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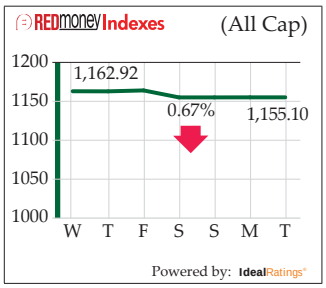


COVER STORY

7th December 2016 (*Volume 13 Issue 49*)

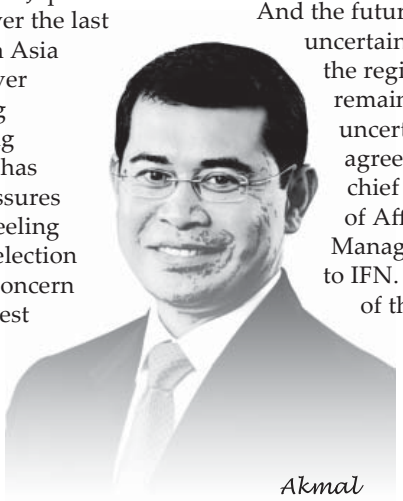
Asian storms: The impact of economic turbulence on Islamic asset management

Some of the world's fastest-growing economies are feeling the strain. Across Asia, currencies have tumbled, exports have weakened, inflation has risen and borrowing costs have shot up in tandem with a rising US dollar with an exodus in emerging market bonds and a wave of capital outflows. But is the news all bad, and how long will it last? LAUREN MCAUGHTRY looks at the landscape for Islamic asset management in the region, and discovers that a few bright spots remain on the horizon.

Turbulent times

The MSCI AC Asia Pacific ex Japan Index has fallen by 4.1% over the last three months. The S&P Pan Asia Shariah Index lost 5.65% over November alone. Emerging markets are taking a beating and Southeast Asia, which has survived well over the pressures of the past year, is finally feeling the consequences. The US election results brought a wave of concern to the region — as US interest rate fears rise, overseas investors have begun to offload Indonesian and Malaysian bonds, which has prompted (and exacerbated) a sell-off that has seen central banks scramble to protect their plummeting currencies.

The asset management industry has not been immune, and Asian funds have been hit badly by the latest events. "The Asian region has been weak since Donald Trump won the US presidential election," confirmed Akmal Hassan, the managing director of Asian Islamic Investment Management (AIIMAN), to IFN. "The day after the election result were announced, we saw huge fund outflows (amounting close to US$30-40 billion) from emerging markets… back into developed markets."


Akmal

And the future remains uncertain. "Investing within the region is expected to remain challenging as uncertainties persist," agreed David Ng, the chief investment officer of Affin Hwang Asset Management, speaking to IFN. "The vulnerability of the region against possible policy changes by the new US administration could lead to further volatility."

Islamic prospects

Yet within these turbulent times, some Islamic funds are not only performing well but are seeing inflows into the market. AIIMAN's top-performing fund is the Affin Hwang Aiiman Asia (ex Japan) Growth Fund — which registered a year-to-date growth of 8.76% as of the 6th December (according to Bloomberg) and has grown 2.6% over the past month alone.

And while some funds may have stumbled due to the recent headwinds (the Aberdeen Islamic Malaysia Equity Fund, for example, is down 4% over the past month and has grown just 1.22% over 2016), others are still flocking to the region, suggesting that investor appetite has not yet dissipated. Hong Kong-based Mirae Asset Management, for example, recently launched its first Shariah compliant product with the Mirae Asset Islamic Asia Sector Leader Equity Fund, targeting European customers and designed to achieve long-term capital growth by investing in Islamic equities across Asia.

So what are the pitfalls facing Islamic funds in the region today — and how can they avoid these issues to ensure performance for their investors?

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DEALS

Maxis Broadband issues third series of Sukuk Murabahah worth RM2.45 billion (US$549.75 million)

International Islamic Liquidity Management Corporation to auction a three-month US$500 million Sukuk facility

Bangladesh issues six-month Islami Investment Bond

Kuwait sends request for bond proposals

Sunway Treasury Sukuk's 163rd Islamic commercial papers oversubscribed by RM230 million (US$51.51 million)

Abu Dhabi Islamic Bank fully repays US$500 million Sukuk from its own resources

Samalaju Industrial Port's proposed Sukuk Murabahah program extension receives Sukukholders' nod

IDB prices US$1.25 billion benchmark-sized Sukuk at 2.26%

Hong Leong Islamic Bank to make profit payment for Sukuk on the 19th December 2016

Malaysia to issue RM1.5 billion (US$335.95 million) government investment issue Murabahah facility

ACWA Power to issue Sukuk and bonds of up to US$1 billion; wins provisional ratings of '(P)Baa3'

NEWS

Tunisia's central bank governor calls for Sukuk issuance to boost economy

National Higher Education Fund Corporation expects holders of Shariah compliant account to hit 40,000 by the end of 2016

Modarabas-led Islamic financing facility center in Rawalpindi officially launched

Mindanao Development Authority recommends enhancement of Shariah Advisory Council and execution of enabling laws to push Islamic finance system

Securities Commission Malaysia to build nation's big data capability in the capital market in partnership with MIMOS

ASSET MANAGEMENT

Public Mutual declares distributions of more than RM95 million (US$21.28 million) for nine funds including four Islamic funds

Subscription period for **SEML IBBL Shariah Fund** to begin on the 11th December

Shariah certification of **PSG Melrose Arch** revoked and terminated; Shariah scholar resigns from its Shariah board

Sabana REIT to divest 218 Pandan Loop for SG$148 million (US$104.19 million)

TAKAFUL

MetLife AIG ANB Cooperative Insurance Co secures temporary product approval

Protection Insurance Services of Bahrain enters into partnership agreement with Hong Kong-based insurance advisor **Pacific Prime**

Amana Takaful Maldives purchases 5% of **Maldives Islamic Bank**'s issued share capital from the **ICD**

Solidarity Saudi Takaful to slash capital by 55%

RATINGS

RAM ceases rating obligation on **OCBC Bank Malaysia**'s RM200 million (US$44.77 million) subordinated Sukuk following full redemption

RAM reaffirms 'AAA/Stable' and 'AAA(s)/Stable' ratings on **Manjung Island Energy**'s Sukuk facilities

RAM reaffirms 'AA2/Stable/P1' ratings on **BNP Paribas Malaysia**

Capital Intelligence changes outlook on **Arab Bank**'s financial strength rating to negative in view of sharp decrease in capital adequacy ratio

Islamic Insurance Company of Jordan maintains 'A' rating

MARC affirms 'AAAIS' rating on **Gas District Cooling (Putrajaya)**'s RM300 million (US$67.2 million) Bai Bithaman Ajil Islamic debt securities

MOVES

Former Islamic banking head of **White & Case** now leading **Winston & Strawn**'s Shariah finance practice

Gulf Bank appoints Antoine Daher to succeed Cesar Gonzalez-Bueno as CEO of Gulf Bank

Two board directors of **SHUAA Capital** resign; company to elect replacements on the 19th December

GFH Capital appoints Luay Ahmadi as senior executive officer

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Currency pressures

Currency pressures are of course the biggest concern — and the two biggest Islamic finance markets in the region have been the worst hit in the recent sell-off. Over the last three months, the Malaysian ringgit weakened by 7.2% against the US dollar while the Indonesian rupiah lost 3% in value over the same period as foreign investors flee the local bond markets as yields spike following Trump's victory.

> ***"There are opportunities for companies in the emerging markets that have a large manufacturing base to have extra gains from the appreciation… Demands for Asian assets remain good as Asian companies continue to offer growth as well as decent dividend yields"***

With an estimated 40% of Malaysian sovereign bonds and around 35% of Indonesian sovereign bonds owned by overseas investors, this has had a catastrophic impact on the market — and on bond and Sukuk funds. The CIMB Islamic Sukuk Fund has dropped by 1.6% over the past month (as of the 5th December) while the Manulife Dana Sukuk Fund and the Maybank Malaysia Sukuk Fund have both fallen 2.2% over the same period.

With currency reserves estimated at around US$100 billion compared to short-term external debt levels of US$128.2 billion (according to the latest IMF figures), Malaysia is one of the most vulnerable countries in the region to currency attacks and capital outflows, making investors even more wary.

And recent central bank moves to clamp down on currency speculation, including a (largely ignored) request to foreign banks to stop trading in ringgit offshore forwards, have failed to inspire confidence — spurring fears of new capital controls and a fixed exchange rate last seen almost 20 years ago during the Asian financial crisis in 1998 — while the low oil price and continued political scandals are also dragging on performance. Indonesia too has taken steps to intervene, with the central bank supporting the local currency and bond markets through more conventional methods to provide liquidity.

Immediate effect

The future does not look bright, with over US$200 billion pulled from global equity funds since the start of 2016 including US$100 billion in the third quarter alone (according to Morningstar and the FT) — the worst year for equity managers since 2011. In its latest results, emerging markets fund manager Aberdeen Asset Management noted GBP32.8 billion (US$41.75 billion) in net outflows for the year including GBP4.8 billion (US$6.11 billion) for the Asia Pacific region.

According to the latest fund flow report from MIDF Equity Research (as of the 5th December), foreign investors fled the Malaysian market last week with a selling spike of RM487.6 million (US$109.7 million) on the 30th November to reach a cumulate year-to-date exodus of RM2.2 billion (US$494.94 million). Indonesia also saw equity outflows last week of US$237.1 million. "The flow out of Asian equity continued on last week as global funds made a general retreat for the sixth week in a row," confirmed MIDF. "Funds classified as 'foreign' were, in aggregate, net sellers of stocks in six out of the seven Asian exchanges."


Ng

Optimistic impact

So what impact has this had on Asian asset managers?

"The recent ringgit depreciation changed our outlook heading into 2017, as prices of goods and services will be higher going forward. We have experienced this earlier this year and in that instance, the depreciation was short-lived. However, this time around, we anticipate that the currency depreciation will last a little longer," warned Akmal.

But it is not all doom and gloom — and fund managers are surprisingly optimistic as to their long-term prospects. "As an Asia-focused asset manager, our Asian portfolios have continued to hold up well — which we attribute to risk management and the ability to reduce market exposure during market uncertainties," Ng explained to IFN. "While the sell-down post-US election has dragged down stocks across the region, our higher cash levels have provided a decent buffer going into the correction. The higher liquidity that the funds held also provided opportunities to buy on weakness."

And despite the foreign exodus, the market is supported by local investors who retain a regional preference. "We still think there is a general home bias when it comes to investment where familiarity wins out," said Ng. "We think that investment portfolios remain tilted toward the domestic and Asian region, with a tactical allocation into other selective markets."

"The worst-performing sectors this year have been the telecommunications and technology sectors, as these experience heavy price competition. Moreover, the performance in the technology sector was dampened with production cuts. We saw performance impacted due to fund outflows from large cap stocks, while mid-cap space suffered as a result of poor results season recently. The construction sector, utilities and

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exports remain the key performance drivers in our portfolios," added Akmal. "As it stands, Malaysia and the wider emerging markets region do not benefit from US dollar appreciation. Having said that, there are opportunities for companies in the emerging markets that have a large manufacturing base to have extra gains from the appreciation… Demands for Asian assets remain good as Asian companies continue to offer growth as well as decent dividend yields."

Under pressure

Another silver lining is the recent OPEC deal to reduce oil production, which pushed up most emerging Asian currencies last week and should support oil exporters such as Malaysia although the ringgit continues to underperform the rupiah, suggesting that the general concern has spread beyond oil.

"We expect a slower growth environment for a prolonged period of time," agreed Akmal. "Growth in Malaysia will depend on its currency and the global oil price. The recent decision from OPEC to reduce production has helped improved oil prices by 7% to US$50 per barrel, which will help Malaysia in its oil exports. Additionally, corporates in Malaysia stand to gain if the ringgit holds steady at the current levels."

But although funds have put up a good fight, the continued headwinds are inevitably affecting their performance. "Islamic equities on the domestic front have been under pressure this year," warned Ng. "The generally smaller investment universe has made it challenging for fund managers, leaving most funds within the category with weaker performance compared to conventional peers. The regional Islamic funds have performed relatively better, given the larger and more diversified universe that [they are] able to participate in. The performance of our regional equity funds have been comparable, and our regional Islamic equity fund is within our top five performing equity funds."

Akmal agreed. "Performance for Islamic funds for 2016 so far has been weak due to poor market conditions, which also affected the conventional funds. Performances of Islamic funds are also influenced by geographical exposure, ie Malaysia-centric funds underperformed the regional funds."

An Asian growth story

So what can we expect for the future? Will the continued pressures push down performance, or will Asia remain a bright spot for Islamic asset management?

> ***"The generally smaller investment universe has made it challenging for fund managers, leaving most funds within the category with weaker performance compared to conventional peers"***

Jad Shams, the head of MENA at Mirae Asset Global Investments, is bullish on the region's growth prospects. "No diversified portfolio investor, whether institutional or retail, can afford to be absent the Asian growth story," he insisted to IFN. "Asia represents the bulk of hard economic assets in the world, driven mainly by its young and aspirational demographics, rapid GDP growth and consumption behavior.


Shams

Compared to developed markets, Asia's capital markets are much smaller although Asia owns most real economic assets in the world today. This gap will bridge over time."

Shams suggests that despite the headwinds, asset management in the region will be supported by continued interest from overseas, especially from GCC investors keen to take a long-term view. "Middle East sovereign wealth funds were among the first international investors in Asia (some with experience going as far back as the 1950s), and they enjoy among the largest foreign investor quotas in India, China, and other Asian markets. So too have other investor segments been investing in Asia for decades. The Middle East is part of Asia and knows Asia's potential. There will always be demand for Asian exposure by Middle East investors, and many institutions maintain offices with [a] direct presence in Asia, a trend in fact on the rise today."

Rahul Chadha, the co-chief investment officer at Mirae Asset Global Investments in Hong Kong and the manager of the new Shariah compliant fund, agrees with this perspective. "We still see Asian equities as attractive," he told IFN. "From the macro fundamental point of view, Asian countries are generally a lot stronger than they were in 1997 (Asian financial crisis), 2007 (global financial crisis) and 2013 (Taper tantrum) in terms of foreign exchange reserves and current account balance. Asian currencies are now very competitive at multi-year low levels versus the US dollar."

Looking ahead

The outcome of the US election may have come as a surprise to many, but in fact its drivers (and its outcome) are being echoed across the world, with the dissatisfaction of the voting public in weak growth, limited jobs, low wages and widening inequality finding expression in the election of unconventional leaders — such as Rodrigo Duterte in the Philippines, Narendra Modi in India and Joko Widodo (popularly known as Jokowi) in Indonesia. The trend started before Trump, and his election has only highlighted the gravity of these issues. So what does this mean for investors, and what can we expect for the coming year?

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"The impact of US president-elect Trump's victory on performance will ultimately boil down to fund flows, valuations and growth. Foreign funds have mostly exited Malaysia and emerging markets for now, and will return once the currency is undervalued and growth returns," warned Akmal. "2016 has been a washout year for many companies in Malaysia. This led to lower or flat earnings growth, which then led to expensive valuations. 2017 will start off from a low base and will give the market a chance to reset expectations and grow earnings."

Cautiously optimistic

And while Asia might be struggling in some areas, in others it holds the advantage. Although global growth is recovering, structural issues in developed markets such as the US and Europe are holding back development — while Asian economies such as India, Indonesia and the Philippines, with their low household debt levels, attractive demographics and strong impetus for reform, are proving attractive to asset managers. "In these domestic-oriented economies, we are generally more pro-cyclical, favoring sectors such as financials, autos and cement," explained Chadha. "In globally-oriented cyclical economies, we prefer companies with sustainable visibility, staying very stock-specific through companies with technological and brand leadership. In China, we are avoiding banks and deep cyclical sectors, and prefer exposure through internet/e-commerce, tourism, insurance and healthcare."

Chadha

While currency is one of the primary considerations for investing in Asia, it must also be remembered that many other factors contribute — including country fundamentals such as demographics, balance of payments and leverage levels; industry characteristics such as barriers to entry, competitive landscape and structural trends; and mostly importantly company-specific drivers such as technological/brand leadership and management quality — all of which play a major role in determining an investor's return. "Asia is home to some of the most dynamic economies where innovative companies are driving growth in 'new economy' industries. This provides exciting investment opportunities for bottom-up investors," confirmed Chadha.

So could we see an improvement in 2017? Ng is optimistic. "Currency markets are inherently difficult to predict and the conviction level of getting it right consistently is generally very low," he warned. "However, given the 45% correction in three years, we do intuitively think that the ringgit is undervalued — fundamentally, value should be south of 4.00 levels. Post the sell-off, we are optimistic that focus will shift back onto the fundamental attribution of the respective stocks. We are optimistic that there will still be investment opportunities to be found in respective markets. Fiscal spending will likely intensify within the region as the slow growth environment continues to loom over global economies. The speed and how we adjust to the prevailing market conditions will be the key differentiating factor when it comes to managing funds."

> ***"Asia is home to some of the most dynamic economies where innovative companies are driving growth in 'new economy' industries. This provides exciting investment opportunities for bottom-up investors"***

IFN Monthly Review: Exciting times for Islamic asset management in November

Welcome to the latest edition of our monthly global analysis, a comprehensive review of what's been happening across the world's Islamic markets over the past four weeks. November has seen an improvement on the turbulence of the previous month, with improved equity market performance and a surge in oil prices along with steady Sukuk issuance and exciting news from new banking markets. LAUREN MCAUGHTRY brings you a round-up of the latest news.

Deals

Sovereign activity continues to look promising, and Pakistan has suggested a possible new US dollar Sukuk as big as US$1.5 billion to fund its budget deficit after the success of its US$1 billion issuance in October. Tunisia's central bank governor has also called for a US$1 billion sovereign Sukuk issuance to boost the economy. Brunei issued its latest series of short-term Sukuk Ijarah, while Kuwait has sent a request for proposals for a debut sovereign bond that may include an Islamic tranche. However, supranational bodies have been more active than sovereigns this month. The IILM reissued its US$840 million three-month Sukuk at a profit rate of 1.35%, while the IDB priced a US$1.25 billion five-year Sukuk at 2.26%.

On the corporate front, BRI Syariah's IDR1 trillion (US$74.4 million) issuance received an overwhelming response from investors in Indonesia, while in Malaysia successful deals came from Maxis and Gas Malaysia, among others. Over in the Middle East, Kuwait has been active with plans for a US$250 million Tier 1 issuance from Warba Bank while Ahli United Bank listed its US$200 million Sukuk on NASDAQ Dubai. Etihad Airways priced its US$1.5 billion five-year Sukuk issuance at 3.86% while Saudi Investment Bank closed a SAR500 million (US$133.23 million) private Tier 1 placement and Kuveyt Turk issued a US$500 million five-year facility at 5.16%.

Banking

Fitch has warned that Saudi Arabian Islamic banks could face tough times as the operating environment worsens. The Reserve Bank of India provided better news, with confirmation that Islamic banking windows are to be introduced in a gradual manner, with fully-fledged Islamic banks considered at a later stage. In the GCC, Abu Dhabi is considering further consolidation with a potential merger on the cards between Abu Dhabi Commercial Bank and Union National Bank — following in the footsteps of the National Bank of Abu Dhabi-First Gulf Bank merger, which should be completed by March 2017.

Performance

November could stand as a turning point for global markets, with optimism over the new OPEC deal seeing oil prices surge. On the 1st December, Brent Crude rose US$1 per barrel to US$52.94 after Saudi Arabia dropped its demand for Iran to slash output and OPEC agreed its first coordinated action with Russia in 15 years — triggering excitable trading activity and an uplift for some oil-producing nations such as Saudi Arabia, with the Tadawul All Share Index up 1.34% from the 30th November.

The S&P Global BMI Shariah index saw a steady month, with only a slight downward shift of 0.07% to 120.24 as at the 30th November — although this remains its lowest level since July. Conversely, its conventional twin, the S&P Global BMI, saw an upwards shift of 0.85%, possibly due to a stronger financials showing in November (the conventional S&P 500 Financials Sector Index soared by 13.67% over the same period). The S&P Developed BMI Shariah also remained static, rising by a minimal 0.4%. In comparison however, emerging markets have had a tough time in November, with the S&P Emerging Market BMI Shariah falling by a surprisingly large 5.47% over the same period.

