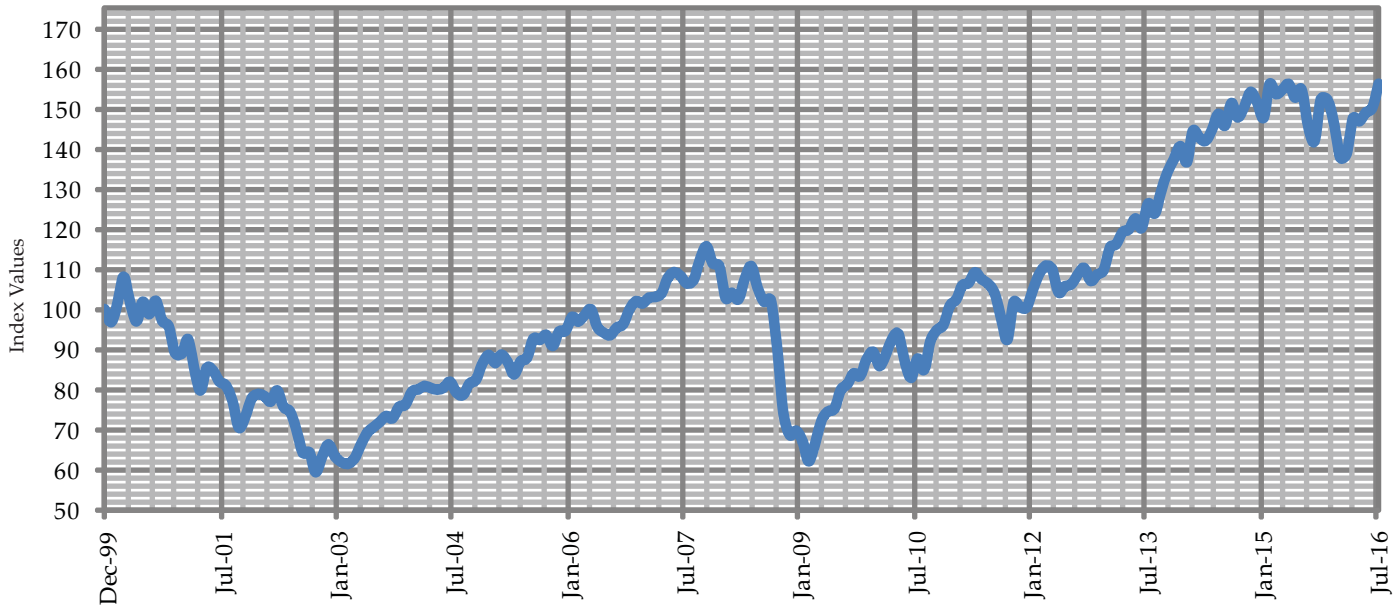
Andrew Morgan
Managing Director, REDmoney Group

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

EUREKAHEDGE FUNDS TABLES

Eurekahedge North America Islamic Fund Index



Top 10 Monthly Returns for Developed Markets Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	AmPrecious Metals	AmInvestment Management	10.11	Malaysia
2	WSF Global Equity - USD I	Cogent Asset Management	7.81	Guernsey
3	Deutsche Noor Precious Metals Securities - Class A	DWS Noor Islamic Funds	7.24	Ireland
4	CIMB Islamic Greater China Equity	CIMB-Principal Asset Management	6.29	Malaysia
5	AmOasis Global Islamic Equity	AmInvestment Management	5.36	Malaysia
6	Azzad Ethical	Azzad Asset Management	5.22	US
7	The Iman	Allied Asset Advisors	5.13	US
8	Emirates Islamic Global Balanced - Class A USD	Emirates NBD Asset Management	4.37	Jersey
9	Amana Growth	Saturna Capital	4.33	US
10	iShares MSCI World Islamic UCITS ETF	BlackRock Advisors (UK)	3.45	Ireland
	Eurekahedge Islamic Fund Index		**5.93**	

Based on 29.31% of funds which have reported July 2016 returns as at the 15th August 2016

