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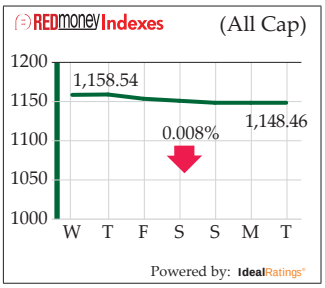

COVER STORY

9th November 2016 (*Volume 13 Issue 45*)

US Election Special: Who will become the 45th US President?

The countdown has begun — and soon we will know who has triumphed in one of the most divisive, vicious and polarizing contests the US has ever seen. But the significance of the result reaches far beyond US shores — the new president will be the commander-in-chief of the most expensive military in the world, the controller of the biggest global nuclear arsenal, the leader of a nation with the largest GDP and, as the head of the state, the chief diplomat of the US with ultimate power over foreign policy. The consequences of either choice could be enormous — LAUREN MCAUGHTRY learns what this could mean for the Islamic finance industry worldwide, and Islamic investors in particular.

Global impact

In an era of slow growth, economic challenges and geopolitical uncertainty, the strength and stability of developed economies as an anchor to underpin global investment is more important than ever. According to Vic Malik, the head of global investments and solutions for the MENA region at Barclays Wealth and Investment Management: "The world economy is expected to continue to grow at a minimal rate, and as such, maintaining a diversified portfolio will be key to protecting investments from market volatility." Developed markets remain central to this strategy — US equities continue to offer the highest growth opportunities and will be the major source of global returns for the next six to 12 months, predicts Barclays. And of course, the decision of the US Federal Reserve as to interest rates, expected to increase next month, will have a significant impact on emerging markets performance.

Given the far-reaching powers of the US president, the results of the upcoming US election will thus have an impact far beyond their domestic market — and the consequences could be cataclysmic. Donald Trump's anti-immigrant rhetoric and proposed ban on Muslims entering the US has the power to seriously harm the US's reputation and position in the Islamic world — while many of Hillary Clinton's economic campaign promises, including taxing interest on investor income, increasing the capital gains rate and imposing a surcharge on the wealthy, have also been met with dismay by the investor community. Both candidates promise to reduce the national debt, boost GDP growth and increase investment in large infrastructure projects, which could encourage inward investment — but they have very different approaches to doing so: with Trump planning to lift restrictions on domestic energy production (which could have a negative impact for Islamic oil-producing nations) while Clinton hopes to use revenue from a business tax overhaul to pay for new projects and create a US$25 billion infrastructure bank.

It could go either way — and with an election campaign distinguished by its vicious allegations, media hysteria and accusations of corruption from all sides, the facts are in danger of being overshadowed by the theater. US-based Azzad Asset Management, a specialist in Halal investment, warns that: "As America approaches the eighth year of an economic expansion, any event that might upset the apple cart can take on outsized importance. The status quo, which Hillary Clinton largely represents, has been a boon to stocks over the last several years. But a Donald Trump victory would qualify as a break from business as usual."

continued on page 3

Volume 13 Issue 45

DEALS

Indonesia raises IDR3.56 trillion (US$270.92 million) from Sukuk auction

Sunway Treasury Sukuk issues two separate Islamic commercial papers worth RM100 million (US$23.79 million) each

Jimah Energy Ventures to make principal and profit payments for its Istisnah medium-term note facility

Gas Malaysia issues first tranches of Sukuk Murabahah under its ICP and IMTN programs

Kuveyt Turk issues US$500 million five-year Sukuk; oversubscribed four times

Central Bank of Kuwait approves **Warba Bank**'s plan to issue Sukuk of up to US$250 million

Malaysia's RM500 million (US$119.49 million) Islamic treasury bills oversubscribed by RM928 million (US$221.77 million)

China's US$300 million Sukuk back on the cards; expects to price within next two months

Bangladesh issues six-month Islami Investment Bond

Etihad Airways targeting up to US$1 billion in Sukuk issuance

NEWS

Ethiopia to develop Islamic finance to diversify economy

Djibouti engages the **IDB** to formulate Sukuk framework; intends to issue infrastructure Sukuk

Nigeria turns to international consortium of financiers for infrastructure projects

BNI Syariah to roll out new Waqf product in November; to collaborate with professional Waqf institutions

CIMB Niaga Syariah launches new savings plan capitalizing on cash Waqf contributions

Institutional Investor Series 2016 to discuss strategies to navigate through volatile markets in Kuala Lumpur on the 16th November

Employees Provident Fund records 50.25% take-up for Shariah compliant scheme

Securities Commission Malaysia extends license to Shariah compliant peer-to-peer financing platform

ASSET MANAGEMENT

Islami Bank Bangladesh receives regulator's approval for new Shariah fund

BIMB Investment Management declares distributions of more than RM8.07 million (US$1.92 million) for four funds

TAKAFUL

Hong Leong Financial Group and **HLA Holdings** cease negotiations on stake sale of Takaful and insurance units

Islamic Corporation for the Insurance of Investment and Export Credit and **Korea Trade Insurance Corporation** sign reinsurance agreement

Allied Insurance Company introduces online portal for Takaful window

RATINGS

Islamic International Rating Agency to review **K-Electric AZM**'s Sukuk following finalization of share transfer

Capital Intelligence affirms **Ahli Bank**'s rating at 'BBB'

Capital Intelligence revises **Bank Alfalah**'s rating to 'BB'

Islamic International Rating Agency reaffirms **Jordan Islamic Bank**'s 'A+(jo)/A1(jo)' ratings

MARC affirms Sukuk ratings on **TSH Resources**'s special purpose entities

Antara Steel Mills maintains 'AAAIS(fg)' Sukuk rating supported by **Danajamin Nasional** guarantee

MARC places **WCT Holdings**'s Sukuk program on rating watch following change in management

Islamic International Rating Agency maintains **Bank AlJazira**'s ratings at 'A-/A2'

S&P affirms Malaysia's sovereign ratings in view of strong external position and diverse economy

MOVES

Ahli United Bank appoints David Hodgkinson as independent director

Bank Negara Malaysia appoints new lineup of Shariah Advisory Council for 2016-19 session

Turkey appoints Mehmet Bostan as the head of newly established wealth fund

Riyad Bank appoints Abdullah Mohammed Ibrahim Essa as board chairman

Standard Chartered appoints Mohamed Salama as head of banking in the UAE

US Election Special: Who will become the 45th US President?

Continued from page 1

Domestic fears

So what does the US market really think about the potential impact of either candidate? At the moment, concerns appear to center strongly around a Trump election.

"Given the significant negative rhetoric associated with Trump's campaign toward the Muslim community, there will likely be a short-term pullback by certain investors to see if Trump will act on the comments made during his campaign," suggested Anup Patel, the president and CEO of Arch Street Capital Advisors. "If Trump is elected, specific markets such as Saudi Arabia may be even less active than other regions given the recent passing of the Justice Against Sponsored Terrorism Act that narrows the scope of the legal doctrine of foreign sovereign immunity."

Such a result would, of course, be disadvantageous for the US — especially in the light of the need for foreign investment in US infrastructure projects, but also in terms of domestic integration and economic progress. In our 2nd November cover story for example ('A force to be reckoned with: Women as the newest 'emerging market'', Vol.13 Issue 44), we discussed a promising new project in Minneapolis, where female Somali Muslim entrepreneurs have created one of the most successful new small business centers in the country. Yet at a rally in Minneapolis on the 6th November, Trump directly addressed the issue of Somali refugees in the region —referring to their presence as a "disaster".


Anup

"Here in Minnesota, you've seen first-hand the problems caused with faulty refugee vetting, with very large numbers of Somali refugees coming into your state without your knowledge, without your support or approval," he claimed. "Some of them [are] joining IS and spreading their extremist views all over our country and all over the world."

But it is not just inflammatory speeches that are doing the damage. Trump has also made proposals that would directly impact the entry of refugees to the US, including a ban on refugees settling in regions without the approval of the local government — a proposal already put forward by his running mate Mike Pence, who tried to prevent Syrian refugees from settling in his home state of Indiana earlier this year in a move blocked by the federal appeals court.


Hdeel

"Trump's rhetoric and proposals — such as the 'Muslim ban' (which is legally problematic and impracticable) and other politically opportunistic invocations of Islam and Muslims — would likely carry over and create an

continued on page 4

US Election Special: Who will become the 45th US President?

Continued from page 3

inhospitable environment for Islamic finance, including because Trump's candidacy appears to have normalized, in some quarters, anti-Muslim, anti-'other' speech and conduct," warned Hdeel Abdelhady, a principal of US-based legal and strategic advisory firm MassPoint. "Thus, even if Trump — a self-styled 'dealmaker' — were inclined to support wholly or partially Islamic investments in the US (such as the CityCenterDC mixed use development located less than a mile from both Trump's recently opened DC hotel and the address to which he aspires, 1600 Pennsylvania Avenue), the atmosphere and supporters he has cultivated as a candidate would likely be impediments."

> ***"There is a tendency to ascribe outsized importance to the role of the president of the US in growing the economy or helping to bolster the prospects of a particular industry. The US economy is far too complex for a single individual to exercise that much control"***

An overreaction?

But could we be taking the potential consequences too far? Politics and economics might be intertwined, but there are limits to presidential influence. Bashar Qasem, the president and CEO of Azzad Asset Management, cautions against getting too carried away. "There is a tendency to ascribe outsized importance to the role of the president of the US in growing the economy or helping to bolster the prospects of a particular industry," he warned IFN. "The US economy is far too complex for a single individual to exercise that much control. That also speaks to our political system — where the separation of powers between the executive, legislative and judicial branches helps to keep unchecked power at bay."


Bowers

Grant Bowers, the vice-president, portfolio manager and research analyst at Franklin Equity Group, also points out that: "The future composition of Congress… will play an important role in shaping public policy. Current expectations reflect a very low likelihood of one party sweeping both elected branches of government (Senate and House of Representatives, and president). This split government creates the checks and balances that ensure, regardless of who our next president is, that any policy changes will be gradual and unlikely to reflect extreme positions."

In this scenario, investors should look beyond the immediate impact of the election to more long-term opportunities. "Our focus as active managers is on investing in companies with strong competitive advantages we believe are poised to benefit from long-term growth trends beyond near-term election results or even the tenure of a single US president," explained Bowers. "We are more keenly focused on tangible fundamental factors outside of the political realm – such as earnings, free cash flow and the identification of multi-year secular growth opportunities."


Bashar

According to Franklin Equity Group, strength in both consumer and corporate US is likely to support continued economic growth in the US — and the prevailing environment of low inflation, US-dollar strength and a slowly improving labor market could still allow for a long runway before significant interest rate increases are required.

Economic uncertainty

Does that mean we should breathe a sigh of relief — that in the event of a Trump win, the markets won't plummet? Sadly not.

"The US Islamic finance industry has been remarkably robust in the face of challenges that seemingly would disproportionately harm it," explained Andrew Metcalf, a partner at King & Spalding. "The issues that have in fact created problems for US Islamic finance have been general economic issues. In that context, the largest worry with a Trump presidency is not so much Trump's distasteful anti-Muslim rhetoric — religious freedom is a right protected by the US Constitution — but the effect his election would have on the economy generally. No one is really certain how a Trump presidency would unfold, and markets hate uncertainty."

"Markets are sensitive to headline risk," agreed Bashar. "A Clinton victory would likely spark a relief rally over the short term, but the long-term implications are still unclear. To the extent that Trump is an individual with no prior political experience who has never held elected office, there could be justifiable concerns about how he might govern. That could lead to short-term volatility."

An unknown quantity

"Hillary would without a doubt be best to attract more Islamic finance activity to the US, and her election would mean minimal impact on the status quo," emphasized Anup. "If Trump wins, it is likely to create greater uncertainty and volatility in the markets than a Hillary victory."


Metcalf

Trump is certainly the lesser-known commodity, which has made the markets jittery. So what is really likely to happen based on the claims of either candidate — and what does this mean for an Islamic portfolio?

continued on page 5

US Election Special: Who will become the 45th US President?

Continued from page 4

One of the biggest concerns is that Trump has made direct reference to replacing current US Federal Reserve President Janet Yellen with more hawkish Fed officials — which could indicate higher US interest rates under a Trump presidency, proven in the past to negatively impact emerging markets.


Ibrahim

Although both presidential candidates have promised to embark upon major infrastructure projects if elected, Trump has committed a more sizeable percentage of GDP than Clinton. A large amount of debt-financed spending could take US inflation beyond the Federal Reserve's target rate of 2%, triggering a more assertive monetary policy, which has the potential to harm stocks over the short term.

> ***"This split government creates the checks and balances that ensure, regardless of who our next president is, that any policy changes will be gradual and unlikely to reflect extreme positions"***

"The disruptive nature of a potential Trump presidency makes it crucial from a portfolio positioning standpoint, as it could imply the end of well-entrenched trends such as yield-chasing and emerging market stabilization depending on his ability to pass his most radical proposals," added Sophie Chardon, an investment strategist at Lombard Odier, in the firm's latest investment outlook. "First and foremost, a Trump victory would translate into higher risk premiums in the US but also more broadly, given the uncertainties surrounding his political program and the larger policy changes involved."

Yet, in the longer term, some of his proposals — such as lower corporate taxes and reduced regulation — have previously been favorable to business and stock prices, while Clinton's economic policies conversely raise a whole new set of investor fears. For example: "Islamic indices tend to be overweight healthcare stocks relative to conventional benchmarks," explained Michael Orzano, the director of global equity indices at S&P Dow Jones. "Clinton's comments on reducing drug prices have weighed on pharmaceutical companies in the lead-up to the election, so a Clinton victory could potentially have a negative impact on the healthcare sector and therefore a modestly negative relative impact on the performance of Islamic indices."

Wait and see

Ibrahim Mardam-Bey, the group president of Taylor-DeJongh, suggests taking a more balanced view. "I believe each candidate will have a different approach," he told IFN. "Trump will take a more pragmatic business approach as he realizes Islamic finance can be a very important conduit of inflow of investment capital into the US. Clinton would take a more strategic and foreign policy-oriented approach as she may see Islamic finance as a way to bridge cultural divide and improve relations with Islamic countries. I also would predict that either winning candidate will at some point in their presidency appoint a senior person to a sort of Islamic finance 'Czar' post as they recognize the importance of this sector."

In fact, most experts take a pragmatic view of the situation — with Islamic finance worldwide growing so fast and so strong, the US results may in fact have little real impact. "Islamic finance is on a sustainable growth curve due to various demographic and economic factors. As such, I don't see a major impact from US election results — if anything I believe both candidates will recognize the importance of this sector to the US economy," confirmed Ibrahim.


Orzano

> ***"Islamic finance is on a sustainable growth curve due to various demographic and economic factors. As such, I don't see a major impact from US election results — if anything I believe both candidates will recognize the importance of this sector to the US economy"***

"Islamic finance is a growing industry that competes not only in the US but globally," agreed Bashar. "We believe that there is far too much innovation and expansion for a Trump victory to alter its trajectory by much."

But there is a third option. A more disturbing, though unlikely, event for markets would be one in which there is no clear winner — and neither candidate reaches 270 electoral votes. That would represent a political risk that could result in a major market sell-off — and have a catastrophic impact on global finance. In the light of such an eventuality, suddenly neither candidate looks quite so bad.

Demand for UK and European real estate still strong despite Brexit tension

The UK's decision to leave the EU may have poured cold water on its hot real estate market, a prized asset class among international (Islamic) investors, but this, VINEETA TAN writes, does not necessarily mean that demand is weak.

> *"There is a currency play more than a real estate play"*

"There is a currency play more than a real estate play as we have not seen a reduction [in] appetite," Philip Churchill, the founder and managing partner of Shariah compliant real estate investment specialist 90 North, tells IFN. And while valuations may have been impacted by the vote, however, investors continue to park their money in London and the UK — and if anything, it seems that demand has risen.

"Business is pretty much as usual – and there is actually more interest than there was before which is counterintuitive," said Churchill. One explanation for the spike in interest is that it has become cheaper to buy as the pound sterling drops to record lows.

And while demand continues to be robust, investors are changing their investment strategies: "It has become a longer-term play in the UK. Investors are looking at assets they can hold for at least five years on the assumption that the value of the sterling will return at some point."

On top of that, investors are also looking further afield for value – European markets including Germany, Norway and Holland have benefited from the Brexit kerfuffle. Not forgetting that the US is also looking attractive. 90 North recently completed a deal in Ohio which brought its value of assets under advisement to over US$1.5 billion. The Ohio transaction is the latest of a string of investments in the US including in South Carolina, Pennsylvania and Chicago. Churchill also revealed that there are several more European and US deals in the pipeline.

Bahrain's Takaful sector records growth in 2015 despite wider economic slowdown

Despite the wider economic uncertainty plaguing the GCC nations and its impact on the performance of a number of sectors across the region, Bahrain's Takaful sector recorded a respectable growth of 3% in 2015 with gross contributions registered at BHD63.22 million (US$166.35 million), which represents approximately 23% of the total gross premiums in the Kingdom's insurance industry in 2015. DANIAL IDRAKI reports.

According to the latest announcement by the Central Bank of Bahrain (CBB), there are currently six Takaful and two re-Takaful firms that are locally incorporated, with 14 conventional insurance and two reinsurance firms operating alongside Shariah compliant counterparts, in addition to eight foreign insurance and three reinsurance firms. The gross contributions of reinsurance and re-Takaful firms, however, were 3.66% lower at BHD397.44 million (US$1.05 billion) in 2015, compared with BHD412.53 million (US$1.09 billion) in the previous year.

"We expect the insurance sector to continue its growth in the coming years, mainly due to the increase in public awareness on the importance of the insurance products in general, as well as due to the soundness of [the] regulatory and supervisory framework of the insurance sector in Bahrain," noted Abdul Rahman Al Baker, the executive director of financial institutions supervision at the CBB.

On the wider insurance front, total gross contributions generated in the domestic market amounted to BHD272.09 million (US$715.95 million) in 2015, slightly lower compared with BHD273.95 million (US$720.85 million) from the previous year. The CBB noted that general insurance, including medical, contributed almost 80% to the gross premiums, while long-term insurance make up 20% of total gross premiums.

"A significant part of such results [is] attributed to a surge in medical insurance, which has increased from BHD47.89 million (US$126.01 million) in 2014 to BHD53.39 million (US$140.49 million) in 2015, showing an increase of around 11% and representing almost 20% of the total premiums/contributions written in the insurance market in 2015," the CBB explained.

"Due to the well-established regulatory regime, a number of leading international insurance companies established their insurance and reinsurance operations in Bahrain in both [the] conventional and Takaful [space], which has further consolidated Bahrain's global profile as a financial center. The increase of insurance ancillary services in Bahrain provides an important source of synergy to these international companies. The CBB continues to further enhance its regulatory framework to be in line with the best international financial standards and boost the confidence of the insurance licensees and general public," Fouad A Wahid Abdulla, the director of the insurance supervision directorate at the CBB, noted.

In 2015, the CBB implemented a new Takaful model designed to enhance the measuring and assessing of the solvency status of Takaful and re-Takaful firms, which is expected to bolster the ability of these firms to distribute surpluses and dividends in an extremely competitive market. Although Bahrain has had a long history of embracing the Islamic financial model, its Shariah compliant insurance sector accounts for only 2% of gross contributions in the GCC Takaful market, according to a report by EY, mainly due to the comparatively small size of the country. By comparison, Saudi Arabia makes up the largest gross Takaful contribution in the GCC with a 77% share, followed by the UAE (15%) and Qatar (4%).

New developments for China's long-awaited entry into the world of Sukuk

Last week, Sichuan Development Holdings (SDH) met for an update meeting to discuss the issuance of a new US$300 million Sukuk facility — the latest step on the long road toward developing an Islamic debt capital market in China. LAUREN MCAUGHTRY speaks to one of the key players in the deal to discover what we can expect — and when.

"The size is US$300 million," confirmed Bobby Tay of Silk Routes Financials, who is advising on the deal, speaking to IFN. "We expect the Sukuk to be priced in the coming one to two months." The company plans to use the proceeds of the three-year deal for asset acquisition, and expects to list on the Singapore Exchange — a surprise move from Hong Kong, where it listed its last conventional dim sum bond in 2015. The latest meeting was held by SDH on the 28th October, to which banks including Standard Chartered China, CIMB, Bank of China (BOC) and Bank of China International were invited. Given the size of the deal and the weight of expectation on a Chinese issuance, interest is likely to be high. "I already have strong interest from Gulf banks — and with BOC involved, I think a lot of demand will also come from China," confirmed Tay.

