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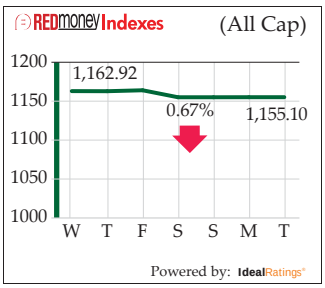

COVER STORY

25th January 2017 (*Volume 14 Issue 04*)

The year of the tracker: Where to look for Islamic ETFs in 2017

2015 saw exchange-traded funds (ETFs) explode, with low volatility and high value combining to drive investors into tracked funds and resulting in a boom in the global ETF market. Although Islamic ETFs have not yet taken off in the same way as the conventional market, a number of growth factors suggest that 2017 could be the year that Shariah compliant ETFs finally hit the big time.

According to Morningstar, active funds saw outflows of US$285.2 billion in 2016; while passive funds attracted inflows of US$428.7 billion. In fact, the ETF industry is expected to reach US$6 trillion in assets under management by 2020 — with the latest EY Global ETF Survey 2016 suggesting that innovation and product development are the key themes that will contribute to growth over the coming years. "In an increasingly crowded field, innovation is seen as the leading source of differentiation, with product range climbing fast into second place," commented EY.

"New entrants depend on eye-catching products to stand out from the crowd, while incumbents rely on new products to open fresh conversations with investors."

So where does Islamic finance fit into the mix? Well first of all, new entrants are the biggest contributing factor to the growing ETF industry. Of those surveyed in the latest EY report, 90% of global respondents expect new players to enter the market in 2017. The survey also shows that niche players and active managers are seen as much more likely entrants than in prior years, along with newcomers from other sectors of asset management. That is a notable change and illustrates a strategic response by active asset managers to the challenge from smart beta ETFs.

Secondly, the biggest growth areas for ETFs remain centerd on key Islamic geographies, particularly in Asia Pacific — where both US and European investors are keen to participate while local promoters are also becoming increasingly involved.

An ethical boom

ETFs are one of the fastest-growing asset classes in the investment industry, with the latest results from PwC suggesting that global assets under management could jump from US$3 trillion to US$8.2 trillion in the next five years. The rapid expansion of the industry has been driven by low costs and a growing range of new products that have been eagerly welcomed by both institutional and retail investors.

Among these trends has been a strong increase in ethical ETFs, which has supported the growing interest toward the Islamic market. Although there remains a limited number of Islamic ETFs worldwide, the growth in ethical and socially responsible commitments is certainly assisting to spread Shariah compliant products.

In Australia, for example, investment manager BetaShares this month launched its Global Sustainability Leaders ETF which invests in around 100 large global stocks from developed markets that are climate change leaders. To be included, a company must have a carbon impact at least 60% lower than the average for its industry. "Australians are increasingly using ethical investment

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DEALS

Indonesia auctions sovereign Sukuk worth IDR6 trillion (US$449.4 million)

Egypt plans to issue dollar Sukuk after conventional bond this year

Jabal Omar looking to tap into Sukuk market in 2017

Investment Corporation of Dubai set to launch Sukuk

Bahrain Bourse lists short-term Sukuk Ijarah and treasury bills worth BHD201 million (US$529.34 million) collectively

Qatar Central Bank announces yield results of Sukuk issued on the 16th January 2016

Maxis Broadband's Sukuk Murabahah program of up to RM10 billion (US$2.24 billion) is now tradable and transferable

Brunei issues 141st Sukuk Ijarah securities worth BN$100 million (US$69.77 million)

National Savings Organization considering retail Sukuk Ijarah to capture individual investors

Malaysia to issue RM4 billion (US$898.98 million)- worth of GII Murabahah

NEWS

IDB's Islamic microfinance project in Senegal to create 25,000 jobs; provides US$32 million in financing to eradicate malaria

Azerbaijan signs grant agreement with **IDB** to assist in drafting Islamic financing legislative base

JPMorgan Chase & Co reverses assessment of Indonesia's equities to neutral

Suriname looking to benefit from the **IDB**'s reverse linkage synergy

Sukuk issuance to maintain growth momentum; market share to increase as sovereigns increasingly look to dual facilities

Banking Reform Bill to be reviewed in Iranian parliament's spring session after 33 years

Qatar Central Securities Depository increases **Islamic Holding Group**'s foreign ownership limit to 49% of capital