The Middle East, however, made great strides in November and the S&P Pan Arab Composite Shariah rose by an exceptional 10.13% — compared to a disappointing performance from Asian equities, with the S&P Pan Asia Shariah Index losing 5.65% over the month, while the S&P Pan Africa Shariah Index was also down 5.72%

Asset management

It has been an exciting month for Islamic asset management, with a surge of activity in both core markets and new sectors. Interest in property has picked up, and Shariah compliant REITs are back on the agenda with the launch of Eskan Bank's Islamic REIT IPO in Bahrain while Singapore's Sabana REIT signed three new leases at a value of over US$10 million, UK-based investment manager 90 North doubled the value of its US portfolio to US$540 million and Arcapita spent US$110 million on a new portfolio of senior living communities in the Washington DC area.

Asia remains a strong market despite its poor index showing this month with Mirae Asset Global Investments launching its first Shariah compliant fund, the Mirae Asset Islamic Asia Sector Leader Equity Fund, a sub-fund of the Luxembourg-domiciled Mirae Asset Global Discovery Fund. In Indonesia, Bahana TCW Investment Management and Masyarakat Ekonomi Syariah have launched a new fixed income fund (the Bahanaa MES Fund) investing in sovereign Sukuk. Over in Africa, Rasmala Egypt has plans to increase assets under management by 25% by the end of 2017 with a new mutual fund expected in the first quarter while in Turkey, the IDB signed a deal with Borsa Istanbul to promote Islamic finance products including a potential gold-trading platform (aptly timed given the recent AAOIFI approval of a Shariah gold standard).

Back in the GCC, Ibdar Bank has partnered with Barak Fund Management to launch the Barak Ibdar Shariah Trade Finance Fund, a US dollar-denominated open-ended monthly-subscription fund that will invest in African commodities and general trade finance transactions, targeting a 10% return net of fees. In Pakistan, JS Investments has plans to launch a new JS Islamic Hybrid Fund of Funds mixing income, the money market and equity schemes through different allocation baskets, while in Kazakhstan the ICD has joined forces with Dragon Capital Partners to create a new US$100 million Kazakh SME fund designed to attract foreign direct investment into the country. Finally, the UAE's Emirates NBD has teamed up with India's UTI International to offer GCC investors exposure to Indian equities through the Emirates Islamic India Equity Fund.

Pakistan's Ministry of Finance establishes four subcommittees to increase Islamic finance's reach

In a move to further increase the reach of Islamic finance in Pakistan, the country's Ministry of Finance has established four subcommittees comprising relevant stakeholders to suggest recommendations for the promotion and enhancement of Shariah compliant transactions. DANIAL IDRAKI reports.

Minister for Finance Ishaq Dar recently chaired the first meeting of the Steering Committee for Promotion of Islamic Banking, and decided that the four subcommittees on Islamic finance would focus on matters relating to the legal and regulatory framework; taxation; the capital market; and awareness, training and capacity-building.

The subcommittees recommended for the formation of a task force to undertake amendments to the legal and regulatory framework as well as fast-tracking the adoption of international Islamic finance standards, such as those by AAOIFI and the IFSB, for Pakistani Islamic financial institutions. According to reports by local media, the meeting further observed that there is a need to develop a policy to raise new international financing through Islamic modes.

Additionally, the subcommittees also called for the harmonization of the terms and conditions established by the Securities and Exchange Commission of Pakistan (SECP) for Shariah compliant instruments that are issued by the non-banking finance companies (NBFCs), notified entities and Modrabas.

The SECP recently expressed its commitment to promote Modarabas as pure Islamic financial institutions, and the proposed amendments include the introduction of the concept of unlisted Modarabas to facilitate new entrants and to help the Islamic financial services industry grow.

The finance minister commented during the meeting that the Pakistani government has always been committed to the development and promotion of Islamic finance, and that the sovereign Sukuk issuances during the last three years reflect its efforts. Pakistan had in October this year issued its third international Sukuk worth US$1 billion — rated 'B(EXP)' by Fitch and '(P)B3' by Moody's Investors Service — and used the M2 Motorway connecting Lahore to Rawalpindi as the underlying asset in an Ijarah structure.

Islamic banking in Pakistan has recorded noticeable growth in recent times, as assets of the Islamic banking industry rose PKR43 billion (US$404.67 million) during the July to September 2016 quarter to reach PKR1.79 trillion (US$16.85 billion), according to the State Bank of Pakistan's latest quarterly bulletin.

The market share of Islamic banking assets and deposits in the overall banking industry stood at 11.8% and 13.3% respectively as at the end of September 2016. The Islamic banking industry now consists of six fully-fledged Islamic banks and 16 conventional banks with stand-alone Islamic banking branches, the SBP noted.

Bridging the trade finance gap between Africa and the Middle East via Islamic instruments

The International Islamic Trade Finance Corporation (ITFC), an instrumental force in promoting Islamic trade finance, has had a rather busy period lately in bridging the trade divide between Africa and the Middle East. It recently signed an MoU with the National Transport and Logistics Company (SNTL) in Morocco to promote trade finance under the umbrella of the Arab-Africa Trade Bridge program, as it seeks to facilitate further trade and investment between sub-Saharan African countries and the Middle East. DANIAL IDRAKI explores.

> ***"Africa and the ITFC's role and its recent activities could certainly help bridge the trade divide, with improved access to financing"***

Given the importance of international trade as a catalyst for economic and social development, the MoU between the ITFC and the SNTL seeks to mobilize funds for mounting a study for the development of logistics platforms in a number of sub-Saharan African countries to facilitate trade and investment between these countries, Morocco and the Arab states. The study will analyze the legal and economic climate of the targeted countries; the diagnosis of the logistical infrastructure, trade and investment flows and develop an economic model for the network of the logistics platforms based on the results of the analysis and identifying investment opportunities for these countries.
Hani Salem Sonbol, the ITFC's CEO, commented that the MoU with the SNTL is an important strategic partnership under the Arab-Africa Trade Bridge program framework, as it will open up opportunities that benefit both Arab and African countries.

According to the ITFC, the Arab-Africa Trade Bridge program aims to address some of the challenges limiting the business society and trade authorities of the countries in the regions in order to benefit from the existing trade potential. It was designed by the ITFC in partnership with the Saudi Export Program, the Arab Bank for Economic Development in Africa and the Islamic Corporation for the insurance of the Investment and Export Credit.

Besides its MoU with the SNTL, the trade financing arm of the IDB also made strides in Mali and Senegal in November after signing a EUR15 million (US$15.99 million) financing agreement with the former to support the country's food sector as well as a US$75 million syndicated Murabahah financing agreement with the latter to support its groundnut sector.

Going into 2017, the ITFC plans to increase its activities to further connect Africa and the Middle East, as the organization seeks to cooperate with the International Trade Center (ITC) and explore opportunities to identify priority sectors that demonstrate potential for increasing imports and exports between OIC member countries in sub-Saharan Africa and the Arab region. To be done under the banner of 'Export Opportunity Study for Arab Africa Trade Bridge' in the first quarter of 2017, the study will also assess market access conditions and existing barriers to trade and identify the key enterprises producing, exporting and importing the products under consideration.

According to the African Development Bank, the conservative estimate for the value of unmet demand for bank-intermediated trade finance is US$110 billion to US$120 billion, which suggests that the market is significantly underserved. Given the continent's large number of small countries, a relatively high level of trade openness and underdeveloped financial systems, greater trade facilitation is important for Africa and the ITFC's role and its recent activities could certainly help bridge the trade divide, with improved access to financing.

Indonesia drives global Sukuk volumes as greenback overtakes the Malaysian ringgit as top Sukuk currency

The global Sukuk market has Indonesia to thank for its expansion in the first half of 2016 as President Joko Widodo (Jokowi) revs up Shariah compliant borrowings to accelerate infrastructure development in the Muslim Indonesian archipelago. VINEETA TAN takes a look.

Pledging major infrastructure projects and combining a national ambition to boost Indonesia in the world of Islamic finance, President Jokowi's government more than doubled its Islamic capital-raising exercise, expanding its share in the global Sukuk space from 10.6% to 24% in the first six months of the year, according to RAM Ratings. During the same period, Sukuk issuance worldwide increased by 4.8% year-on-year to US$42.7 billion. "Much of the increase is attributable to the strengthening of the Indonesian market," explained the rating agency.

The dramatic swelling of Indonesian Sukuk issuance is giving neighboring Malaysia — the largest Sukuk issuer by volume — a run for its money. Accounting for approximately one-third of global Islamic bond issuance, Malaysia risks losing its market share as other sovereigns — new and existing — rush to the Islamic debt capital market in the hunt for diversification and a larger capital pool.

For the January-June 2016 period, the Malaysian sovereign and corporates raised RM62.7 billion (US$14.05 billion) through Sukuk, or 50.4% of the RM124.4 billion (US$27.87 billion) in total bonds issued, increasing outstanding Sukuk volumes by 9.6% year-on-year to RM638.1 billion (US$142.94 billion) and growing its outstanding Sukuk market share to 54.5%. At a global level, RAM notes that the Islamic finance heavyweight continues to command the largest share of outstanding global Sukuk at US$355.1 billion (48.6%) as at the end of June 2016.

Yet while Malaysian entities are not turning away from the domestic Sukuk market, the ringgit Sukuk market is feeling the pinch from one of its most painful depreciations against the dollar

this year: as at the 30th June 2016, the Malaysian currency has been displaced as the currency of choice for Sukuk issuance. According to RAM, dollar Sukuk sales were up 7.8% in the first half as compared with the corresponding period in 2015, amounting to US$19.1 billion or 44.7% of global Sukuk issuance. "The share of dollar Sukuk has moved ahead of ringgit Sukuk this year, making the greenback the preferred currency for global Sukuk," commented Ruslena Ramli, the rating agency's head of Islamic finance.

Global Sukuk issuance in 2016 exceeds projection with Malaysia leading the pack

While 2016 has seen a volatile and turbulent period in the financial markets, global Sukuk issuance for the year has exceeded some of the estimates made earlier by Islamic finance observers. According to RAM Ratings, global Islamic debt issuance reached US$72 billion as at the end of November 2016, surpassing the rating agency's projection of US$55-65 billion for the entire 2016. In a showcase of its strength as a global Shariah compliant finance hub, Malaysia retained its top spot with a 41.7% market share, followed by Indonesia at 16.4%, the UAE at 11%, Turkey at 7.1% and Pakistan at 6.7%. DANIAL IDRAKI brings you the story.

The corporate sector, meanwhile, posted a 35.5% year-on-year jump in global Sukuk issuance to reach US$30.6 billion as at the end of September 2016, compared to US$22.6 billion during the corresponding period of 2015. The top three issuers in September 2016 originated from Malaysia, the UAE and Qatar, namely the Public Sector Home Financing Board (US$960 million), Emaar Sukuk (US$750 million) and the State of Qatar (US$720 million) respectively. A total of US$5.9 billion of global Sukuk was issued in the same month. "Large issuances from the financial and infrastructure sectors have been a boon to the Sukuk market, and are likely to remain a key catalyst of future growth," Ruslena Ramli, RAM's head of Islamic finance, observed.

The rating agency further noted that in the domestic Malaysian market, a total of RM9.6 billion (US$2.16 billion)-worth of local Sukuk was issued in September, leading to a year-to-date issuance value of RM99.5 billion (US$22.38 billion) in the Southeast Asian Islamic finance powerhouse. Ringgit Sukuk issues were dominated by the financial services and infrastructure and utilities sector. As at the end of November 2016, the issuance value of Malaysia's domestic Islamic debt securities stood at RM125.3 billion (US$28.19 billion), exceeding RAM's full year projection of RM100–120 billion (US$22.5–27 billion).

Separately, Moody's had in September released a report stating that it expects new Sukuk issuance volume for 2016 to be at approximately US$70 billion, as challenging economic conditions in emerging markets and the GCC's desire to tap conventional liquidity from international investors saw subdued Sukuk issuance during the first half of the year at US$40 billion. Moody's further noted that it expects contribution by Malaysia, Indonesia and the GCC countries, which account for around 90% of total Sukuk issuance, to remain unchanged going into 2017.

Interview with Najla Al Shirawi, CEO of Securities & Investment Company

Headquartered in Bahrain and with a growing regional and international presence, wholesale investment bank Securities & Investment Company (SICO) is one of the leading securities houses in the Gulf, as well as managing a number of external Shariah compliant funds including the recently launched Islamic REIT from Eskan Bank, the Al Islamic GCC Equity Fund from Dubai Islamic Bank and the Qatar, Bahrain and Oman components of Riyad Bank's GCC Islamic Equity fund. CEO NAJLA AL SHIRAWI speaks to IFN regarding her predictions for the upcoming year.

> ***"The impact on earnings from structural adjustments and budgetary cuts will continue within the region. However, sector-specific theme plays will be a preferred way of investing"***

What is your overall outlook for 2017 and what can we expect from the GCC market?
The impact on earnings from structural adjustments and budgetary cuts will continue within the region. However, sector-specific theme plays will be a preferred way of investing. The market will remain volatile, reacting to government announcements, regulatory and structural reforms as well as macro developments.

What can we expect in terms of oil price and impact?
Oil is likely to remain within US$50-55 levels, which is still below breakeven levels of most GCC states. Accordingly, we should expect sovereign issuances and borrowing to continue to plug the deficit. Corporates within the region [are likely to] focus on cost efficiencies to protect margins. The role of active asset managers will remain quintessential to outperform in such an environment, as markets will give opportunities to book profits at high levels and re-enter later at lower levels.

What sectors are you bullish on and why?
We are optimistic on banks, petrochemicals, healthcare and real estate in general. However, the sector themes may differ within each country in the GCC. Banks should benefit from interest rate hikes, which should offset impact from higher provisioning. Healthcare remains a growth sector with considerable expansion in most listed names in the region. Petrochemicals is a global industry and accordingly a bit insulated from local demand-specific headwinds. Although subsidy removal is negative on sector margins due to higher feedstock cost, there are plays within the region that continue to benefit from low feedstock.

Further, real estate in Dubai appears resilient and the theme can be played through blue chips. The telecom sector remains a dividend play although

revenue growth will be minimal while costs will be managed through efficiency programs. However, the consumer sector (especially discretionary) will undergo stress in the coming year and should be avoided. Further, stress on the building materials and construction sectors will continue in 2017 and remain a high-risk sector which a fundamental investor should avoid.

What are your top three predictions for 2017?
First, we expect oil to trend higher from a 2016 average of US$45. Our prediction is between US$50-55 for 2017. Second, we expect a further pick up in sovereign issuances for 2017. And finally, we may see asset reallocations from debt to equities and real estate at a global level.

Straight to Web Feature

Justifications of avoiding Riba (Part IX): The case of bank runs

In his last article, MABROOR MAHMOOD showed how Charles Ponzi could attract investors with 'promised' or 'guaranteed' returns without any real investments, and how the scheme eventually collapsed. In this article, he will illustrate how the behavior of the depositors are influenced by the 'promised' or 'guaranteed' returns on their monetary savings with the banks.

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

Fund Focus: Mirae Asset Global Investments launches first Shariah equity fund

As global investors continuously search for reasonable returns in a world filled with increasing volatility and uncertainties, Hong Kong-based Mirae Asset Global Investments has jumped on the Shariah bandwagon by launching its first-ever Islamic product — the Islamic Asia Sector Leader Equity Fund — as it seeks to broaden its appeal to Shariah investors and make further inroads into the universe of Islamic equities. DANIAL IDRAKI explores the new fund.

Mirae's latest venture, which seeks to achieve long-term capital growth by investing in Shariah compliant companies across Asia (excluding Japan), will be benchmarked against the MSCI Asia ex Japan Islamic Index, and the asset management arm of South Korea's Mirae Asset Financial Group has appointed Amanie Advisors and IdealRatings as its respective Shariah supervisory board and Shariah stock-screening provider. The Islamic fund is a sub-fund of the Mirae Asset Global Discovery Fund SICAV, a Luxembourg-domiciled UCITS, and Mirae plans to register the fund for public distribution in selected jurisdictions across Asia, Europe and the Middle East.

The Shariah compliant fund will mirror Mirae's Asset Asia Sector Leader Equity Fund, following in the same investment strategy and process. Jad Shams, the head of MENA of Mirae Asset Global Investments (UK), commented that Middle Eastern investors are increasingly looking to diversify their assets, both in terms of asset class and region. "Our consumer-focused approach in stock selection is proving popular among investors who understand our bottom-up approach," he noted. Mirae, however, did not disclose the fund's targeted size or its expected annual yield.

Mirae currently has a presence in 12 countries and over US$100 billion in assets under management worldwide. The firm's equity investment is divided between emerging markets at 77% and developed markets at 23%. The Asset Asia Leader Equity Fund has a diverse portfolio across a number of sectors including IT, healthcare, consumer staples, energy and telecommunications, while big names in the Asian financial technology universe such as Tencent, Alibaba Group and Samsung Electronics make up the fund's top ten holdings. Since its launch in 2013, the fund has given a reasonable 14% return as at the end of October 2016, beating the fund's benchmark — the MSCI AC Asia ex Japan Index — return of 7%, although the fund's year-to-date return stood at 2.4%, much lower compared to the benchmark's 11.1%.

Mirae's Islamic fund comes amid a wave of global investors stepping up its effort to widen its investor base and increase its reach to Shariah investors. In November, Italy-based Azimut Group partnered with Malaysia-based Maybank Asset Management Group (MAMG) to manage the Azimut MAMG Global Sukuk Fund (see IFN Report Vol 13 Issue 47), while Japan's SBI Holdings is working with the Saudi Arabia-based IDB and the Bruneian Ministry of Finance to launch a seven-year US$100 million Islamic private equity fund (see IFN Report Vol 13 Issue 38).

Sovereign Sukuk: Busy week toward the year's closing

As markets draw closer to the end of the year in what has been a hectic 2016 for both the Islamic and conventional financial markets, the sovereign Sukuk space saw a slew of activities and announcements over the past week, which suggests that the industry can expect more busy times ahead in 2017. DANIAL IDRAKI brings you the usual updates.

Malaysia

The government of Malaysia will issue a RM1.5 billion (US$335.95 million) government investment issue Murabahah facility with a profit rate of 4.79% on the 8th December 2016, according to an announcement on Bank Negara Malaysia (BNM)'s website. The facility will mature on the 31st October 2035, and BNM may purchase up to 10% of the issuance size.

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 eight bids amounting to BDT1.67 billion (US$20.58 million). The profit-sharing ratio of the accepted bids was 90:10.

Kuwait

Kuwait has sent a request for proposals for a potential debut international bond that will most likely be issued in the US dollar, Reuters reported. The sovereign is expected to issue the bond next year. The report did not state whether the issuance will include a Sukuk tranche, although Finance Minister Anas al-Saleh had said in July that the government planned to sell as much as US$10 billion in conventional and Islamic bonds in international markets to help plug Kuwait's budget deficit for the current fiscal year, which will end on the 31st March 2017.

Tunisia

The governor of the Central Bank of Tunisia, Chedly Ayari, has called for the country to come up with a US$1 billion Sukuk issuance in order to boost the economy, the Middle East Monitor reported. The governor noted that Tunisian banks have expressed concerns over the lack of long-term funds, and that the country is trying to bring in external financing that does not create debt.

Upcoming sovereign Sukuk

Country	Amount	Expected date
Bahrain	TBA	1st quarter 2017
Oman	US$2 billion	TBA
Iran	IRR60 trillion	2016
Nigeria	TBA	1st 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

Indonesia strengthens

According to a recent report by RAM Ratings, Indonesia's share of global Sukuk issuance more than doubled to 24% in the first half of 2016 from 10.6% during the corresponding period in 2015, as it focuses on Sukuk issuance to finance infrastructure projects as a means of accelerating the country's development. During the same period, Sukuk issuance worldwide increased by 4.8% year-on-year to US$42.7 billion, and much of the increase is attributable to the strengthening of the Indonesian market.