SDH, an investment subsidiary of the local government, has been in talks to raise funding via Sukuk since 2015, with a full Islamic note program of US$1 billion expected to follow the initial US$300 million issuance. In September 2016, Fitch Ratings assigned SDH a 'A-' rating with a stable outlook, based on the "strategic importance of the entity's operation to the province". Located at the intersection of the land and maritime belts of China's well-publicized 'One Belt, One Road' (OBOR) initiative, through which the country hopes to rebuild trade links with Asia and Europe, the Sichuan province had high hopes of becoming a locus of activity for the new project – but after the initial flurry of optimism in 2015, momentum appeared to slow.

In December 2015, Pakistan and China signed a formal agreement on US$1.5 billion-worth of financing for a 3.8 million tonnes per year coal mining project and a 660 MW coal-fired power plant in Tharparkar, through a syndicate of banks including Habib Bank, United Bank, Bank Alfalah and Faysal Bank from Pakistan along with China Development Bank, the Construction Bank of China and the Industrial and Commercial Bank of China (ICBC). The deal included both Islamic and conventional financing and was one of the first and biggest projects on the OBOR corridor in South Asia. From then however, little has been heard… until now.

"The Chinese want to attract OIC investment into China at one end, while at the other end they are investing a significant amount overseas so they want to open the channels of investment between one side and the other — and Islamic finance will play a major role in this," explained Tay.

Some Shariah compliant activity has already taken place — in 2015, Chinese brokerage firm Southwest Securities signed a partnership with Qatar International Islamic Bank to develop a framework for Islamic transactions within China, while the ICBC joined forces with the Islamic Corporation for the Development of the Private Sector. But other hopes have failed to come to fruition.

At the end of 2015, much was made of the upcoming Sukuk plans from several Chinese corporates including a proposed US$150 million Islamic issuance from HNA Group (the owner of Hainan Airlines) and an expected RM1.5 billion (US$356.08 million) issuance in Malaysia from Chinese property firm Country Garden Holdings — in what would be the first corporate issuance of Islamic debt from a mainland Chinese company. However, at the time of writing neither of these deals has been confirmed and the world still awaits a Chinese deal.

> ***"We do expect more issuance in the future — SDH manages over CNY600 billion (US$88.72 billion) in assets and future Sukuk would be in the range of billions"***

So could the expected SDH transaction finally spur the wave of corporate mainland issuance? Tay thinks that the answer is yes. "Sichuan Development is a state-owned entity (SOE) and we expect more SOEs and corporates to try Sukuk in the future," he confirmed to IFN. "We do expect more issuance in the future — SDH manages over CNY600 billion (US$88.72 billion) in assets and future Sukuk would be in the range of billions."

Straight to Web Feature

INTERVIEW: Amer Bukvic, CEO of Bosna Bank International

In an exclusive interview with Amer Bukvic, CEO of Bosna Bank International (BBI), IFN had the opportunity to explore current Islamic finance development, opportunities and challenges in Bosnia and Herzegovina including the country's new Islamic index. The following are his responses to the questions asked by IFN, in an email exchange.

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

Fund Focus: Old Mutual banking on African agriculture farmland opportunities with Shariah compliant fund

Old Mutual Investment Group (Old Mutual), which began investing in Shariah compliant assets in 1992, is taking Shariah compliant investment to a new dimension with its latest African Agri Farmland Fund as it seeks to capture the growing opportunities in the agriculture sector across the African continent. The South African investment group is gaining a significant amount of interest from GCC investors regarding the Shariah compliant fund, and is confident that the 10-year close ended illiquid scheme will add value to both the farmland projects that the fund will invest in as well as potential future investors. DANIAL IDRAKI brings you the story.

Investment and returns

With the agriculture sector playing an increasingly important role as a vital economic driver in Africa, the latest fund by Old Mutual is targeting to capture at least US$400 million in the next two years and is available to institutional investors all over the world with a minimum investment of US$5 million, and is set for the first closing by December this year with US$100 million already in the bag. GCC investors have expressed their strong desire to participate in the fund that will provide an 8% annual yield throughout the lifespan of the investment, and it is one of the main reasons why Old Mutual decided to make it compliant with Islamic principles.

"We succeeded in making the fund Shariah compliant as it is an interesting product that has been getting a lot of interest from the Middle East. The GCC, and I suppose the whole world, is hungry for yield," Muhsin Jeena, the head of regional business at Old Mutual, told IFN exclusively.

Muhsin explained that farmers in Africa have had a difficult time in securing

financing at attractive rates, especially for working capital, as banks often do not understand the risk that they are undertaking.

"The banks are either not prepared to take that risk or they charge an exorbitant interest rate, at 15-16%, in US dollar terms. We saw the gap in the market and decided to introduce the fund, which will essentially offer investors between [an] 8-11% yield. The risk is mitigated by us, having spent so much time in placing the right farming operator in the right agreement with the offtakers. We essentially are able to offer investors quite a high yield at a relatively controlled risk [level]," he affirmed, adding that investors have the potential of earning another 8% in capital appreciation at the end of the 10-year investment period, on top of the rental income yield.

Shariah compliant positioning

Muhsin noted that the fund is different from other private equity schemes that typically take up to 70% of leverage in the sense that it has achieved 100% equity with no debt. Furthermore, from a Shariah perspective, the fund will ensure that the projects involved will not produce crops for the re-manufacturing or processing of products such as wine or pork.

"All that has been taken care of in the prospectus, where we actually categorically state that to make sure that at no given time are we going to introduce any farming activity that might lead to non-Shariah activity," Muhsin added. With a variety of farming projects across Africa in the pipeline, the crops involved in the farmland projects that have been earmarked are divided between permanent crops such as olives and dairy farms, and row crops, where farmers are able to produce vegetables over a relatively shorter period. "We always want to have a good balance between the two," he added.

Challenges

While Old Mutual's latest fund may be riding on Africa's promising growth prospect in the agricultural sector, it is not without challenges of its own. "We will have to secure the project with the farming operators and only have a limited period of about one year to firm up the deal with them," Muhsin explained. "We will need to earmark 15 large-scale projects, for example, across Africa and diversify across various agricultural crops and at the same time, make sure that we have ticked all the other boxes on the risk mitigation side. That is the challenge of an illiquid close-ended scheme — to match the committed capital with the actual investment opportunity on the ground, and to do all of that in a certain period," he elaborated further.

Africa's agriculture sector requires robust investments from the private sector and according to a report by the Alliance for a Green Revolution in Africa, the continent would require between US$315 billion to US$400 billion over the next 10 years in public and private sector investments in all aspects of food production, processing, marketing and transport, if it is to fully realize its agriculture potential. As for Old Mutual's fund, it seems to be well positioned for a healthy growth over the next couple of years on the back of the strong demand for food security. "We have to make sure that we have the right partners, in terms of offtakers. With illiquid investments, there is a deep J curve. Your actual returns only come with the revaluation of the farmland in later years," Muhsin concluded.

Straight to Web Feature

Justifications of avoiding Riba (Part V): Charity versus Riba

"God destroys Riba and gives increase for charities" (2: 276) — this is one of the most quoted verses of the Holy Quran used to denote the prohibition of Riba. The verse clearly indicates that God's view toward Riba is completely opposite to charity. MABROOR MAHMOOD writes.

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

China leveraging on Iranian ties to gain Islamic finance edge

When the western world shunned Iran and crippled its economy with years of heavy sanctions, China did not budge and instead worked on building ties with the Islamic Republic, with the foresight that Iran would someday be a powerful ally as China moves to displace the US in the global economic landscape. VINEETA TAN writes that China's wisdom is indeed reaping benefits including giving it an edge in its Islamic finance strategy.

Now that the sanctions are lifted on Iran, international players are making their move into the Islamic Republic, all eyeing to capture the growth opportunities in MENA's second-largest economy and also a slice of the world's largest pool of Shariah assets worth in excess of US$480 billion in 2014; but China is perhaps better positioned than most to tap these opportunities.

"Iran has had deep and long-term relations with China and always considers it as a strategic partner," Valiollah Seif, the governor of the Central Bank of Iran (CBI), said recently. "Among the P5+1, China has the most ties with us and is well familiar with the Iranian market." China earlier this year committed to increasing trade with Iran to US$600 billion over the next decade.

And Chinese banks are pivoting on the established relations to set up operations in Iran to participate in its fully Shariah compliant financial market. State-owned Bank of China (BOC), one of the largest banks in China with assets of CNY16.82 trillion (US$2.49 trillion) as at the end of 2015, is likely to open the gateway for more Chinese banks to set up shop in Iran.

BOC's president, Chen Siqing, who visited the CBI recently, confirmed that the bank is keen to formally set foot in Iran — starting with a representative office and gradually moving on to establishing a branch network. Chen's idea was most welcomed: Valiollah even encouraged central and state-owned banks of Iran to open correspondence accounts with BOC in order to get the ball rolling.

China is making a stronger play in the Islamic world, with Islamic finance as a significant component in its strategy especially in relation to President Xi Jinping's ambitious 'One Belt, One Road' initiative which not only covers main Islamic finance centers of the world, but is also being implemented using Shariah compliant financial instruments. State-linked companies are building partnerships with Islamic finance entities and entering new Shariah markets: most prominently perhaps is China's Asian Infrastructure Investment Bank potentially using Islamic finance for its projects in collaboration with the IDB. Most recently, as IFN learned, Sichuan Development Holdings is making progress with its US$300 million Sukuk offering, in which BOC has been invited to participate (See IFN Report Page 7).

Aggressive sovereign borrowings revving up Sukuk and bond markets

As GCC governments rush to the international debt capital markets to raise much-needed funding and in the process create a sovereign yield curve, VINEETA TAN observes that corporates in the region are embracing the prospect of selling Sukuk and bonds to meet their financing needs as banks continue to remain circumspect about lending.

"The lack of a sovereign yield curve has been one of several factors holding back corporate bond issuance in the region. But these dynamics are starting to change, and corporate issuance should gradually start to take off in 2017," opined Fitch Ratings.

Prior to the dramatic oil price drop of 2014, GCC sovereigns rarely needed to borrow from the international markets as they were sitting on comfortable coffers; however, the plunge in global hydrocarbon values (and the widening budget deficit) has forced these oil-dependent nations to raise debt from the global markets, many for the first time in years. Saudi Arabia flooded the market with a US$17.5 billion bond sale in October – the largest from an emerging market and the Kingdom's first in the international space; Oman in June printed US$2.5 billion in bonds, its first in two decades; while Qatar raised US$9 billion-worth of euro borrowings in May, its first in four years. Analysts put the total issuance of GCC Sukuk and conventional bonds in the first half of 2016 at US$36.7 billion, almost on par with issuance for the full year of 2015 (US$39.5 billion).

"Given the shift in oil prices and our expectation that they will only recover to around US$65 a barrel in the long-term, we believe sovereign issuance from GCC members will become a more regular feature of these markets," commented Fitch which added that this is critical as the yield on sovereign debt creates a pricing benchmark from which all other debt instruments in the same market can be priced.

The fact that GCC sovereigns are favoring the conventional route instead of the Shariah compliant path is mainly due to the ease of issuing bonds over Sukuk, as the latter format is relatively more complex and time-consuming (See IFN Report Vol 13 Issue 25: 'GCC taking the conventional path instead of Shariah — why?'). Nonetheless, several GCC countries have also raised Islamically: Oman made its debut Sukuk sale this year, the Emirate of Sharjah issued its second dollar Sukuk in January, Bahrain in May sold US$435 million in Sukuk to private investors and is expected to go to the global Sukuk market again soon, while Saudi Arabia is also mulling the idea of a Sukuk issuance.

"We believe GCC corporates are more likely to issue Sukuk than bonds (or a mixture of both rather than only bonds) in order to attract a wider local and regional investor base including Islamic investors. In addition, some corporates are limited to only Shariah compliant borrowings by their own rules or by their desire to be included in Islamic investment funds and indexes," said Fitch.

Malaysian Shariah asset managers looking to Islamic wealth management blueprint for support

The financial markets have been anything but stable: with global players jittery over a much-heated US presidential election, the eventual exit of the UK from the EU, sliding commodity prices and diverging monetary policies worldwide amid geopolitical instability. Like its conventional counterparts, the Malaysian Islamic financial markets have not been insulated by such volatility, and it seems that Shariah investors are taking a defensive stance during times of turbulence and Islamic financial institutions are looking to the upcoming Islamic wealth management blueprint for a boost.

Preservation over expansion

"We have seen the volatility impact investor sentiment with investors being more defensive in terms of risk appetite," Shahriman Shariff, the director of wholesale banking at HSBC Amanah, shares.

The risk averseness of investors who are more concerned with preserving capital rather than optimizing yields have brought investors back to basics when it comes to investing: investors are increasingly parking their capital in assets that are more conservative in nature, yet still offering diversification.

"In terms of products, we are seeing the emergence of multi-asset investments giving investors the opportunity to diversify their risks," confirms Angelia Chin-Sharpe, CEO/country head of BNP Paribas Investment Partners Malaysia. "It has been quite a ride for investors but we are seeing flows coming back into the market. On a long-term basis, the opportunity presents itself but on the short-term basis, investors would need to understand that there would be volatility."

Opportunities abound

At approximately US$50 billion, or 3% of the US$166 trillion global industry as at the end of 2015, it is easy to dismiss the Islamic wealth management sector as almost insignificant; however, one cannot ignore the impressive double-digit growth the segment has been experiencing and the rapidly growing Muslim population, already accounting for almost a third of the global population. And the fact that it is still relatively small means great and almost limitless opportunities for growth.

"It is unfair to say that the industry's growth is slow, we are after all talking about an industry that has been around for less than two decades as compared to the conventional asset management space which is over 200 years old," comments Shahriman. "What we have achieved in 20 years is impressive and there is still ample room for growth."

Nor Shahrizan Sulaiman, deputy CEO of Maybank Islamic, concurs: "Islamic asset management is only just starting to build a base for the four domains of asset management: wealth creation, wealth enhancement, wealth protection and wealth distribution; we are not at par with the conventional sector yet but if you look at the potential of Shariah assets to achieve these goals — it is huge."

Blueprint boost

The question though is how does one harness the potential of Islamic assets? According to Shahrizan, the entire Islamic financial ecosystem, from banks, fund managers to regulators and especially institutions (such as government-linked companies), needs to play an active role in developing the sector and optimizing its rewards. Shahriman and Chin-Sharpe agree.

And the Islamic financial community is looking to the upcoming Islamic wealth management blueprint by the Securities Commission Malaysia (SC) to provide further support in facilitating the growth and take-up of Shariah wealth management products.

"What we would like to see from the blueprint is some flexibility for both the asset managers and banks as distributors to explore and try out new ideas quickly," says Shahriman who used the flexibility given to fintech firms to experiment and implement new concepts as an example of flexible regulatory environment.

Shahrizan echoes Shahriman's sentiments adding that the new framework should also include provisions for SRI/ESG funds to assume a more visible role in the asset management space. "This will tap into a new class of investors who are non-traditional – who don't mind parting with their funds as long as it generates returns over time."

For Chin-Sharpe, it is important that the blueprint should not demarcate between Shariah and conventional sectors. "If you want to attract assets back to Malaysia, we should not distinguish between Shariah and conventional assets: the banking platform should be given the opportunity to target both conventional and Islamic assets altogether so that the industry can grow faster."

The SC has been taking a proactive approach in enhancing the Islamic wealth management sector of Malaysia and while these measures are well received, our Islamic financial experts remind us that patience is key — because it takes time to build the expertise and infrastructure required for the industry to truly take off; but at least, Malaysia is off to a meaningful good start.

This news report is in support of The Royal Award for Islamic Finance 2016 organized by Bank Negara Malaysia and Securities Commission Malaysia. For more information, visit www.theroyalaward.com.

Bangladesh's Islamic banks boost investments in MSMEs

The Islamic banking industry in Bangladesh has played a significant role in spurring the country's economic growth as the South Asian nation works its way to reach middle income level by 2021. The micro, small and medium enterprises (MSME) sector, for one, has had a major boost from Bangladesh's Islamic banks after it received 29.49% of total investments as at the end of June 2016. DANIAL IDRAKI writes.

According to Bangladesh Bank (BB)'s latest Shariah banking quarterly report for the April-June 2016 period, Islamic banks have also channeled its investments toward sectors such as business and trade (27%), industrial (23.92%), real estate (7.08%), transportation (1.53%), agriculture (1.46%), electricity, gas and water supply (0.65%) and poverty alleviation (0.1%), besides the MSME sector.

"The Islamic banking sector of Bangladesh, due to popular support and market demand, continues to grow at a rapid pace [and] this banking industry with more than [a] 20% market share has been playing a very dominant role in mobilizing deposits and financing in the real sector industries, services and other key sectors of the economy and collecting about a one-third portion of total foreign remittances in Bangladesh," the central bank noted.

The Islamic banking industry account for more than a one-fifth share of the entire banking industry in terms of deposits and investments at the end of the quarter under review, which is a relatively impressive feat for a country that still lacks a comprehensive dedicated Shariah banking legislation. By comparison, Indonesia and Turkey — two key Islamic finance markets — only have an Islamic banking asset market share of approximately 5%. "Islamic banking has been thriving in the vibrantly growing Bangladesh economy with avid participation of the Islamic banks in the financial inclusion campaign. As Shariah is the backbone of the Islamic banking industry, a comprehensive Islamic legal infrastructure with clear ground and commitment is necessary to help expedite [the] Islamic financial industry," BB added.

The eight fully-fledged Islamic banks and 16 conventional banks offering Shariah compliant products on a branch and window basis captured 15.3% more deposits during the April-June 2016 period at BDT2.33 trillion (US$29.57 billion), while increasing their Shariah investments by 19.47% year-on-year to BDT1.57 trillion (US$19.92 billion). Against the conventional banking segment, Shariah compliant funds accounted for 22.1% of the total deposit base and 23.53% of total investments made by banks. In terms of remittances, Shariah financial institutions were responsible for 32.58% of remittances collected.

However, despite the continuous growth of Islamic banking in the country, a large portion of the population remains unbanked, thus the full potential of the industry has yet to be unlocked. Activities of Islamic banking branches and windows of conventional banks are not being expanded to reach the rural people, giving a potential upside for further growth of the Islamic banking industry in Bangladesh. The central bank explained that as the bulk of the investments made have been concentrated in trade and rent-related sectors, Islamic banks should invest more in socially desirable and sustainable real sectors especially in micro, share-cropping, non-traditional agriculture and small enterprises.

"Furthermore, as the fundamental principle of Islamic banks is to ensure equity and distributive justice in the economic life of the mass people in society, they should achieve balanced growth and equitable development through diversified investment operations particularly in the priority sectors and less developed areas of the country which can help to uplift the low-income community in the country," BB concluded.

Sovereign Sukuk: Asian countries continue the momentum

Muslim-majority countries of Indonesia, Malaysia and Bangladesh kept the sovereign Sukuk space alive over the past week with its regular Islamic debt issuances, while Fitch Ratings expects GCC countries to regularly issue sovereign Sukuk on the back of lower oil prices over the long term. DANIAL IDRAKI brings you the usual updates.

Indonesia

The government of Indonesia recently raised IDR3.56 trillion (US$270.92 million) from the sale of four sovereign Sukuk securities (SPN-S 19042017 and three project-based Sukuk series), after receiving total incoming bids of IDR4.98 trillion (US$378.98 million), according to an announcement by the Ministry of Finance.

Malaysia

The government of Malaysia issued RM500 million (US$119.22 million)-worth of Malaysian Islamic treasury bills (MITB) on the 4th November 2016, according to an announcement on Bank Negara Malaysia's website. The MITB, which will mature on the 4th August 2017, received total incoming bids of RM1.43 billion (US$339.18 million).

Bangladesh

The government of Bangladesh has issued its six-month Islami Investment Bond. According to a central bank announcement, the issuance received a total of six bids amounting to BDT977 million (US$12.23 million). The profit-sharing ratio of the accepted bids was 90:10.