RESULTS

Alinma Bank's fourth quarter net profit rises 1.04% to SAR390 million (US$103.91 million)

Qatar Islamic Bank's net profit increases 10.3% in 2016 to reach QAR2.16 billion (US$592.75 million)

Al Rajhi Bank's net profit for 2016 rises 13.97% to reach SAR8.13 billion (US$2.17 billion)

Aljazira Takaful Taawuni Company's net profit before Zakat in 2016 increases 46.76% to reach SAR25.92 million (US$6.91 million)

National Commercial Bank's net income in 2016 rises 2.5% to reach SAR9.32 billion (US$2.48 billion)

ASSET MANAGEMENT

Securities & Investment Company enters into strategic partnership with **Trucial Investment Partners** for US$50 million Shariah compliant US real estate fund

Emirates Real Estate Fund procures US$190.6 million Mudarabah facility to restructure balance sheet and fund future purchases

Bahrain's first Islamic REIT IPO achieves 95% subscription

Alkhabeer Capital launches Shariah compliant Saudi Real Estate Income Fund I

TAKAFUL

Tawuniya scores deal to provide insurance to employees of **Saudi Arabian Airlines**

Favorable structural demand augurs well for Indonesia's Takaful segment, says **Fitch**; life Takaful continues to command lion's share of industry

RATINGS

MARC affirms **Cagamas**'s bonds and Sukuk at 'AAA/ MARC-1' and 'AAAIS/ MARC-1IS' respectively

Capital Intelligence affirms **Kuveyt Turk Katilim Bankasi**'s ratings with a stable outlook

Solidarity General Takaful's ratings under review with positive implications following group's acquisition of **Al Ahlia Insurance Company**

Purple Boulevard maintains ratings on Sukuk Ijarah based on net property income of underlying asset

MOVES

BBK appoints Dr Adel Salem as assistant general manager of the Retail Banking Division

Deutsche Bank appoints heads of wealth management for the Gulf region and the Kingdom of Saudi Arabia

The year of the tracker: Where to look for Islamic ETFs in 2017

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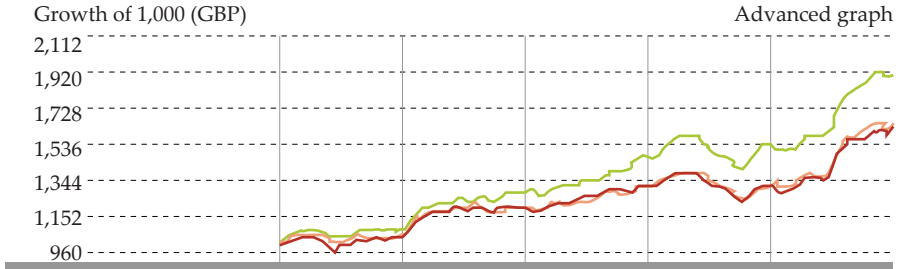
options as they realize the impact their money can have on promoting positive environmental and social outcomes," said Alex Vynokur, the managing director of BetaShares.

And younger investors are keen to get involved. "Forty-one per cent of millennials use ETFs, compared with 25 per cent of Gen Xers and only 17 per cent of baby boomers," pointed out Vynokur. "[The fund] will have particular appeal for the millennial generation, a demographic that is emerging as a driving force of both the ETF and the ethical investing industry. Millennials are twice as likely to invest in companies that seek to have positive environmental or social impacts."

Chart 1: iShares MSCI World Islamic UCITS ETF (GBP)
Performance history (as of 31st December 2016)



	2012	2013	2014	2015	2016
Fund	2.3	18.8	8.3	-1.8	26.9
+/-Cat	-3.3	2.6	0.7	-3.3	1.1
+/-B'mrk	-5.9	-0.2	-4.5	-6.9	1

Source: Morningstar

> ***"Millennials are twice as likely to invest in companies that seek to have positive environmental or social impacts"***

The fund tracks a US NASDAQ index which screens out companies deemed to participate in unethical activities including fossil fuels, gambling, tobacco, armaments and human rights concerns. It also allocates toward companies with beneficial ethical policies such as renewable energy, healthy living and sustainability.

Notably, the new BetaShares fund also actively competes on price, with an annual management fee of 0.49% — significantly less than most actively managed funds. Institutional investors have already jumped on board.

Future Super, a superannuation fund founded by Simon Sheikh and the first in Australia to be 100% fossil fuel-free, aims to invest 15% of its members' retirement savings into the BetaShares fund due to both geographical diversification and ethical considerations.