Top 10 Monthly Returns for Emerging Markets

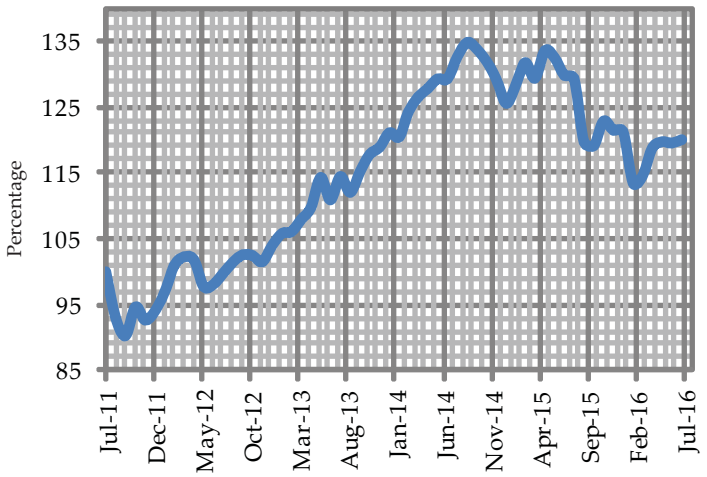
	Fund	Fund Manager	Performance Measure	Fund Domicile
1	WSF Asian Pacific - USD I	Cogent Asset Management	8.57	Guernsey
2	Meezan Islamic	Al Meezan Investment Management	7.60	Pakistan
3	Al Meezan Mutual	Al Meezan Investment Management	7.23	Pakistan
4	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	7.01	Pakistan
5	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	6.93	Pakistan
6	Atlas Islamic Stock	Atlas Asset Management	6.88	Pakistan
7	Public China Ittikal	Public Mutual	5.81	Malaysia
8	Am-Namaa' Asia-Pacific Equity Growth	AmInvestment Management	5.59	Malaysia
9	Namaa' Asia-Pacific Equity Growth	AmFunds Management	5.38	Malaysia
10	Eastspring Investments Dinasti Equity	Eastspring Investments	5.16	Malaysia
	Eurekahedge Islamic Fund Index		**6.61**	

Based on 39.29% of funds which have reported July 2016 returns as at the 15th August 2016

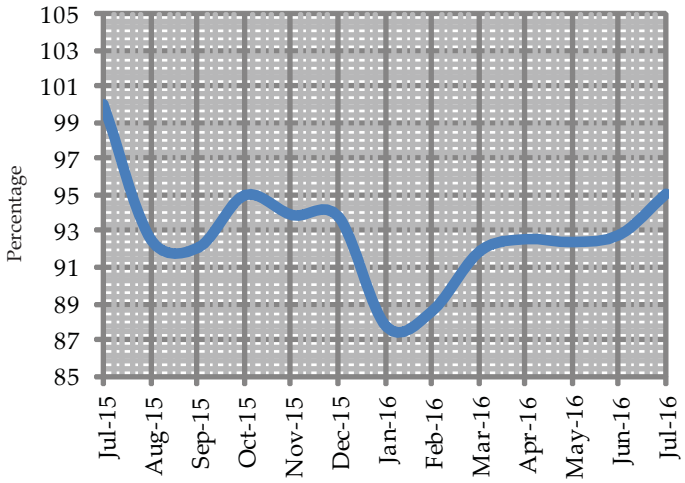
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity,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



Eurekahedge Islamic Fund Equity Index over the last 1 year



Top 10 Islamic Fund Equity by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	14.26	Pakistan
2	Atlas Islamic Stock	Atlas Asset Management	13.17	Pakistan
3	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	12.82	Pakistan
4	Public China Ittikal	Public Mutual	11.88	Malaysia
5	Meezan Islamic	Al Meezan Investment Management	10.57	Pakistan
6	PB Islamic Asia Strategic Sector	Public Mutual	10.50	Malaysia
7	Al Meezan Mutual	Al Meezan Investment Management	10.10	Pakistan
8	Public Asia Ittikal	Public Mutual	10.08	Malaysia
9	PB Islamic Asia Equity	Public Mutual	9.19	Malaysia
10	Public Islamic Asia Dividend	Public Mutual	8.86	Malaysia
	Eurekahedge Islamic Fund Index		**2.70**	

Based on 61.80% of funds which have reported July 2016 returns as at the 15th August 2016