Upcoming sovereign Sukuk

Country	Amount	Expected date
Oman	US$2 billion	TBA
Iran	IRR60 trillion	2016
Nigeria	TBA	First quarter 2017
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	TBA
Maldives	TBA	TBA
Sri Lanka	US$1 billion	TBA
Germany	US$1 billion	TBA

GCC outlook

On the GCC region, Fitch in a recent note stated that given the shift in oil prices and expectation that it will only recover to around US$65 a barrel in the long term, sovereign issuance from GCC members will become a more regular feature of these markets. The rating agency explained that this is critical because the yield on sovereign debt creates a pricing benchmark from which all other debt instruments in the same market can be priced.

Latin America welcomes new Islamic finance torchbearers

For years the Islamic finance narrative for Latin America has been largely dominated by Brazil and its Halal industry; however, the tune has changed recently with new nations joining the stage and targeting a different segment. VINEETA TAN casts an eye over the changing economic and Islamic finance dynamics in Latin America over the past 12 months.

Economic overview

Latin America is a mixed bag with several of its economies experiencing negative growth rates (Brazil, Chile, Venezuella, Argentina) and the other few expanding positively (Peru, Mexico); as a region IMF projects that Latin America will continue another year of decelerated growth (down 0.5% in 2016), marking two consecutive years of depressed growth for the first time since the Latin American debt crisis of 1982-83.

The recession has been a result of weak commodity prices, soft external demand, volatile financial markets and sliding exchange rate but the regional market is expected to rebound to 1.5% growth.

In terms of demographics: out of the 20 countries in the region, Argentina and Brazil have the largest Muslim minorities, with approximately one million Muslims in each. Accurate figures are not available as census data does not record religious affiliation, but surveys by Pew Research Center and the Association of Religion Data Archives estimate that almost 2% of the population identify as Muslim. In Argentina, an estimated 3.5 million people are of Arab descent while in Brazil, 12 million people identify as Arab-Brazilian.

Regulatory landscape

While there is no specific legal framework in place for Islamic finance in Brazil guaranteeing the enforcement of Shariah contracts and addressing the issue of double taxation, the government does support the use of Islamic finance contracts such as Salam, Murabahah and Mudarabah to structure financial instruments that are widely used in Brazilian agribusiness.

Trade flows

The mutual beneficial relationship between the GCC and Latin America (GCC supplying hydrocarbon while Latin America exports food) is strengthening trade flows between the two regions which open up the opportunity for Islamic finance. Brazil has always been seen as the likeliest of jurisdictions for Shariah finance investments due to it being the world's largest Halal meat producer and the country has indeed seen several of such initiatives including Abu Dhabi Equity Partner's inventory finance Wakalah and Murabahah program for an ethanol producer in the state of Mato Grosso do Sul (introduced in 2013) as well as a Shariah compliant livestock financing program (launched in 2014).

Banking and finance

However, over the last year, the region has seen Islamic finance development beyond Brazil. Most notably is the emergence of new players such as Suriname and Guyana.

In Suriname, local private lender Trust Bank is in the midst of converting itself to become fully Shariah compliant, with the help of the Islamic Corporation for the Development of the Private Sector (ICD). The bank targets to complete its transformation in 2017, after which it will be known as Trustbank Amanah, and will serve the SME market (See Special Report Vol 13 Issue 26: 'Islamic banking and finance opens its doors in Suriname to economic empowerment for Latin America and the Caribbean').

Guyana on the other hand in March 2016 officially became a member of the IDB, becoming only the second member country in South America after Suriname. The membership is expected to pave the way for the nation to access Islamic finance.

Infrastructure

SME is a great focus for the IDB and the ICD in the region and has been identified as a key driver for Islamic finance in South America; however, SMEs and the Halal food industry aside, infrastructure is also a potential catalyst for Shariah finance.

In the past few years, Brazil has undertaken robust infrastructure projects, especially in the area of housing, sanitation, transportation and energy, as part of its 2007 Growth Acceleration Program. According to industry participants, a significant number of such investments are yet to be done or in need of further financing to move forward — which therefore creates the opportunity for Islamic finance to step in.

According to Fabio Figueira, a partner at the Brazilian law firm Veirano Advogados, such opportunities for investments are not only found in projects to be developed, but also in ongoing finance to support the companies' cash flow. Veirano Advogados is one of the few domestic market participants positioning itself to tap the Shariah finance market and in early 2015, joined the global Islamic finance legal network ISFIN.

Recognizing such potential, Brazilian property developer Ritz Property and construction company G5, through their partnership Ritz-G5, in February 2015 announced a Shariah compliant investment avenue in its Natal-based premium residential project, Majestic Village. The Brazilian premium residential project is the first independent investment product to be eligible for Shariah compliant funding.

Previously, Islamic funds in Brazil have primarily been the domain of equity houses and banks such as Banco do Brasil. Majestic Village is a 75-hectare serviced land plot condominium development in Parnamirim, an up-and-coming residential area in Natal. The project is designed to appeal to the domestic market and Brazil's rising middle and upper class population of over 90 million.

A shifting paradigm for Islamic debt capital markets

The Islamic debt capital market has managed to navigate through a treacherous market environment and difficult economic developments globally over the past one year. As the financial markets approach the end of the year with a wide array of interesting developments across the global stage, DANIAL IDRAKI takes a look at the global Islamic debt capital market landscape, in particular primary issuances and capital market initiatives.

Overview

According to data by Dealogic, Malaysia leads Sukuk issuance globally over the last 12 months with a total deal value of US$22 billion, followed by the UAE (US$5.18 billion), Indonesia (US$2.61 billion), Saudi Arabia (US$2.54 billion) and Bahrain (US$2.2 billion). New Sukuk issuance volumes have remained subdued so far for the first half of 2016 at US$40 billion, and Moody's Investors Service noted that this has been driven by more challenging economic conditions in emerging markets and the GCC's desire to tap conventional liquidity from international investors, as quantitative easing has driven yields to zero or even negative rates in various markets. These factors underpin the rating agency's expectation of flat new Sukuk issuance volumes for 2016 at around US$70 billion. Nevertheless, the longer term outlook remains promising as 2017 is expected to see rising issuance from sovereigns, banks and corporates in the GCC, as regional financing needs continue to increase amid lower oil prices.

Key markets

As an Islamic finance heavyweight, Malaysia continues to make strides in the Islamic debt capital market, despite Bank Negara Malaysia reducing the issuance of short-term Sukuk that had begun in 2015, against a backdrop of tightening liquidity in the banking sector, related to emerging market volatility and increased fiscal consolidation. A key local development was a move to earmark around US$25 billion of the state's pension fund, the Employees Provident Fund, for Shariah compliant assets. According to Moody's, at around 15% of the US$170 billion total, this will create a substantive new pool of Islamic liquidity that will help drive the demand side of the Sukuk equation to the point that pricing may be consistently more favorable for international issuances of such instruments.

The country's Public Sector Home Financing Board made progress in the debt capital market after it issued its inaugural Sukuk facility of up to RM4 billion (US$965.92 million) in September this year, which makes up part of its RM25 billion (US$6.04 billion) Islamic commercial papers/Islamic medium-term note program guaranteed by the Malaysian government. On the corporate side, DanaInfra Nasional is finalizing a RM13 billion (US$3.25 billion) Sukuk facility to fund the Pan-Borneo Highway project in East Malaysia, while Sarawak Hidro issued RM5.54 billion (US$1.37 billion)-worth of Sukuk Murabahah in August. Sovereign wealth fund Khazanah Nasional also piqued the interest of the debt market when it raised US$398.8 million from the issuance of a five-year Sukuk facility that is exchangeable into shares in China's Beijing Enterprises Water Group.

Significant deals

In the UAE, Dubai-based ports operator DP World successfully raised US$1.2 billion from a seven-year Sukuk facility in June this year. Priced at a fixed coupon rate of 3.91%, the group's new issuance was oversubscribed with more than US$2 billion in incoming bids, and came shortly after DP World issued a tender to buy back US$1.1 billion of its existing US$1.5 billion 2017 Sukuk, with the remaining US$387 million maturing next year. Emirates Islamic also concluded the issuance of a US$750 million five-year Sukuk facility under its US$2.5 billion certificate issuance program earlier in May.

On the sovereign front, Pakistan, Turkey, Bahrain and Indonesia issued Islamic debt papers in excess of US$1 billion each this year. Pakistan raised US$1 billion from the international Islamic debt capital market in October, receiving US$2.4 billion in bids from 124 institutions, while Turkey issued a dollar-denominated US$1 billion Sukuk facility at a 4.25% profit rate in June, ending an 18-month absence from the international Islamic debt market. Bahrain too issued an eight-year US$1 billion Sukuk facility in October. Indonesia, which issued a US$2.5 billion Sukuk facility in March, brought further innovation to the local market with its savings Sukuk, which raised IDR2.59 trillion (US$192.09 million) from domestic investors in September.

New markets

Africa has been making headway this year in the Islamic debt market, with the sovereign Sukuk market seeing a spike in activity with the assistance of the Islamic Corporation for the Development of the Private Sector. Togo issued its maiden XOF150 billion (US$250.99 million) 10-year Sukuk offering with a 6.5% profit margin in August, while both Senegal and Ivory Coast returned for their second issuance this year, issuing CFA200 billion (US$338.82 million) and XOF150 billion (US$253.35 million)-worth of Islamic papers respectively. Over in the Middle East, Jordan recently closed the inaugural issuance of a JOD34 million (US$47.86 million) Sukuk Ijarah facility, which was three times oversubscribed. The five-year tenor facility has an expected profit rate of 3.01% and was priced inside the Kingdom's existing curve for conventional bonds.

Outlook

Muslim-majority countries, such as Malaysia, Indonesia and the GCC countries, account for around 90% of total Sukuk issuance, and Moody's expects this contribution to remain unchanged going into 2017. While Malaysia has traditionally been the largest issuer by volume, the reduction in domestic issuance from Bank Negara Malaysia, as well as the deficit financing needs of the GCC members and their drive to promote Islamic finance, means that the GCC is expected to take an increasing regional share of overall issuance into 2017.

Jordan's landmark Sukuk: A boon for Islamic banks

After months of preparation, Jordan finally issued its maiden Sukuk offering, which was exceedingly oversubscribed and immensely supported by the Kingdom's Islamic financial institutions. NURUL ABD HALIM examines the deal.

In a bid to develop the country's Islamic capital market and also to provide an investment avenue for Islamic banks, Jordan has raised JOD34 million (US$47.94 million) via a five-year Sukuk Ijarah offering with an expected profit rate of 3.01%. The landmark facility attracted an initial subscription of JOD112 million (US$157.92 million), more than thrice oversubscribed, a testament to the support by the Kingdom's Islamic banking industry.

> ***"The Sukuk [facility] was priced inside the Kingdom's existing conventional bond curve. This [has] led to lowering the cost of borrowing for the Kingdom. This is rarely seen for first-time sovereign issuers especially in the Sukuk market"***

"The Sukuk [facility] was priced inside the Kingdom's existing conventional bond curve," Omar Malhas, Jordan's minister of finance, noted in a statement. "This [has] led to lowering the cost of borrowing for the Kingdom. This is rarely seen for first-time sovereign issuers especially in the Sukuk market", he added.

"Additionally, not only does the use of this instrument place the Islamic banks on par with the conventional banks in the same environment for liquidity management purposes, but [it] also allows the government to mop up excess liquidity in the financial system, which is estimated to be JOD1.4 billion (US$1.97 billion)," said the Islamic Corporation for the Development of the Private Sector (ICD).

Commenting on the highlights of this deal, the private sector arm of the IDB referred to the introduction of a new modified method of subscription for Sukuk, as stipulated in the prospectus. "Banks would subscribe on [the] expected yield (not the final one). After [the] closing of the transaction, investors will negotiate with the government on the final yield. After [a] series of meetings, investors have accepted such [a] mechanism," explained the ICD.

Equally instrumental to this Sukuk transaction is Japan International Cooperation Agency (JICA), which in 2014 entered into an MoU with the ICD to cooperate in supporting Islamic finance development in Jordan. This partnership not only marked the Japanese entity's entry into Islamic finance, but also resulted in a successful debut Sukuk offering. Tetsutaro Kon, JICA's director of the Middle East Division 2, noted: "By now, the Jordanian government has acquired the needed technical knowledge and practical experience which will empower them to issue further Sukuk on their own."

This issuance has definitely added depth to the Kingdom's Sukuk market. In May 2016, the Central Bank of Jordan successfully issued a JOD75 million (US$105.75 million) Sukuk facility to cover the purchases of the National Electricity Power Company. The Murabahah facility was oversubscribed by 2.73 times and priced at 3.5%. In other developments, the government is also looking to make Sukuk available at the retail level as part of King Abdullah II's plan to buttress the Kingdom's economy.

Jordan's debut sovereign Sukuk

JOD34 million (US$47.94 million)

17th October 2016

Issuer	The Sukuk Special Purpose Jordanian Company for Financing Governmental Projects
Obligor	The Government of Jordan, represented by the Ministry of Finance
Size of issue	JOD34 million (US$47.94 million)
Mode of issue	Public offering
Purpose	For development purposes
Tenor	Five years
Technical assistance provider	Japan International Cooperation Agency
Profit rate	3.01% (expected)
Payment	Semi-annually
Currency	Jordanian dinars
Maturity date	17th October 2021
Issuance manager and paying agent	Central Bank of Jordan
Transaction advisor	ICD
Governing law	Jordanian
Legal advisor/ counsel	Dentons (Safwan Moubaydeen Law Firm in association with Dentons)
Listing	Amman Stock Exchange (expected)
Underlying assets	Government building that is under construction
Rating	S&P: 'BB-'
Shariah advisor(s)	-Two local Shariah advisors from the issuer and the legal firm -Shariah pronouncement from the Central Shariah Scholars Committee of Jordan
Structure	Amortizing Ijarah
Tradability	Yes
Investor breakdown	Islamic and conventional banks
Face value/ minimum investment	JOD1,000 (US$1,407.06)

Who should do what in Shariah governance?

By Mohammed Amin, an Islamic finance consultant and former tax partner at PwC in the UK.

I believe greater clarity is needed regarding the Shariah governance of Islamic financial institutions.

Ultimately, the board of directors (BoD) is responsible for managing the Islamic financial institution and ensuring that it has proper Shariah governance in place. Standard industry practice is for the BoD to appoint an external Shariah supervisory board (SSB). The SSB members are not employees of the Islamic financial institution but external contractors who can demonstrate expertise on matters of Shariah. They are not subject to the orders of the BoD.

It should be the responsibility of the SSB to set out clear written policies regarding what transactions the Islamic financial institution may engage in without ceasing to be Shariah compliant, and if necessary detailed rules on how those transactions should be structured.

If the Islamic financial institution engages in bespoke transactions, each such bespoke transaction should be reviewed by the SSB in advance to decide whether the transaction will be Shariah compliant.

While it is not industry practice to publish the full text of all SSB Fatwas (detailed Shariah analyses leading to an opinion), I believe it should be.

Unlike the SSB, the Islamic financial institution's internal Shariah department (ISD) is a team of employees answerable to the BoD. The ISD can answer questions raised by other employees if the answer is clearly determinable from either external published

guidance (such as the AAOIFI Shariah Standards) approved in advance by the SSB or from the SSB's own written policies. In my view, the ISD should consult the SSB before taking a position on any other Shariah questions.

Everything discussed so far is prospective. Once the financial year has been completed, the Islamic financial institution needs to determine whether it has conducted its affairs in a Shariah compliant manner, just as it needs to determine whether its accounts give a true and fair view in accordance with applicable accounting standards.

The Islamic financial institution's external auditors will of course provide their opinion on whether the financial accounts give a true and fair view. The key question is who should give an opinion on whether the Islamic financial institution has conducted its affairs in a Shariah compliant manner. The current practice is for this opinion to be given by members of the SSB. However, to do so they need to enquire into the actual conduct of affairs by the Islamic financial institution throughout the year.

Where the Islamic financial institution undertakes many transactions, the SSB members will not have the manpower, and may lack the skills, to audit large numbers of transactions for Shariah compliance. They risk relying upon an internal Shariah audit report from the ISD which, however, is not independent.

Where the Islamic financial institution has conducted only a few bespoke transactions, the SSB is likely to have been involved in some detail in their implementation. It is then at risk of auditing its own work.

> ***"All auditing of completed transactions should be carried out by external auditors. Their purpose should be to ensure that the transactions are compliant with the SSB's advance requirements"***

In my view, all auditing of completed transactions should be carried out by external auditors. Their purpose should be to ensure that the transactions are compliant with the SSB's advance requirements. The auditors would not report that "we consider that the Islamic financial institution has been Shariah compliant" but rather "we consider the transactions carried out by the Islamic financial institution to be compliant with the SSB's requirements." In turn, the SSB could then give its opinion that the Islamic financial institution has been Shariah compliant.

I do not see any role for a second external party to give an opinion on whether the SSB's opinion is correct, just as no company has a second external auditor 'second guessing' whether the external auditors' opinion is correct.

Tunisia: The contributions of the new banking law to Islamic banking activity

TUNISIA

By Mohamed Araar

The Institute of the Central Bank of Tunisia (IBCT) organized a seminar on the 29th and 30th September 2016 at the Central Bank in order to present to industry professionals the contributions of the new banking law. This was also a good opportunity to explain some issues regarding Islamic banking activity.

By opting for a generalization of Islamic banking activity without precluding specialization, the integration of Islamic finance into the legal framework governing the banking industry remains one of the main changes in the new banking law in Tunisia. This new orientation is designed to fully support the development of this specific industry by filling the legal vacuum while taking into account the specificities of its supervision.

It is important to underline that performing Islamic banking activity is not concerned with another orientation in this new law related to the establishment of a specialized license and/or a conditioned license (including the delimitation of the scope of activity and/or subordination of approval by the BCT to the satisfaction of certain conditions). However, the Islamic banking activity is only concerned with a prior authorization of the BCT subordinated to the satisfaction of certain conditions (the development of a business plan and financial separation between the accounting and administrative conventional and Islamic activities).

As a consequence, another point to highlight is that performing Islamic banking activity is not concerned with another orientation in this new law related to disciplinary sanctions under the responsibility of the Sanctions Committee in the case of performing banking activities without respecting the category, specialty or the conditions of the license approval. The failure to comply with the obligation to obtain prior authorization for Islamic banking activity is only concerned with disciplinary sanctions under the governor's remit (a fine which shall not exceed 15% of the minimum capital).

To illustrate the benefits of this option of generalization of Islamic banking activity without precluding specialization, the Tunisian Solidarity Bank recently adopted the Islamic banking option in conformity with the new banking law to regularize the funding for projects supported by the IDB grant of US$50 million.

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Mohamed Araar is the deputy director of external private financing and international relations at the General Directorate of External Financing and Settlements at the Central Bank of Tunisia. He can be contacted at med.araar@yahoo.fr.