Malaysia dominates outstanding global Sukuk

Outstanding global Sukuk, meanwhile, stood at US$355.1 billion, with Malaysia continuing to account for the largest share with 48.6%, according to RAM. Malaysian sovereign and corporates raised RM62.7 billion (US$14.05 billion) through Sukuk during the January-June 2016 period, or 50.4% of the RM124.4 billion (US$27.87 billion) in total bonds issued, increasing outstanding Sukuk volumes by 9.6% year-on-year to RM638.1 billion (US$142.94 billion) and growing its outstanding Sukuk market share to 54.5%.

Thailand — will it ever take off?

With little Islamic finance regulatory development and very tepid movements in the Islamic insurance and asset management sectors on the back of a massive restructuring of the Kingdom's sole fully-fledged Islamic bank, the outlook for Thailand's Islamic finance industry does not look too bright. VINEETA TAN brings you an update on the market.

Regulatory landscape

Despite having experienced Islamic finance as early as 1987, Thailand's Shariah finance development remains fragmented and underdeveloped at best. The crux of the issue is the absence of proper regulations to support the Islamic financial community. The Thai government in 2010 vocalized intentions to introduce a framework addressing tax issues in the issuance of sovereign Sukuk (to be known as the Trust Act); however, this has yet to materialize and the problem of double taxation continues to be a persistent challenge. Existing regulations are not conducive for Islamic financial institutions including in the area of trade and investments; the nation's sole Shariah bank, the Islamic Bank of Thailand (IBank) is prohibited from investing abroad. In 2002, the government drafted the Islamic Bank of Thailand Act with the goal of promoting and developing its first and only Shariah bank; however, some aspects of financial liberalization was hampered including the fact that another fully-fledged Islamic bank cannot be launched by foreign or domestic investors.

Banking and finance

If Thailand's sole fully-fledged Islamic bank was to be a barometer for the success and health of the Kingdom's Shariah banking industry, then it is not doing too well, and reflected in the fact that the country is struggling and ailing. Islamic Bank of Thailand (IBank) has not been able to turn a profit for almost a decade although in 2015, it managed to pare down its losses (See Table 1) as its rehabilitation plan takes effect. The bank in 2016, as part of its rehabilitation strategy has written off THB50 billion (US$1.4 billion)-worth of bad debts by transferring them to the newly established Islamic Asset Management; the Thai cabinet also approved the injection of THB2.5 billion (US$69.88 million) in capital by the government to increase the bank's liquidity. The state-backed bank plans to improve its capital adequacy ratio from negative to 1:1 by raising THB18 billion (US$505.18 million) in registered capital through issuing new common shares, pending shareholder approval on the 12th December.

The new shares will first be offered to existing shareholders through a rights offering; any remaining shares will be offered to a new group of investors on a private placement basis and the Ministry of Finance would subsequently absorb any excess shares. The ministry, which currently owns a 48.5% stake in IBank, however, can only hold 49% of shares; the bank is therefore prepared to seek a temporary relaxation of the shareholding limit.

IBank has been on the lookout for a new partner to strengthen its capital and is currently negotiating with at least four financial institutions.

IBank aside, Shariah banking services are also offered by other banks and cooperatives: by the Islamic windows of the Government Savings Bank (1998) and the Bank for Agriculture and Agricultural Cooperatives, as well as Ibnu Affan Saving Cooperative, As-Siddiq Saving Cooperative, Saqaffah Islam Saving Cooperative and Al-Islamiah Saving Cooperative.

Takaful

The Thai Islamic insurance market is inchoate with several sporadic activities. In July 2015, Phillip Life Assurance, the insurance arm of Singapore's Phillip Capital Group, was reportedly looking to partner with Islamic organizations

as part of its strategy to become the market leader in Takaful in Thailand. A year earlier, IBank signed an MoU with three insurance companies — Thai Life Insurance, South East Insurance and Muang Thai Life Assurance — to promote its Takaful offering.

Asset management

In April 2009, the Stock Exchange of Thailand launched the FTSE SET Shariah Index in collaboration with the FTSE Group. The index is comprised of 101 companies with a market capitalization of THB1.99 trillion (US$55.43 billion) as at the 30th November 2015. Shariah compliance is assessed by the rating debt ratio limits measured as less than 33.33% of total assets, and total interest and non-compliant activities income should not exceed 5% of total revenue. The FTSE SET Shariah Index Financials has 12 constituents and accounts for 4.13%.

November data from FTSE revealed that Shariah compliant companies were the worst performers. The FTSE SET All-Share Index had a performance of -2.36%. Year-to-date the FTSE SET Shariah Index has the highest volatility within the FTSE SET Index Series at 16.68%.

There are three Shariah compliant mutual funds in Thailand: the MFC Islamic Long Term Equity fund, the KTA-Krung Thai Shariah retirement mutual fund and the KTAM-Krung Thai Shariah long-term equity fund.

Table 1: IBank's financial performance (in THB billion)

	2015	2014
Net loss	4.73	9.78
Total assets	91.78	110.12

Source: IBank 2015 annual report

Corporate governance in Islamic finance — external Shariah audit the way forward

Companies are increasingly expected to adhere to strict standards of corporate governance by its shareholders, and Islamic financial institutions are subject to an additional layer of compliance with Shariah rules and principles, as they set out to make profit in a socially responsible manner. DANIAL IDRAKI assesses further developments in Shariah compliant corporate governance over the past year.

Overview

Corporate governance is the system by which companies are directed and controlled and involves adopting structures and processes which incorporate the values of fairness, transparency and accountability. With consumer and regulatory demands increasingly focusing on trust, transparency and accountability, corporate governance has become a critical challenge for all financial institutions. According to a recent report by the Islamic Finance Council UK (UKIFC) and the International Shariah Research Academy for Islamic Finance (ISRA), this trend has shone a light on Islamic financial institutions, where in-house boards of scholars effectively self-regulate Shariah compliance, raising questions as to whether the current model of governance is fit for purpose.

AAOIFI and the IFSB remain the key international standard-setting bodies for Islamic financial institutions. The International Islamic Fiqh Academy, established by the OIC, has also been playing an important role in the issuance of Fatwas on certain financial structures. Alongside these multilateral bodies, central banks that set guidelines on Shariah governance and assurance typically do so by considering the guidance provided by AAOIFI and the IFSB.

The UKIFC and ISRA noted that external Shariah audit (ESA) is an emerging trend, with jurisdictions such as Oman, Pakistan and Bahrain issuing or actively considering regulatory guidance mandating ESA as part of the overall Shariah governance framework. AAOIFI has recognized the importance of ESA, and it is anticipated the trend of incorporating ESA will continue. Jurisdictions with strong existing Shariah governance frameworks, such as Malaysia, however, may see less immediate need for ESA.

Middle East

Islamic banks in Bahrain will soon be required to conduct external Shariah audits of their operations annually as per the new governance rules proposed by the Central Bank of Bahrain (CBB). The rules aim to address concerns of potential customers who believe that the banks too closely mimic conventional finance operations. Other proposals include disclosure requirements that would encompass the publication of the aggregate remuneration paid to in-house scholars.

The external Shariah audit will have to be done by Shariah advisory and audit firms that are approved by the CBB which is the financial regulator of the country. It is generally viewed that Islamic financial services would also have to disclose any non-permissible income and specify how they intend to dispose of assets generated by non-Shariah compliant earnings or acquired through prohibited expenditure.

The Capital Markets Authority of Kuwait (CMA) had in November 2015 released new rules covering the issuance of Sukuk, which provide a broad framework that includes setting out the general terms and structure of Sukuk, requirements for appointing trustees, setting up SPVs, rules on governance and ensuring Shariah compliance, requirements for a credit rating for public issuance and the need for approval by the CMA and the Central Bank of Kuwait, among others.

Asia

The president of Indonesia, Jokowi Widodo, in November this year signed a presidential decree on the Komite Nasional Keuangan Syariah (KNKS), or the National Shariah Finance Committee. However, there are no plans to implement the decree into a policy in the near term as the government is focusing on the formation of the KNKS board. This comes after the Indonesian government launched a 10-year master plan to boost Islamic finance in Indonesia, known as the 'Masterplan Arsitektur Keuangan Syariah Indonesia' earlier in August.

In December 2015, Standard Chartered Pakistan established a Shariah advisory board formed in compliance with the Shariah Governance Framework and from the directives of the State Bank of Pakistan. In August this year, the Pakistani finance ministry was reportedly reviewing amendments in the legal framework — Banking Companies Ordinance 1962 and SBP Act 1956 — to further strengthen the framework and development of taxation proposals for Islamic banking.

Africa

Over in Kenya, it was reported that the National Bank of Kenya (NBK)'s 2015 record loss was due to corporate governance violations, which could not be blamed on the Islamic banking segment, according to Board Chairman Mohammed Hassan and Abdullatif Essajee, an expert in Islamic banking.

Summary

A recent report by S&P noted that the Islamic finance industry could eventually see a widespread adoption of ESA as a means of preserving the stability of Islamic finance markets, although this would require a clear definition of the standards external auditors would need to measure. Similar to international financial reporting standards and external audit exercises at conventional banks, S&P said that an external Shariah audit could help reassure Islamic finance stakeholders. Given the current slowdown of Islamic finance activity, some standardization could help reposition the industry for future growth, increase its attractiveness to new players and support the integration of economies where Islamic finance is prevalent.

Bahrain's global Sukuk — Plugging budget deficit via a hybrid instrument

Bahrain recently issued US$1 billion-worth of trust certificates in the global Sukuk market in a bid to plug its widening budget deficit, with response for the Regulation S facility outstripping its expectation amid a backdrop of falling commodity prices. NURUL ABD HALIM writes.

The issuance of sovereign Sukuk, pursuant to Regulation S and Rule 144A of the US Securities Act, has provided a boost to the Bahraini government's efforts to buttress its public spending as the impact of lower oil prices has sent the Kingdom's fiscal and economy roiling, which prompted global rating agencies to cut the sovereign's ratings to junk status.

> *"The incorporation of the Murabahah represented a structural development which allowed the government to effectively leverage their assets"*

Executed simultaneously with a 12-year US$1 billion bond, the Islamic instrument has an edge over its conventional counterpart as pricing for the latter was more competitive at 5.62% compared to the former at 7%. It is also understood that both facilities witnessed oversubscriptions, with the Sukuk facility enjoying healthy distribution across various geographies.

"We were told that initial indications were that the government was expecting to issue a larger bond than Sukuk. However, they managed to raise US$1 billion from the bond issuance and also US$1 billion from the Sukuk, which would appear to indicate that the Sukuk [facility] was well received," commented Gregory Man, a partner at Norton Rose Fulbright in the Dubai office, which also acted as the issuer's legal advisor. Man also noted that the Bahraini government's ability to raise funds through a combination of Sukuk and conventional bonds in benchmark sizes for both tranches amid depressed market conditions is unique as it is not seen in many sovereigns' issuances.

It is also worth noting that this is the first time that the sovereign is issuing a global Sukuk instrument using a hybrid structure: a combination of Ijarah (headlease/sublease) and Murabahah structures. "The previous Sukuk structures utilized by the government involved only a headlease/sublease structure, but the incorporation of the Murabahah represented a structural development which allowed the government to effectively leverage their assets," said Man.

Under the Ijarah structure, the issuer will use not less than 51% of the Sukuk proceeds to acquire a 100-year leasehold interest in one or more land parcels from the government and then lease the assets back to the latter for a lease term equal to the tenor of the Sukuk in exchange for a periodic rental payment. In respect of the Murabahah structure, the issuer will buy certain commodities from a supplier at a cost price of not more than 49% of the Sukuk proceeds, and subsequently spot sells to the government for a deferred price.

Shariah advisor(s)	Shariah Supervisory Board of ABC Islamic Bank; Shariah Supervisory Committee of BNP Paribas; Shariah advisors of JPMorgan Securities; Shariah Supervisory Committee of Standard Chartered Bank; Sheikh Dr Mohamed Ali Elgari, Sheikh Nizam Yaquby and Sheikh Dr Walid Hady
Face value/ minimum investment	US$200,000 and integral multiples of US$1,000 in excess thereof

US$1 billion trust certificates issuance due 2024

12th October 2016

Issuer	CBB International Sukuk Company 5
Obligor	Kingdom of Bahrain, acting via the Ministry of Finance
Size of issue	US$1 billion
Mode of issue	Private placement
Purpose	General budgetary purposes
Tenor	Eight years
Issuance price	100%
Profit rate	5.62%
Payment	Semi-annually
Currency	US dollar
Maturity date	12th February 2024
Lead manager(s)	Arab Banking Corporation, BNP Paribas, Credit Suisse Securities, JPMorgan Securities, Standard Chartered Bank
Delegate and co-Sukuk agent	Citibank, London branch
Governing law	English and Bahraini laws
Legal advisor(s)/ counsel	To the issuer: 1) Norton Rose Fulbright 2) Zu'bi & Partners To the arrangers: 1) Allen & Overy 2) Hassan Radhi & Associates
Listing	Irish Stock Exchange
Underlying assets	Land parcels and Shariah compliant commodities
Rating	Fitch: 'BB+' with a stable outlook
Structure	A combination of Ijarah and Murabahah
Tradability	Yes

Islamic banking in Tunisia: Implementation of an Islamic window in a universal bank

TUNISIA

By Mohamed Araar

In the context of the Tunisian banking industry's openness to Islamic finance products connected with the Islamic banking legal provisions in the new banking law, the Tunisian Professional Association of Banks and Financial Institutions on the 16th November organized a seminar under the theme 'Implementation of an Islamic window in a universal bank'. Indeed, this opportunity is opening up new prospects for Tunisian conventional banks.

Although a conventional bank is not obliged to open a new subsidiary or have a new license, Shariah compliance remains a great responsibility which needs a well-prepared banking strategy.

The key success factors

Accordingly, the main focus of the seminar was to ensure a more credible Islamic banking experience and also to gain the confidence of all the industry stakeholders by identifying the key success factors of this new strategy which are as follows:

- The separation between conventional and Islamic components must be total: under no circumstances should the bank mix conventional and Islamic activity.
- The establishment of an adequate information technology infrastructure and human resources with a detailed five-year business plan.
- High-quality supervision by the Central Bank of Tunisia (BCT) to avoid misinterpretations and bad practices. In fact, Tunisian banks are awaiting the application texts regulating the conditions for carrying out this activity, the products and especially the standards and prudential ratios, particularly in relation to solvency, liquidity, risk management, etc.

The new working mechanisms

Consequently, these key success factors are needed to set up and develop new working mechanisms as follows:

1. On the one hand, banks interested in opening branches or windows will have to submit a request to the BCT with a detailed five-year business plan that includes the system and measures taken for the financial, accounting and administrative separation of Islamic activity from conventional activity.

2. On the other hand, the BCT will have to ensure that:
   i. the Islamic activity is in conformity with the rules and principles of Shariah
   ii. policies and procedures are appropriate for risk management
   iii. there is a real separation between Islamic and conventional operations, and
   iv. the banks will publish transparent reports related to the activities of Islamic branches or windows.

The steps forward

The BCT pointed out that:

- a first circular, which defines the different categories of Islamic finance products and their characteristics, will be ready by the end of 2016, and
- a second circular, which defines the conditions for the opening of Islamic windows, will be ready in the first half of 2017.

The experts (including Dr Adulbari Meshaal) stressed the importance of:

- a separate department for Islamic finance
- the creation of a Shariah board — a body that monitors the application of the principles of Islamic finance and which is different from the board of directors, and
- external audits carried out by firms specialized in Islamic finance.

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

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Brazil: The Latin America forum in Dubai and the Halal industry

BRAZIL

By Fábio Amaral Figueira

On the 9th and 10th November, the UAE hosted in Dubai the Global Business Forum on Latin America 2016. The Dubai Chamber of Commerce and Industry was responsible for the organization of the forum. It was a very good occasion to discuss the improvement of the commercial relationships of the GCC with Latin America. The level of the speakers was very high as indicated in the program, including a former president (Dominican Republic), a vice-president (Uruguay), the UAE minister of state for international cooperation and the president and CEO of the Dubai Chamber of Commerce and Industry.

Of course, Brazil made its presence felt due to the size of its economy in the region. Brazilian panelists, including a representative of the Arab Brazilian Chamber of Commerce, spoke about topics like global commerce, the Halal industry and investment opportunities. Brazil is in the position to export not only Halal food products, but also other manufactured goods since the Brazilian manufacturing industry is much diversified.

As mentioned in past reports, Brazil (and also other Latin American countries) presents good opportunities for foreign investors in different economic segments such as infrastructure. It is always important to call the attention of potential investors, for example, to the bids related to the concession of some Brazilian airports, including the one in Florianópolis in the state of Santa Catarina and the one in Porto Alegre in the state of Rio Grande do Sul.

Still on the Halal industry, Brazilian company Frigol, which carries out activities in this economic segment, is now present in the UAE. Frigol has opened an office in Dubai and is a meat processing company with an objective to serve the Middle Eastern markets. It is quite interesting to recall that approximately 20% of the Brazilian beef export revenues are derived from markets in the Arab world.

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Reserve Bank of India looking to introduce Islamic banking gradually

INDIA

By H Jayesh

In late 2008, a committee on financial sector reforms, headed by Raghuram Rajan, a former Reserve Bank of India (RBI) governor, was of the view that there is a need to assess the issue of interest-free banking in India. The unavailability of interest-free banking products results in a specific segment of society being unable to access banking products and services.

The unavailability of these products also acts as a deterrent for investments from offshore, specifically, the Middle East.

The RBI had proposed the opening of an Islamic window in conventional banks for the gradual introduction of Shariah compliant or interest-free banking in India. In a response to a public query under the Right to Information Act, 2002, the RBI stated that: "Islamic banking may be introduced in India in a gradual manner. Initially, a few simple products which are similar to conventional banking products may be considered for introduction through [an] Islamic window of the conventional banks after [the] necessary notification by the government. [The] Introduction of fully-fledged Islamic banking with profit-loss sharing complex products may be considered at a later stage on the basis of experience gained in [the] course of time. Interest-free banking for financial inclusion will require a proper process of the product being certified as Shariah compliant both on the asset and liability side and the funds received under the interest-free banking could not be mingled with other funds and therefore, this banking will have to be conducted under a separate window". (Source: The Economic Times.)

The aforementioned response indicates that the RBI is consciously looking at opening up the Islamic banking forum in India and a concentrated effort is being made toward it.

H Jayesh is the founder and partner at Juris Corp. He can be contacted at jayesh.h@jclex.com.

Anticipated Sukuk issuances to be made through offshore structures

OFFSHORE CENTERS

By Manuela Belmontes

November has been an interesting month. Donald Trump's presidential victory in the US surprised many, and the markets responded accordingly.

> ***It is clear that the issuance of Islamic debt instruments will continue, and the Cayman Islands maintains its position as the domicile of choice for Sukuk issuers***

Reuters reported that some planned Islamic bond issuances out of the Middle East have been placed on hold, as both investors and potential issuers wait to see how the results of the US election play out in the region's capital markets. Despite this uncertainty, there are signs that some Middle Eastern issuers will proceed with issuances within the next month and will do so using offshore structures.

Etihad Airways has established a US$3 million trust certificate issuance program using a Cayman Islands special purpose company as the issuing vehicle. The airline is set to issue its benchmark Sukuk under the program, having recently priced a five-year Sukuk issuance of US$1.5 billion with a 3.86% profit rate according to Reuters. Both the program and the proposed certificates to be issued, thereunder, have been assigned a senior unsecured rating of 'A' by Fitch Ratings, which is in line with Etihad Airways's own rating.

Masraf Al Rayan (MAR), reported as the largest Islamic bank in Qatar by market capitalization (as at the 30th September 2016), has also established a Sukuk issuance program using a Cayman Islands incorporated issuer/trustee (MAR Sukuk). The program will permit MAR Sukuk to issue trust certificates from time to time with an aggregate face value of US$1 billion (or its equivalent in other currencies). Moody's has recently assigned provisional '(P)A1' senior unsecured long-term ratings (foreign and local currency) to the program, which are aligned with MAR's own ratings. We now patiently await the announcement of the debut issuance under the program.