Top 10 Islamic Fund Globally Investing by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	AmPrecious Metals	AmInvestment Management	23.11	Malaysia
2	Deutsche Noor Precious Metals Securities - Class A	DWS Noor Islamic Funds	19.62	Ireland
3	CIMB Islamic Greater China Equity	CIMB-Principal Asset Management	12.11	Malaysia
4	WSF Global Equity - USD I	Cogent Asset Management	3.36	Guernsey
5	iShares MSCI World Islamic UCITS ETF	BlackRock Advisors (UK)	3.26	Ireland
6	Al Rajhi Global Equity	UBS	3.16	Saudi Arabia
7	AmOasis Global Islamic Equity	AmInvestment Management	2.82	Malaysia
8	Emirates Islamic Global Balanced - Class A USD	Emirates NBD Asset Management	1.45	Jersey
9	Al Rajhi Commodity Mudarabah - USD	Al Rajhi Bank	0.45	Saudi Arabia
10	Watani KD Money Market	National Bank of Kuwait	0.16	Cayman Islands
	Eurekahedge Islamic Fund Index		**5.14**	

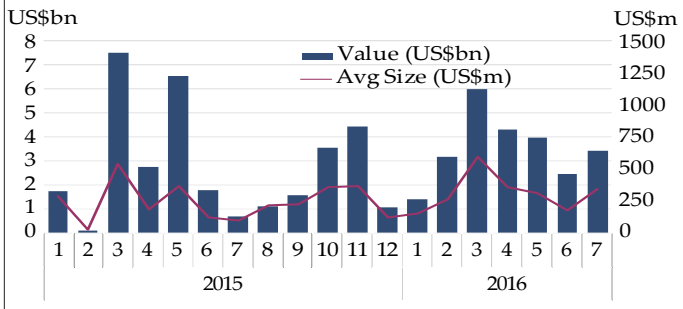
Based on 62.03% of funds which have reported July 2016 returns as at the 15th August 2016

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

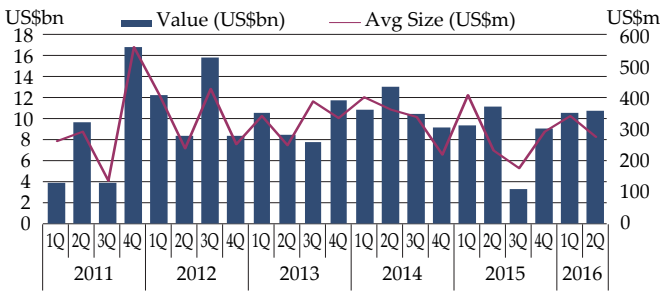
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
29th Jul 2016	Sarawak Hidro	Malaysia	Sukuk	Domestic market public issue	1,365	RHB Capital, Maybank
29th Jul 2016	Ziya Capital	Malaysia	Sukuk	Domestic market public issue	222	CIMB Group
22nd Jul 2016	Maxis Broadband	Malaysia	Sukuk	Domestic market public issue	207	CIMB Group
21st Jul 2016	Jambatan Kedua	Malaysia	Sukuk	Domestic market public issue	644	RHB Capital, Maybank, Kenanga Investment Bank, AmInvestment Bank
19th Jul 2016	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	880	Maybank, CIMB Group, Affin Investment Bank, AmInvestment Bank
29th Jun 2016	Sultanate of Oman	Oman	Sukuk	Euro market public issue	500	Standard Chartered Bank
29th Jun 2016	Mohammed Al Barwani Sukuk Issue	Oman	Sukuk	Euro market private placement	151	Standard Chartered Bank, National Bank of Oman
2nd Jun 2016	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	Standard Chartered Bank, HSBC, Emirates NBD
2nd Jun 2016	Pengurusan Air SPV	Malaysia	Sukuk	Domestic market public issue	350	CIMB Group, AmInvestment Bank
31st May 2016	Al Hilal Bank	UAE	Sukuk	Euro market private placement	225	National Bank of Abu Dhabi
30th May 2016	GovCo Holdings	Malaysia	Sukuk	Domestic market public issue	306	RHB Capital
24th May 2016	Noor Bank	UAE	Sukuk	Euro market public issue	500	Standard Chartered Bank, First Gulf Bank, Dubai Islamic Bank, Sharjah Islamic Bank, Citigroup, Emirates NBD, Noor Bank
24th May 2016	DP World	UAE	Sukuk	Euro market public issue	1,200	JPMorgan, Deutsche Bank, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Barclays, Dubai Islamic Bank, SG Corporate & Investment Banking, Citigroup, Emirates NBD
23rd May 2016	EI Sukuk	UAE	Sukuk	Euro market public issue	750	Standard Chartered Bank, HSBC, Arab Banking, Maybank, Dubai Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank
17th May 2016	Cagamas	Malaysia	Sukuk	Domestic market public issue	104	CIMB Group
11th May 2016	Ezdan Holding Group	Qatar	Sukuk	Euro market public issue	500	Mashreqbank, HSBC, Abu Dhabi Islamic Bank, Emirates NBD, Barwa Bank
11th May 2016	UEM Sunrise	Malaysia	Sukuk	Domestic market public issue	123	Maybank, CIMB Group
10th May 2016	Boubyan Bank	Kuwait	Sukuk	Euro market public issue	250	Standard Chartered Bank, HSBC, Kuwait Finance House, National Bank of Kuwait, Dubai Islamic Bank, Emirates NBD
28th Apr 2016	Perdana Petroleum	Malaysia	Sukuk	Domestic market public issue	162	UOB
26th Apr 2016	Barwa Bank	Qatar	Sukuk	Euro market private placement	125	National Bank of Abu Dhabi