IFN Country Correspondents

AFGHANISTAN:, Manezha Sukhanyar, head of Islamic banking, Maiwand Bank

BAHRAIN: Dr Hatim El Tahir, director of Islamic Finance Knowledge Center, Deloitte & Touche

BANGLADESH: Md Siddiqur Rahman, executive vice president, Islami Bank Bangladesh

BRAZIL: Fabio Figueira, partner, Veirano Advogados

CANADA: Jeffrey S Graham, partner, Borden Ladner Gervais

EGYPT Dr Walid Hegazy, managing partner, Hegazy & Associates

FRANCE: Jean-Baptiste Santelli, lawyer, De Gaulle Fleurance & Associates

HONG KONG: Wilson Yeung, member, The Taxation Institute of Hong Kong

INDIA: H Jayesh, founder & partner, Juris Corp

INDONESIA Farouk Alwyni, CEO, Alwyni International Capital

IRAN: Majid Pireh, Islamic finance expert, Securities & Exchange Organization of Iran

ITALY: Stefano Padovani, partner & head of banking and finance, NCTM Studio Legale Associato

KAZAKHSTAN: Timur Rustemov, chairman, Association for development of Islamic finance

KENYA: Mona K Doshi, senior partner, Anjarwalla & Khanna Advocates

KOREA: Yong Jae Chang, partner, Lee & Co

MALAYSIA: Ruslena Ramli, head, Islamic finance, RAM Rating

MALDIVES: Aishath Muneeza, deputy minister, Ministry of Islamic Affairs, Maldives

MALTA: Reuben Buttigieg, president, Malta Institute of Management

MOROCCO: Ahmed Tahiri Jouti, COO, Al Maali Consulting Group

NEW ZEALAND: Mohamed Nalar, trustee and board member, Awqaf New Zealand

NIGERIA: Auwalu Ado, head of Shariah audit, Jaiz Bank

OMAN: Anthony Coleby, head of corporate commercial, Said Al Shahry Law Office

PAKISTAN: Muhammad Shoaib Ibrahim, managing director & CEO, First Habib Modaraba

QATAR: Amjad Hussain, partner, K&L Gates

RUSSIA: Roustam Vakhitov, managing partner, International Tax Associates

SAUDI ARABIA: Nabil Issa, partner, King & Spalding

SINGAPORE: Lim Say Cheong, head of Islamic banking, Maybank Singapore

SRI LANKA: Imruz Kamil, head of Islamic banking, Richard Pieris Arpico Finance

TANZANIA: Yassir Salim Awadhi Masoud, head Islamic Banking and Retail Banking, National Bank of Commerce

TUNISIA: Mohamed Araar, general directorate of External Financing and Settlements, deputy director of Private Financing and International Relations Department , Central Bank of Tunisia

TURKEY: Ali Ceylan, partner, Baspinar & Partners

UAE: Anita Yadav, senior director, head of fixed income research, Emirates NBD

UK: Siraj Ibrahim, senior relationship manager, Qatar Development Bank

US: Anup Patel, partner, Arch Street Capital Advisors

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

Jaiz Bank lists its shares on the Nigerian Stock Exchange

NIGERIA

By Auwalu Ado

Jaiz Bank has received the approval of its shareholders to list its shares on the Nigerian Stock Exchange. The shareholders unanimously approved the proposal by the management of the bank, the first fully-fledged non-interest bank in Nigeria, to trade its shares in the market to generate more capital for expansion.

Alhaji Umaru Abdul Mutallab, the chairman of the bank, said that with this development, the bank will open windows of opportunities for numerous individuals who hitherto have a desire to own shares in Jaiz Bank. During the shareholders' meeting, Umaru said that with the shareholders' endorsement, the bank's authorized share capital has been subdivided from 15 billion ordinary shares of NGN1 (0.33 US cent) each to 30 billion ordinary shares of NGN0.5 (0.16 US cent) each. "We are very glad with the turnout for the event today, we want investors to be able to come in [and] buy shares and equally go out by selling [the] same whenever they want. We also want more investors both locally and internationally to participate in the Jaiz shares," Umaru added.

Also speaking at the event, Hassan Usman, the managing director/CEO, said that once the shares have been listed on the Nigerian Stock Exchange, existing shareholders can trade their shares while new investors can also invest by buying the shares. Hassan said: "We want the general public to benefit from the bounties of profit opportunities available so that we can all grow together as one big Jaiz family. The potential is enormous. Hassan also emphasized: "As you may be aware, a few months ago the bank's rights issue of 2.9 billion ordinary shares was successfully subscribed. We call on everyone to take advantage of this opportunity to own shares in Jaiz Bank. Our promise to shareholders is being kept with their approval to go to the market." The bank has over 30,000 shareholders across the globe who can use this opportunity to reap from what they sowed several years ago.

Auwalu Ado is the head of Shariah audit at Jaiz Bank. He can be contacted at Auwalu.Ado@jaizbankplc.com.

A new investment sector for Islamic finance in the US: Single family homes for rent

US

By Anup Patel

In 2012, Gatehouse Capital, a Shariah compliant real estate investment advisor based in Kuwait, recognized the potential of the sector and created an innovative Shariah compliant single family home rental platform, the first and only one of its kind in the US.

The single family rental housing sector has sufficiently institutionalized and grown in size and scale over the years to the point where it continues to present an attractive investment opportunity for Shariah compliant investors.

After the 2009 financial crisis, several leading global real estate investment firms such as Blackstone, Colony Capital and Starwood Capital recognized an attractive and innovative opportunity to build a portfolio of single family homes for rent.

The investment thesis was that depressed housing prices made for a unique opportunity to acquire homes at a significant discount to replacement cost and, if institutionally managed, could be rented to tenants due to the continuously declining homeownership rate in the US at the time. Investors could realize meaningful capital appreciation once home prices reverted closer to historical norms, while providing an attractive current yield in the interim.

Investors had also planned to introduce institutional management to this historically fragmented sector which would result in operating efficiencies and the application of best management practices. In addition, this sector, unlike other institutional commercial real estate sectors, provided for two avenues of liquidity, home sales to the traditional institutional buyer and also to the end retail buyer — homeowners.

Fast forward to today and investors have been able to take advantage of the capital markets to gain even further liquidity through public offerings and attractive debt refinancing. Much of the original investment thesis for the sector has come to fruition as investors have witnessed asset appreciation, rising rental rents and increased liquidity options while also achieving operational efficiencies.

The US national single family home market is projected to increase by 5.3% in 2016, as younger homebuyers begin to enter the market. The GDP of the US also grew at an annual rate of 2.9% in the third quarter of 2016, having a high correlation to the housing market, indicating the potential for additional capital appreciation in the sector.

Many of the initial investors in the sector remain bullish and are continuing to expand by targeting new markets. Overall, the outlook for the sector remains positive, while still in its infancy. As the single family rental market evolves, new entrants continue to emerge across different platforms, including lending, brokerage and property management.

Many investors have shifted their focus in the sector from asset appreciation to achieving attractive risk-adjusted yields, similar to that of the multifamily sector. The sector provides another new and interesting investment opportunity for Islamic finance.

Anup Patel is the president and chief investment officer of Arch Street Capital Advisors. He can be contacted at patel@archstreetcapital.com. Gautam Mashettiwar, the vice-president at Arch Street, assisted in drafting the article and can be reached at Mashettiwar@archstreetcapital.com.

Bahrain Bourse braced for supporting SMEs

BAHRAIN

By Dr Hatim El Tahir

SMEs are a key growth engine of the economy of the Kingdom of Bahrain. It is believed that SMEs contribute over 28% of the country's GDP and this is set to surge in the coming years. It is also believed that in 2015, the SME sector employed 421,247 employees of which 52,918 were Bahrainis.

In such a development of the sector, the Bahrain Bourse recently obtained the approval of the Central Bank of Bahrain on the Bahrain Investment Market (BIM) Rules, which represent one of the initiatives launched by the bourse to meet the financing requirements of the companies, as reported by Bahrain News Agency. This initiative comes in line with the role played by Bahrain Bourse to enhance the Kingdom's efforts in supporting the SME sector in a way that contributes to the economy growth of Bahrain, creates more job opportunities for the citizens, creates wealth and increases productivity, according to Shaikh Khalifa Ebrahim Al Khalifa, CEO of Bahrain Bourse.

The Bahrain Investment Market will break new ground in providing additional financing alternatives for SMEs with a reasonable financing cost, as well as providing more investment alternatives for investors by contributing and participating in the growth of these companies.

It is no surprise that the BIM also provides a catalogue of benefits to companies including reduced capital and suitable exit options, which will enhance these companies' financial status, brand recognition and contribute to increasing their competitiveness locally and internationally.

This policy and market development will undoubtedly create considerable opportunities for Islamic finance, both in corporate and investment advisory fronts. Viewed through this lens, Islamic commercial banks will need to develop the right business capabilities and expertise to better service their clients and investors to help grow this new niche market.

Dr Hatim El Tahir is the director of the Islamic Finance Knowledge Center of Deloitte & Touche. He can be contacted at heltahir@deloitte.com.

Will Sri Lanka's Budget 2017 favor Islamic finance?

SRI LANKA

By Imruz Kamil

With the government announcing that Sri Lanka's Budget 2017 is scheduled to be presented in the parliament on the 10th November 2016, expectations from policymakers are high among Islamic finance practitioners to elucidate an insight over the perception of doing Islamic finance business with ease. More clarity to the Banking Act is anticipated to accommodate some changes and allow players in the market to be more comfortable with regard to investment, lending and recovery.

So far the Central Bank of Sri Lanka has shown a positive indication on this, with certain areas to be legally covered with adequate legal provisions. Islamic financial institutions need to play a key role in the economic expansion of the country and hence it is essential to create an environment which is conducive. The government strives to facilitate foreign direct investment (FDI) into the country and every effort should be made to encourage alternative investments to boost economic growth.

The Association of Alternate Financial Institutions has approached the relevant ministries and regulators and is pushing them to include certain recommendations to change the laws to allow the Islamic finance model to be practiced in the true sense and to also promote FDI and other alternate investments in the budget proposals.

The following are proposals recommended to the relevant authorities to include in the budget:

a) Alternative finance in the form of treasury bills/bonds

b) Exchange control regulation to be expanded to include investment of Sukuk through Securities Investment Account

c) REITs

d) Further amendment to Banking Act to accommodate other Islamic products such as Wakalah and diminishing Musharakah

e) Removal of dual stamp duty or a concessionary stamp duty on a second transfer, and

f) Stock exchange listing rules to include Sukuk.

There is no doubt that securities markets and products continue to evolve and change. The challenge for the government and regulators is to consistently keep abreast of and track new market developments in order for there to be a timely and effective formulation of standards, guidance or best practices where necessary. Islamic market players believe that this budget will bring some positive news to the industry so let's wait and see.

Imruz Kamil is the head of Islamic banking at Richard Pieris Arpico Finance. He can be contacted at imruz@rpcfinance.com.

Rundown on recent activity in the Sukuk market

DEBTCAPITALMARKETS

By Imran Mufti

The Sukuk market has been relatively busy in October, seeing both a large-scale corporate Sukuk issuance in Malaysia and a return to the market by the government of Pakistan. In addition, change is afoot at the IDB.

After its three-year bail-out program from the IMF ended in September, Pakistan has returned to the international capital markets after an absence of almost two years. Since 2015, Pakistan has enjoyed greater political and macroeconomic stability and improved economic growth forecasts, meaning the overall picture looks rosier than a year ago. Its recent US$1 billion Sukuk issuance is intended to attract high levels of foreign investment and decrease the budget deficit. The certificates mature in October 2021 and carry a 5.5% return.

Sovereign Sukuk issuances have also taken center stage in West Africa this month. The Islamic Corporation for the Development of the Private Sector acted as the lead arranger on sophomore issuances for the governments of Cote d'Ivoire and Senegal, and a debut issuance for the Republic of Togo. All three listed on the Bourse Régionale des Valeurs Mobilières, together with the Senegal issuance of 2014 and the Cote d'Ivoire issuance of 2015, with a combined issuance of CFA766 billion (US$1.28 billion) attracting investors from across the Gulf and the Far East.

Elsewhere, Tenaga Nasional, the utility corporation, raised US$750 million under the first issuance in a US$2.5 billion Sukuk program. The 10-year Sukuk carries a coupon rate of 3.24% a year, and will list on Bursa Malaysia and the Singapore Exchange.

In Africa, the Central Bank of Nigeria recently approved guidelines that grant liquidity status to Sukuk, which should provide a welcome boost to the Nigerian market for non-interest bearing capital market products. The new guidelines mean that banks can factor Sukuk instruments into their liquidity computation ratio, which is expected to create a lively secondary market for Sukuk trading.

Lastly, Dr Bandar Mohammed Hamzah Hajjar has taken on the role of president at the IDB, arguably the most important financial institution in the Muslim world and a pioneer in Islamic capital markets, having established one of the first Shariah compliant medium-term note programs in 2003. Despite being established in 1975, the IDB has had only two presidents: one of whom served for almost 40 years. It remains to be seen if there are any changes that Dr Hajjar, who has served as a member of the Shoura in Saudi Arabia and led committees on the National Strategy for Integrity and Anti-Corruption, will prioritize during his time in office.

Imran Mufti is a partner at Hogan Lovells (Middle East). He can be contacted at Imran.Mufti@hoganlovells.com.

Successful AUB Sukuk issuance uses Cayman Islands structure

OFFSHORE CENTERS

By Manuela Belmontes

The activity of the debt capital markets (and particularly the Islamic Sukuk market) has remained strong over the past weeks and we witnessed numerous announcements in October for proposed Sukuk issuances by banks, corporates and sovereign entities based principally in Malaysia and the Middle East.

The Cayman Islands is a popular domicile for Sukuk-issuing vehicles as it offers a tax-neutral and low-cost environment, and has enacted legislation to simplify the regulatory status of Sukuk. Given that it remains the jurisdiction of choice for the formation of such vehicles for Sukuk transactions in the GCC, it is likely that the Cayman Islands will feature in some of these anticipated issuances.

The recent issuance by Ahli United Bank of Kuwait (AUB) of a US$200 million perpetual additional Tier 1 Sukuk facility utilizes a Cayman Islands company as the Sukuk issuer and trustee. The issuing vehicle, Ahli United Sukuk, a Cayman Islands exempted company with limited liability, was structured (as is typical for such transactions) as an 'orphan' entity, which means that its ownership and management are independent from the obligor (AUB). This was achieved by having the issuer's ordinary shares held by a Cayman Islands licensed trust company (in this case MaplesFS) as the share trustee for charitable purposes through the use of a charitable trust. The licensed trust company also provides an independent board of directors and ancillary corporate administration services to the issuing vehicle.

AUB's Sukuk issuance uses a Mudarabah structure. The Sukuk are perpetual securities and have no fixed or final redemption date. However, AUB as the obligor has the right to liquidate the Mudarabah (and thus require the issuing vehicle to redeem the Sukuk) on and following a 'first call date' as well as upon the occurrence of certain other events (including certain tax events or 'capital' events relating to the regulatory capital qualification of the Sukuk). The loss absorption mechanism implemented (in order to qualify as Basel III compliant additional Tier 1 capital) is a full or partial write-down on the point of non-viability of the obligor. If a full write-down occurs, the Mudarabah agreement would automatically terminate and the Sukukholders' rights to the trust assets held by the issuing vehicle (as the trustee) would be automatically deemed to be written-down in full, with the Sukuk being cancelled.

AUB's CEO reported that the Sukuk had been oversubscribed by over three times more than the targeted amount, and the bank's chairman stated that the issuance had garnered great interest from both local and international investors. The familiarity and confidence that local and international investors have in the Cayman Islands will preserve this jurisdiction as an attractive domicile for future Sukuk issuers.

Manuela Belmontes is a partner at Maples and Calder (Dubai). She can be contacted at Manuela.Belmontes@maplesandcalder.com.

How Trump and Clinton's policies might affect Shariah mortgages

Through all the blustering and name-calling that has become the US presidential election, both Hillary Clinton and Donald Trump do have some economic plans that can affect the Ijarah mortgage industry. It takes a little digging to find out what each of these candidates proposes to do with an economy that few Americans are satisfied with in its present state. In this article, SHOEB M SHARIEFF writes on what both politicians have in mind and how their plans might affect the Shariah compliant mortgage industry.

Shoeb M Sharieff is the president of ijara Community Development Corp. He can be contacted at shoeb@ijaracdc.com.

Both candidates have managed to address the fact that how the government spends money is a big part of the problem in the US. Even though everyone agrees the economy has started an upward climb since the Great Recession, the general consensus is that the allocation of federal money needs to be adjusted.

The National Mortgage News provides a good starting point for any discussion on where Ijarah mortgages will wind up under a Republican or Democrat administration. On the 28th October, the publication reported that the Treasury Department had released an account stating that reform efforts should focus on making credit more accessible and providing more affordable housing.

The mortgage industry in the US which includes companies selling Ijarah mortgages is welcoming the move as a guideline for the future.

The American economy – what Clinton proposes

The creation of jobs as a central focus lines up with Hillary Clinton's economic plans. Although we all understand that politicians quite often say one thing and then do another, the following are a few highlights of what Clinton has so far gone on record saying about the federal budget, economy and by proxy the Ijarah mortgage industry.

Clinton's tax plans are targeting high-income households by creating a 30% minimum effective tax rate on households that make US$2 million a year or more and creating a 4% surtax on income over US$5 million.

How that will affect Ijarah mortgages

How this affects Shariah compliant mortgages involves several angles. Looking at Clinton's plans from the working class perspective, it's obvious that she plans to target the wealthy and make them pay more of the tax bill in the US.

What's also important is Clinton's proposed US$125 billion program that includes a US$25 billion housing investment that will offer downpayment assistance, build more affordable housing for rent and clearly define further the lending rules and even expand the traditional credit score criteria.

Clinton's campaign is big on an all-inclusive card and continually points out that there are inequities since 72% of white households own a home compared to 42% of blacks and only 47% of Latinos. Among some of the other initiatives that Clinton is promising if elected president include matching up to US$10,000 for these underserved communities in a downpayment incentive.

What Trump proposes

Like a lot of his Republican predecessors, Trump forewarns of the decline of the US at the hands of globalization and a poor tax policy, to name just a few factors. He has gone public with plans for large tax cuts as well as renegotiating trade deals and reducing regulation.

Many experts feel that his policies mirror the trickle-down theories of former US presidents like Ronald Reagan.

What it means for Ijarah mortgages

Whereas Clinton's plans would keep estate taxes, Trump would eliminate them and that could have a large effect on the number of people inheriting money they could use for a home purchase.

Under Trump's plan, there would be no federal income tax levied against individuals who make US$25,000 or less and married couples who bring in less than US$50,000 dollars. That would effectively take away the tax payment of 31 million US households who could effectively use that money for a Shariah mortgage.

Trump's proposal would keep the mortgage interest rate deductions in place. If you factor in Trump allowing for a 15% tax rate among small businesses, this could conceivably mean more hiring and by proxy more people entering the Ijarah mortgage market.

Although both candidates have been characteristically vague about the specifics, it's clear from the Shariah compliant mortgage perspective that both of these proposals have their benefits and drawbacks.

Muslim Americans who believe in the more traditional models will favor Trump's plan since there is a strong element of job creation and the kind of tax cuts that Republican candidates say create jobs.

On the other hand, Clinton's proposals are for those who think the government should take more action in kick-starting and freeing up the kind of money people need to enter the housing market. Her plans make specific mention about clarifying the mortgage rules which will help to further define the parameters for Shariah compliant mortgages and for those who want to qualify with a trust.

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An insight into Islamic banking in Iran

There has been an increasing focus on Iran's financial institutions in recent years due to the lack of alternative developed financial entities or instruments within the financial system. The massive liquidity injection to the economy, without sterilization or neutralization of monetary policies, derived from rising fossil energy prices over the past decade, has contributed to an urgent evolution of the role and capabilities of these institutions. BIJAN BIDABAD and MAHMOUD ALLAHYARIFARD explore the current system in detail.


Bijan Bidabad *is a professor of economics and the chief Islamic banking advisor while* ***Mahmoud Allahyarifard*** *is a senior economist in the R&D Department of Bank Melli Iran. They can be contacted at bijan@bidabad.com and Allahyarifard@gmail.com respectively.*

Due to the aforementioned developments, different types of banking systems including retail, corporate, private and international banking can now be observed in Iran. This issue might be better illustrated through statistics – Iran's banking system now comprises 33 banks and many non-banking financial and credit institutions (excluding unauthorized institutions) with 22,000 branches and 110,000 ATMs.

The system sees more than 23 million transactions per month and 4.5 million EFT/POS as well as internet banking, mobile banking, social network banking, payment technologies such as near-field communication RFID and bluetooth for retail payment, debit and credit cards, electronic governance like Shaparak, Shetab, Chekavak and other electronic payment systems like ACH and RTGS which when combined account for around 1.3 billion transactions per month.

The Iranian banking system introduced and launched non-usury fully-fledged Islamic banking following the Banking Act in 1363 Solar Hijri (1984). The deposit mobilization products in the form of Gharz-Ol-Hasaneh, short and long-term investment deposits and credit facilities (loans) in the shape of transactional and partnership contracts, banking guarantee letters and letters of credit are generally influenced by the provisions of the jurisprudence which reference back to the book of Sharaye-Ul-Islam compiled by Mohaqiq Helli in the 7th century anno Hegirae. In this regard, the important points to take note are as follows.

Limitations in updated rules and regulations

Upstream laws and the legal framework of the banking system are not in accordance with the current financial needs. The gap between regulations and operations as well as the operational process causes duality and problems for stakeholders and operators, and also creates economic development obstacles in the country. We can probably say that additional processes and formalities in the current conventional and Islamic banking system have caused redundancy risk, and have not only removed the obstacles to reach true Islamic banking but also increased operational and non-operational costs on banking activities.