"As the Future Super product has rapidly grown to over AU$200 million (US$151.2 million), it was important for us to make a significant allocation to international equities to ensure diversification for our members," commented Sheikh. "Prior to the launch of the Betashares product, no global equities ETF or managed fund available in Australia met our ethical criteria."

Global growth

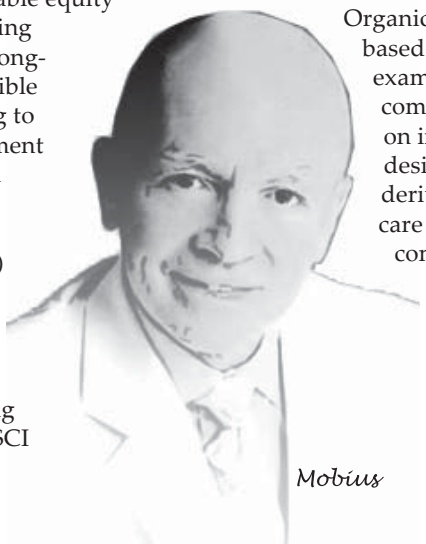
But the industry is growing. There are now eight funds listed on the Australian exchange with some type of ethical screening — and the trend is not restricted to Asia Pacific. In July last year BlackRock, one of the world's biggest ETF providers, announced the launch of two sustainable equity ETFs to address growing investor demand for long-term, socially responsible investments — adding to assets under management of over US$200 billion across screened environmental, social and governance (ESG) and impact funds globally.

The two new funds track indices consisting of companies with MSCI ESG ratings of level 'BB' and above. This metric rates companies on 37 key ESG factors including carbon emissions and business ethics.

The indices aim to minimize exposure to activities involving alcohol, tobacco, gambling, civilian firearms, military weapons, nuclear power, adult entertainment and genetically modified organisms. Sound familiar?

"The investment goal of many investors includes generating positive long-term and sustainable impact, and this approach is growing into a mainstream trend," commented Tom Fekete, the head of product shares for iShares EMEA at BlackRock.

But even newer and more innovative socially responsibly ETFs are launching onto the market, including a plethora of new thematic options. The Organics ETF from US-based Janus Capital, for example, seeks exposure to companies that capitalize on increasing consumer desire for naturally-derived food and personal care items including companies which service, produce, distribute, market or sell organic food, beverage, cosmetics, supplements or packaging. With the organic



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industry growing by an estimated 16% to 2020, niche areas such as these are increasingly attractive to investors.

Islamic focus

But while ethical ETFs are appealing, they are not necessarily Shariah compliant. So where are the key ETF growth areas for Islamic investors? In 2017, there are several growth factors that suggest major developments are on the way.

The biggest of these is of course the new Shariah gold standard from AAOIFI and the World Gold Council. Gold has benefited from the low-interest rate environment and was also expected to rise following a Donald Trump victory in the US election. With India (one of the world's largest gold consumers) expected to lower its import tax on bullion, this could be another major catalyst for gold prices in 2017. So what will this mean for the Islamic industry?

Gold was one of the best-performing assets in 2016, rising by almost 10% in US dollar terms and amassing multi-year record inflows through physically-backed gold ETFs. Since the Federal Reserve increased rates in December the price has gained over 5%, and is expected to benefit from the increasing political risk and flight to safe havens.

In 2016, gold-backed ETFs increased their collective holdings by 536 tonnes (US$21.7 billion), the highest since 2009. As currencies depreciate and inflation increases, gold will become even more attractive. And in particular, economic growth in Asia is expected to drive demand for gold, especially as the region decreases its exposure to the west.

Based on these factors, the new Shariah standard on gold is expected to have a major impact. Indeed, Mark Mobius, the executive chairman of Franklin Templeton, thinks that the new standard will be a game changer. "This standard is a godsend for those Islamic households that would like to invest in gold funds," he commented at a recent conference in Dubai. "We have a global standard for gold. This is innovative and revolutionary." He believes that gold will advance by 15% by the end of 2017, as the Fed limits its interest rate hikes and demand for bullion increases.

> ***"This standard is a godsend for those Islamic households that would like to invest in gold funds. We have a global standard for gold. This is innovative and revolutionary"***

But it is not just gold that is expected to send Islamic ETFs soaring. Commodity ETFs have also gone through the roof, as part of the 'Trump effect' that has seen industrial metals and mining firms see an explosion in demand. With commodities one of the best fits for Islamic investments, and with the latest OPEC agreement sending commodities and especially energy funds soaring, tactical commodities investment is one of the big trends for 2017.