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter



Top 30 Issuers of Global Sukuk *12 Months*

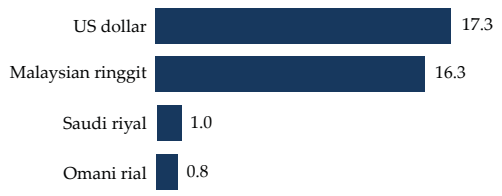
	Issuer	Nationality	Instrument	Market	US$ (mln)	Iss (%)	Managers
1	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	2,500	6.9	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, CIMB Group, Citigroup
2	Jimah East Power	Malaysia	Sukuk	Domestic market public issue	2,100	5.8	HSBC, Maybank, CIMB Group
3	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	1,891	5.2	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	5.1	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	4.2	JPMorgan, HSBC, Maybank, CIMB Group
6	Sarawak Hidro	Malaysia	Sukuk	Domestic market public issue	1,365	3.8	RHB Capital, Maybank
7	DP World	UAE	Sukuk	Euro market public issue	1,200	3.3	JPMorgan, Deutsche Bank, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Barclays, Dubai Islamic Bank, SG Corporate & Investment Banking, Citigroup, Emirates NBD
8	Prasarana Malaysia	Malaysia	Sukuk	Domestic market public issue	1,192	3.3	RHB Capital, Maybank, Kenanga Investment Bank, CIMB Group, AmInvestment Bank
9	Sultanate of Oman	Oman	Sukuk	Euro market public issue	1,149	3.2	Bank Muscat, Standard Chartered Bank
10	Pengurusan Air SPV	Malaysia	Sukuk	Domestic market public issue	1,111	3.1	Maybank, Bank Islam Malaysia, CIMB Group, RHB Capital, AmInvestment Bank
11	Danga Capital	Malaysia	Sukuk	Domestic market public issue	1,110	3.1	RHB Capital, AmInvestment Bank, Standard Chartered Bank, DBS, CIMB Group
12	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	2.8	Standard Chartered Bank, HSBC, Emirates NBD
12	Axiata SPV2	Malaysia	Sukuk	Euro market public issue	1,000	2.8	Deutsche Bank, HSBC, CIMB Group
14	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	880	2.4	Maybank, CIMB Group, Affin Investment Bank, AmInvestment Bank
15	Qatar Islamic Bank	Qatar	Sukuk	Euro market public issue	750	2.1	Standard Chartered Bank, HSBC, Citigroup, QInvest, Barwa Bank, Noor Bank
15	EI Sukuk	UAE	Sukuk	Euro market public issue	750	2.1	Standard Chartered Bank, HSBC, Arab Banking, Maybank, Dubai Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank
17	Jambatan Kedua	Malaysia	Sukuk	Domestic market public issue	644	1.8	RHB Capital, Maybank, Kenanga Investment Bank, AmInvestment Bank
18	Rantau Abang Capital	Malaysia	Sukuk	Domestic market public issue	595	1.7	CIMB Group, AmInvestment Bank, RHB Capital
19	Sime Darby	Malaysia	Sukuk	Domestic market public issue	535	1.5	Maybank
20	Arab National Bank	Saudi Arabia	Sukuk	Domestic market public issue	533	1.5	JPMorgan, Deutsche Bank, HSBC, Arab National Bank
21	Noor Bank	UAE	Sukuk	Euro market public issue	500	1.4	Standard Chartered Bank, First Gulf Bank, Dubai Islamic Bank, Sharjah Islamic Bank, Citigroup, Emirates NBD, Noor Bank
21	Emirate of Sharjah	UAE	Sukuk	Euro market public issue	500	1.4	Bank of Sharjah, HSBC, Barclays, Dubai Islamic Bank, Sharjah Islamic Bank, Commerzbank Group
21	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	500	1.4	Standard Chartered Bank, HSBC, Arab Banking, National Bank of Abu Dhabi, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD
21	Arab Petroleum Investments	Saudi Arabia	Sukuk	Euro market public issue	500	1.4	Saudi National Commercial Bankm Standard Chartered Bank, Goldman Sachs, First Gulf Bank, Emirates NBD, Noor Bank
25	Hilal Services	Saudi Arabia	Sukuk	Euro market private placement	500	1.4	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
26	Majid Al Futtaim Properties	UAE	Sukuk	Euro market public issue	499	1.4	Standard Chartered Bank, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Abu Dhabi Islamic Bank
27	Ezdan Holding Group	Qatar	Sukuk	Euro market public issue	497	1.4	Mashreqbank, HSBC, Abu Dhabi Islamic Bank, Emirates NBD, Barwa Bank
28	Cagamas	Malaysia	Sukuk	Domestic market public issue	439	1.2	Maybank, CIMB Group
29	Almarai	Saudi Arabia	Sukuk	Domestic market public issue	427	1.2	HSBC, Samba Capital
30	Sarawak Energy	Malaysia	Sukuk	Domestic market public issue	387	1.1	RHB Capital, AmInvestment Bank
	Total				**36,086**	**100**	