> *"The gap between regulations and operations as well as the operational process causes duality and problems for stakeholders and operators, and also creates economic development obstacles in the country"*

Modernism and present customer-based products

The alignment of the banking system with customer requirements causes banking products and services to deviate from Shariah rules, so financing and deposit contracts do not follow the real rate of return of the economy and price rigidity and formal-ostensible contracts are the primary sources of liquidity, credit, market and bankruptcy risks – which ultimately contributed to a banking and financial crisis in the last decades. These issues may not be the concern of the Iranian banking system alone, however, and these circumstances have also been observed to a greater or lesser extent throughout the conventional banking systems of the world. The repeated global financial crises, specifically the most recent one, have been influenced by this issue according to many Keynesian and other economists.

Lack of efficient integrated IT-based systems

A crucial limitation of the Iranian banking system is the lack of integrated information technology (IT)-based systems (both in and out of banks) in connection with stakeholders (customers, shareholders, employees), supervision, tax, executives, decision support systems, shared big data warehouses, cloud systems for efficient monetary and financial policy conduct by the monetary authorities, the preparation of customized products, the increase of customer loyalty, the decline in operational, credit and market risks and the improvement of corporate governance, transparency and disclosure.

Banking reforms

The Central Bank of Iran (CBI) has taken significant steps to improve and stabilize the banking system and in this regard has conducted many action plans, including the codification of banking regulation drafts. However, due to the conflict of interest between beneficiaries of the interest rate and real Islamic banking operations, the CBI has not yet been able to reach a comprehensive solution. Some banking experts believe that the Rastin Banking system (as explained in the following paragraphs) could provide an appropriate financial

Continued

foundation and circulation conditions in the country and in the case of passing rules and regulations, could also pave the way for profound changes in the Iranian and even the global banking system.

Rastin Banking as a final solution

The Rastin Banking system (first introduced in IFN Volume 10 Issue 28) is a modern Islamic banking system developed and launched in Bank Melli Iran. In Rastin Banking, eliminating usury from operations, the non-formalization and honest implementation of contracts, the perfect automated definition and implementation of all services based on the provisions of the law are clearly and transparently defined through all types of digital channels.

Rastin Banking is based on financial, economic, ethical, social, legal and international principles and its new organization framework claims to be able to remove all current Islamic and conventional banking obstacles in Iran and act as a teaching source for other countries.

The approach utilizes the latest economic and financial theories and experiences and takes advantage of the recent IT achievements and integration on the whole process and practices and modularizes its products into its core system with high flexibility in response to future needs, covering ethical, fair and modern necessities to handle modern sophisticated banking.

In Rastin Banking, while the bank keeps depositor benefits, it also acts as a trustee agent for all the parties engaged, and the entrepreneur (financing receiver) will never go bankrupt due to the necessary insurance coverage, hedging and subtle assessments and the supervision of the bank's agents to prevent the depositor from loss or fund wastage. Assessment and monitoring processes for the implementation of different projects are the responsibilities of the assessor and trustee agent who are the decision-makers. The ability of the entrepreneur must be assessed and its previous tax payment reports obtained to measure its financial credit. The entrepreneur is responsible for the accuracy of the information presented in the project proposal supplied to the bank.

Can the Sukuk market ever hope to match up to the bond market?

On the 19th October 2016, the Kingdom of Saudi Arabia (KSA) priced its inaugural international bond issuance, raising US$17.5 billion. There is no question that this was a landmark global transaction; the largest debut debt capital markets transaction, the largest emerging markets bond issue and the largest syndicated sovereign bond. However, one fact was notable only by its absence: there was no Islamic tranche as part of the issuance, unlike the recent sovereign issuance from Bahrain. So why did the KSA issue its jumbo debut issuance in a bond format and could it not also issue in a similar size and tenor in the Sukuk format? HANI IBRAHIM delves further.

***Hani Ibrahim** is the head of debt capital markets at QInvest and can be contacted at hibrahim@qinvest.com. Toufic Fawaz, a vice-president and Jonathan Surr, an analyst, assisted in this article and they can be contacted at TFawaz@qinvest.com and JSurr@qinvest.com respectively.*

Much of the attention was on the KSA's desire to diversify away from natural resources and 'open up' to international investment. However, what could have been a milestone for the growing Islamic finance market was instead lost in the bulging global bond market. It's a story that is seen frequently, as with Qatar's bond issuance earlier this year. Despite record growth for Sukuk issues up to 2012, since then, they have declined each year. While some of the reasons for this have been well documented, there is potentially something more fundamental at play. The challenge is not necessarily one of supply of new issues because sovereigns and corporates alike are seeking funds, but rather one of investor demand. Is greater diversity of the Sukuk investor base the solution?

Cast an eye down the list of investors in the KSA bond, and the issue becomes apparent. In the 10-year bond, Middle East investors represented 24% of the issue, but only 9% in the 30-year one. According to Bloomberg, the average life of a bond in the US is 5.7 years, in the Middle East and Africa it is 3.4 years. These statistics show a clear preference for shorter dated paper from the region. Looking at the type of investors, a large part of the demand for new bonds in North America and Western Europe has traditionally come from institutional pension funds and fund managers. Again, the KSA bond provides a good example. In the 30-year bond, fund managers accounted for 65% of investors, followed by other institutions at 29% and banks at only 5%. Contrast this to a typical Sukuk issuance where banks often take up between 50% and 70% of any issuance.

There are two reasons for banks being a large proportion of Sukuk investors. Firstly, Islamic banks have little, if any, alternatives to Sukuk to manage their liquidity and maintain a position of liquid assets. Secondly, the pension fund and fund management industry in the MENA region is underdeveloped, has limited resources and even less of an allocation to fixed income.

> ***"For the Sukuk market to have any chance of getting close to the bond market, the region needs a greater diversity of investors devoted to Sukuk"***

By contrast, North America and Western Europe have a long heritage of pension funds and fund managers. They have deep pockets and a large appetite for fixed income. According to the OECD, private pension assets reached US$38 trillion in 2015 and, on a weighted average basis, accounted for 123.6% of GDP for OECD countries. The OECD also revealed that on average in 2014, private pension funds allocated 51.3% to bonds and bills. This dynamic is significant as it allows a whole industry of fixed income issuance to be built around it.

The California Public Employees Retirement System or CalPERS is a significant investor itself with close to US$60 billion in income-generating assets. In fund management, North American managers together manage around US$36 trillion of assets with significant allocation to yielding assets. For example, BlackRock currently has around US$5 trillion in assets under management with 32% allocated to fixed income and, together with the likes of Vanguard and Pimco, make up some of the largest holders of North American and European bonds. These fund managers and pension funds are the primary feature at new bond roadshows and can easily be the cornerstone of any potential issue. The size of the financial firepower held by these institutions is a significant multiple of the total size of the Sukuk market which stood at US$417 billion as at October 2016.

For the Sukuk market to have any chance of getting close to the bond market, the region needs a greater diversity of investors devoted to long-term, income-generating investments such as Sukuk. Such investors can provide an important base to fuel the growth in this industry. For example, pension funds with their long-term liabilities could stimulate demand for longer-dated Sukuk or the issuance of project Sukuk, both of which see significant demand from US pension funds in the bond space.

To facilitate this, there would need to be a change in the mindset of regional sovereigns which ultimately control the state pension funds and sovereign wealth funds. Such institutions in the Middle East currently have limited, if any, allocation to fixed income and certainly nowhere near the allocation of institutions such as Pimco or CalPERS. However, without meaningful change, landmark transactions such as the KSA bond sale will probably continue to pass over the Sukuk market.

DEALS

Indonesia's Sukuk securities oversubscribed

INDONESIA: The government of Indonesia has raised IDR3.56 trillion (US$270.92 million) from the sale of four sovereign Sukuk securities (SPN-S 19042017 and three project-based Sukuk series), after receiving total incoming bids of IDR4.98 trillion (US$378.98 million), according to an announcement by the Ministry of Finance.

STSSB issues Islamic notes

MALAYSIA: Sunway Treasury Sukuk (STSSB) has issued its 153rd and 154th Islamic commercial papers (ICP) worth RM100 million (US$23.79 million) each on the 4th and 7th November respectively. According to announcements on Bank Negara Malaysia's website, the 153rd series is rated ''MARC-1I'and the 154th series is rated 'MARC-1IS'.

STSSB will also issue RM120 million (US$28.56 million) in ICP via tender on the 10th November. Maturing on the 13th December 2016, the 'MARC-1IS'-rated facility is STSSB's 155th ICP series.

JEV to make payments on Islamic papers

MALAYSIA: Jimah Energy Ventures (JEV) will be making the principal and profit payments under the RM4.85 billion (US$1.15 billion) Istisnah medium-term note issuance facility on the 11th November 2016, according to an announcement on Bank Negara Malaysia's website.

Gas Malaysia issues Sukuk

MALAYSIA: Gas Malaysia has issued the first tranches of its Sukuk Murabahah: an Islamic commercial paper (ICP) facility of nominal value RM1 million (US$238,436) with a maturity of nine months and a RM100 million (US$23.84 million) three-year Islamic medium-term note (IMTN) facility, according to a bourse filing. These facilities were issued under its ICP program and IMTN program respectively, subject to a combined aggregate limit of up to RM700 million (US$166.91 million) under the Shariah principle of Murabahah (via a Tawarruq arrangement).

Kuveyt Turk floats US dollar Sukuk

TURKEY: Kuveyt Turk has issued a US$500 million five-year Sukuk facility, priced at a yield rate of 5.16%. The Islamic bank noted in a statement that the issuance attracted demand as high as four times from more than 115 international investors across the GCC (61%), England and continental Europe (27%) and Asia (12%). KFH Capital acted as the global coordinator while Bank ABC, Dubai Islamic Bank, Emirates NBD Capital, KFH Capital, Noor Bank, QInvest and Standard Chartered Bank acted as the lead arrangers/bookrunners, with Al Rayan Investment and Warba Bank acting as the co-arrangers.

Warba Bank plans Sukuk

KUWAIT: The Central Bank of Kuwait has approved Warba Bank's plan to issue up to US$250 million in Tier 1 Sukuk, according to a bourse filing. A final decision with regards to issuance size and timing will be made after the Islamic bank has secured remaining regulatory approvals.

Malaysia's Islamic treasury bills oversubscribed

MALAYSIA: The government of Malaysia's RM500 million (US$119.49 million) Islamic treasury bills issued on the 4th November 2016 were oversubscribed by RM928 million (US$221.77 million) after receiving a total of 33 incoming bids, according to an announcement on Bank Negara Malaysia's website. The bills will mature on the 4th August 2017.

China's corporate Sukuk back on the cards

CHINA: Sichuan Development Holdings conducted a meeting in Chengdu on the 28th October for its anticipated Sukuk issuance, IFN has learned. A number of banks were invited including CIMB, Bank of China, Bank of China International and Standard Chartered China, according to a source close to the deal. The US$300 million transaction is expected to price within the next one to two months.

Bangladesh issues BGIIB

BANGLADESH: The government of Bangladesh has issued its six-month Islami Investment Bond. According to a central bank announcement, the issuance received a total of six bids amounting to BDT977 million (US$12.23 million). The profit-sharing ratio of the accepted bids was 90:10.

Etihad Airways plans Sukuk

UAE: Etihad Airways expects to raise up to US$1 billion through a dollar benchmark-sized Sukuk, Reuters reported. The airline, however, has not given any specific indication of the size, maturity or timing of the sale, and will be meeting investors in the coming days to iron out the details. HSBC, JPMorgan, the National Bank of Abu Dhabi, Abu Dhabi Islamic Bank, Dubai Islamic Bank and First Gulf Bank are reportedly the deal underwriters.

DEAL TRACKER Full Deal Tracker on page 32

EXPECTEDDATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENTDATE
TBA	Etihad Airways	up to US$1 billion	Sukuk	8th November 2016
TBA	Sichuan Development Holdings	US$300 million	Sukuk	4th November 2016
TBA	Warba Bank	US$250 million	Sukuk	3rd November 2016
November 2016	Islamic Development Bank	TBA	Sukuk	28th October 2016
First quarter of 2017	National Real Estate Company	US$500 million	Sukuk	25th October 2016
TBA	Al Faisal Holding	US$200 million	Sukuk	19th October 2016
November 2016	Angkasa Pura I	IDR500 billion	Sukuk	18th October 2016

AFRICA

Ethiopia to develop Islamic finance

ETHIOPIA: The central bank of Ethiopia, the National Bank of Ethiopia, is aiming to develop Islamic finance to help expand financial access and inclusion, as part of wider government efforts to mobilize domestic resources to diversify its economy, according to Reuters quoting a central bank official. The central bank is conducting a study to determine the demand for Shariah compliant financial products in a country where around a third of the population of 100 million are Muslims. The study is expected to help determine what proportion of Muslims are excluded from the financial sector, Getahun Nana, the vice-governor of the central bank, said in a speech during an Islamic finance conference held recently in neighboring Djibouti.

Djibouti working on Sukuk framework

DJIBOUTI: Djibouti has engaged the assistance of the IDB to design a Sukuk framework to facilitate the government or state-owned enterprises to issue Sukuk, according to its central bank governor, Ahmed Osman, as reported by Reuters. The central bank, which recently appointed five members to its national Shariah board, is also reportedly in discussions with the Ministry of Finance to make permanent double taxation exemptions for Shariah compliant transactions. Ahmed expects a number of Sukuk issuances next year to meet the country's infrastructure needs.

Nigeria turns to international financing

NIGERIA: Nigeria is looking to secure financing of up to US$29.9 billion from a consortium of multilateral financial institutions and international financiers, including the IDB, World Bank, African Development Bank, Japan International Cooperation Agency and China Exim Bank, to execute key infrastructure projects across the country between 2016 and 2018, TVC News Africa reported.

ASIA

BNI Syariah readies new Waqf product

INDONESIA: BNI Syariah is set to launch a new Waqf product in November and is planning to collaborate with professional Waqf institutions on this matter, according to Republika.co.id quoting Imam Teguh Saptono, the principal director of the Islamic bank.

CIMB Niaga Syariah launches new savings plan

INDONESIA: CIMB Niaga Syariah has launched a new savings plan in the form of Program Tabungan iB Mapan Wakaf, with the aim of providing customers with a capital-planning strategy and to raise awareness on the importance of cash Waqf, according to TRIbunnews.com. Under this program, the Syariah unit of CIMB Niaga has partnered with local Waqf institutions and bodies such as Yayasan Daarul Quran Nusantara, Yayasan Dompet Dhuafa Republika, Rumah Wakaf and Wakaf Al Azhar.

IIIS 2016 to take place in November

MALAYSIA: Responding to today's complex and ever-changing markets where investors are struggling to react to a bewildering array of economic, political and social issues, the Malaysian Association of Asset Managers will host the International Institutional Investor Series 2016 (IIIS 2016) themed 'Strategies to navigate through volatile markets'. Set to gather global experts from local and foreign asset managers and banks, these industry elites will share the platform to provoke insightful discussion on critical topics. IIIS 2016 will take place on the 16th November at the Securities Commission Malaysia. IFN is a media partner of the event.

EPF's Simpanan Shariah records 50.25% take-up

MALAYSIA: A total of 50.25%, or RM50.25 billion (US$11.98 billion) of the Employees Provident Fund (EPF)'s Simpanan Shariah 2017 scheme has been subscribed by 503,734 individuals as at the 31st October 2016, confirmed the EPF in a statement. The subscription period for the Shariah compliant savings scheme will close on the 23rd December 2016, and is subject to the availability of the RM100 billion (US$23.84 billion) allocation, whichever is earlier.

Ethis Kapital receives operating license

MALAYSIA: Ethis Kapital, a Shariah compliant crowdfunding platform, has been awarded an operating license by the Securities Commission Malaysia. Five other peer-to-peer financing platforms were also registered: B2B FinPAL, FundedByMe Malaysia, ManagePay Services, Modalku Ventures and Peoplelender.

IDB provides financing to Mulawarman University

INDONESIA: The IDB will be providing funds amounting to IDR694 billion (US$52.95 million) to Mulawarman University in 2017 for research purposes particularly in the field of tropical studies, according to PROKAL.co. The financing is expected to be completed in 2019. Bohari Yusuf, the vice-chancellor of the university for planning, cooperation and relations, was quoted as saying that the IDB program is divided into two, namely physical and non-physical. Besides Mulawarman University, three other universities will also be receiving financing from the IDB: the State University of Jember, Malang State University and the University of Sultan Ageng Tirtayasa.

3rd MIBFI to take place on the 17th November

MALDIVES: The third Maldives Islamic Banking and Finance Industry Conference (MIBFI) will be held on the 17th November at Bandos Maldives. The event will deliberate and discuss means of enhancing the Maldives's position within the South Asian region and beyond and its center for Islamic finance ambitions as well as explore the potential nexus between Islamic finance, Muslim-friendly tourism and the Halal food industry. IFN is MIBFI's media partner.

IDB to provide financing to Kyrgyzstan

KYRGYZSTAN: The IDB will provide financing worth US$12 million to Kyrgyzstan for the reconstruction of the North-South road, 24.kg news agency reported. The financing facility will be repaid over 25 years, including a seven-year grace period.

GLOBAL

Standard Chartered Saadiq eyes Africa and Brunei

GLOBAL: Standard Chartered Saadiq plans to enter at least one of the markets of Nigeria, Botswana and Zambia as early as 2017 and is in discussions with the Bruneian regulator for an Islamic banking license there and also working with the regulator on guidelines for Islamic wealth management in the Southeast Asian nation, according to Reuters quoting Mohammad Ali Allawalla, the head of Islamic banking for retail clients.

Ibdar acquires new property in the UK

GLOBAL: Bahrain-based Ibdar Bank has acquired a prime site in Southampton in the UK to develop a leading purpose-build student accommodation (PBSA), according to Trade News Arabia. The wholesale Islamic bank has set up a US$30 million joint venture for developing the PBSA project. The Class A development will provide accommodation for more than 200 students in a combination of one, two and three-bedroom modern studio apartments. The project is expected to be completed in time for the 2018-19 academic year.

SC leads Islamic syndicated financing deal

GLOBAL: Barwa Real Estate Company is reportedly raising US$250 million via an Islamic syndicated financing led by Standard Chartered (SC), according to Reuters quoting unnamed banking sources. The seven-year facility is being offered at a price in the 250-300bps range over the LIBOR and was launched to syndication very recently. The facility will be used to refinance its existing debt, added one banking source.

IDB finances Bumbuna hydropower project

GLOBAL: Joule Africa has received a total of US$730 million in debt financing from the IDB, European Investment Bank, Asian Development Bank, International Financial Corporation, CDC, Green Africa Power and other investors for the development of Phase II of the Bumbuna hydropower project. According to Awoko Newspaper, Phase II of the project is expected to generate 143 MW and it is also being funded by Joule Africa with the highest total funding of US$125 million, and AIM from South Africa with funding support of US$75 million.

EUROPE

90 North completes 25th transaction

UK: Shariah compliant real estate specialist 90 North Real Estate Partners has completed its 25th transaction, taking the value of the assets it has advised on globally to over US$1.5 billion, according to a press release.

The milestone transaction involved 90 North acting as the investment advisor to KAMCO Investment Company, a leading investment company with one of the largest assets under management in the GCC, on the acquisition of a brand new office development in Cincinnati in the US.

University of Bolton hosts Islamic finance symposium

UK: The Center for Islamic Finance of the University of Bolton on the 26th October hosted its first Islamic finance symposium, welcoming experts from the Islamic finance industry and academia in a day of analysis and debate on financial practice and theoretical positions around the Islamic financial sector.

The event was opened by Professor George E Holmes DL, the university's vice-chancellor and Baroness Morris of Bolton, who is also the chairman of the center, delivered the keynote address.

MIDDLE EAST

Dubai to raise financing for airport expansion

UAE: The government of Dubai is arranging a US$3 billion financing for the expansion of the Al Maktoum International Airport, where the funds will include Islamic and conventional tranches, according to a statement published by the UAE state news agency WAM. The proposed financing arrangement is being coordinated by the Department of Finance for the government of Dubai, the Investment Corporation of Dubai and Dubai Aviation City Corporation, with HSBC acting as the financial advisor.