The IDB, the supranational developmental bank headquartered in Saudi Arabia and one of the largest issuers of Sukuk, is expected to make a large issuance (in excess of US$1 billion) under its US$25 billion Sukuk issuance program. The program, first established in 2005, uses a Jersey incorporated company as its issuing vehicle. The prospectus for the program describes the issuer as an orphan entity, with its shares held by a licensed trust company as a charitable trust and its management independent from the IDB.

Notwithstanding the volatility and uncertainty in the bond market, it is clear that the issuance of Islamic debt instruments will continue, and the Cayman Islands maintains its position as the domicile of choice for Sukuk issuers.

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Market takes solace from averting downgrade despite negative outlook

SOUTH AFRICA

By Muhsin Jeena

Three of the world's major rating agencies, Moody's Investors Service, Fitch Ratings and S&P, are currently reviewing South Africa's credit rating. Africa's most industrialized country, forecasted to grow by 0.5% this year, has been trying to avert a sovereign rating downgrade to junk status that would raise borrowing costs and deter investment.

On the 25th November, rating agencies Fitch and Moody's both took a decision to maintain the country's investment grade credit rating (for now). On the back of this news, South Africa's rand firmed to near three-week highs against the US dollar and the yield on the benchmark 10-year government bond fell by 25bps to 8.87% — this despite Moody's downward revision on the country's outlook from stable to negative.

The market's focus was also on scandal-plagued President Jacob Zuma, who is facing a vote of no confidence by the ruling party's executive committee. Some analysts said Zuma's hand would be weakened by the challenge even if he survived the vote — as expected — boosting sentiment in financial markets that see him as a liability.

For the time being, this bodes well for the South African Sukuk market, if the National Treasury indeed plans to issue a second global Sukuk facility anytime soon. However, all focus will now shift to S&P's announcement in early December. The market will be hoping for a similar stance as Fitch and Moody's. S&P's announcement is widely regarded as 'more critical' because its current rating of South Africa stands only one notch above investment grade — in contrast with those from Fitch and Moody's which are two notches above.

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The Luxembourg Reserved Alternative Investment Fund



LAW (EUROPE)

By Shakeel Adli, Vivian Walry and Oliver Amrein

Luxembourg continues to remain a very popular jurisdiction for the establishment of funds both conventional and Shariah compliant with the Association of the Luxembourg Fund Industry recently noting that as of August 2016, 3,893 funds have been established in Luxembourg. Inspired by the existing legal framework relating to specialized investment funds (SIFs) and investment companies in risk capital (Société d'investissement en capital à risqué, SICAR), Luxembourg's law of the 14th July 2016 (the RAIF Law) provides for remarkable new features, some of which are set out in the following paragraphs, which could be of great interest to Shariah compliant investors and fund managers.

It is important to note that a reserved alternative investment fund (RAIF) qualifies as an alternative investment fund (AIF) within the meaning of Luxembourg's law of the 12th July 2013 on alternative investment fund managers (the AIFM Law). Under the RAIF Law, RAIFs need to appoint an external AIFM which will be subject to the approval and prudential supervision of the Luxembourg regulator (Commission de Surveillance du Secteur Financier, CSSF).

The RAIF itself will not be subject to the approval or the prudential supervision of the CSSF. The RAIF's AIFM can either be domiciled in Luxembourg, the EU or in a third country in accordance with the conditions provided for by the AIFM Law. As a consequence of its management by an authorized AIFM, RAIFs benefit from the AIFMD passport regime and may thus be distributed to investors across Europe.

RAIFs also benefit from being able to be incorporated either under a contractual form (FCP) or a corporate form (SA, SCA, SCS, SCSp, Sàrl) and either as an umbrella or a stand-alone vehicle. As RAIFs are compatible with any type of investment strategy (private equity, real estate, hedge funds, socially responsible investments, etc) they can be structured in a Shariah compliant manner.

Unless a RAIF adopts a risk capital strategy, its underlying investments are subject to a risk spreading principle (similar to the one applying to SIFs) and its eligible investors must be well-informed, professional or institutional investors. A RAIF must also appoint Luxembourg-based service providers (depositaries, auditors and central administration agents) and its assets must reach a minimum of EUR1.25 million (US$1.33 million) within 12 months following its launch (although only 5% of the capital needs to be paid up on subscription).

With respect to tax, a RAIF is subject to an annual subscription tax (taxe d'abonnement) of 0.01% of its net asset value (although a zero rate may apply in certain circumstances). In principle, a RAIF is not subject to corporate income tax, municipal business tax or net wealth tax. However, a RAIF under a corporate form which solely invests in risk capital assets may choose to be taxed as a SICAR.

Subject to the approval of the source country, this type of RAIF should be able to benefit from the double taxation treaty network of Luxembourg. If the RAIF takes the form of a partnership (SCS, SCSp), it will be deemed to be transparent for tax purposes and not engaged in an enterprise for municipal business tax purposes. Distributions of profits by the RAIF should not be subject to withholding tax.

In conclusion, the absence of prudential supervision by the CSSF on RAIFs has led to lower formation costs and reduced time-to-market. RAIFs have as such triggered investors' interest worldwide (including Shariah compliant investors) and they may well become a new European standard in the alternative investment universe.

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Withdrawal risk and the role of demand elasticity

RISK MANAGEMENT

By Dr Ken Baldwin

I've written many times now about profit-sharing investment accounts. The reason is that it is these accounts and their cash flow and pricing dynamics which really set Islamic banks apart from conventional banks.

One of the most interesting topics for economists is the profile of profit-sharing account investors. A common enquiry made of investors is their underlying motives for investing. These motives range from purely economic, ie monetary gain alone, to religious, ie the desire to only invest with Islamic banks given Shariah permissibility requirements. Most investors will fall somewhere within this range.

When investors receive cash returns from these accounts, they exercise a real option, being to either reinvest maturity proceeds, or to withdraw and possibly invest elsewhere. Reinvestment may be for the same or a different maturity, and if invested elsewhere, this may be with another Islamic bank or possibly a conventional bank.

What is interesting about all of these scenarios is the role of demand elasticity. In other words, to what extent do the cash returns paid to investors influence their decision to withdraw funds?

The demand of religiously motivated investors is considered to be inelastic with respect to cash returns. But could it be elastic with respect to other observable features of a bank or indeed anything else? For example, when a crisis arises in the banking sector, irrespective of actual or potential cash returns paid to investment account holders, banks face significant withdrawals. So, much like correlation structures between asset returns exhibit different behavior in times of financial sector distress, the same is also true of account withdrawals.

Consequently, the elasticity of demand for investment accounts can be modeled using risk drivers based on idiosyncratic shocks as well as market-wide or systemic shocks. The elasticity structure of a bank's investor base should be central to financial projections which stress the bank's earnings and investment account volumes given the importance of these accounts to bank profitability, solvency and liquidity.

While the IFSB regulatory standards — in common with Basel — are not prescriptive concerning stress scenarios, but provide guidance for banks to develop their own, the elasticity of investment account holders underpinning withdrawal scenarios can indeed be quantified in order to add credibility to stress scenario-related assumptions.

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Getting the basics right crucial to accessing Islamic crowdfunding

ISLAMICCROWDFUNDING

By Craig Moore

There's no doubting the rise of fintech globally, and particularly in Asia. In November, both Hong Kong and Singapore held large events bringing together the many fintech suppliers, offering new products and services that will facilitate every aspect of our lives.

Many of these tech-based suppliers are relatively young businesses, with high aspirations and a need for access to finance to execute plans and help propel growth. A new route to finance for many of these SMEs is Islamic crowdfunding. Borne out of the fintech revolution, Islamic crowdfunding, in the form of peer-to-peer lending or equity crowdfunding, can provide a much-needed financial lifeline to SMEs.

While Islamic crowdfunding can provide funding for growth, it's important that young businesses have a responsibility to properly manage their business in order to present a strong case and instill confidence in a potential investor audience. Getting the basics right is fundamental yet often lacking in SME investment proposals. Outlining a robust business plan, clearly demonstrating their growth strategy and how they intend to use (and pay back) any funds received, are critical to success.

A basic yet mandatory element for any business is maintaining well-organized accounts that support the business strategy. This becomes even more critical when applying for financing. A company that cannot provide coherent books will lack credibility and is unlikely to be successful in gaining funding from ether conventional or alternative sources.

A real benefit of Islamic crowdfunding platforms is that they assess SMEs based on multiple factors, using quantitative financial assessment as well as more qualitative measures of creditworthiness to assess an application. This means business owners are also evaluated on aspects such as leadership skills, character and projected growth, rather than purely focusing on financials and collateral.

This can be of real benefit to the growing number of digitally-based SMEs that struggle to access conventional finance due to a lack of tangible collateral. In spite of limited assets, these businesses may have a unique proposition, valuable intellectual property assets or strong brand equity, all of which would work in their favor on a crowdfunding platform, due to its more multifactorial approach to business assessment.

With the evident growth of digital businesses, an increasing number of SMEs are likely to investigate alternative financing such as Islamic crowdfunding. However, it remains just as critical, to optimize their chances of success, that they ensure they get the basics right by establishing a clear strategy, effectively managing their accounts and minimizing their banking lines.

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November brings corporate activity to debt capital markets

DEBTCAPITALMARKETS

By Imran Mufti

Following October's flurry of sovereign issuances, November has seen a greater focus on corporate financing in the Islamic debt capital markets.

The government of Dubai has indicated that expanding the Al Maktoum Airport will require US$3 billion in funds, to be raised by both conventional and Islamic financing. HSBC will act as the financial advisor for the arrangement, which will be coordinated by the Department of Finance for the government of Dubai, the Investment Corporation of Dubai and Dubai Aviation City Corporation.

The Saudi Ministry of Finance announced at a meeting with the IMF late in November that the Kingdom's future public debt issuance will include Sukuk. This is a welcome development for the Islamic debt capital markets as it follows Saudi Arabia's record-breaking conventional bond issuance of US$17.5 billion in October, which notably omitted to include a Shariah compliant tranche. The ministry has indicated that it expects to tap international markets for US$120 billion by 2020.

In West Africa, Djibouti is reportedly working with the IDB to design a Sukuk framework that will enable the government or state-owned entities to issue Sukuk. The Sukuk are expected to be used primarily to meet infrastructure funding needs.

Fitch Ratings reports that where Islamic finance notes are concerned, Malaysia remains the industry leader in regulation, standardization and Sukuk issuance. In the first half of 2016, it accounted for over half of global issuances, and Islamic financing share reached 27.9% of the system total. The rapid growth of Malaysian Islamic finance is expected to continue into next year, although possibly at a slightly reduced pace.

In the corporate space, Kuveyt Türk issued a Sukuk facility with a nominal value of US$500 million and a five-year maturity. Despite competitive pricing and recent political upheaval in the region, the Sukuk facility was four times oversubscribed, making it the most successful international capital markets issuance originating in Turkey this year. The majority of investors were from GCC countries, and a significant proportion came from Europe and Asia.

On the 23rd November, Etihad Airways issued a US$1.5 billion Sukuk facility at the upper end of an expected range of US$1.25 billion to US$1.5 billion. The privately placed Sukuk will mature on the 30th November 2021 and has a 3.86% profit rate.

Elsewhere in the GCC, Saudi Investment Bank recently closed a privately placed perpetual Sukuk worth SAR500 million (US$133.15 million).

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Structuring Islamic demand deposit products in Malaysia — fundamental issues

The most basic service a bank can provide to members of the public is to act as a depository for their money. This is the essence of commercial banking. The public generally holds its deposits with banks in the form of accounts. The most basic accounts are the savings account and the current account. Both these are considered demand deposit accounts, because they are payable on demand, either by withdrawal or by the customer instructing the bank to make payment to a third party. The relationship between the customer and the bank, in the conventional sense, in relation to the demand deposit accounts, is fundamentally that of creditor and debtor. SYED ALWI MOHAMED SULTAN explains more in this article.

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In Malaysia, under the previous Islamic Banking Act 1983, Islamic banks used to offer demand deposit accounts through two Shariah contracts, the Mudarabah and Wadiah Yad Dhamanah. However, with the coming into effect of the Islamic Financial Services Act in 2013 and Shariah policy documents for specific Shariah contracts issued by Bank Negara Malaysia (BNM), Mudarabah has already been phased out from being offered as a deposit product while Wadiah Yad Dhamanah will be phased out by July 2018 to be converted into Qard as stipulated in the Qard policy document (dated the 3rd August 2016).

Salient features of the Qard policy document (issued by BNM)

Qard is a contract of lending or financing involving money. It is a contractual relationship between a borrower and a lender. Under the Qard policy and as per Fiqh rules, a lender is not allowed to accrue any contractual benefits when giving a financing to the borrower. The financing shall unconditionally be repaid in full at par value.

However, there have been instances where the lender would resort to clever multi-layered financial structures where in substance, such benefits will continue to accrue to the lender, yet comply with the direct textual prohibitions of such regulations. One such example is combining a sale contract with a financing contract, where the borrower would be required to enter into a sale contract as part of obtaining the financing. This is known as Bai Wa Salaf. This is prohibited under Shariah principles.

This may occur, either by accident or by design, in an Islamic banking product offering. For instance, if the Islamic bank induces depositors to place money with the bank (under a Qard or financing contract) and promises to provide the depositors profit under a separate commodity Murabahah contract, this will trigger the Bai Wa Salaf prohibition, as enumerated under Clause 14.1(a) of the Qard policy document.

Apart from the prohibition regarding accruing benefits from a financing under a Qard contract, another common practice that is now banned is the pre-agreed periodic rebate on the installment of a deferred selling price which is linked to the Qard contract. Take, for example, a mortgage facility that is popularly known as the FlexiHome product.

Essentially, this type of product allows customers who have taken up a financing facility (ie sale-based financing) the ability to prepay the facility as an advanced payment yet make such prepaid funds available for redraw such as withdrawing funds from the advance payment pool of funds (technically this advance payment has features of a Qard contract).

This prepayment will be applied directly toward reducing the principal outstanding amount, thus offering rebates on the daily profit accrual of the financing. While this structure facilitates the acceleration of debt settlement, it is now clearly disallowed as stipulated under Clause 14.1(b) of the Qard policy document.

Another common practice by Islamic banks is to offer certain incentives and benefits to customers who open a current and savings account (CASA) with the Islamic bank. Some benefits may be in the form of gifts, prizes, reward points and even waivers from MEPS charges for using the ATMs of other banks. These benefits will no longer be allowed for customers who open a CASA based on Wadiah (or Qard) as stipulated under Clause 14.1(c) that restricts "any form of incentives based on a binding promise".

Clause 14.1(c) also impacts the practice of banks in offering affluent or premier banking services to customers who maintain a minimum deposit balance with the bank. Such exclusive benefits, if offered to Qard or Wadiah-based deposit accountholders, will not be allowed under this standard.

Another common product offering that will find a limited shelf life is the Islamic credit card using Qard and Ujrah concepts. Effectively, under this credit card, the credit utilization is based on Qard, while the bank charges fees on the basis of Ujrah. Under Clause 15.3 of the Qard standard, such practices will no longer be allowed.

Tawarruq as the alternative solution to CASA

As a result of the aforementioned disruptive issues posed by the Qard policy, the optimal solution for Islamic banks is to consider structuring CASA products based on the concept of Tawarruq. The Shariah policy document for Tawarruq (Tawarruq Standard) was issued by BNM on the 17th November 2015 and came into effect on the 1st July 2016. Technically, the Tawarruq Standard covers all products that utilize the contract of Tawarruq including deposits, financing, trade finance and derivatives.

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Even though Tawarruq is available as an alternative solution to designing CASA deposit products, there are specific fundamental challenges that need to be taken into consideration as shown next.

Customer-bank relationship in deposit products

The relationship between the customer and the bank, in the conventional sense, in relation to demand deposit products, is fundamentally that of creditor and debtor. This enables the bank to treat the money deposited with them as their own. Banks are thus obliged only to return an equivalent amount upon demand.

However, under the Tawarruq contract, the relationship between the customer and the Islamic finance institution is that of a seller and purchaser, ie the customer becomes the seller of certain Shariah compliant commodities while the Islamic finance institution acts as the purchaser.

The bank only receives the money, purportedly the deposit funds, by way of on-selling the commodities to a third party on a spot basis subsequent to purchasing the commodities from the customer. As a result, the entire deposit transaction is structured through a set of sale and purchase contracts.

On one hand, the transaction costs due to the involvement of Shariah compliant commodities, make the product structure inefficient from a cost perspective.

On the other hand, in structuring this deposit product, proper attention needs to be paid to the legal documentation to ensure that the rights, obligations, interests and benefits of the respective parties are elucidated as per the Shariah contracts utilized and not blindly adopting terms that relate to the conventional form of a creditor and debtor.

Is the deposit truly on demand?

To that effect, the obligation of the Islamic finance institution to return the depositors' money is established under a sale contract with a deferred payment obligation. However, the Islamic finance institution is not under any obligation to return the money to the depositors on demand. Instead, the customer may request for the funds on demand at a date earlier than the deferred maturity date of the original sale contract, but this will be construed as an acceleration of the repayment of the deferred selling price, which is a break from the contracted terms. So technically, the customer has to break the agreed terms in order to fulfil a fundamental requirement of the deposit account – money at demand.

Right to grant rebate (Ibra)

The next issue concerns the calculation and payment of profits. To be clear, the use of Tawarruq under a fixed term or fixed deposit product is easy to execute because the amount of the deposit and the tenor are fixed, which enables the computation of the selling price and the profit with certainty.

However, in a savings accounts (and in some instances, current accounts that pay profits), the computation of the profit is a challenge because by nature these demand deposits will have inflows and outflows which are quite random without a fixed tenor. To address this issue, typically Islamic finance institutions will resort to designing the Tawarruq-based CASA with a synthetic tenor, say one year or five years and a ceiling profit rate to facilitate the computation of the selling price.

Subsequent to that, the effective rate and actual profit will be calculated by taking into consideration the actual amounts and actual number of days that the deposit remains in the account. The difference between the profit computed using the ceiling rate and the actual profit shall be granted as a rebate. However, under Shariah rules, rebate (Ibra) shall only be granted at the discretion of the creditor or the seller. In a Tawarruq-based CASA, that right resides with the customer!

From the view of the Islamic finance institution, handing the decision on a rebate in the hands of the customer will not sit well with the Islamic finance institution's risk committee. The reason for this is because the Islamic finance institution may end up paying the ceiling profit computed at the synthetic tenor, if the customer refuses to grant such a rebate.

Clause 20.2 of the Tawarruq Standard mentions that "a rebate clause shall be incorporated in a sale and purchase contract when it is imposed by the relevant authority". But to the knowledge of the author, there isn't any regulatory authority imposing depositors to grant rebate to Islamic finance institutions under a sale and purchase contract. This may need to be scrutinized properly in the legal documentation offering Tawarruq-based CASA products.

CASA Tawarruq – a game changer

The observations here are not exhaustive as there are other issues that will also require diligent inspection in designing Tawarruq-based CASA products. This simply demonstrates that diligent structuring expertise is needed in order to ensure that the interests of the Islamic finance institution and the expectations of customers are properly managed.

Yet, the Tawarruq-based CASA will possibly be a game changer in the Islamic banking industry. As such, getting the design right by balancing between commercial viability and regulatory compliance is of paramount importance in order to compete effectively in the present banking landscape.

The views expressed here are entirely the author's own.

The growth of Islamic finance in Kenya

Islamic finance is used to refer to financial activities conforming to Islamic law (Shariah). Islamic Shariah allows all economic activities in the framework of protecting public interest and safeguarding it. Man may profit from doing business but if this runs against Islamic ethics and morality, it is outlawed. BERNADETTE NGARA explores.

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The Islamic finance industry has experienced phenomenal growth which has generated considerable interest and discussion in financial world markets in recent years. It is therefore not a coincidence that the same has generated interest and is a subject of discussion in Kenya.

Islamic finance is divided into four main segments: Islamic banking, microfinance, the issuance of Sukuk and Takaful (insurance). Of these segments, Islamic banking is the fastest-growing segment in Kenya. In other parts of the world, however, the issuance of Islamic bonds (Sukuk) is the fastest-growing segment.