DEALOGIC LEAGUE TABLES

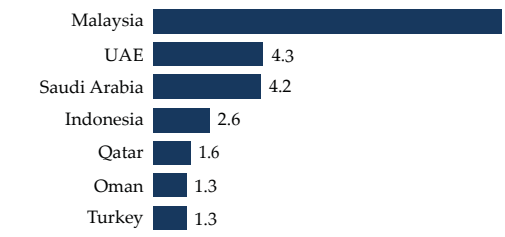
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	CIMB Group	5,497	35	15.2
2	Maybank	5,151	34	14.3
3	RHB Capital	3,852	31	10.7
4	Standard Chartered Bank	3,175	20	8.8
5	HSBC	2,995	21	8.3
6	AmInvestment Bank	2,059	17	5.7
7	Emirates NBD	1,440	14	4.0
8	Dubai Islamic Bank	1,195	12	3.3
9	Deutsche Bank	1,170	5	3.2
10	National Bank of Abu Dhabi	956	8	2.7
11	JPMorgan	843	4	2.3
12	Citigroup	816	4	2.3
13	Bank Muscat	649	1	1.8
14	Natixis	551	2	1.5
15	Noor Bank	468	7	1.3
16	Kenanga Investment Bank	407	6	1.1
17	Hong Leong Financial Group	343	3	1.0
18	National Bank of Kuwait	311	3	0.9
19	First Gulf Bank	300	4	0.8
20	Barwa Bank	260	3	0.7
21	DBS	253	3	0.7
22	Affin Investment Bank	245	2	0.7
23	Abu Dhabi Islamic Bank	243	3	0.7
24	Sharjah Islamic Bank	226	3	0.6
25	Gulf International Bank	214	1	0.6
26	Samba Capital	213	1	0.6
27	QInvest	204	3	0.6
28	Barclays	203	2	0.6
29	Arab Banking Corporation	180	3	0.5
30	SG Corporate & Investment Banking	145	2	0.4
	Total	**36,086**	**120**	**100**