Tadawul plans launching of REITs

SAUDI ARABIA: The Saudi Stock Exchange (Tadawul) plans to list multiple real estate investment traded funds (REITs) by the end of the year, the bourse announced on its website. Furthermore, Tadawul will establish an independent sector for REITs on its current equity market, where investors may buy and sell units of the fund via the same mechanism currently used for equities. It was not stated, however, if the REITs will be conventional or Islamic in nature. The plan is aligned with the Kingdom's Vision 2030 and Tadawul's strategic roadmap to provide a wide range of investment tools in addition to equities and bonds.

NASDAQ Dubai grows Sukuk listings value

UAE: The value of Sukuk listings on NASDAQ Dubai reached US$43 billion on the 2nd November following the listing of a US$500 million facility by Sharjah Islamic Bank, reaffirming its position as the world's largest exchange for Sukuk listings, according to a statement.

PayExpo MENA to be held in Dubai

UAE: Dubai has been chosen as the venue for the world-renowned payments event, PayExpo MENA, taking place from the 5th-7th December 2016. The conference and exhibition will gather over 1,000 industry leaders from the entire payments chain from all over the world to meet, network, do business and learn in one of the fastest-growing and most competitive markets for smart payments in the region. Find out more at www.payexpo.com/mena/islamic-finance-news.

AIT plans capital increase

EGYPT: Assiut Islamic Trading (AIT) is aiming to raise its capital from EGP57.87 million (US$6.51 million) to EGP60.7 million (US$6.83 million), up by EGP2.89 million (US$325,278) distributed across 289,370 shares, according to Mubasher Info. The firm has filed a disclosure report to the Egyptian Exchange to list its post-capital increase shares on the bourse.

Ithmaar to provide home finance for Riffa project

BAHRAIN: Ithmaar Bank will be providing government-subsidized home financing under the Mazaya scheme (previously known as the Social Housing Scheme) for first-time house buyers in a new development in Riffa, according to a statement. The announcement follows the signing of an MoU between Ithmaar

and Eskan Bank to provide government-subsidized financing for the Danaat Al Riffa development: a three-building, six-storey, 84-apartment housing project. The agreement is the second of its kind between the two institutions after the Danat Al Seef housing project.

Ajman Bank closes Murabahah deal

UAE: Ajman Bank has secured a US$230 million two-year Murabahah financing, according to Reuters. Noor Bank acted as the investment agent and bookrunner while Dubai Islamic Bank also held a lead role in the transaction.

Separately, Ajman Bank has also implemented a co-location data center and a range of IT infrastructure management solutions, provided by Schneider Electric, at its premises, the Islamic bank said in a statement. The network architecture comprises the biggest co-location data center in Ajman, state-of-the-art physical infrastructure and cooling solutions to maximum uptime.

EI offers green financing options

UAE: Emirates Islamic (EI) and Dubai Green Economy Partnership have entered into an agreement through which EI will provide flexible financing options through its credit card and personal financing product suite to facilitate individual consumers in Dubai in purchasing green products via the Green Deal e-commerce platform, according to a press release.

CMA releases second market listing rules

SAUDI ARABIA: The Capital Market Authority (CMA) expects to begin listing companies in Saudi's second market after the final version of the Second Market Listing Rules has been approved. According to a statement, the regulator is now seeking feedback on the draft rules which consist of 29 articles and seven annexes covering registration criteria among others. The public consultation period for the draft will be closed on the 14th November 2016.

DIB streamlines IPO subscriptions payment

UAE: Dubai Islamic Bank (DIB), the Department of Finance of the government of Dubai and Dubai Financial Market (DFM) have signed an MoU to streamline payments of IPO subscriptions, according to a statement. Under this agreement, DIB became the first bank to enable investors who participate in IPOs and rights Issues implemented through DFM's 'eIPO' platform to subscribe by directly debiting their accounts as well as receiving the excess amounts.

IDB and PHC sign home financing deal

PALESTINE: The IDB and the Palestinian Housing Council (PHC) has signed a new home financing agreement which increases the value of home financing that East Jerusalem residents can procure from US$80,000 to US$150,000. According to the Palestinian News & Info Agency, the scheme also increases the repayment period from the current 14 years to 20 years.

BAJ to expand remittance business

SAUDI ARABIA: Bank AlJazira (BAJ) is planning to expand Fawri Money Transfer Services by opening several new branches across the Kingdom, Arab News reported. The bank currently operates 40 remittance centers and total remittance sent out of from the Kingdom exceeds SAR140 billion (US$37.31 billion) annually.

Alizz Islamic plans new products

OMAN: Alizz Islamic Bank will launch a new internet and mobile banking platform in the fourth quarter, confirmed Chairman Sayyid Taimur Asad Tarik Al Said, in a statement. Sayyid also revealed that the bank will introduce a wealth management segment before the end of the year along with other products and services.

ASSET MANAGEMENT

IBBL's new fund approved

BANGLADESH: The Bangladesh Securities and Exchange Commission has approved the prospectus of the SEML IBBL Shariah Fund, a closed-end mutual fund by Islami Bank Bangladesh (IBBL), according to The Financial Express. The size of the fund will be BDT1 billion (US$12.69 million) and the offer price of the units will be BDT10 (12.69 US cents) each. IBBL is the sponsor of the SEML IBBL Shariah Fund, with Strategic Equity Management as the fund manager and Investment Corporation of Bangladesh as the trustee and custodian.

BIMB Investment declares distributions for four funds

MALAYSIA: BIMB Investment Management, a wholly-owned subsidiary of Bank Islam Malaysia, has declared income distributions amounting to more than RM8.07 million (US$1.92 million) for the following funds: BIMB i Dividend Fund (0.73 Malaysian sen (0.17 US cent) per unit); BIMB Dana Al-Fakhim (0.4 sen (0.1 US cent) per unit); BIMB Dana Al-Falah (1.38 sen (0.33 US cent) per unit); and BIMB Dana Al-Munsif (1.34 sen (0.32 US cent) per unit). According to a statement, as at the 31st August 2016, BIMB Investment currently manages over RM1.01 billion (US$240.36 million) in assets under management of Shariah compliant assets covering equity, Sukuk and the money market.

RESULTS

Meezan Bank

PAKISTAN: Pakistan's eighth-largest bank, Meezan Bank, recorded a profit after tax of PKR4.11 billion (US$39.15 million) during the third quarter of 2016, a 4% increase year-on-year from PKR3.95 billion (US$37.63 million) during the corresponding period of 2015, according to a statement. The bank's Islamic financings and related assets grew by 43% during the period, while a major milestone during the quarter was the issuance of subordinated Sukuk (Tier II) amounting to PKR7 billion (US$66.69 million), which would strengthen the bank's capital adequacy ratio and support its future growth strategy.

Kuwait Finance House

KUWAIT: Kuwait Finance House recorded a net profit of KWD123.1 million (US$406.27 million) for the period ended September 2016, an increase of 16.5% from KWD105.7 million (US$348.85 million) posted during the same period of 2015, according to a press statement. The bank's total assets reached KWD16.64 billion (US$54.74 million) during the period, a 1% increase compared to the end of 2015.

Bahrain Islamic Bank

BAHRAIN: Bahrain Islamic Bank registered a net profit of BHD1.2 million (US$3.16 million) for the three-month period ending the 30th September, up 221% from BHD374,000 (US$984,107) achieved in 2015. The Islamic bank, however, noted in statement that its nine-month net profit declined 50% year-on-year to BHD4.3 million (US$11.31 million) after deducting BHD6 million (US$15.79 million) as net provisions.

QInvest

QATAR: For the first nine months of 2016, QInvest realized revenue of US$92.5 million with operating profit of US$50 million, up 18% and 19% respectively compared with the corresponding period in 2015. In a statement, QInvest noted that it has maintained a robust balance sheet with US$189 million of liquidity and a regulatory capital adequacy ratio of 35%.

The investment group's real estate business continued to focus on defensive yielding equity opportunities in addition to conservative financing capital deployment. The business is in the process of closing two high-yielding financing transactions which will deliver strong risk-adjusted returns in 2016 and 2017. Additionally, the business is looking to invest into a co-sponsored general partnership platform that will seek to raise capital from limited partners. The investment structure will focus on multifamily transactions in the US.

Alizz Islamic Bank

OMAN: Alizz Islamic Bank's financing receivables stood at OMR275.9 million (US$716.44 million) for the third quarter of 2016, a 62.4% growth year-on-year compared with the corresponding period in 2015, according to a statement. Deposits grew to OMR268.9 million (US$698.26 million) during the quarter, representing an 84.7% growth from the same period in the previous year.

Ahli United Bank Kuwait

KUWAIT: For the period ending the 30th September, Ahli United Bank Kuwait (AUBK) posted a net profit of KWD39.1 million (US$128.62 million) after considering the additional precautionary provision of KWD11.8 million (US$38.82 million), according to Kuwait Times. The Islamic bank said that its profits are driven by its core businesses of corporate banking, retail banking, private banking and treasury. AUBK registered a 4.8% growth in total assets to KWD4.04 billion (US$13.29 billion).

TAKAFUL

HLFG and unit end stake negotiations

MALAYSIA: According to a filing to Bursa Malaysia, Hong Leong Financial Group (HLFG) and HLA Holdings have mutually agreed to cease negotiations as both entities could not reach an acceptable commercial agreement with Bank Negara Malaysia's approved negotiating parties. On the 30th June, HLFG announced that it has received the central bank's approval to commence negotiations with HLA Holdings to sell the unit's stakes in Hong Leong Assurance and Hong Leong MSIG Takaful.

ICIEC and K-sure collaborate

KOREA: The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) and Korea Trade Insurance Corporation (K-sure) have signed a reinsurance agreement aimed at expanding mutual business opportunities, according to a statement. Under the agreement, the ICIEC will reinsure commercial and political risks related to medium/long-term export credit transactions which involve Korean exporters and contractors selling capital goods and services to ICIEC member countries. The ICIEC will also extend reinsurance support to K-sure for Korean investors investing in ICIEC member countries.

Ayady Takaful unveils online portal

MALDIVES: The Takaful window of Allied Insurance Company, Ayady Takaful, has introduced its online portal known as Ayady Online. The platform is an easier means for customers to obtain the Takaful certificate and also to access other insurance services such as Motor Takaful and Travel Takaful.

RATINGS

K-Electric AZM's Sukuk under review

GLOBAL: The Islamic International Rating Agency (IIRA) in a statement said that it has reviewed the recent development with regards to the sale and purchase agreement entered into by KES Power (majority-owned by Abraaj Group) to sell its controlling stake of 66.4% in K-Electric to Shanghai Electric Power and is of the view that it is credit positive for K-Electric. However, as the proposed transaction remains subject to regulatory approvals, the IIRA will review the outstanding ratings of K-Electric AZM's Sukuk upon the finalization of the share transfer.

CI affirms Ahli Bank's rating

OMAN: Capital Intelligence (CI) has affirmed the financial strength rating on Oman-based Ahli Bank, which offers Islamic banking services, at 'BBB', given the bank's well-regarded management, very sound loan asset quality, improved capital adequacy ratio and good profitability at all levels, according to a statement.

CI revises Bank Alfalah's rating

PAKISTAN: Capital Intelligence (CI) has revised the financial strength rating on Karachi-based Bank Alfalah to 'BB' from 'BB-', according to a statement.

IIRA reaffirms Jordan Islamic Bank's ratings

JORDAN: The Islamic International Rating Agency (IIRA) has reaffirmed the national scale ratings on Jordan Islamic Bank at 'A+(jo)/A1(jo)', according to a statement. On the international scale, ratings have been reaffirmed with the foreign currency rating at 'BB+/A3' and local currency rating at 'BBB-/A3'. Outlook on the assigned ratings is stable.

Ratings on TSH's Sukuk SPVs affirmed

MALAYSIA: The 'AA-IS' rating on TSH Sukuk Ijarah (TSH Ijarah)'s RM300 million (US$71.39 million) Sukuk Ijarah medium-term note (IMTN) program and the 'MARC-1IS/AA-IS' ratings on TSH Sukuk Murabahah (TSH Murabahah)'s RM50 million (US$11.9 million) Islamic commercial paper and RM150 million (US$35.7 million) IMTN programs have been affirmed by MARC with all ratings carrying stable outlooks. According to a statement, the ratings are premised on TSH Resources (TSH)'s healthy cash flow-generating ability on account of its long track record in palm oil cultivation, its relatively low production costs and its healthy tree maturity profile.

Concurrently, the rating agency also affirmed TSH Sukuk Musharakah (TSH Musharakah)'s RM100 million (US$23.8 million) guaranteed IMTN program with a stable outlook based on the unconditional and irrevocable financial guarantee insurance provided by Danajamin Nasional ('AAA/Stable'). TSH Ijarah, TSH Murabahah and TSH Musharakah are the SPVs of TSH to fund the parent company's crude palm oil operations.

Antara Steel Mills's Sukuk affirmed

MALAYSIA: The 'AAAIS(fg)' rating on Antara Steel Mills's RM300 million (US$71.21 million) Sukuk Mudarabah program has been affirmed with a stable outlook by MARC. The rating agency said in a statement that the affirmation is underpinned by the unconditional and irrevocable financial guarantee provided by Danajamin Nasional, rated 'AAA/Stable'.

WCT Holdings's Sukuk placed on watch

MALAYSIA: WCT Holdings's debt and Sukuk ratings have been placed on MARCWatch Developing, MARC said in a statement. Affecting the firm's RM1.5 billion (US$356.08 million) 15-year Sukuk Murabahah program rated 'AA-IS' with a negative outlook, the rating action reflects the potential change in credit profile arising from the change in control and existing management at WCT Holdings.

IIRA maintains Bank AlJazira's ratings

SAUDI ARABIA: The Islamic International Rating Agency (IIRA) has maintained Bank AlJazira's ratings at 'A-/A2' on the international scale and 'A+(sa)/A1(sa)' on the national scale, according to a statement. The rating agency noted that the outlook on the ratings has been assessed as negative, while the fiduciary score has been reassessed and maintained in the range of 71-75, reflecting adequate fiduciary standards.

S&P affirms Malaysia

MALAYSIA: S&P has affirmed Malaysia's 'A-' long-term and 'A-2' short-term foreign currency sovereign credit ratings and also its 'A' long-term and 'A-1' short-term local currency sovereign credit ratings with the outlook on the long-term rating remaining stable, according to a statement. The rating agency noted that Malaysia's strong external position and fairly diverse economy can absorb further weakness in the oil and gas sector. S&P also affirmed the country's 'axAAA/axA-1+' ASEAN regional scale rating.

MOVES

Ahli United Bank

BAHRAIN: Ahli United Bank, which also offers Islamic banking services, has appointed **David Hodgkinson** to its board of directors as an independent director, according to a statement.

Bank Negara Malaysia

MALAYSIA: Bank Negara Malaysia has appointed new members of the Shariah Advisory Council (SAC) for a period of three years (2016-19), effective the 1st November, according to a statement.

The new members of the SAC include: **Ghazali Abdul Rahman**, Shariah legal advisor at the Attorney-General's Chambers; **Sahibus Samahah Dr Zulkifli Mohamad Al-Bakri**, the Mufti of Wilayah Persekutuan; **Dr Mohd Daud Bakar**, the executive director of Amanie Advisors; **A Aziz A Rahim**, a former judge of the Court of Appeal of Malaysia; **Dr Mohamad Akram Laldin**, the executive director of the International Shari'ah Research Academy for Islamic Finance (ISRA); **Dr Engku Rabiah Adawiah Engku Ali**, a professor at the IIUM Institute of Islamic Banking and Finance of International Islamic University Malaysia (IIUM); **Dr Ashraf Md Hashim**, CEO of ISRA Consultancy; **Dr Asmadi Mohamed Naim**, an associate professor at the Islamic Business School of Universiti Utara Malaysia; **Shamsiah Mohamad**, a senior researcher at ISRA; and **Burhanuddin Lukman**, an ISRA researcher.

Turkiye Varlik Yonetimi

TURKEY: Turkey has appointed **Mehmet Bostan** as the first general director of the country's first national wealth fund, according to Anadolu Agency, citing an official decree signed by Turkish Prime Minister **Binali Yildirim**. Mehmet was appointed as the head of the country's privatization administration in February this year to oversee the establishment of the wealth fund which will also utilize Islamic financial instruments.

Riyad Bank

SAUDI ARABIA: Riyad Bank has appointed **Abdullah Mohammed Ibrahim Essa** as the chairman of its board of directors for a three-year period until the 30th October 2019. The bank, according to a bourse filing, also formed new main committees of the board.

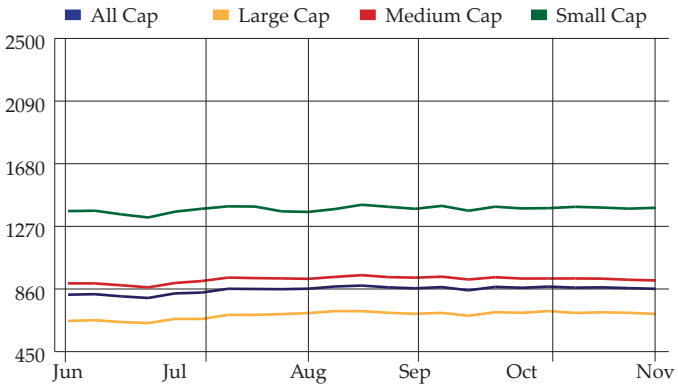
Standard Chartered

UAE: Standard Chartered has appointed **Mohamed Salama** as the head of banking in the UAE, effective immediately, and will report directly to **Sarmad Lone**, the head of banking, MENAP, according to a statement. Mohamed joins from HSBC, and was most recently the managing director, the head of Dubai banking coverage and the deputy head of UAE banking coverage.