The formation of the Islamic banking system can be traced back to Dr Ahmad Al Najjar, famed for setting up the Mit Ghamr Savings Bank. The bank took the form of a savings bank based on profit-sharing. By 1967, there were nine such banks in Egypt. Islamic banking in Kenya today is a relatively new concept compared to the established traditional or conventional banking business. It has been around for over half a decade.

Generally, Islamic finance principles are based on the prohibitions of Riba (usury or interest), Gharar (excessive risk and uncertainty) and Maysir (gambling and games of chance) which are prohibited in Islam.

Recent developments

Through the use of instruments that adhere to Islamic principles, Islamic financing seeks to promote inclusive growth, equitable risk-sharing and social justice. Although the industry represents less than 2% of banking assets worldwide, the Islamic finance industry has expanded rapidly over the past decade, growing at 10-12% annually.

According to World Bank reports, Shariah compliant financial assets are estimated at roughly US$2 trillion, covering bank and non-bank financial institutions, capital markets, money markets and insurance.

Africa has huge economic potential given the relative young population and has recorded great macroeconomic and financial changes in the last few decades. Recent developments in the continent have seen governments focusing more on creating an enabling environment to attract Islamic capital for infrastructural and public sector needs through Sukuk issuance. Kenya is the third leading country in Africa in terms of fully-fledged Islamic banks and windows.

In Kenya, Islamic banking was introduced in 2008 with two fully-fledged Shariah compliant banks. Through developments in banking legislation, the introduction of Islamic windows has been made possible.

Currently, there are five conventional banks offering Islamic windows with National Bank's National Amanah window standing out as the best Islamic window in East Africa. Currently, Islamic banking commands about 1.5% of banking market share.

Kenya is in the process of establishing a regulatory framework to ensure uniformity and compliance of Islamic financial products with global standards. An Islamic Finance Project Management Office is in place and was charged with the mandate of coming up with proposals on policy, tax, a legal and regulatory framework as well as how reforms can be designed and implemented to ensure rapid growth of the sector in the country.

Challenges faced

A lack of information is a major challenge in Islamic banking. Banks offering Islamic banking have a hard time convincing customers, especially from the Muslim community, that they have reputable Shariah advisory boards of international standards and are fully compliant. Furthermore, there is a misconception that Islamic banking is for Muslims only. The players in the sector need to continually communicate facts about Islamic finance to increase the level of awareness.

Despite the great effort and work that have gone toward it, the legal and regulatory framework in Islamic financing is yet to be fully streamlined in most of the countries in Africa.

There are no express laws in place catering to the manner in which Islamic banking and finance products are to be structured and governed.

Substantial amendments will need to be made to the Banking Act, the Stamp Duty Act, the Land Act, the Land Registration Act and the Value-Added Tax Act to provide certainty in the event of disputes in Islamic banking. That notwithstanding, the Central Bank of Kenya has put in place mechanisms to promote the growth of Islamic banking and finance which include a concerted effort to develop a National Shariah Advisory Board, the development of talent and bridging the knowledge gap and providing guidance for the first Sukuk issuance for infrastructure development.

Future of Islamic banking

We foresee exponential growth in Islamic banking especially with the streamlining of legal and regulatory frameworks and with new players emerging in the space of Islamic financing. Furthermore, we may soon see the first major Islamic bond in Kenya.

Shariah governance challenges: 2020 and beyond

In a capitalist economy, the main purpose of an enterprise is to make profit. In simple terms, the creation of business is purely to maximize shareholders' wealth. In general, the goal of corporate governance is to achieve the best overall welfare for all stakeholders and promote economic performance. The Islamic corporate governance model has its own unique characteristics and presents distinctive features in comparison with the western concept of the Anglo-Saxon and European models. DR YUSUF ABDUL-JOBBAR delves further.

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The corporate governance model in Islam combines the elements of Islamic creed (Tawhid), Islamic consultation (Shura concept), Islamic law (Shariah) rules and maintains the private goal without ignoring the duty of social responsibility.

Shariah governance is crucial and a vital area in Islamic financial institutions. Comparatively, Shariah governance is no less important than corporate governance to any institution worldwide. It is the mechanism which determines the compliance of any particular Islamic business or financial institution. The significance of Shariah governance is in its role of ensuring that stakeholders have confidence in the Islamic finance industry. The backbone of the Islamic finance industry is the aspect of Shariah compliance.

Shariah governance challenges

According to a number of studies, research has shown that a large number of Shariah governance practices are faced with the challenge of a shortage of knowledge within Islamic scholars. Other challenges include the lack of established standards, the failure of management to differentiate between conventional corporate governance and Shariah governance, difficulties in understanding Shariah-based laws and the misinterpretation of rules.

Challenges related to Shariah governance that are likely to remain in the coming years can be narrowed down to the following.

Absence of regulatory and legislative structures

Many countries don't have operational regulations governing Islamic financial institutions or don't have a separate code. This makes Shariah governance in those jurisdictions difficult and these can only be overcome as the Islamic finance sector matures in those countries. Thus, there is a need for more guidance in the form of a code of conduct or ethics, for example, on the responsibilities of Shariah supervisory boards, their relationship with Islamic financial institutions, the issue of confidentiality, terms of reference and such.

Shariah scholar certification

Even until today, there is no generally recognized education or an examination that entitles a person to sit on a Shariah board as a scholar. Criteria should be developed so as to identify a person as a qualified Shariah scholar in Islamic finance. A professional body or industry association may set professional standards for Shariah scholars serving the Islamic financial services industry. There is also a need to introduce continuous professional development and assessment for Shariah scholars.

However, creating such a qualification that is universally agreed and accepted does pose challenges and is not straightforward due to the vast nature of Islamic knowledge and scholarship. Islamic knowledge in Shariah is sacred knowledge and is taught and offered around the world in various settings. To reach a consensus as to the minimum criteria for a Shariah scholar for an Islamic finance institution would require collective effort from around the world and overseen by a recognized body.

Harmonization of Shariah rulings

One of the issues faced by the Islamic financial industry is the lack of standardization of Shariah rulings within the same jurisdiction and among various regions. The diversity provided by different schools of thoughts on same issues at times can create confusion in the minds of investors and the general public. There are different Madhhabs (schools of Islamic law) in the world with different interpretations of Shariah law that may appear to contradict with each other.

On the positive front, this actually enables Islamic finance institutions to be creative with product development. However, the negative side of this is the challenge in standardization. Therefore, Shariah scholars need to come up with unique standards that are in line with Shariah law and practiced across the world.

Disclosure and transparency

This primarily concerns two vital aspects that impact Shariah governance significantly. These are firstly, the transparency and disclosure regarding the structure of products and secondly, the remuneration of Shariah board scholars. The latter is a greater concern and has been a cause of suspicion and occasionally puts doubt on the authenticity of certain Shariah compliant products.

Shariah scholars are paid annual fees for sitting on Shariah supervisory board (fees vary from as little as a few thousand dollars to tens of thousands). Additionally, some Shariah scholars charge for consultancy work to advise and approve products. Often, the top scholars charge large sums of money for their services (either hourly or per Fatwa).

Bloomberg research in the past suggested that a scholar can demand hourly between US$500 and US$1,000 and can charge up to US$100,000 to approve a Fatwa to legitimize an Islamic

Continued

finance product. Currently, there are no requirements that enforce Islamic finance institutions to make public disclosures of Shariah scholars' remunerations. Thus, investors may question the legitimacy of Islamic finance products as Shariah scholars may be financially motivated rather than concerned about Shariah compliance.

Transparency and the disclosure of the structure of products and its strengths and weaknesses are critical. Islamic finance institutions should further conform to the highest international standards and practices for financial and non-financial reporting and disclosure. Moreover, Islamic finance institutions should be transparent in the adoption and application of Shariah rules and principles issued by its Shariah scholars. These should be made publicly available through appropriate channels.

Accounting problems

Due to the unique nature of Islamic finance and its distinct characteristics, Islamic finance institutions need to adhere and follow accounting standards and practices that conform to the mandates of Shariah when entering and recording transactions. Often, Islamic finance institutions face various accounting problems while implementing the Islamic laws according to Shariah. Islamic finance institutions need to carefully follow Islamic accounting standards such as those issued by AAOIFI in order to ensure that Shariah violations are kept to a minimum.

Chartered Shariah auditors

It is necessary to create chartered Shariah auditors to accurately perform the task of Shariah audit. A certificate from the Shariah board based on such an audit will help create confidence in the public that the operations of the Islamic finance institutions are really in harmony with Shariah.

Alternatively, an even more preferable option is for the existing chartered audit firms to acquire the necessary expertise in Shariah to enable them to undertake the Shariah audit. This will help avoid the proliferation of institutions which Islamic finance institutions have to deal with. Islamic finance institutions would probably prefer this alternative because it will be more convenient for them to have the Shariah audit at the same time as the accounts audit.

Kasim (2009) concluded that there is a large gap between the theory and practice of Shariah auditing. Similarly, there is a gap between the desired and actual practice of Shariah auditing in Islamic finance institutions. The auditing of an Islamic finance institution's practice and the real implications of the decisions of the Shariah supervisory boards are serious issues in Islamic finance institutions that need to be addressed if the market is to make greater progress.

Management boards/ executive boards

The board of directors have a strong role to play in corporate governance. It cannot, however, perform this role effectively if its members do not have a reputation for moral integrity and are not technically qualified. They must be adequately aware of the risks and complexities involved in the banking business, and must try their level best to adhere to professional standards.

In an Islamic system, they must have the additional qualification of being aware of the goals of Shariah (Maqasid Shariah) as well as the Islamic teachings related to business and finance. Therefore, the commitment of dedicated, qualified directors who understand and can assess Shariah compliance would facilitate effective oversight and better governance. The presence of Shariah-literate directors would discourage the practice of a profit motive over Shariah compliance.

Demarcation of responsibility and accountability

There must be a division of responsibility between the board, management and the Shariah advisor. The demarcation in a conventional bank between the board of directors and management is clear. In an Islamic finance institution, it's imperative to understand the demarcation between the role and functions of the Shariah advisor (or the Shariah supervisory board) as distinct from the management/ board of directors.

Due to the faith-based nature of Islamic finance, it is evident that the Shariah advisor should review most aspects of the business (the involvement could vary from focusing on the approval of the basic structure of products to other special activities) but should not interfere in the day-to-day operations of the business.

Summary

Some of the goals of Islamic finance institutions are to achieve a pattern of growth, eradicate poverty, offer equitable distribution of income and wealth and create opportunities for employment. Hence, this new system is based on the rules of Shariah and it aims to achieve the overall prosperity and goodwill of the whole community. It puts societal and communal interests before the individual and therefore it is unlike other financial systems.

Islamic finance differs significantly from conventional finance in a number of ways including the prohibition of charging interest payments (Riba) and working on the premise of the profit-loss sharing principle. Clearly, there are differences in funding and activity structures between conventional and Islamic finance institutions. Moreover, Islamic finance institutions are generally using the same mechanisms of governance but are subject to additional scrutiny from Shariah supervisory boards. Nevertheless, all operate in the same competitive environment and are generally regulated in the same way in most countries.

In conclusion, it is necessary to sharpen the tools of corporate governance. The most important ones discussed earlier include improving disclosure and transparency, addressing accounting issues, improving Shariah auditing, standardizing the certification of Shariah scholars and harmonizing Shariah rulings.

No doubt, Muslims therefore face a challenge in developing Islamic finance for the future and beyond. There is no reason to believe that this challenge cannot be met successfully. It is possible but only if there is cooperation between Islamic finance institutions, the regulatory bodies and Shariah scholars. If these parties can come together and build a consensus, then the development and expansion of the Islamic financial system can flourish further.

Stock performance, demographics and indices: Positive drivers of Islamic asset management

Islamic asset management refers to the investment management process where the manager complies with Shariah principles in the asset-screening process. The concept of socially responsible and ethical investing is the bedrock of Islamic finance principles, and is becoming relevant for even non-Muslims especially for those who wish to incorporate social and moral values into their investment practices. WALID GHAITH writes.

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Favorable demographics is a key factor behind the demand for Islamic finance products and the introduction of Shariah compliant indices by reputable global index providers has facilitated Islamic wealth managers to cater to this demand.

The role of index providers

Despite the lack of standardization of the methodology of applying Shariah principles, the creation of Islamic indices facilitated the Islamic wealth management industry to serve the need for Shariah compliant products. The Dow Jones Islamic Market World Index was the first Shariah compliant index to be introduced in 1999. Since then, all the other major providers (FTSE, Morgan Stanley, Thomson Reuters, etc) have created indices covering geographic composites (global, Asia, ASEAN, etc), specific countries (Saudi Arabia, Japan, Canada, etc), and strategy and themes (large cap, sustainability, dividends, etc) which have helped fund managers to provide a variety of product offerings with diverse risk/return characteristics.

The main global indices currently provide a wide investment universe for Shariah compliant investors with some covering up to 3,000 stocks worldwide with total market capitalization of US$36 trillion. This in turn enables the Islamic asset manager to utilize models of portfolio construction that are used by their conventional counterparts such as the Modern Portfolio Theory and the Capital Asset Pricing Model.

According to the IFSB Sustainability Report for 2016, assets under management of public Islamic funds have grown to more than US$70 billion while the number of Islamic funds stood at 1,220 funds.

Socially responsible and ethical investing at the heart of Islamic finance principles

There exists a certain level of inconsistency on how best to apply the relevant Shariah requirements (perhaps evidenced by differences in market capitalization among global Islamic indices); however, the core fundamentals are uniformly accepted by all participants. Fundamental to the principles of Islamic finance is the recognition that money is not a commodity. The earning/charging of Riba or interest is prohibited. Riba is considered as unfair gains made in trade or business, and unjust. Shariah principles only allow the earning of profits or returns by risk-taking in real assets, with the equitable sharing of risk and profits. These principles ensure fairness for both the investor and investee and avoid exotic instruments such as complex derivative transactions, thus preventing excessive financial leverage and speculative activities. Therefore, the whole conventional financial sector becomes uninvestable to Shariah compliant investors. Moreover, stocks that have exposure to particular activities considered as immoral (gambling, weapons, alcohol, etc) are also considered non-permissible. Furthermore, prospective investments must pass the following to be considered as acceptable:

- Total non-Shariah debt/12-month trailing market capitalization – less than 33%.
- Cash and interest-bearing securities/12-month trailing market capitalization – less than 33%.
- Accounts receivable/12-month trailing market capitalization – less than 33%.

At the same time, the Islamic asset manager shares many other principles which are at the heart of conventional asset management such as the modern portfolio theory and the capital asset pricing model. With ethical investing being the foundation, the integrity and credibility of the fund manager and the reliability of the index provider combine to become the cornerstone for the investor to ensure the compliance of the suggested asset universe to Shariah principles.

Demand for Shariah compliant products is high

Favorable demographics and the concentration of wealth in the Islamic world have created the demand for Shariah compliant investing. The preference for Shariah compliant investments remains high in countries with Muslim-majority populations.

In Saudi Arabia, we have seen listed Islamic banks consistently trading at premium valuations to their conventional peers (the price to book value is 1.5x for Islamic banks versus 1x for conventional banks in October 2016). The high demand translates to premium valuations and lowers the cost of funding for businesses, thereby encouraging corporates to adjust their business models to accommodate Shariah principles.

Shariah stocks outperform their peers from the global universe

Over the last 10 years, the cumulative return of the Dow Jones Islamic World Index (44%) has outperformed the Dow Jones Global Index (20%), according to Bloomberg data.

According to latest data sheets from Dow Jones, Islamic index valuations (the price earnings ratio, dividend yield) are also richer compared to the Global Index, which perhaps supports the view that stocks that conform to socially responsible and ethical business values are in higher demand, thus commanding premium valuations.

DEALS

Maxis Broadband issues third Sukuk Murabahah

MALAYSIA: Maxis Broadband has issued the third series of its Sukuk Murabahah amounting to RM2.45 billion (US$549.75 million) under the unrated Sukuk Murabahah program with an aggregate nominal value of up to RM10 billion (US$2.24 billion), according to a filing with Bursa Malaysia.

IILM to auction short-term US dollar Sukuk

MALAYSIA: The International Islamic Liquidity Management Corporation (IILM) will auction a short-term US$500 million Sukuk facility with a tenor of three months on the 7th December 2016, according to an announcement on Bank Negara Malaysia (BNM)'s website. The auction for the certificates, which will mature on the 14th March 2017, will be conducted in BNM's Fully Automated System for Issuing/Tendering (FAST).

Bangladesh issues BGIIB

BANGLADESH: The government of Bangladesh has issued its six-month Islami Investment Bond (BGIIB). According to a central bank announcement, the issuance received a total of eight bids amounting to BDT1.67 billion (US$20.58 million). The profit-sharing ratio of the accepted bids was 90:10.

Kuwait sends request for bond proposals

KUWAIT: Kuwait has sent a request for proposals for a potential debut international bond that will most likely be issued in the US dollar, IFR reported. The sovereign is expected to issue the bond next year. The report did not state whether the issuance will include a Sukuk tranche, although Finance Minister Anas Al-Saleh had said in July that the government planned to sell as much as US$10 billion in conventional and Islamic bonds in international markets to help plug Kuwait's budget deficit for the current fiscal year, which will end on the 31st March 2017.

STSSB's 163rd ICP oversubscribed

MALAYSIA: Sunway Treasury Sukuk (STSSB)'s 163rd Islamic commercial papers (ICPs) worth RM100 million (US$22.4 million) were oversubscribed by RM230 million (US$51.51 million) after receiving a total of 11 incoming bids, according to an announcement on Bank Negara Malaysia's website. The 'MARC-1IS'-rated facility will mature on the 5th January 2017.

ADIB repays Sukuk in full

UAE: Abu Dhabi Islamic Bank (ADIB) had on the 30th November fully repaid a US$500 million five-year Sukuk from its own resources, demonstrating the Islamic bank's strong liquidity position amid challenging market conditions, according to The National quoting Abdul Qadir Khanani, the group treasurer at ADIB.

Samalaju proposed Sukuk extension approved

MALAYSIA: Samalaju Industrial Port's proposed extension for its Sukuk Murabahah program of up to RM950 million (US$212.65 million) in nominal value has received the approval from Sukukholders, according to an announcement on Bank Negara Malaysia's website.

IDB prices Sukuk

GLOBAL: The IDB has priced its US$1.25 billion five-year Sukuk under its US$25 billion trust certificate issuance program at par at 2.26%, marking the Islamic bank's second benchmark issuance in 2016. According to a statement, the distribution was well-diversified with 72% allocated to the Middle East and North Africa region, 25% to Asia and 3% to Europe. In terms of investor types, central banks and official agencies were allocated 90% followed by 10% to banks.

HLIB to make profit payment for Sukuk

MALAYSIA: Hong Leong Islamic Bank will be making the profit payment for its subordinated Sukuk Ijarah program of up to RM1 billion (US$224.97 million) in nominal value on the 19th December 2016, according to an announcement on Bank Negara Malaysia's website.

Malaysia to issue GII Murabahah

MALAYSIA: The government of Malaysia will issue a RM1.5 billion (US$335.95 million) government investment issue (GII) Murabahah facility with a profit rate of 4.79% on the 8th December 2016, according to an announcement on Bank Negara Malaysia (BNM)'s website. The facility will mature on the 31st October 2035, and BNM may purchase up to 10% of the issuance size.

ACWA Power to issue Sukuk

SAUDI ARABIA: International power and water company ACWA Power is set to raise approximately US$1 billion through the issuance of trust certificates (Sukuk) due 2039 by ACWA Power Sukuk and fully-amortizing senior secured bonds also due 2039 by ACWA Power Management and Investments One. According to a statement by Moody's Investors Service, the facilities have been assigned provisional long-term '(P)Baa3' ratings with a stable outlook.