Passive growth

Overall, passive investing is the big thing for the coming year. More assets are now held in passive than active funds (US$9.3 trillion versus US$5.3 trillion globally, according to Morningstar), primarily because the passive strategies are both cheaper and track better performance. While ETFs are not all passive, they are both tax efficient and heavily weighted toward passive strategies, with some estimates suggesting that the market could increase to US$10 trillion by 2020.

So what share of this could Islamic ETFs attract? Although there is no simple answer, the growth in global interest is clear. According to BlackRock, by the end of August 2016, there were 12 Shariah compliant exchange-traded products available globally with total assets under management of US$429 million.

iShares already offers three Islamic ETFs covering the US and the global and emerging markets and based on MSCI indices. In 2016, the iShares MSCI World Islamic UCITS ETF grew by 26.9%, outperforming its benchmark by 1% and reaching total assets of US$131.31 million as at the 20th January 2017.

With the explosion in growth of Islamic ethical, commodity and in particular gold ETFs, the industry is one to watch.

How are new regulatory regimes affecting Asian Islamic insurers?

VINEETA TAN explores how Takaful operators in Southeast Asia are coping with new (stricter) regulatory regimes.

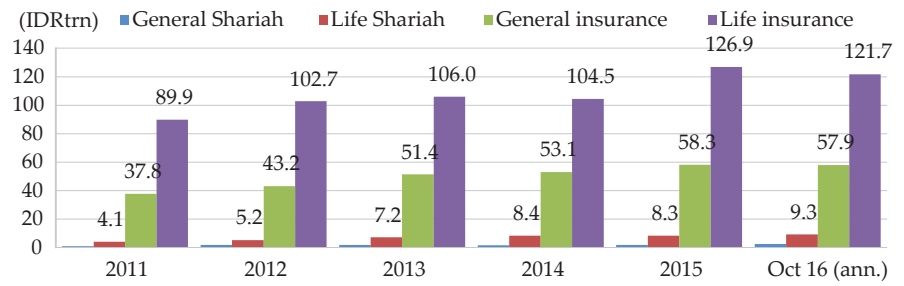
Compared to their conventional peers, the Islamic insurance segments of Malaysia and Indonesia are performing well in terms of premium generation: Malaysia, one of the largest Islamic insurance markets globally by gross contributions, managed to grow its Family Takaful business by 9.8% and General Takaful premiums by 5.8% over the first six months of 2016 — significantly outpacing the expansion of the conventional segment which clocked in a growth rate of 8.2% for life insurance and 2.6% in general insurance. It must be noted, however, that the Takaful industry starts from a lower base — the Islamic segment is still a minority in the overall insurance landscape with a 30% market share of the total life segment and 12% in the general insurance sector.

Indonesia on the other hand realized a 63% and 7% increase in gross premiums for its General and life Takaful sectors respectively against 19% and 30% of the conventional space during the January — October 2016 period. While these figures from Fitch Ratings are encouraging, certain impediments remain.

"Demand for Takaful products remains low compared with regional peers, despite Indonesia having the world's largest Muslim population," commented Fitch, adding: "A lack of awareness and understanding of Takaful products among consumers — and more broadly, the lack of a robust Islamic finance system to support long-term growth — restrains further sector expansion."

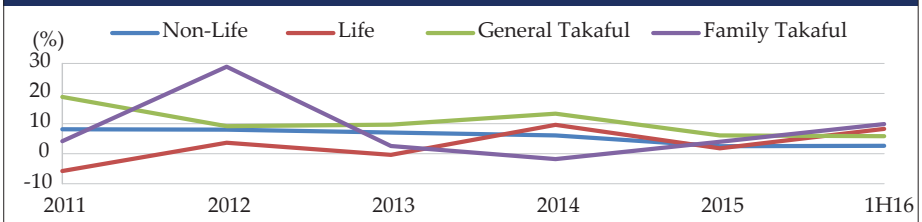
It is true that the Indonesian Islamic finance landscape — Takaful and banking included — is lagging behind regional peers (mainly Malaysia) and has yet to live up to its latent potential, however, market observers are cautiously optimistic, especially in light of the Financial Services Master Plan (2015-19). For Takaful specifically, measures were proposed under the new plan to fine tune related regulations, mainly in the form of higher capital adequacy and increased oversight of product development. Viewing it as a positive for the industry, Fitch expects the measure to align the Islamic insurance industry more closely with the policies for non-Shariah insurance.