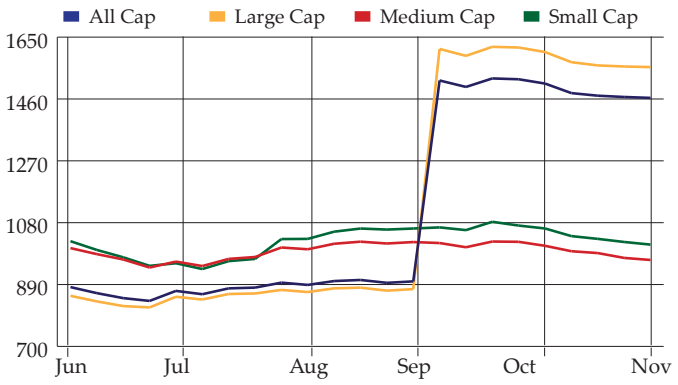
Expected date	Company's name	Size	Structure	Announcement Date
TBA	Etihad Airways	up to US$1 billion	Sukuk	8th November 2016
TBA	Sichuan Development Holdings	US$300 million	Sukuk	4th November 2016
TBA	Warba Bank	US$250 million	Sukuk	3rd November 2016
November 2016	Islamic Development Bank	TBA	Sukuk	28th October 2016
First quarter of 2017	National Real Estate Company	US$500 million	Sukuk	25th October 2016
TBA	Al Faisal Holding	US$200 million	Sukuk	19th October 2016
November 2016	Angkasa Pura I	IDR500 billion	Sukuk	18th October 2016
TBA	Housing Development Finance Corporation of Maldives	TBA	Sukuk	13th October 2016
TBA	APM Automotive Holdings	up to RM1.5 billion	Sukuk Murabahah	11th October 2016
TBA	Shatel	IRR10 trillion	Sukuk Murabahah	10th October 2016
2017	Muhammadiyah	up to IDR1 trillion	Sukuk	28th September 2016
TBA	Aktif Bank	TRY25 million	Sukuk Murabahah	26th August 2016
TBA	Widad Capital	up to RM110 million	Sukuk Murabahah	23rd August 2016
First quarter of 2017	Government of Nigeria	TBA	Sukuk	11th August 2016
Fourth quarter of 2016	Malaysia Debt Ventures	up to RM1 billion	Sukuk	4th August 2016
August-September 2016	DanaInfra Nasional	RM10 billion	Sukuk	19th July 2016
2017	Government of Kuwait	up to KWD5 billion	Sukuk	4th July 2016
TBA	Iranian Mines and Mining Industries Development and Renovation Organization	IRR4 trillion	Sukuk Musharakah	24th June 2016
TBA	Tiga Pilar Sejahtera Food	IDR1.5 trillion	Sukuk	17th 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
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
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
2017	Government of Kenya	TBA	Sukuk	26th January 2016
TBA	Toprak Mahsulleri Ofisi	up to TRY600 million	Sukuk	7th January 2016

REDMONEY SHARIAH INDEXES

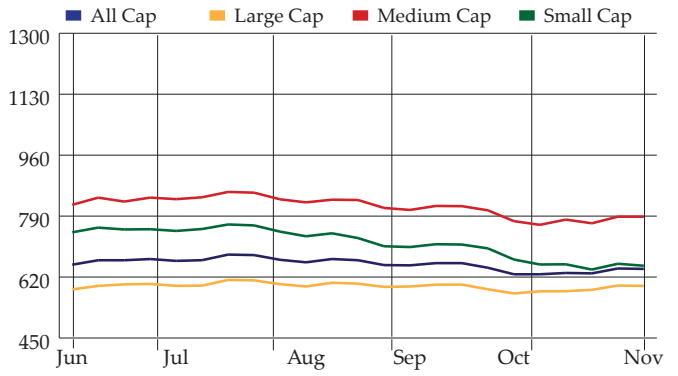
REDmoney Asia ex. Japan — *6 Months*



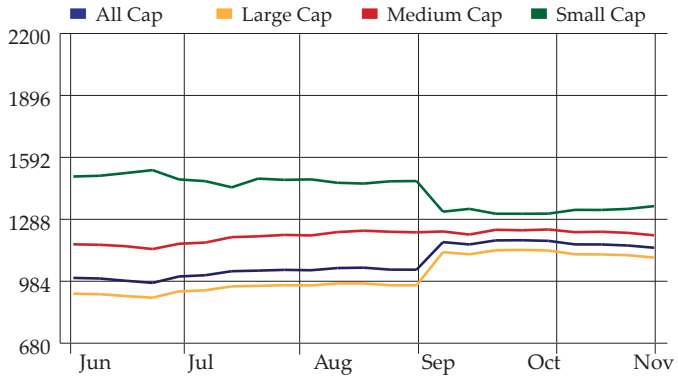
REDmoney Europe — *6 Months*



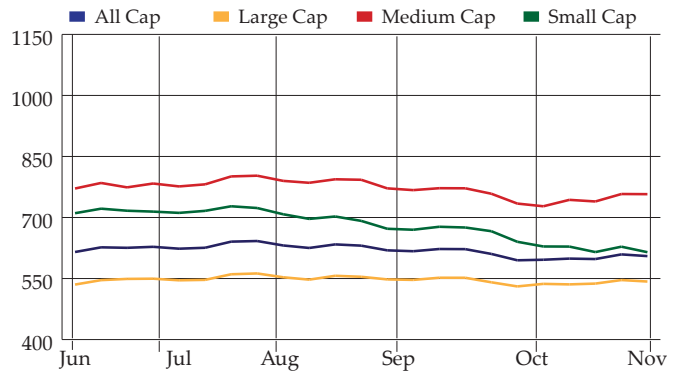
REDmoney GCC — *6 Months*



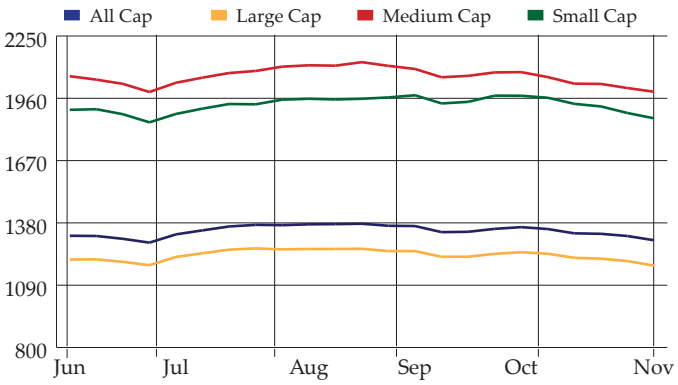
REDmoney Global — *6 Months*



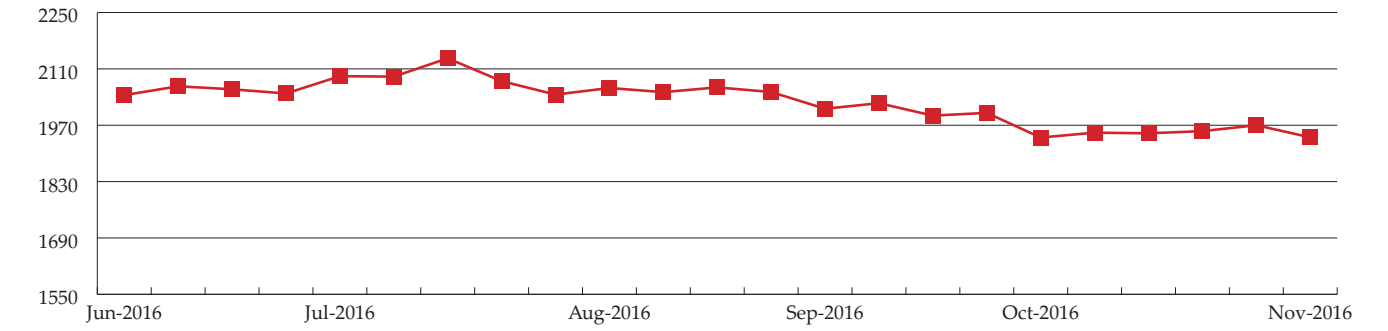
REDmoney MENA — *6 Months*



REDmoney US — *6 Months*

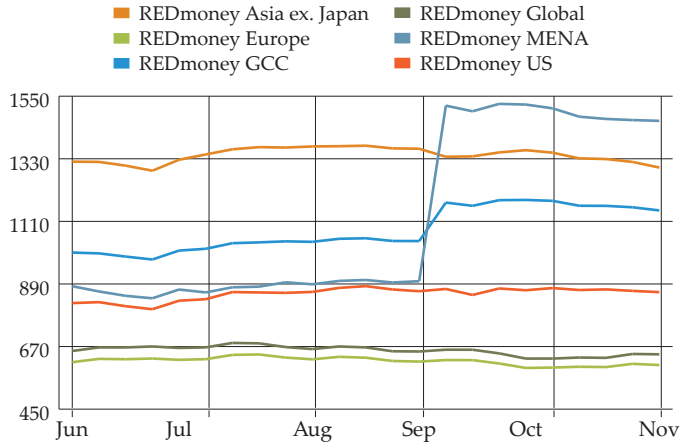


SAMI Halal Food Participation (All Cap) — *6 months*

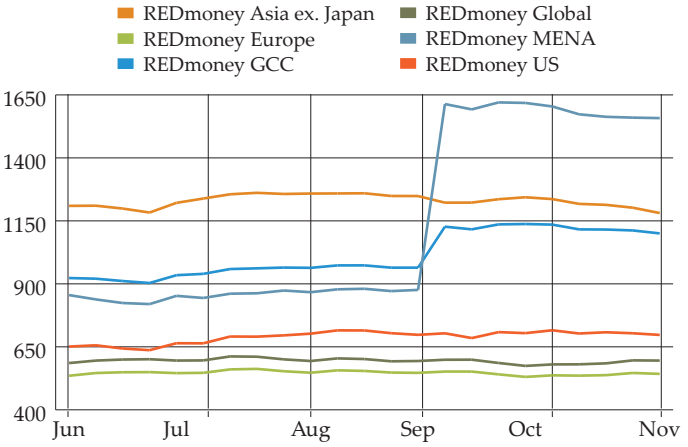


REDMONEY SHARIAH INDEXES

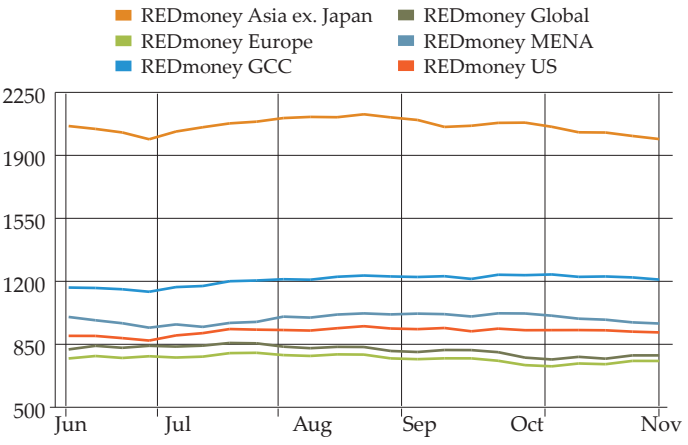
REDmoney Global Shariah Index Series (All Cap) *6 Months*



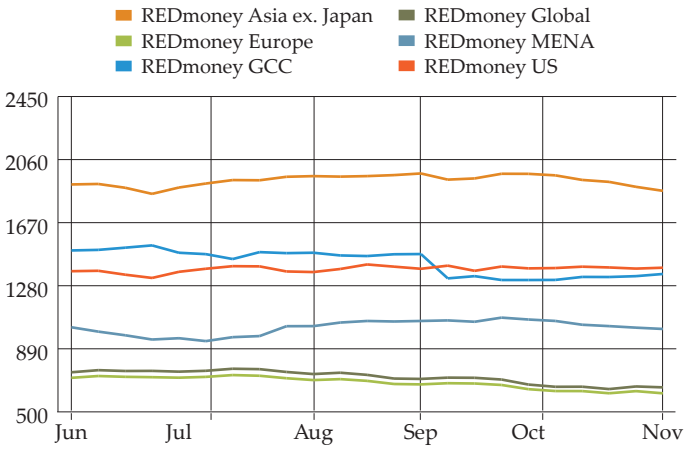
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



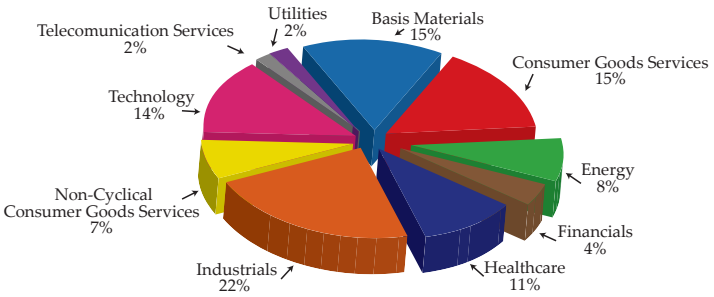
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



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®

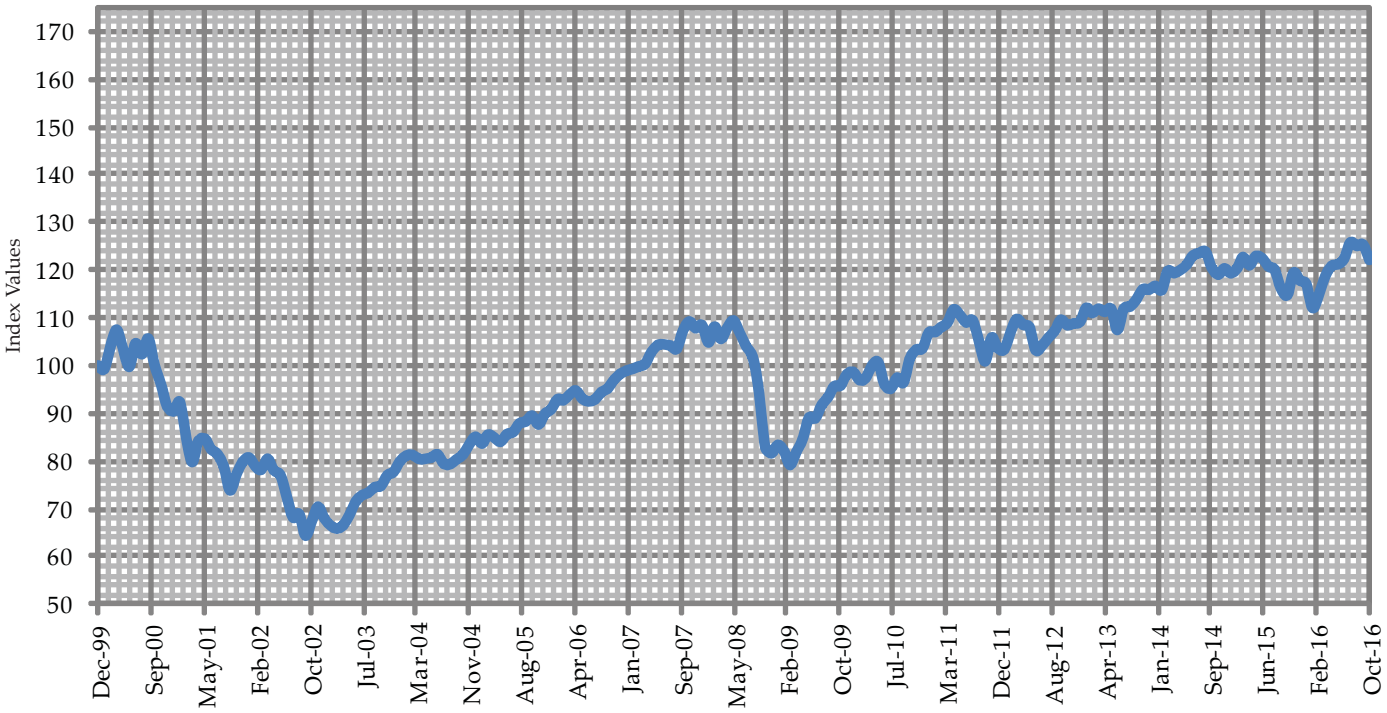
For further information regarding REDmoney Indexes contact:

Andrew Morgan
Managing Director, REDmoney Group

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

EUREKAHEDGE FUNDS TABLES

Eurekahedge Global Islamic Fund Index



Top 5 Monthly Returns for Global Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Al Rajhi Commodity Mudarabah - USD	Al Rajhi Bank	0.15	Saudi Arabia
2	Watani KD Money Market	National Bank of Kuwait	0.04	Cayman Islands
3	Watani USD Money Market	National Bank of Kuwait	0.01	Cayman Islands
4	Emirates Islamic Global Balanced - Class A USD	Emirates NBD Asset Management	-1.66	Jersey
5	CIMB Islamic Greater China Equity	UOB Asset Management	-1.69	Malaysia
	Eurekahedge Islamic Fund Index		**(2.58)**	

Based on 47.37% of funds which have reported October 2016 returns as at the 7th November 2016

Top 10 Monthly Returns for ALL Funds

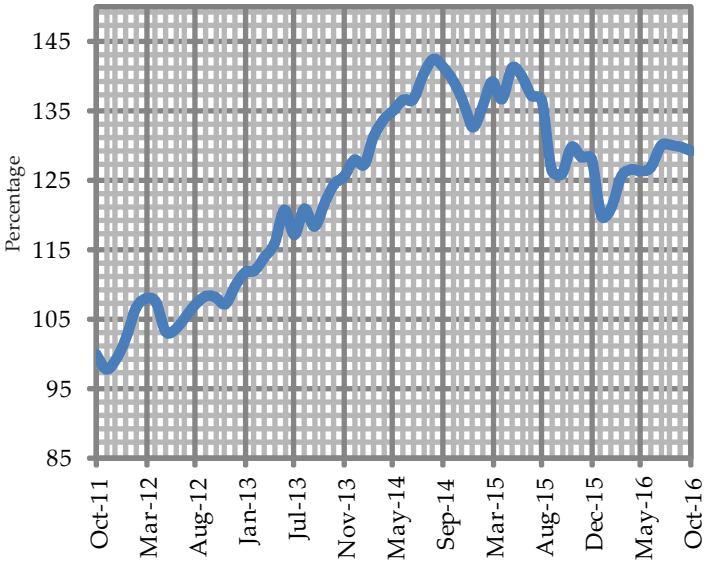
	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Al Rajhi Saudi Equity	Al Rajhi Bank	6.05	Saudi Arabia
2	NBAD Islamic MENA Growth	National Bank of Abu Dhabi	4.06	UAE
3	Al Rajhi GCC Equity	Al Rajhi Bank	3.15	Saudi Arabia
4	Emirates MENA Opportunities - Class A USD	Emirates NBD Asset Management	2.66	Jersey
5	CIMB Islamic Small Cap	CIMB-Principal Asset Management	2.18	Malaysia
6	Mandiri Investa Atraktif - Syariah (Mitra Syariah)	Mandiri Manajemen Investasi	1.64	Indonesia
7	Al Rajhi Multi Asset Growth	Al Rajhi Bank	1.13	Saudi Arabia
8	BIMB i-Growth	BIMB UNIT Trust Management (BUTM)	1.10	Malaysia
9	CIMB Islamic DALI Equity Theme	UOB Asset Management	0.95	Malaysia
10	Mandiri Investa Syariah Berimbang	Mandiri Manajemen Investasi	0.94	Indonesia
	Eurekahedge Islamic Fund Index		**(0.31)**	

Based on 36.76% of funds which have reported October 2016 returns as at the 7th November 2016

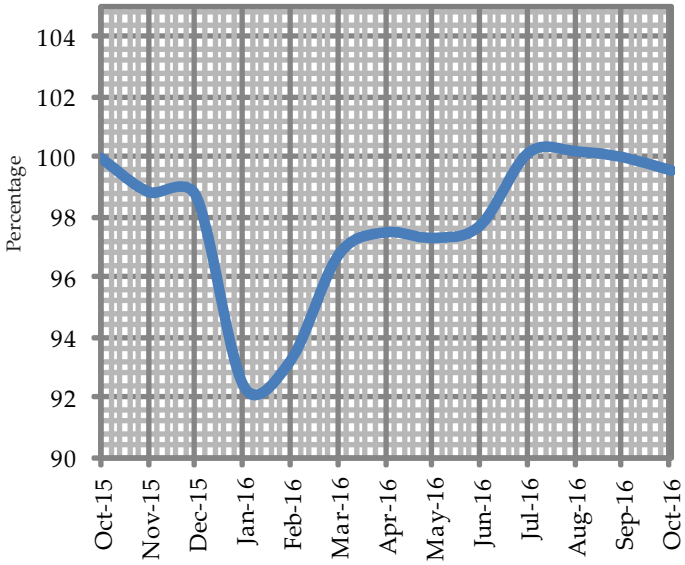
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity,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

EUREKAHEDGE FUNDS TABLES

Eurekahedge Islamic Fund Money Market Index over the last 5 years



Eurekahedge Islamic Fund Money Market Index over the last 1 year



Top 10 Islamic Fund Equity by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	BIMB i-Growth	BIMB UNIT Trust Management (BUTM)	5.38	Malaysia
2	AMB Dana Yakin	Amanah Mutual	3.84	Malaysia
3	CIMB Islamic DALI Equity Theme	UOB Asset Management	2.68	Malaysia
4	CIMB Islamic DALI Equity	CIMB-Principal Asset Management	2.11	Malaysia
5	CIMB Islamic Small Cap	CIMB-Principal Asset Management	2.00	Malaysia
6	CIMB Islamic Equity Aggressive	UOB Asset Management	1.69	Malaysia
7	Atlas Islamic Income	Atlas Asset Management	1.63	Pakistan
8	WSF Asian Pacific - USD I	Cogent Asset Management	1.49	Guernsey
9	Hang Seng Islamic China Index	Hang Seng Investment Management	1.36	Hong Kong
10	MAA Takaful Shariah Growth	Zurich Takaful Malaysia	1.27	Malaysia
	Eurekahedge Islamic Fund Index		**(0.59)**	

Based on 37.50% of funds which have reported October 2016 returns as at the 7th November 2016

Top 5 Islamic Fund Global by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	CIMB Islamic Greater China Equity	UOB Asset Management	1.85	Malaysia
2	Al Rajhi Commodity Mudarabah - USD	Al Rajhi Bank	0.46	Saudi Arabia
3	Watani KD Money Market	National Bank of Kuwait	0.14	Cayman Islands
4	AmOasis Global Islamic Equity	AmInvestment Management	0.13	Malaysia
5	Watani USD Money Market	National Bank of Kuwait	0.03	Cayman Islands
	Eurekahedge Islamic Fund Index		**(2.91)**	

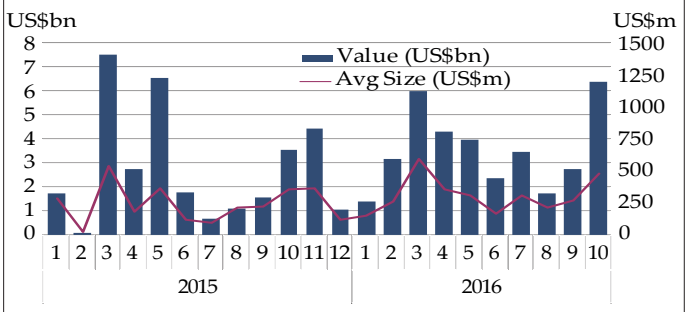
Based on 47.37% of funds which have reported October 2016 returns as at the 7th November 2016