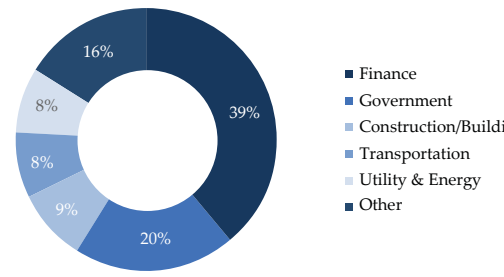
Sukuk Volume by Currency US$ (billion) *12 Months*



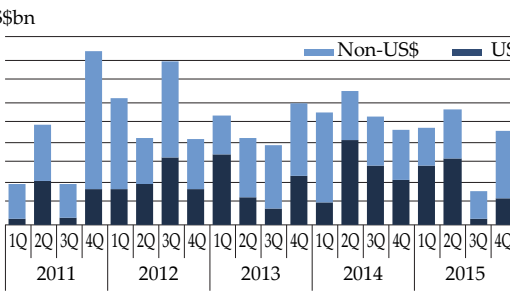
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



Global Sukuk Volume by Sector *12 Months*



Global Sukuk Volume - US$ Analysis



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

	Mandated Lead Arranger	US$ (million)	No	%
1	China Development Bank	821	2	10.7
2	Al Rajhi Capital	663	2	8.7
3	Banque Saudi Fransi	579	4	7.6
4	Alinma Bank	550	2	7.2
5	HSBC	497	3	6.5
5	Samba Capital & Investment Management	497	3	6.5
7	National Commercial Bank	491	3	6.4
8	Mitsubishi UFJ Financial Group	377	3	4.9
9	Aga Khan Fund for Economic Development	354	2	4.6
10	NATIXIS	314	2	4.1

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

	Legal Advisor	US$ (million)	No	%
1	Allen & Overy	2,447	2	22.9
2	Latham & Watkins	1,532	1	14.4
3	Adnan Sundra & Low	1,361	1	12.7
3	Zaid Ibrahim & Co	1,361	1	12.7
5	Norton Rose Fulbright	915	1	8.6
6	Clifford Chance	758	1	7.1
6	White & Case	758	1	7.1
8	Anjarwalla Collins & Haidermota	172	2	1.6
8	Haidermota & Co	172	2	1.6
8	Lincolns Law Chamber	172	2	1.6
8	Linklaters	172	2	1.6
8	Mohsin Tayebaly & Co	172	2	1.6
8	Pinsent Masons	172	2	1.6

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	701	6	5.2
2	Samba Capital	681	5	5.0
3	SABB	640	4	4.7
3	Banque Saudi Fransi	640	4	4.7
5	Saudi National Commercial Bank	634	4	4.7
6	China Development Bank	621	1	4.6
7	Mashreqbank	491	6	3.6
8	Noor Bank	464	7	3.4
9	Abu Dhabi Commercial Bank	437	6	3.2
10	Standard Chartered Bank	385	4	2.8
11	Al Rajhi Capital	366	2	2.7
12	Dubai Islamic Bank	338	7	2.5
13	Maybank	338	1	2.5
13	CIMB Group	338	1	2.5
15	First Gulf Bank	336	6	2.5
16	Al Hilal Bank	307	3	2.3
17	Emirates NBD	298	5	2.2
18	AKFED	292	2	2.2
19	Bank Albilad	292	2	2.2
20	Alinma Bank	260	2	1.9
21	National Bank of Abu Dhabi	251	3	1.9
22	Kuwait Finance House	248	3	1.8
23	Arab Banking Corporation	238	4	1.8
24	Natixis	234	3	1.7
25	Riyad Bank	229	1	1.7
26	HSBC	219	3	1.6
27	Arab National Bank	201	2	1.5
28	European Bank for Reconstruction & Development	170	1	1.3
29	Al Khalij Commercial Bank	163	3	1.2
30	OCBC	142	1	1.0

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

	Bookrunner	US$ (mln)	No	%
1	Abu Dhabi Islamic Bank	1,228	4	17.3
2	Mashreqbank	1,050	3	14.8
3	Noor Bank	586	4	8.3
4	Maybank	338	1	4.8
4	CIMB Group	338	1	4.8
6	Abu Dhabi Commercial Bank	327	1	4.6
7	Arab Banking Corporation	277	4	3.9
8	Saudi National Commercial Bank	267	1	3.8
8	SABB	267	1	3.8
8	Samba Capital	267	1	3.8