DEAL TRACKER Full Deal Tracker on page 35

EXPECTEDDATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENTDATE
TBA	ACWA Power	up to US$1 billion	Sukuk	6th December 2016
20th December 2016	Bank Syariah Mandiri	IDR1 trillion	Sukuk	24th November 2016
TBA	TRIplc Medical	up to RM639 million	Sukuk Murabahah	16th November
TBA	Sichuan Development Holdings	US$300 million	Sukuk	4th November 2016
TBA	Warba Bank	US$250 million	Sukuk	3rd November 2016
First quarter of 2017	National Real Estate Company	US$500 million	Sukuk	25th October 2016

AFRICA

Tunisia's central bank governor calls for Sukuk

TUNISIA: The governor of the Central Bank of Tunisia, Chedly Ayari, has called for the country to come up with a US$1 billion Sukuk issuance in order to boost the economy, the Middle East Monitor reported. The governor noted that Tunisian banks have expressed concerns over the lack of long-term funds, and that the country is trying to bring in external financing that does not create debt.

ASIA

PTPTN targets 40,000 accounts

MALAYSIA: The National Higher Education Fund Corporation (PTPTN) is expecting to increase its SSPN-i Plus account holders to 40,000 by the end of 2016, according to Bernama quoting Chairman Dr Shamsul Anuar Nasarah. Since the Shariah compliant scheme was launched in June 2015, a total of 35,574 accounts were opened, with accumulated deposits of almost RM11.9 million (US$2.67 million) and RM1.6 billion (US$359.02 million) in Takaful coverage as at the 31st October 2016.

Islamic financing center launched in Rawalpindi

PAKISTAN: The Islamic financing facility center at Rawalpindi, which will be operated initially by four Modarabas: Allied Rental Modaraba, First Habib Modaraba, Orix Modaraba and Trust Modaraba, has been officially launched by the chairman of the Securities and Exchange Commission of Pakistan, Zafar Hijazi. According to a statement, these Modarabas will provide microfinancing at cheaper rates ranging between 20-25% as against prevalent market rates of 40-45%. The center will extend affordable Shariah compliant financing to customers seeking to buy motorcycles and other products.

MinDA strongly advocates Islamic finance system

PHILIPPINES: In support of the full implementation of an Islamic financial system in the Autonomous Region in Muslim Mindanao (ARMM) and the Bangsamoro region, the Mindanao Development Council (MinDA) has recommended that the Shariah Board or the Shariah Advisory Council, the supervisory body that provides standards and guidelines relating to Islamic financing, should be enhanced. In a statement, the secretary of the House Committee on Banks and Financial Intermediaries, Abul Khayr Alonto, said that he hopes the government can provide an environment where Islamic banking can operate with conventional banking by executing existing laws enabling Islamic financing such as Republic Act No. 6848 and the Organic Act of the ARMM, as amended. Abul also hoped that the ARMM will eventually be utilizing Al Amanah Islamic Investment Bank as the official bank for government-related transactions in the future.

SC to build big data capability

MALAYSIA: Securities Commission Malaysia (SC) has signed an MoU with MIMOS, the nation's research and develoment center in information and communications technology, to jointly develop a capital market advanced analytics platform. The SC said in a statement that the partnership will allow it to process a higher volume of data from a variety of sources beyond the traditional data sets, facilitate the usage of RegTech or technology to enhance regulatory effectiveness and build Malaysia's big data capability in the capital market.

BB and local banks collaborate on GTF

BANGALDESH: Bangladesh Bank (BB) has signed separate participatory agreements with six banks — Shahjalal Islamic Bank, Eastern Bank, Jamuna Bank, Mercantile Bank, Prime Bank and Southeast Bank — for the use of the Green Transformation Fund (GTF) for export-oriented textile and textile products and leather manufacturing industries, according to a statement.

SBP allows separate PRISM

PAKISTAN: Islamic banking branches of conventional banks in Pakistan are now allowed to establish a separate Pakistan Real-Time Interbank Settlement Mechanism (PRISM) in a move aimed at improving the efficiency of the financial services of the banking system and to enhance the outreach of the electronic transfer of large value funds, the State Bank of Pakistan (SBP) said in a circular.

Bank Asya makes payment of funds

TURKEY: Bank Asya has announced that it has made payments of up to TRY100,000 (US$28,304) of the total of insured participation funds to right holders through Vakif Participation Bank, as reported by Daily Sabah. The payments, however, were not made in foreign currency or precious metals to the right holders who had foreign exchange accounts and precious metals at the bank. In determining the amounts paid from the participation funds, data as at the 22nd July 2016, related to the accounts in Bank Asya, were taken into consideration.

Islamic financing for Ampang Ukay project

MALAYSIA: EcoFirst Hartz, a unit of Ecofirst Consolidated, has secured RM189.95 million (US$42.72 million)-worth of financing comprising an Islamic term financing facility of RM101.5 million (US$22.83 million) and an Islamic financing facility of RM88.45 million (US$19.9 million) from Malaysia Building Society, according to The Star Online. The facilities will be used by EcoFirst to purchase land and build its Ampang Ukay property project which has an estimated gross development value of more than RM5 billion (US$1.12 billion).

EUROPE

90 North doubles value of US portfolio

UK: Shariah compliant real estate specialist 90 North Real Estate Partners has more than doubled the value of its US portfolio since the beginning of 2016 to reach US$540 million, according to a statement. This marks an increase of more than 100% on the value of the firm's US portfolio at the end of 2015.

In February, the firm completed the acquisition of the North American headquarters of Saint-Gobain in Pennsylvania for US$123 million, before purchasing a newly constructed US$67.1 million headquarters office complex in South Carolina in April. In October, 90 North closed the US$107 million acquisition of General Electric's new Global Operations Center in downtown Cincinnati, Ohio, in its capacity as an investment advisor.

GLOBAL

MBL and ISRA collaborate

GLOBAL: Meezan Bank (MBL) and the International Shari'ah Research Academy for Islamic Finance (ISRA) have signed a multi-faceted MoU to jointly expand the role of Islamic finance through collaborations in various aspects of this field, according to Pakistan's Daily Times. The comprehensive MoU further sets out a clear roadmap for research into the domains of Shariah and Islamic finance that should be facilitated by the exchange of best practices in research and training.

BIMP-EAGA discuss Islamic financing initiatives

GLOBAL: Ministers and senior officials of the Brunei, Indonesia, Malaysia and the Philippines East ASEAN Growth Area (BIMP-EAGA) had convened from the 27th-29th November to review and assess priority programs and projects under the BIMP-EAGA Blueprint 2012-16 and also to discuss the new development blueprint, the BIMP-EAGA Vision 2025, according to a statement. The discussions revolved around ensuring the continuity of current initiatives while pursuing new directives that will enhance trading and cooperation within the sub-region, and included the mainstreaming of Islamic financing initiatives, the establishment of transport connectivity, the strengthening of trade and investment facilitation services and the promotion of the Halal industry.

IIFM studying new standards

GLOBAL: The International Islamic Financial Market (IIFM) is currently studying the addition of two new standards for Islamic financial products related to the capital market, corporate finance and trade financing and will begin working on these standards in 2017. According to Mubasher Info quoting Khalid Hamad, the chairman of the IIFM, the first standard includes the participation in risk-sharing while the second one is concerned with hedge types.

Shariah standard on gold finally launched

GLOBAL: AAOIFI and the World Gold Council have launched the 'Shariah Standard No. 57 on Gold and its Trading Controls', according to a joint statement. The latest standard deals with the Shariah rulings for gold in its various forms and categories, the Shariah parameters for gold transactions and the rulings for gold-based financial products in institutions.

The standard will, for the first time, set specific rules for the use of gold as an investment in the Islamic finance industry. The new standard shows that investment in gold is permissible provided that all the relevant Shariah rulings are satisfied, including those relating to taking possession of gold and the proper calculation of Zakat. The standard will also help open up a new investment asset class, enabling Islamic banks and other financial institutions to grow their customer bases and facilitate the creation of a broader range of saving, hedging and diversification products.

OPEC's decision to accelerate market re-balancing

GLOBAL: Fitch Ratings expects OPEC's decision to cut production by 1.2 million barrels of oil per day and the potential agreement to cut with non-OPEC countries, should help accelerate market re-balancing and improve the chances of a faster oil price recovery than previously expected. The rating agency said in a statement, however, that implementation risks remain, including the cartel's adherence to the agreement and the willingness of other participants, especially Russia, to cooperate fully. These issues and US oil production dynamics will be key drivers to the price of oil in the medium term.

GFH to finance GHC's Villamar project

GLOBAL: GFH Financial Group, as the project sponsor, have signed a final Sukuk restructuring agreement with Al Rajhi Bank, the project financier, and Gulf Holding Company (GHC), the project's real estate project development firm, for the rescheduling of the finances of the Villamar project, marking the relaunch of the US$700 million project

located in the Bahrain Financial Harbor. According to a statement by GFH, the Islamic bank will inject up to US$50 million in financing for the completion of the project.

Islamic banks embracing green finance

GLOBAL: According to a survey by Bahrain-based General Council for Islamic Banks and Financial Institutions as reported by Reuters, green finance is increasingly important for Islamic banks seeking to differentiate themselves from their conventional peers. The survey also found that around a third of small Islamic banks cited a moderate exposure to the green and renewable energy sectors, compared to 15.5% for large Islamic banks. The survey drew input from 86 Islamic finance institutions across 29 countries mainly from the Middle East and Southeast Asia, as well as Africa.

Investcorp acquires Agromillora Group

GLOBAL: Alternative investment manager Investcorp has completed the acquisition of a majority stake in Agromillora Group. The founders and management team of Agromillora will maintain a minority stake in the company as part of the transaction, according to a statement. Agromillora is the leading global developer of high-yielding plants and trees, with a key focus on permanent crops, including stone fruits, citrus, nuts, berries, olive trees and grape plants.

MIDDLE EAST

Ibdar Bank exits aviation deals

BAHRAIN: Ibdar Bank, a Bahrain-based wholesale Islamic investment bank, has sold five Bombardier Q400 NextGen aircraft for an undisclosed amount, according to a statement. The aircraft were leased to Ethiopian Airlines and RwandAir, with the former's transaction involving 12-year Shariah compliant operating leases of brand new aircraft. To date, the bank has completed US$196 million in aviation transactions.

MAR expands network

QATAR: Masraf Al Rayan (MAR), according to a bourse filing, has expanded its network with the launch of

a new branch in Rawdat Ekdeem in Bani Hajar; the Islamic bank now operates 13 branches nationwide supported by a network of 78 ATMs.

Saudi Islamic banks face tough operating environment

SAUDI ARABIA: A tougher operating environment is continuing to challenge Islamic banks in Saudi Arabia, as sustained low oil prices have taken their toll on economic growth and government spending, according to Fitch in a statement. This is affecting sectors that are especially dependent on government spending such as contracting. The rating agency noted that asset quality metrics are therefore likely to deteriorate from their current strong position, especially in light of slowing Islamic financing growth and their high exposure to cyclical sectors such as contracting and retail. While liquidity has now stabilized with the recent government injection of liquidity and a slower demand for financing, profitability is likely to come under pressure due to slower financing growth.

Bahri procures Murabahah facility

SAUDI ARABIA: The National Shipping Company of Saudi Arabia (Bahri) has signed a syndicated Murabahah facility agreement worth US$350 million with Standard Chartered Bank, Arab National Bank, Bank Albilad and National Bank of Abu Dhabi, according to a bourse filing to Tadawul. The facility will be used to finance the construction of five very large crude carriers, whose contracts were signed with South Korea's Hyundai Samho Heavy Industries in July 2015. Bahri was granted a 22-month grace period on the 10-year facility as the vessels will be mortgaged to the banks as collateral for the financing.

Murabahah Finance engages SRB

SAUDI ARABIA: Saudi-based Murabahah Finance has appointed Shariyah Review Bureau (SRB) as the company's exclusive Shariah advisor and Shariah auditor in connection with its financing products and operational upgrades, according to a statement.

Bin Faqeeh signs escrow agreement with KHCB

BAHRAIN: Real estate developer Bin Faqeeh has signed an escrow agreement with Shariah compliant Khaleeji Commercial Bank (KHCB) for its HIDD HEIGHTS project consisting of a 13-storey building in Hidd.

Sharjah's debt remains moderate

UAE: Sharjah's debt burden and debt affordability are still low and compare well with its peers despite the economic slowdown and rising deficit on the back of lower oil prices, according to Moody's Investors Service. The emirate's nominal GDP growth is expected to remain around 4% going into 2017, compared with 6% on average in 2010-15. The rating agency noted that Sharjah has diversified its sources of funding, and US dollar-denominated debt accounts for approximately half of its outstanding debt, with international investors holding 62% of the government's debt and the share likely to increase. Sharjah's debt increased with the issuance of a US$500 million Sukuk in January 2016 and a previous Sukuk issuance of US$750 million in September 2014.

CBB considering regulating fintech

BAHRAIN: The Central Bank of Bahrain (CBB) is considering introducing regulations on fintech and is inviting technology companies to set up their offices in Bahrain and use it as a base to serve the entire GCC and Middle East region, said Khalid Hamad, the chairman of the Waqf Fund and the executive director of banking supervision at the CBB, in a statement.

SAMA changes name

SAUDI ARABIA: The Saudi Arabian Monetary Agency (SAMA), the apex bank of Saudi Arabia, has changed its name from 'Agency' to 'Authority' effective from the 4th December, according to a statement. The acronym, however, remains unchanged and all existing agreements, obligations and contracts under the previous name of SAMA will continue to remain in force.

ASSET MANAGEMENT

Public Mutual declares distributions

MALAYSIA: Public Mutual has declared distributions of more than RM95 million (US$21.28 million) for nine funds for the financial year ended the 30th November, according to a statement. The Public Islamic Infrastructure Bond Fund registered the highest gross distribution of 4 Malaysian sen (0.9 US cent) per unit while the Public Islamic Alpha-40 Growth Fund, the Public Islamic Asia Leaders Equity Fund and the Public Islamic Mixed Asset Fund registered distributions of 0.25 Malaysian sen (0.056 US cent), 0.15 Malaysian sen (0.034 US cent) and 0.4 Malaysian sen (0.09 US cent) respectively.

SEML IBBL Shariah Fund to open for subscription

BANGLADESH: Islami Bank Bangladesh (IBBL) will open subscription to the SEML IBBL Shariah Fund on the 11th December, according to its prospectus. The subscription period will close on the 21st December. (For more information on the fund, see IFN Fund Focus Vol 13 Issue 36).

PSG Melrose Arch's Shariah certification revoked

SOUTH AFRICA: The Official Shariah Certification issued to PSG Melrose Arch, an investment management and financial services firm, has been revoked and terminated with immediate effect as of the 29th November, confirmed Mufti Ismail Desai, CEO of Global Islamic Financial Services Firm (PTY), in a statement. The revocation and termination was because the firm failed a periodic Shariah audit and refused to grant access to the financial documents, processes and records of clients signed with the Islamic division. Mufti Ismail has also officially resigned from the Shariah board of PSG Melrose Arch.

Sabana REIT to divest property

SINGAPORE: Sabana Real Estate Investment Management, the manager of Shariah compliant Sabana REIT, has announced that HSBC Institutional Trust Services, in its capacity as the trustee of Sabana REIT, has entered into a conditional sale and purchase agreement with X Properties for the proposed divestment of 218 Pandan Loop, Singapore 128408 for the sum of SG$148 million (US$104.19 million), according to a statement. The divestment is expected to be completed by the first quarter of 2017, subject to approvals from the relevant authorities.

RESULTS

Affin Islamic Bank

MALAYSIA: Affin Islamic Bank, a wholly-owned subsidiary of Affin Bank (ABB), reported a profit before tax (PBT) of RM97.1 million (US$21.75 million) for the nine months ended September 2016, compared with RM83.7 million (US$18.75 million) recorded for the same period in 2015, according to a press release. ABB, meanwhile, reported a PBT for the period of RM432.6 million (US$96.91 million), 34.6% higher compared with RM321.3 million (US$71.97 million) during the nine months of 2015. This achievement was due to lower allowance for loan impairment, higher Islamic banking income as well as higher other operating income.

BIMB Holdings

MALAYSIA: BIMB Holdings registered a 9.1% year-on-year growth in net profit after Zakat and tax (PAZT) of RM474.1 million (US$106.2 million) for the nine-month period ending the 30th September, according to a statement. The Islamic financial holding company's banking subsidiary, Bank Islam Group, saw a year-on-year increase of 8.6% in PAZT to RM396.7 million (US$88.86 million), while its Takaful outfit, Takaful Malaysia Group, recorded PAZT of RM135.6 million (US$30.36 million), up 10.8% year-on-year attributable to higher Wakalah fee income.

Faisal Islamic Bank of Egypt

EGYPT: Faisal Islamic Bank of Egypt recorded a nine-month consolidated net profit of EGP1.14 billion (US$63.45 million) for 2016, compared with EGP663.5 million (US$36.93 million) during the same period a year ago, according to its financial statements. Consolidated net interest income and sales for the period, meanwhile, stood at EGP2.46 billion (US$136.92 million) compared with EGP2.41 billion (US$134.14 million) during the nine-month period of 2015.

TAKAFUL

MetLife AIG ANB secures temporary product approval

SAUDI ARABIA: MetLife AIG ANB Cooperative Insurance has secured a temporary six-month approval from the Saudi Arabian Monetary Agency for the utilization of the single project professional indemnity product, according to a bourse filing.

PIS and Pacific Prime collaborate

GLOBAL: Bahrain-based Protection Insurance Services, an insurance and reinsurance broking firm providing international specialized insurance, reinsurance services (including Takaful and re-Takaful) and advisory services, has entered into a new strategic partnership with Hong Kong-based global insurance advisor Pacific Prime, which will see both entities extend their operations within the GCC and in other regions across the globe, according to a statement.

ATM purchases Maldives Islamic's issued share capital

MALDIVES: Amana Takaful Maldives (ATM) has purchased 5% of the issued share capital of Maldives Islamic Bank held by the Islamic Corporation for the Development of the Private Sector, according to Dr Aishath Muneeza, IFN Correspondent for the Maldives. The transaction involves 9,000 ordinary shares of Maldives Islamic Bank.

Solidarity to reduce capital

SAUDI ARABIA: Solidarity Saudi Takaful's board has recommended to reduce the company's capital by 55% from SAR555 million (US$147.8 million) to SAR250 million (US$66.58 million), translating into a decline in the total number of shares to 25 million from 55.5 million, according to a bourse filing.

RATINGS

RAM ceases rating on OCBC Malaysia's Sukuk

MALAYSIA: RAM has ceased its rating obligation on OCBC Malaysia's RM200 million (US$44.77 million) redeemable subordinated Sukuk facility following its full redemption on the 24th November 2016, according to a statement. The facility previously carried a rating of 'AA1/Stable'. RAM will continue to maintain a rating surveillance on the bank's 'AAA/Stable/P1' financial institution ratings.

RAM reaffirms Manjung Island Energy's Sukuk

MALAYSIA: RAM has reaffirmed the respective 'AAA/Stable' and 'AAA(s)/Stable' ratings on Manjung Island Energy's RM3.86 billion (US$866.14 million) Islamic securities (2011/2030) (Series 1) and RM990 million (US$222.15 million) Islamic securities (2011/2031) (Series 2), according to a statement. The reaffirmation of the Series 1 rating is based on TNB Janamanjung (TNBJ)'s continued ability to preserve its superior cash buffer to service Manjung Island's financial obligations, while the enhanced rating of Series 2 reflects a corporate guarantee from TNBJ's parent, Tenaga Nasional. TNBJ is the sole cash flow source of Manjung Island, a trust-owned SPV that was established to raise funding for the construction of a new 1,000 MW coal-fired power plant in Perak.

BNP Paribas Malaysia secures ratings reaffirmation

MALAYSIA: RAM has reaffirmed the 'AA2/Stable/P1' financial institution ratings on BNP Paribas Malaysia, according to a statement. The bank's ratings reflect the ready parental support from BNP Paribas, and it is able to leverage on its parent's global franchise, international network and technical expertise.

CI affirms Arab Bank's ratings

JORDAN: Arab Bank (AB)'s financial strength rating (FSR) has been affirmed at 'BBB+' by Capital Intelligence (CI), underpinned by the bank's ample liquidity, deep customer deposit base and geographically diversified balance sheet with significant operations in GCC countries, North Africa and Europe, according to a statement. The rating agency, however, changed the outlook on the bank's FSR to negative from stable in view of the sharp decrease in the capital adequacy ratio. The bank's long and short-term foreign currency ratings (FCRs) are affirmed at 'BB-' and 'B' respectively, with a stable outlook. AB's long-term FCRs are constrained by the ratings assigned to the sovereign ('BB-/B/Stable'), reflecting AB's base of operations in Jordan and its exposure to Jordanian sovereign debt.