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

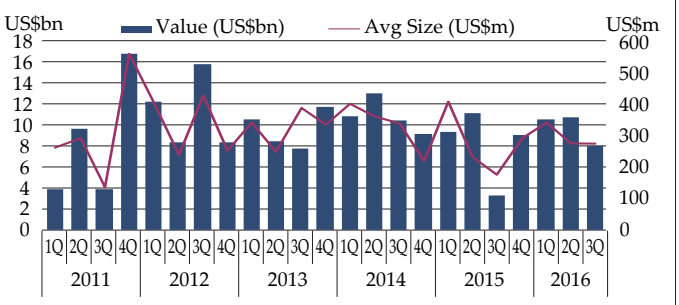
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
31st Oct 2016	Bank Pembangunan Malaysia	Malaysia	Sukuk	Domestic market public issue	357	HSBC, CIMB Group
25th Oct 2016	Kuveyt Turk Katilim Bankasi	Kuwait	Sukuk	Foreign market public issue	500	Standard Chartered Bank, Kuwait Finance House, Arab Banking, Dubai Islamic Bank, Emirates NBD, QInvest, Noor Bank
24th Oct 2016	Celcom Networks	Malaysia	Sukuk	Domestic market public issue	133	HSBC, CIMB Group
20th Oct 2016	Maxis Broadband	Malaysia	Sukuk	Domestic market public issue	120	AmInvestment Bank
18th Oct 2016	Ahli United Bank	Bahrain	Sukuk	Euro market public issue	200	Credit Suisse, Citigroup, Credit Agricole
12th Oct 2016	TNB Global Ventures Capital	Malaysia	Sukuk	Euro market public issue	750	BNP Paribas, HSBC, CIMB Group, Citigroup
12th Oct 2016	Cagamas	Malaysia	Sukuk	Domestic market private placement	139	CIMB Group
12th Oct 2016	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	1,079	HSBC, RHB Capital, Maybank, CIMB Group, AmInvestment Bank
5th Oct 2016	Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup, Noor Bank
4th Oct 2016	Kingdom of Bahrain	Bahrain	Sukuk	Euro market public issue	2,000	Standard Chartered Bank, JPMorgan, BNP Paribas, Arab Banking, Credit Suisse
26th Sep 2016	Edaran SWM Sdn	Malaysia	Sukuk	Domestic market public issue	194	CIMB Group, Hong Leong Financial Group
22nd Sep 2016	UMW Holdings	Malaysia	Sukuk	Domestic market public issue	169	Maybank, CIMB Group
8th Sep 2016	Lembaga Pembiayaan Perumahan Sektor Awam	Malaysia	Sukuk	Domestic market public issue	986	OCBC, RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group, Affin Investment Bank, AmInvestment Bank
7th Sep 2016	Emaar Sukuk	UAE	Sukuk	Euro market public issue	750	Mashreqbank, Standard Chartered Bank, Arab Banking, National Bank of Abu Dhabi, First Gulf Bank, Dubai Islamic Bank, Union National Bank, Emirates NBD, Noor Bank
1st Sep 2016	SIB Sukuk Co III	UAE	Sukuk	Euro market public issue	500	Standard Chartered Bank, HSBC, Kuwait Finance House, Arab Banking, Maybank, Dubai Islamic Bank, Emirates NBD, QNB Capital, Noor Bank
30th Aug 2016	EI Sukuk	UAE	Sukuk	Euro market public issue	250	Standard Chartered Bank, Arab Banking, Dubai Islamic Bank, Emirates NBD
19th Aug 2016	Lebuhraya DUKE Fasa 3	Malaysia	Sukuk	Domestic market public issue	912	RHB Capital, Maybank, CIMB Group, AmInvestment Bank
9th Aug 2016	Qatar Islamic Bank	Qatar	Sukuk	Euro market public issue	368	Standard Chartered Bank
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

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter



Top 30 Issuers of Global Sukuk *12 Months*

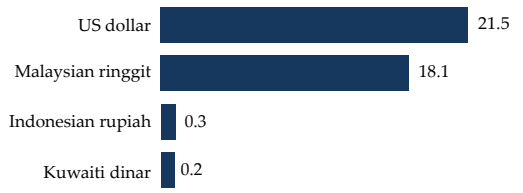
	Issuer	Nationality	Instrument	Market	US$ (mln)	Iss (%)	Managers
1	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	2,500	6.2	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, CIMB Group, Citigroup
2	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	2,242	5.6	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank
3	Jimah East Power	Malaysia	Sukuk	Domestic market public issue	2,100	5.3	HSBC, Maybank, CIMB Group
4	Kingdom of Bahrain	Bahrain	Sukuk	Euro market public issue	2,000	5.0	Standard Chartered Bank, JPMorgan, BNP Paribas, Arab Banking, Credit Suisse
5	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	1,600	4.0	Standard Chartered Bank, JPMorgan, National Bank of Kuwait, Gulf International Bank, Natixis, CIMB Group, Emirates NBD
6	Malaysia Sukuk Global	Malaysia	Sukuk	Euro market public issue	1,500	3.8	JPMorgan, HSBC, Maybank, CIMB Group
7	Sarawak Hidro	Malaysia	Sukuk	Domestic market public issue	1,365	3.4	RHB Capital, Maybank
8	DP World	UAE	Sukuk	Euro market public issue	1,200	3.0	JPMorgan, Deutsche Bank, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Barclays, Dubai Islamic Bank, SG Corporate & Investment Banking, Citigroup, Emirates NBD
9	Prasarana Malaysia	Malaysia	Sukuk	Domestic market public issue	1,192	3.0	RHB Capital, Maybank, Kenanga Investment Bank, CIMB Group, AmInvestment Bank
10	Danga Capital	Malaysia	Sukuk	Domestic market public issue	1,110	2.8	RHB Capital, AmInvestment Bank, Standard Chartered Bank, DBS, CIMB Group
11	EI Sukuk	UAE	Sukuk	Euro market public issue	1,007	2.5	Standard Chartered Bank, HSBC, Arab Banking, Maybank, Dubai Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank
12	Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	2.5	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup, Noor Bank
12	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	2.5	Standard Chartered Bank, HSBC, Emirates NBD
12	Axiata SPV2	Malaysia	Sukuk	Euro market public issue	1,000	2.5	Deutsche Bank, HSBC, CIMB Group
15	Lembaga Pembiayaan Perumahan Sektor Awam	Malaysia	Sukuk	Domestic market public issue	986	2.5	OCBC, RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group, Affin Investment Bank, AmInvestment Bank
16	Lebuhraya DUKE Fasa 3	Malaysia	Sukuk	Domestic market public issue	912	2.3	RHB Capital, Maybank, CIMB Group, AmInvestment Bank
17	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	880	2.2	Maybank, CIMB Group, Affin Investment Bank, AmInvestment Bank
18	Kuveyt Turk Katilim Bankasi	Kuwait	Sukuk	Euro market public issue	850	2.1	HSBC, Kuwait Finance House, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates NBD, Kuwait Projects, QInvest, Noor Bank, Standard Chartered Bank, Arab Banking
19	TNB Global Ventures Capital	Malaysia	Sukuk	Euro market public issue	750	1.9	BNP Paribas, HSBC, CIMB Group, Citigroup
19	Emaar Sukuk	UAE	Sukuk	Euro market public issue	750	1.9	Mashreqbank, Standard Chartered Bank, Arab Banking, National Bank of Abu Dhabi, First Gulf Bank, Dubai Islamic Bank, Union National Bank, Emirates NBD, Noor Bank
21	Pengurusan Air SPV	Malaysia	Sukuk	Domestic market public issue	748	1.9	RHB Capital, Maybank, CIMB Group, AmInvestment Bank
22	Jambatan Kedua	Malaysia	Sukuk	Domestic market public issue	644	1.6	RHB Capital, Maybank, Kenanga Investment Bank, AmInvestment Bank
23	Cagamas	Malaysia	Sukuk	Domestic market public issue	578	1.4	CIMB Group, Maybank
24	Sime Darby	Malaysia	Sukuk	Domestic market public issue	535	1.3	Maybank
25	Sultanate of Oman	Oman	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank
25	SIB Sukuk Co III	UAE	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank, HSBC, Kuwait Finance House, Arab Banking, Maybank, Dubai Islamic Bank, Emirates NBD, QNB Capital, Noor Bank
25	Noor Bank	UAE	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank, First Gulf Bank, Dubai Islamic Bank, Sharjah Islamic Bank, Citigroup, Emirates NBD, Noor Bank
25	Emirate of Sharjah	UAE	Sukuk	Euro market public issue	500	1.3	Bank of Sharjah, HSBC, Barclays, Dubai Islamic Bank, Sharjah Islamic Bank, Commerzbank Group
25	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank, HSBC, Arab Banking, National Bank of Abu Dhabi, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD
30	Hilal Services	Saudi Arabia	Sukuk	Euro market private placement	500	1.3	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
	Total				**40,039**	**100**	

DEALOGIC LEAGUE TABLES

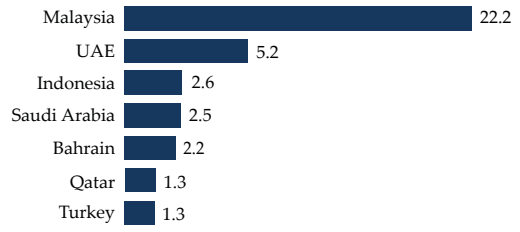
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	CIMB Group	6,504	43	16.2
2	Maybank	5,298	35	13.2
3	Standard Chartered Bank	4,007	22	10.0
4	RHB Capital	3,440	32	8.6
5	HSBC	2,909	19	7.3
6	AmInvestment Bank	2,465	21	6.2
7	Dubai Islamic Bank	1,544	15	3.9
8	Emirates NBD	1,491	15	3.7
9	Deutsche Bank	1,237	5	3.1
10	JPMorgan	1,209	5	3.0
11	Citigroup	1,146	6	2.9
12	National Bank of Abu Dhabi	875	6	2.2
13	Arab Banking Corporation	854	8	2.1
14	Noor Bank	670	9	1.7
15	BNP Paribas	588	2	1.5
16	Credit Suisse	467	2	1.2
17	Kenanga Investment Bank	453	6	1.1
18	Hong Leong Financial Group	446	5	1.1
19	Affin Investment Bank	365	3	0.9
20	National Bank of Kuwait	311	3	0.8
21	First Gulf Bank	300	4	0.8
22	DBS	255	4	0.6
23	Sharjah Islamic Bank	226	3	0.6
24	OCBC	224	6	0.6
25	Natixis	214	1	0.5
25	Gulf International Bank	214	1	0.5
27	Kuwait Finance House	206	4	0.5
28	Barclays	203	2	0.5
29	Mashreqbank	183	2	0.5
30	QInvest	151	3	0.4
	Total	**40,039**	**131**	**100**

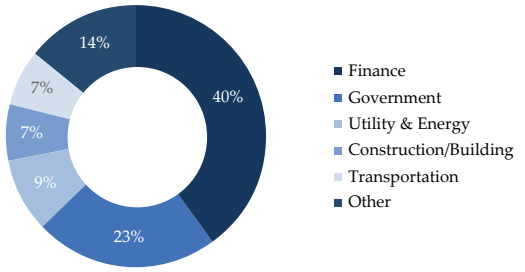
Sukuk Volume by Currency US$ (billion) *12 Months*



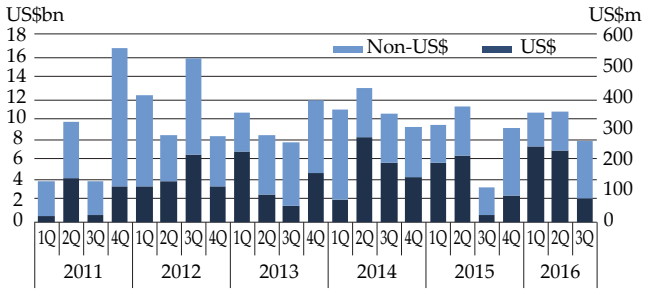
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



Global Sukuk Volume by Sector *12 Months*



Global Sukuk Volume - US$ Analysis



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

	Mandated Lead Arranger	US$ (million)	No	%
1	China Development Bank	821	2	9.0
2	Al Rajhi Capital	663	2	7.2
3	Banque Saudi Fransi	579	4	6.3
4	Alinma Bank	550	2	6.0
5	HSBC	497	3	5.4
5	Samba Capital & Investment Management	497	3	5.4
7	National Commercial Bank	491	3	5.4
8	Mitsubishi UFJ Financial Group	377	3	4.1
9	Aga Khan Fund for Economic Development	354	2	3.9
10	Standard Chartered Bank	329	3	3.6

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

	Legal Advisor	US$ (million)	No	%
1	Allen & Overy	3,197	3	23.6
2	Latham & Watkins	2,282	2	16.9
3	Baker & McKenzie	1,365	1	10.1
4	Adnan Sundra & Low	1,361	1	10.0
4	Zaid Ibrahim & Co	1,361	1	10.0
6	Norton Rose Fulbright	915	1	6.8
7	Clifford Chance	758	1	5.6
7	White & Case	758	1	5.6
9	Anjarwalla Collins & Haidermota	172	2	1.3
9	Haidermota & Co	172	2	1.3
9	Lincolns Law Chamber	172	2	1.3
9	Linklaters	172	2	1.3
9	Mohsin Tayebaly & Co	172	2	1.3

DEALOGIC LEAGUE TABLES

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

	Mandated Lead Arranger	US$ (mln)	No	%
1	Samba Capital	1,009	6	6.6
2	Banque Saudi Fransi	939	4	6.1
3	Saudi National Commercial Bank	933	4	6.1
4	Abu Dhabi Islamic Bank	912	7	6.0
5	Dubai Islamic Bank	632	9	4.1
6	China Development Bank	621	1	4.1
7	Abu Dhabi Commercial Bank	568	6	3.7
8	SABB	559	5	3.6
9	Noor Bank	545	8	3.6
10	Emirates NBD	523	6	3.4
11	Mashreqbank	438	5	2.9
12	Standard Chartered Bank	368	6	2.4
13	Al Rajhi Capital	366	2	2.4
14	Maybank	338	1	2.2
14	CIMB Group	338	1	2.2
16	Al Hilal Bank	307	3	2.0
17	AKFED	292	2	1.9
18	National Bank of Abu Dhabi	286	4	1.9
19	Alinma Bank	260	2	1.7
20	Riyad Bank	258	2	1.7
21	HSBC	253	4	1.7
22	Arab Banking Corporation	251	4	1.6
23	Credit Agricole	249	3	1.6
24	Bank Albilad	229	1	1.5
25	Union National Bank	216	2	1.4
26	Gulf International Bank	193	3	1.3
27	Sharjah Islamic Bank	179	3	1.2
28	Natixis	175	3	1.1
29	BBK	174	3	1.1
30	EBRD	170	1	1.1

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

	Bookrunner	US$ (mln)	No	%
1	Abu Dhabi Islamic Bank	1,626	7	18.2
2	Mashreqbank	1,050	3	11.8
3	Abu Dhabi Commercial Bank	610	2	6.8
4	Dubai Islamic Bank	488	4	5.5
5	Emirates NBD	474	3	5.3
6	Noor Bank	421	4	4.7
7	Maybank	338	1	3.8
7	CIMB Group	338	1	3.8
9	Arab Banking Corporation	275	4	3.1
10	Saudi National Commercial Bank	267	1	3.0

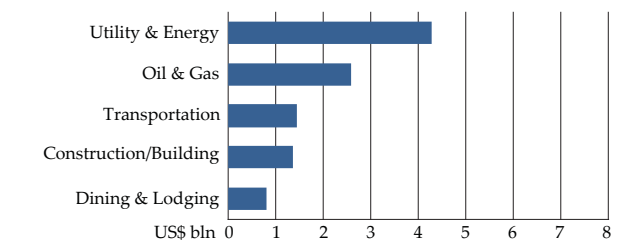
Top Islamic Finance Related Financing Deal List *12 Months*

Credit Date	Borrower	Nationality	US$ (mln)
15th Apr 2016	Yanbu Aramco Sinopec Refining	Saudi Arabia	4,700
27th Jun 2016	Rabigh Electricity	Saudi Arabia	2,686
8th Sep 2016	Aluminium Bahrain	Bahrain	1,500
19th Sep 2016	Saudi Electricity	Saudi Arabia	1,333
9th Mar 2016	Dhuruma Electricity	Saudi Arabia	1,138
15th Jun 2016	PNB Jersey	Malaysia	889
21st Dec 2015	Engro Powergen	Pakistan	851
29th Aug 2016	Atlantis The Palm	UAE	850
11th Dec 2015	Cititower	Malaysia	751
29th Nov 2015	Gulf Marine Services	UAE	620

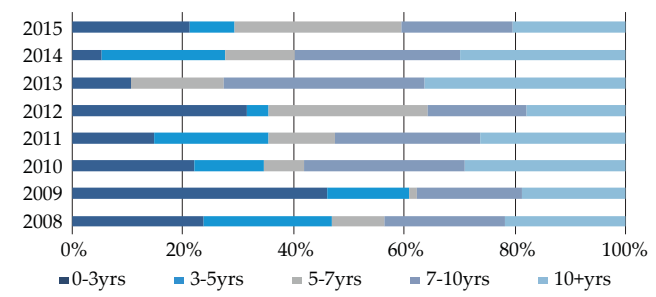
Top Islamic Finance Related Financing by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	Saudi Arabia	5,406	6	35.3
2	UAE	4,558	17	29.7
3	Pakistan	1,548	3	10.1
4	Bahrain	1,188	2	7.8
5	Malaysia	959	2	6.3
6	Jordan	550	2	3.6
7	Egypt	475	3	3.1
8	India	368	1	2.4
9	Turkey	204	2	1.3
10	Lebanon	77	1	0.5

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: Mayumi Ohira (Media Relations)
Email: mayumi.ohira@dealogic.com Tel: +852 2804 1223

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NOVEMBER 2016		
28th	IFN Saudi Arabia Forum	Jeddah, Saudi Arabia
FEBRUARY 2017		
28th	IFN Iran Forum	Tehran, Iran
MARCH 2017		
7th	IFN Oman Forum	Muscat, Oman
9th	Jordan Dialogue	Amman, Jordan
14th	CIS Forum	Astana, Kazakhstan
22nd	China OIC Forum	Beijing, China
28th	IFN Morocco Forum	Casablanca, Morocco
APRIL 2017		
10th – 11th	IFN Asia Forum	Kuala Lumpur, Malaysia
27th	IFN FinTech Forum	Abu Dhabi, UAE
MAY 2017		
16th	IFN UK Forum	London, UK
JULY 2017		
10th	IFN Indonesia Forum	Jakarta, Indonesia
SEPTEMBER 2017		
19th	IFN Investor Forum	Luxembourg
OCTOBER 2017		
TBC	Africa Islamic Finance Forum	TBC
16th	Sovereign Sukuk Dialogue	Washington DC, US
18th	IFN US Forum	New York, US
TBC	IFN Pakistan Forum	Lahore, Pakistan
NOVEMBER 2017		
8th	IFN Turkey Forum	Istanbul, Turkey
19th	IFN Kuwait Forum	Kuwait City, Kuwait
22nd	IFN Saudi Arabia Forum	Jeddah, Saudi Arabia

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

Editor Vineeta Tan vineeta.tan@REDmoneygroup.com

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

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

Senior Journalist Danial Idraki danial.idraki@redmoneygroup.com

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

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

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

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

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

Associate Publisher Steve Stubbs steve.stubbs@REDmoneygroup.com

Associate Publisher Sandra Spencer sandra.spencer@REDmoneygroup.com

Finance Director Faizah Hassan faizah.hassan@REDmoneygroup.com

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

Managing Director Andrew Tebbutt andrew.tebbutt@REDmoneygroup.com

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

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

UAE
PO Box 126732, 16th Floor,
X2 Tower, Jumeirah Lake
Tower (JLT), Jumeirah Bay,
Dubai, UAE
Tel: +971 4 427 36 23
Fax: +971 4 431 4614

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