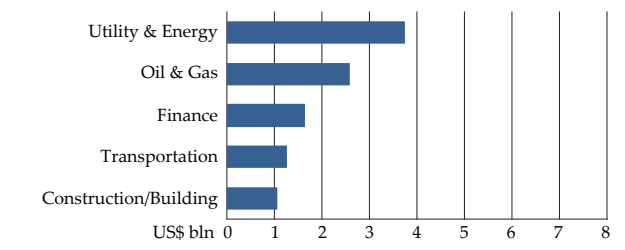
Top Islamic Finance Related Financing Deal List *12 Months*

Credit Date	Borrower	Nationality	US$ (mln)
15th Apr 2016	Yanbu Aramco Sinopec Refining	Saudi Arabia	4,700
27th Jun 2016	ACWA Power International	Saudi Arabia	2,686
9th Mar 2016	Dhuruma Electricity	Saudi Arabia	1,138
15th Jun 2016	PNB Jersey	Malaysia	889
21st Dec 2015	Engro Powergen	Pakistan	851
16th Aug 2015	ACWA Power International	Saudi Arabia	769
11th Dec 2015	Cititower	Malaysia	751
29th Nov 2015	Gulf Marine Services	UAE	620
1st Mar 2016	National Oil & Gas Authority	Bahrain	570
28th Dec 2015	JBF RAK JBF Bahrain	UAE	500

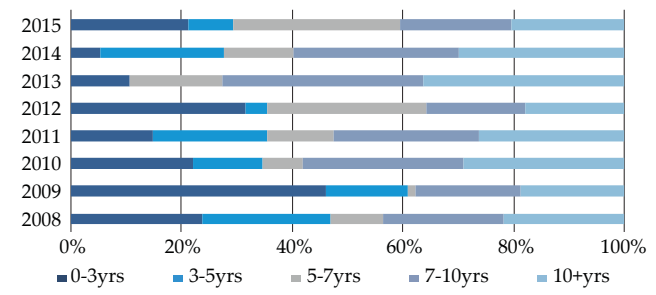
Top Islamic Finance Related Financing by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	Saudi Arabia	4,515	4	33.3
2	UAE	3,375	13	24.9
3	Pakistan	1,613	3	11.9
4	Malaysia	959	2	7.1
5	Turkey	645	3	4.8
6	Bahrain	570	1	4.2
7	Jordan	550	2	4.1
8	Egypt	475	3	3.5
9	India	368	1	2.7
10	Kuwait	282	1	2.1

Top Islamic Finance Related Financing by Sector *12 Months*



Global Islamic Financing - Years to Maturity (YTD Comparison)



Are your deals listed here?
If you feel that the information within these tables is inaccurate, you may contact the following directly: Shireen Farhana (Media Relations)
Email: shireen.farhana@dealogic.com Tel: +852 2804 1223

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SEPTEMBER 2016

6th	Islamic Investment Products & Accounts	Kuala Lumpur, Malaysia
21st	IFN Investor Forum	Kuala Lumpur, Malaysia
26th	IFN Pakistan Forum	Karachi, Pakistan
28th	IFN Turkey Forum	Istanbul, Turkey

OCTOBER 2016

9th	IFN Project & Infrastructure Forum	Dubai, UAE
11th	IFN US Forum	New York, US
17th – 18th	Africa Islamic Finance Forum	Abidjan, Ivory Coast
24th	IFN Kuwait Forum	Kuwait City, Kuwait

NOVEMBER 2016

7th	IFN Iran Forum	Tehran, Iran
28th	IFN Saudi Arabia Forum	Jeddah, Saudi Arabia

MARCH 2017

TBA	IFN Oman Forum	Muscat, Oman
TBA	China OIC Forum	TBA

APRIL 2017

10th – 11th	IFN Asia Forum	Kuala Lumpur, Malaysia

MAY 2017

18th	IFN Indonesia Forum	Jakarta, Indonesia
24th – 25th	IFN Europe Forum	Chambre de Commerce, Luxembourg

Islamic Finance *news*

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