IIRA reaffirms IIC's 'A' rating

JORDAN: Islamic International Rating Agency has reaffirmed the Takaful financial strength rating on Islamic Insurance Company (IIC) of Jordan at 'A' with a stable outlook, according to a statement. The fiduciary score has been reassessed in the range of '71-75', reflecting adequate fiduciary standards.

MARC affirms GDC Putrajaya's Islamic debt securities

MALAYSIA: MARC has affirmed the 'AAAIS' rating on Gas District Cooling (Putrajaya) (GDC Putrajaya)'s RM300 million (US$67.2 million) Bai Bithaman Ajil Islamic debt securities (BaIDs) with a stable outlook, according to a statement. The affirmed rating reflects a three-notch uplift from the company's stand-alone credit profile, which is assessed at 'AA-'. The rating uplift is premised on the rating agency's assessment on the strength of parental support from GDC Putrajaya's immediate shareholder, Putrajaya Holdings which carries a long-term credit rating of 'AAA/Stable'.

RAM reaffirms the UAE's ratings

UAE: The respective global and ASEAN-scale sovereign ratings of 'gAA2(pi)/Stable' and 'seaAA(pi)/Stable' on the UAE have been reaffirmed by RAM on the back of the country's solid external position, ample fiscal reserves and economic fundamentals that remain supportive of growth, according to a statement. These positives offset substantial contingent liabilities and an overreliance on the hydrocarbon sector.

Moody's affirms Dubai Islamic Bank's ratings

UAE: Moody's has affirmed Dubai Islamic Bank (DIB)'s 'Baa1/Prime-2' issuer ratings and 'ba3' baseline credit assessment (BCA) and adjusted BCA, according to a statement. Concurrently, the rating agency revised the outlook on the bank's long-term issuer rating to positive from stable. Moody's affirmation reflects DIB's strong retail franchise, which provides a stable deposit base, and its improving capitalization and profitability metrics. The change in outlook to positive from stable reflects the rating agency's view that DIB will sustain improvements in asset quality and financing loss coverage levels, despite the low oil price operating environment.

AUBK's 'A-' rating affirmed

KUWAIT: Capital Intelligence has affirmed the 'A-' financial strength rating on Ahli United Bank Kuwait (AUBK) with a stable outlook based on its sound asset quality, good capital adequacy, comfortable liquidity and more than satisfactory profitability at both the operating and net levels, according to a statement.

CI affirms Al Rajhi Banking and Investment Corporation

SAUDI ARABIA: Capital Intelligence (CI) has affirmed the ratings of Al Rajhi Banking and Investment Corporation, according to a statement. The financial strength rating (FSR) is affirmed at 'AA-' with a stable outlook, in view of the bank's strong deposit-gathering capability, loyal and stable customer deposit base, consequent benefits to its liquidity, sound asset quality (including diversification), very strong capital adequacy and continued strong profitability. The long-term foreign currency rating (FCR) is also maintained at 'AA-' with the short-term FCR at 'A1,' with a negative outlook.

MOVES

Winston & Strawn

UAE: **Shibeer Ahmed** has left his role as the head of White & Case's GCC conventional and Islamic bank finance practice to lead Winston & Strawn's banking and Islamic finance business in Dubai, confirmed a statement.

Gulf Bank

KUWAIT: Gulf Bank, which offers Islamic financial products, has appointed **Antoine Daher** as CEO effective the 1st December, succeeding **Cesar Gonzalez-Bueno**, the bank confirmed in a statement. Daher was previously the bank's deputy CEO.

SHUAA Capital

UAE: SHUAA Capital announced in a filing with the Dubai Financial Market that **Abdulrahman Hareb Rashed Al Hareb** and **Jamal Ghalita** have resigned from the board of directors. The company will resolve to elect two new board members to fill the vacant positions during the general assembly on the 19th December 2016.

GFH Capital

BAHRAIN: GFH Capital, a fully-owned subsidiary of Bahrain-based GFH Financial Group, has appointed **Luay Ahmadi** as its senior executive officer who will be in charge of the bank's operations and focus on further expanding its investment reach and portfolio across existing and new sectors and geographies, according to a statement. Luay joins GFH Capital from Emirates NBD, where he was most recently the managing director and head of northern Gulf based out of Dubai from December 2014.

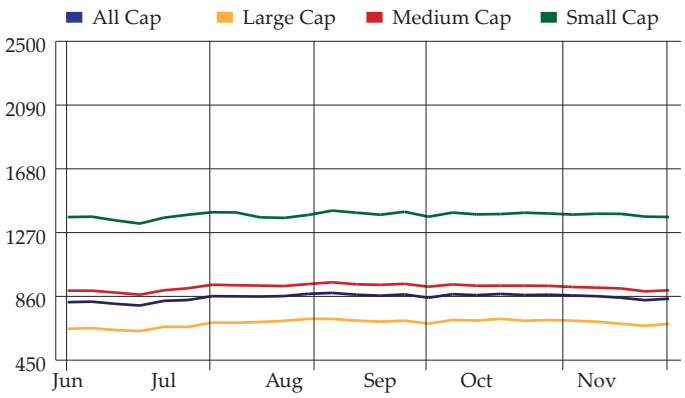
Standard Chartered Bank Pakistan

PAKISTAN: Standard Chartered Bank Pakistan, which also provides Islamic banking services, has announced the resignation of its chairman/director of the board, **Sunil Kaushal**, with effect from the 1st December, according to a bourse filing.

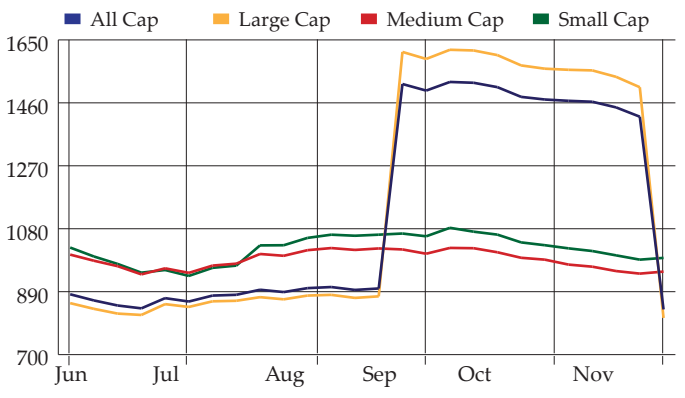
Expected date	Company's name	Size	Structure	Announcement Date
TBA	ACWA Power	up to US$1 billion	Sukuk	6th December 2016
20th December 2016	Bank Syariah Mandiri	IDR1 trillion	Sukuk	24th November 2016
TBA	TRIplc Medical	up to RM639 million	Sukuk Murabahah	16th November
TBA	Sichuan Development Holdings	US$300 million	Sukuk	4th November 2016
TBA	Warba Bank	US$250 million	Sukuk	3rd November 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
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
TBA	DanaInfra Nasional	RM10 billion	Sukuk	19th July 2016
First quarter of 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	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
First quarter of 2016	Government of Egypt	TBA	Sukuk	7th December 2015
TBA	Hascol Petroleum	PKR2 billion	Sukuk	9th November 2015

REDMONEY SHARIAH INDEXES

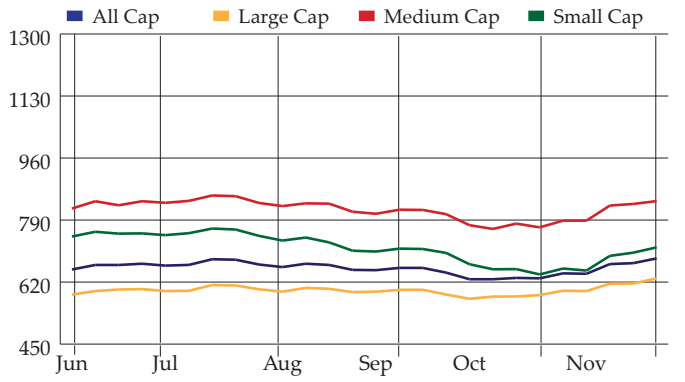
REDmoney Asia ex. Japan *6 Months*



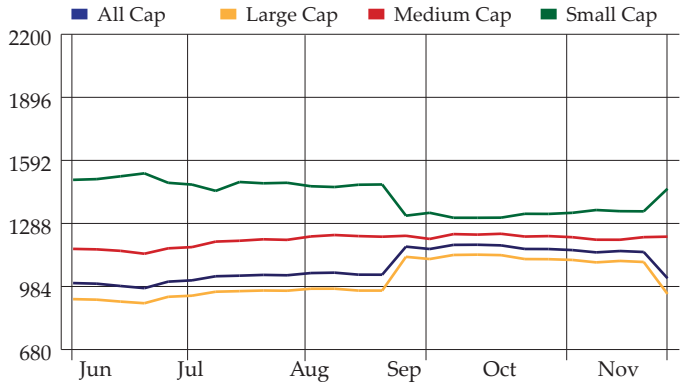
REDmoney Europe *6 Months*



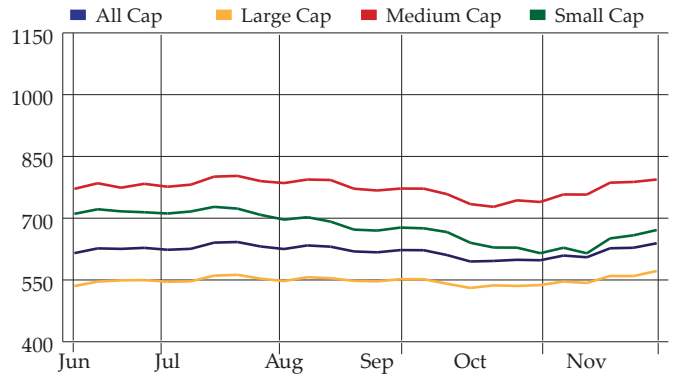
REDmoney GCC *6 Months*



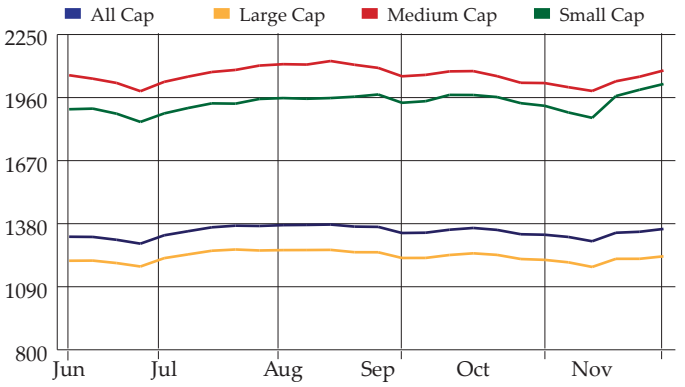
REDmoney Global *6 Months*



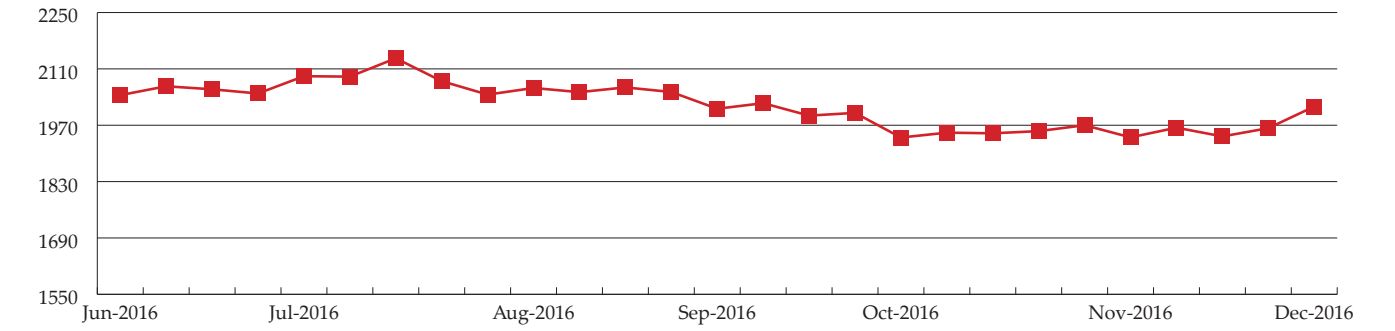
REDmoney MENA *6 Months*



REDmoney US *6 Months*

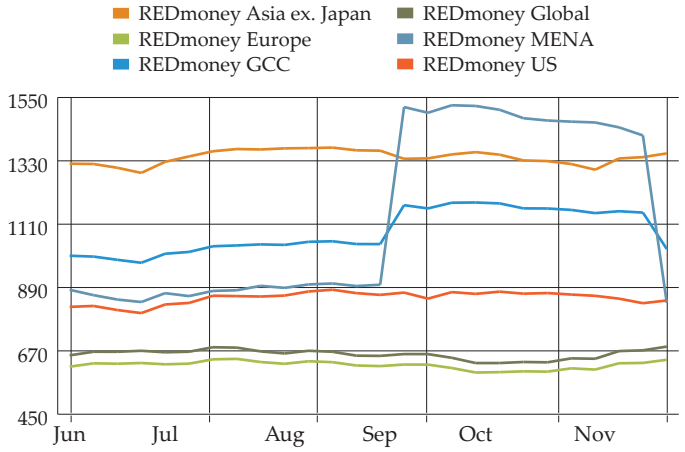


SAMI Halal Food Participation (All Cap) *6 months*

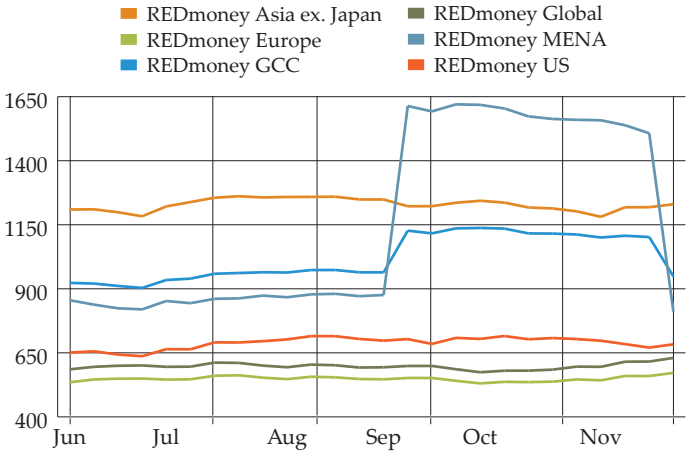


REDMONEY SHARIAH INDEXES

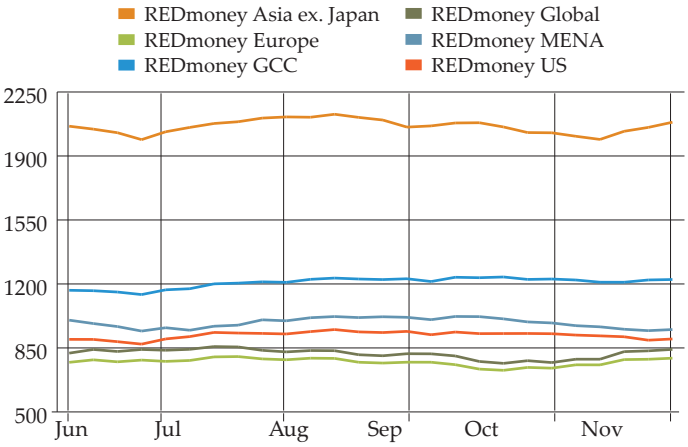
REDmoney Global Shariah Index Series (All Cap) *6 Months*



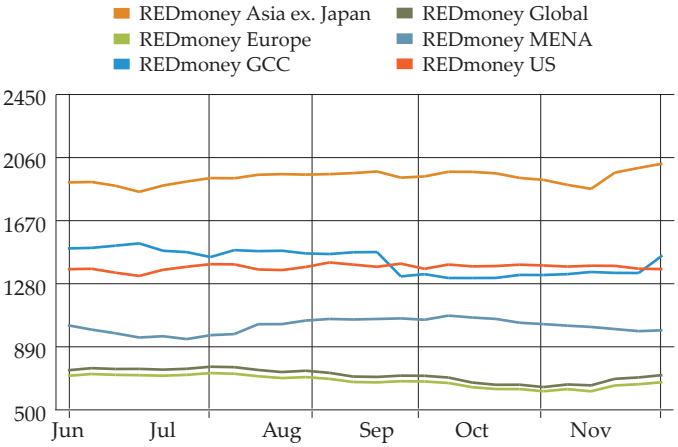
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



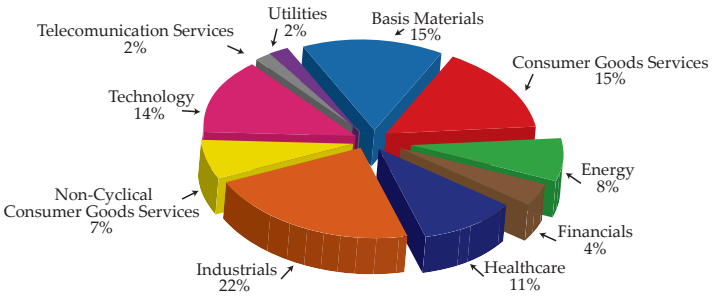
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



REDmoney Global Shariah

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

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



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

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

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

REDmoney Global Shariah Index Series

REDmoney Indexes IdealRatings®

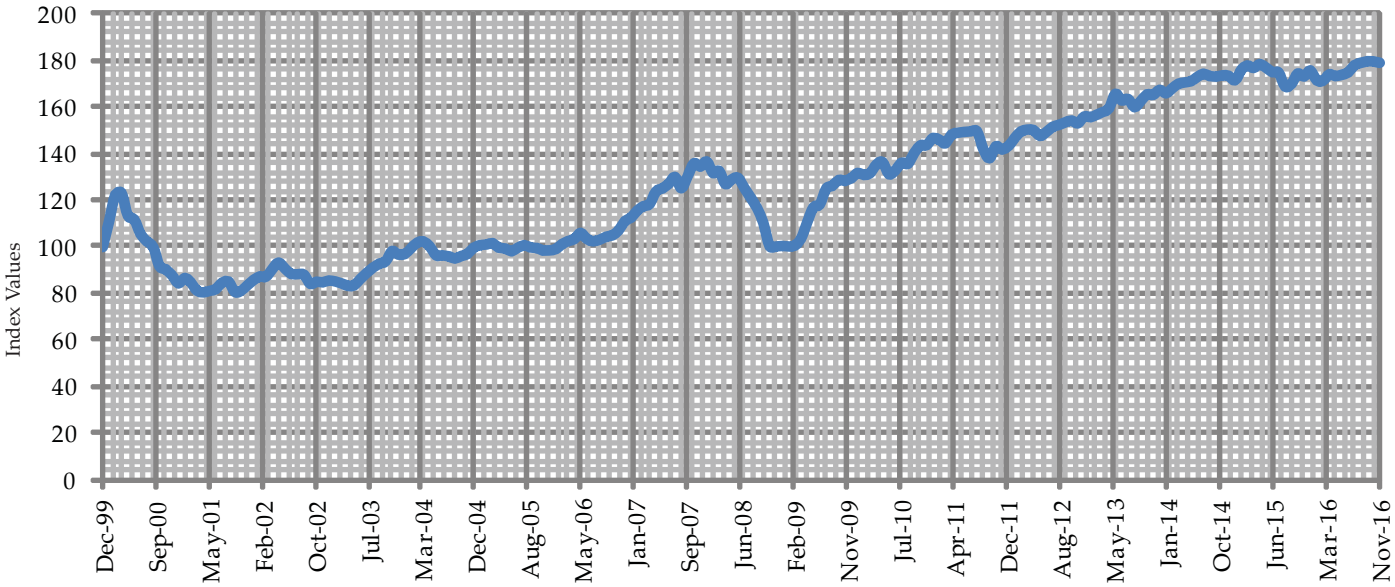
For further information regarding REDmoney Indexes contact:

Andrew Morgan
Managing Director, REDmoney Group

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

EUREKAHEDGE FUNDS TABLES

Eurekahedge Asia Pacific Islamic Fund Index



Top 10 Monthly Returns for Asia Pacific Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	7.41	Pakistan
2	Al Meezan Mutual	Al Meezan Investment Management	7.23	Pakistan
3	Meezan Islamic	Al Meezan Investment Management	6.80	Pakistan
4	Meezan Balanced	Al Meezan Investment Management	4.23	Pakistan
5	Namaa' Asia-Pacific Equity Growth	AmFunds Management	3.12	Malaysia
6	Meezan Sovereign	Al Meezan Investment Management	1.19	Pakistan
7	Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	0.92	Pakistan
8	Meezan Tahaffuz Pension - Money Market Sub	Al Meezan Investment Management	0.58	Pakistan
9	Meezan Islamic Income	Al Meezan Investment Management	0.52	Pakistan
10	Meezan Cash	Al Meezan Investment Management	0.37	Pakistan
	Eurekahedge Islamic Fund Index		**(0.34)**	

Based on 24.44% of funds which have reported November 2016 returns as at the 5th December 2016

Top 10 Monthly Returns for Middle East and Africa

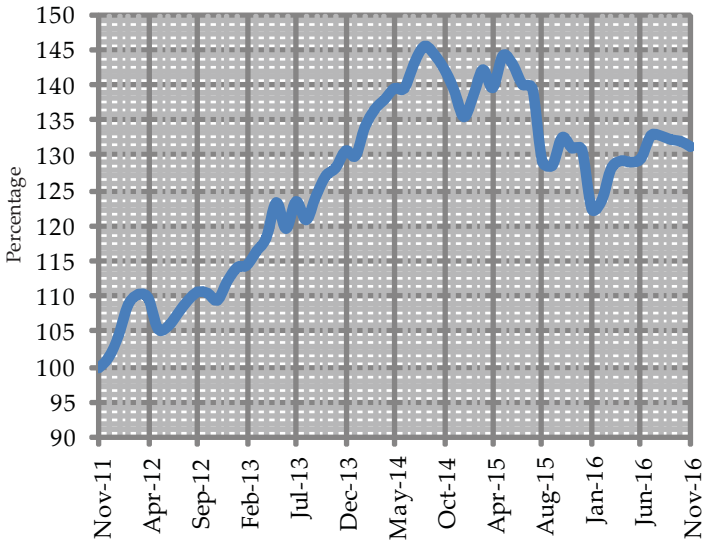
	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Al Rajhi Petrochemical and Cement Equity	Al Rajhi Bank	16.87	Saudi Arabia
2	FALCOM Saudi Equity	FALCOM Financial Services	13.50	Saudi Arabia
3	Al Rajhi Saudi Equity	Al Rajhi Bank	12.81	Saudi Arabia
4	Al Rajhi GCC Equity	Al Rajhi Bank	9.76	Saudi Arabia
5	Al Rajhi Multi Asset Growth	Al Rajhi Bank	4.82	Saudi Arabia
6	Emirates MENA Opportunities - Class A USD	Emirates NBD Asset Management	4.47	Jersey
7	Al Rajhi Multi Asset Balanced	Al Rajhi Bank	1.58	Saudi Arabia
8	FALCOM SAR Murabaha	FALCOM Financial Services	0.25	Saudi Arabia
9	Emirates Islamic Money Market Limited Institutional Share Class I USD	Emirates NBD Asset Management	0.09	Jersey
10	Emirates Global Sukuk Limited USD Institutional Share Class (Acc)	Emirates NBD Asset Management	-1.08	Jersey
	Eurekahedge Islamic Fund Index		**3.45**	

Based on 13.89% of funds which have reported November 2016 returns as at the 5th December 2016

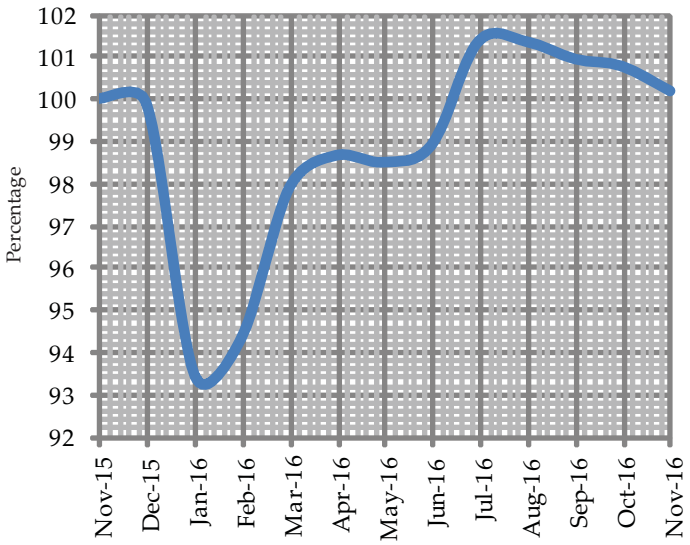
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity,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

EUREKAHEDGE FUNDS TABLES

Eurekahedge Islamic Fund Equity Index over the last 5 years



Eurekahedge Islamic Fund Equity Index over the last 1 year



Top 10 Islamic Fund Equity by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Al Rajhi Saudi Equity	Al Rajhi Bank	11.21	Saudi Arabia
2	FALCOM Saudi Equity	FALCOM Financial Services	10.84	Saudi Arabia
3	Al Rajhi Petrochemical and Cement Equity	Al Rajhi Bank	9.55	Saudi Arabia
4	Al Rajhi GCC Equity	Al Rajhi Bank	7.01	Saudi Arabia
5	Al Meezan Mutual	Al Meezan Investment Management	6.04	Pakistan
6	Meezan Islamic	Al Meezan Investment Management	5.86	Pakistan
7	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	5.83	Pakistan
8	BIMB i-Growth	BIMB UNIT Trust Management (BUTM)	3.32	Malaysia
9	Emirates MENA Opportunities - Class A USD	Emirates NBD Asset Management	0.61	Jersey
10	CIMB Islamic Small Cap	CIMB-Principal Asset Management	0.46	Malaysia
	Eurekahedge Islamic Fund Index		**(1.15)**	

Based on 18.28% of funds which have reported November 2016 returns as at the 5th December 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	3.98	Malaysia
2	Al Rajhi Commodity Mudarabah - USD	Al Rajhi Bank	0.46	Saudi Arabia
3	Watani KD Money Market	National Bank of Kuwait	0.13	Cayman Islands
4	Watani USD Money Market	National Bank of Kuwait	0.03	Cayman Islands
5	Emirates Islamic Global Balanced - Class A USD	Emirates NBD Asset Management	-2.99	Jersey
	Eurekahedge Islamic Fund Index		**(6.86)**	

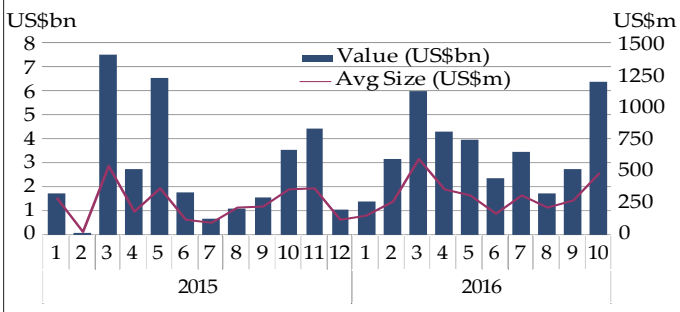
Based on 88.89% of funds which have reported October 2016 returns as at the 28th November 2016

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

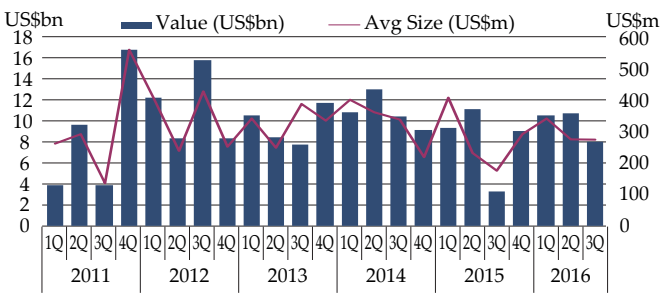
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
30th Nov 2016	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	1,250	Mizuho, Standard Chartered Bank, JPMorgan, National Bank of Kuwait, National Bank of Abu Dhabi, RHB Capital, Gulf International Bank, Natixis, Credit Agricole
23rd Nov 2016	Etihad Airways	United Arab Emirates	Sukuk	Euro market public issue	1,500	JPMorgan, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Dubai Islamic Bank, Abu Dhabi Islamic Bank
21st Nov 2016	Bank Muamalat Malaysia	Malaysia	Sukuk	Domestic market public issue	113	OCBC, DRB-HICOM
18th Nov 2016	Maxis Broadband	Malaysia	Sukuk	Domestic market public issue	560	Maybank, CIMB Group, AmInvestment Bank
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	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 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

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter



Top 30 Issuers of Global Sukuk *12 Months*

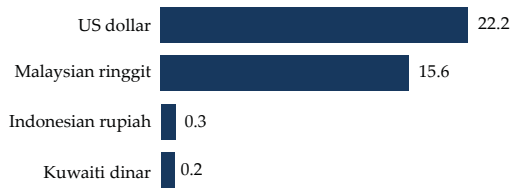
	Issuer	Nationality	Instrument	Market	US$ (mln)	Iss (%)	Managers
1	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	2,850	7.2	Standard Chartered Bank, JPMorgan, National Bank of Kuwait, Gulf International Bank, Natixis, CIMB Group, Emirates NBD, Mizuho, National Bank of Abu Dhabi, RHB Capital, Credit Agricole
2	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	2,500	6.3	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
3	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	2,242	5.6	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
4	Kingdom of Bahrain	Bahrain	Sukuk	Euro market public issue	2,000	5.0	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
5	Malaysia Sukuk Global	Malaysia	Sukuk	Euro market public issue	1,500	3.8	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
5	Etihad Airways	UAE	Sukuk	Euro market public issue	1,500	3.8	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
7	Sarawak Hidro	Malaysia	Sukuk	Domestic market public issue	1,365	3.4	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
8	DP World	UAE	Sukuk	Euro market public issue	1,200	3.0	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
9	Danga Capital	Malaysia	Sukuk	Domestic market public issue	1,110	2.8	RHB Capital, AmInvestment Bank, Standard Chartered Bank, DBS, CIMB Group
10	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
11	Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	2.5	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
11	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	2.5	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
13	Lembaga Pembiayaan Perumahan Sektor Awam	Malaysia	Sukuk	Domestic market public issue	986	2.5	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
14	Lebuhraya DUKE Fasa 3	Malaysia	Sukuk	Domestic market public issue	912	2.3	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
15	Maxis Broadband	Malaysia	Sukuk	Domestic market public issue	886	2.2	Maybank, CIMB Group, AmInvestment Bank
16	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	880	2.2	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
17	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
18	TNB Global Ventures Capital	Malaysia	Sukuk	Euro market public issue	750	1.9	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
18	Emaar Sukuk	UAE	Sukuk	Euro market public issue	750	1.9	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
20	Pengurusan Air SPV	Malaysia	Sukuk	Domestic market public issue	748	1.9	RHB Capital, Maybank, CIMB Group, AmInvestment Bank
21	Prasarana Malaysia	Malaysia	Sukuk	Domestic market public issue	733	1.8	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
22	Jambatan Kedua	Malaysia	Sukuk	Domestic market public issue	644	1.6	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
23	Sime Darby	Malaysia	Sukuk	Domestic market public issue	535	1.3	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
24	Sultanate of Oman	Oman	Sukuk	Euro market public issue	500	1.3	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
24	SIB Sukuk Co III	UAE	Sukuk	Euro market public issue	500	1.3	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
24	Noor Bank	UAE	Sukuk	Euro market public issue	500	1.3	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
24	Emirate of Sharjah	UAE	Sukuk	Euro market public issue	500	1.3	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
24	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	500	1.3	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
24	Axiata SPV2	Malaysia	Sukuk	Euro market public issue	500	1.3	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
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				**39,821**	**100**	

DEALOGIC LEAGUE TABLES

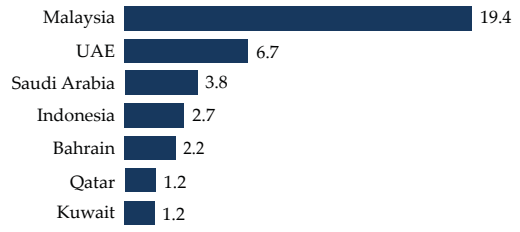
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	CIMB Group	5,440	38	13.7
2	Maybank	4,691	33	11.8
3	Standard Chartered Bank	4,110	22	10.3
4	RHB Capital	3,304	34	8.3
5	AmInvestment Bank	2,619	22	6.6
6	HSBC	2,459	19	6.2
7	Dubai Islamic Bank	1,759	15	4.4
8	JPMorgan	1,598	7	4.0
9	Emirates NBD	1,456	14	3.7
10	National Bank of Abu Dhabi	1,264	8	3.2
11	Citigroup	1,146	6	2.9
12	Deutsche Bank	987	4	2.5
13	Arab Banking Corporation	854	8	2.2
14	Noor Bank	634	8	1.6
15	BNP Paribas	588	2	1.5
16	First Gulf Bank	550	5	1.4
17	Credit Suisse	467	2	1.2
18	National Bank of Kuwait	450	4	1.1
19	Abu Dhabi Islamic Bank	393	3	1.0
20	Hong Leong Financial Group	367	4	0.9
21	Affin Investment Bank	365	3	0.9
22	Kenanga Investment Bank	361	5	0.9
23	Natixis	353	2	0.9
23	Gulf International Bank	353	2	0.9
25	OCBC	281	7	0.7
26	DBS	253	3	0.6
27	Sharjah Islamic Bank	226	3	0.6
28	Credit Agricole	223	3	0.6
29	Kuwait Finance House	206	4	0.5
30	Barclays	203	2	0.5
	Total	**39,821**	**130**	**100**

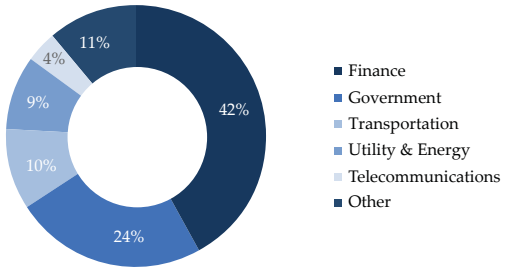
Sukuk Volume by Currency US$ (billion) *12 Months*



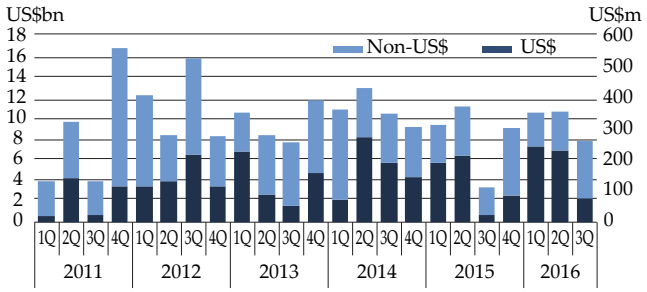
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



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	969	5	6.7
2	Banque Saudi Fransi	939	4	6.5
3	Saudi National Commercial Bank	933	4	6.4
4	Abu Dhabi Islamic Bank	739	6	5.1
5	Dubai Islamic Bank	684	9	4.7
6	China Development Bank	621	1	4.3
7	Emirates NBD	615	7	4.2
8	SABB	559	5	3.8
9	Noor Bank	545	8	3.8
10	Mashreqbank	489	5	3.4
11	Al Rajhi Capital	366	2	2.5
12	Standard Chartered Bank	363	6	2.5
13	Union National Bank	345	4	2.4
14	Maybank	338	1	2.3
14	CIMB Group	338	1	2.3
16	Abu Dhabi Commercial Bank	313	4	2.2
17	AKFED	292	2	2.0
18	Alinma Bank	260	2	1.8
19	Riyad Bank	258	2	1.8
20	Arab Banking Corporation	251	4	1.7
21	Credit Agricole	249	3	1.7
22	Bank Albilad	229	1	1.6
23	Al Hilal Bank	225	2	1.6
24	HSBC	208	4	1.4
25	Gulf International Bank	193	3	1.3
26	Natixis	175	3	1.2
27	BBK	174	3	1.2
28	National Bank of Bahrain	159	2	1.1
28	Ahli United Bank	159	2	1.1
30	National Bank of Abu Dhabi	148	3	1.0

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

	Bookrunner	US$ (mln)	No	%
1	Mashreqbank	1,050	3	13.2
2	Abu Dhabi Islamic Bank	1,006	6	12.6
3	Dubai Islamic Bank	488	4	6.1
4	Emirates NBD	474	3	5.9
5	Noor Bank	421	4	5.3
6	Maybank	338	1	4.2
6	CIMB Group	338	1	4.2
8	Abu Dhabi Commercial Bank	283	1	3.6
9	Arab Banking Corporation	275	4	3.4
10	Saudi National Commercial Bank	267	1	3.3

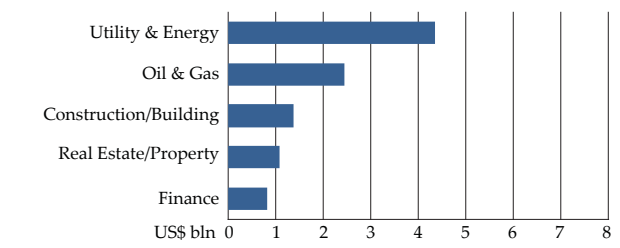
Top Islamic Finance Related Financing Deal List *12 Months*

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
20th 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
31st Aug 2016	Almarai	Saudi Arabia	600

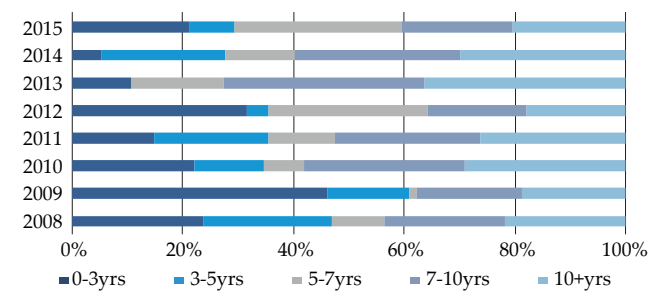
Top Islamic Finance Related Financing by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	Saudi Arabia	5,406	6	37.2
2	UAE	3,475	15	23.9
3	Pakistan	1,548	3	10.6
4	Bahrain	1,188	2	8.2
5	Malaysia	959	2	6.6
6	Jordan	550	2	3.8
7	Qatar	460	1	3.2
8	India	368	1	2.5
9	Egypt	305	2	2.1
10	Turkey	204	2	1.4

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)
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FEBRUARY 2017		
22nd	KL Awards Dinner	Kuala Lumpur, Malaysia
27th	Iran Dialogue	Tehran, Iran
28th	Dubai Awards Dinner	Dubai, the UAE
MARCH 2017		
6th	IFN Oman Forum	Muscat, Oman
8th	IFN 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
12th	IFN FinTech Forum	Kuala Lumpur, Malaysia
MAY 2017		
16th	IFN UK Forum	London, the UK
JULY 2017		
27th	IFN Indonesia Forum	Jakarta, Indonesia
SEPTEMBER 2017		
14th	IFN Turkey Forum	Istanbul, Turkey
18th	IFN Europe Dialogue	Luxembourg
19th	IFN Investor Forum	Luxembourg
OCTOBER 2017		
TBC	Africa Islamic Finance Forum	TBC
16th	Sovereign Sukuk Dialogue	Washington DC, the US
18th	IFN US Forum	New York, the US
TBC	IFN Pakistan Forum	Lahore, Pakistan
NOVEMBER 2017		
19th	IFN Kuwait Forum	Kuwait City, Kuwait
22nd	IFN Saudi Arabia Forum	Jeddah, Saudi Arabia

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