Chart 1: Indonesia Insurance Industry - Gross Premiums



Source: Fitch Ratings using Otoritas Jasa Keuangan (October 2016 data is annualized) data

Chart 2: Malaysia Insurance and Takaful Sector Premium Growth



Source: Fitch using Bank Negara Malaysia data

In Malaysia however, regulatory developments brewing may be a double-edged sword. The Life Insurance and Family Takaful framework initiatives will grant greater flexibility and spur product innovation. However, the deregulation of motor and fire tariffs presents risks as well.

There is also the Islamic Finance Services Act 2013 (IFSA 2013) calling for the separation of Family and General Takaful businesses under separate licenses. Segregating their business lines would increase operational costs and remove the economies of scale enjoyed by Takaful companies, potentially compelling operators to either consolidate or dissolve one business line over the other.

"Smaller-scale operators who cannot justify the additional regulatory-related costs are the most likely to engage in M&A activities," noted Fitch.

"As Takaful operators realign their strategic focus and gradually retain more risks, we expect some bottom-line volatility in the short term," according to Bashar Al Natoor, the global head of Islamic finance at Fitch. "They will also have to digest new regulatory guidelines and optimize their approach toward delivering operating results on a risk-adjusted basis."

The effects of the regulatory pressure (and stiff market competition) are already materializing. HSBC is considering selling its Takaful unit — conventional insurer Allianz Malaysia is in the running to acquire full ownership of HSBC Amanah Takaful; MAA Takaful was bought over by Zurich in June 2016; while Hong Leong Financial Group has also been on the lookout to offload its majority stake in its Takaful business, although negotiations with interested parties last year were unsuccessful.

Consolidation is also on the cards for Indonesian Islamic insurers as the deadline to spin off Islamic businesses from the conventional ones is six years' away, although the implications may differ from that of their Malaysian neighbors. Anticipating it any amalgamation to be 'long-tailed' as the window operations of existing insurers remain small, Fitch is of the opinion that the gradual build-up of economies of scale would narrow the expense ratio disadvantage vis-a-vis the conventional business and facilitate expansion into rural and secondary markets.

Sovereign Sukuk: Momentum picks up in the third week of January

The past week saw key markets in the sovereign Sukuk space issue their usual Islamic debt papers to support government spending, while at the same time, industry observers believe that Egypt could make its debut in the Shariah compliant debt market sometime this year. DANIAL IDRAKI brings you the latest roundup in the sovereign Sukuk space.

Indonesia

The government of Indonesia conducted an auction of sovereign Sukuk (SPN-S 11072017 and four project-based Sukuk series) on the 24th January to finance the 2017 State Budget, according to an announcement on the Ministry of Finance's website. The indicative target for the auction was set at IDR6 trillion (US$447.6 million).

Brunei

Autoriti Monetari Brunei Darussalam has, on behalf of the government of Brunei, issued its 141st series of short-term Sukuk Ijarah for the total amount of BN$100 million (US$69.77 million), according to a statement. The 91-day facility was priced at 0.63% and will mature on the 13th April 2017. With this issuance, the Bruneian government has thus issued over BN$10.53 billion (US$7.35 billion)-worth of short-term Sukuk Ijarah securities since the maiden offering on the 6th April 2006, and the total holdings of Sukuk outstanding of the Bruneian government until the 12th January 2017 stood at BN$573.2 million (US$396.76 million).

Qatar

In its first domestic government debt offering this year, Qatar Central Bank (QCB) announced a total yield of QAR8 billion (US$2.2 billion) in Sukuk sales on the 16th January 2016, according to a statement. Issues QA0003529765 and QA0003529756, with allotted amounts of QAR250 million (US$68.61 million) each, yielded 2.5% and 3.1 % respectively. Issue QA0003529774 worth QAR3 billion (US$823.26 million) yielded 3.75% whereas issue QA0003529783 amounting to QAR4.5 billion (US$1.23 billion) yielded 4.25%. QCB also sold QAR7 billion (US$1.92 billion)-worth of conventional bonds in addition to the Islamic debt papers.

Upcoming sovereign Sukuk

Country	Amount	Expected date
Saudi Arabia	TBA	First quarter 2017
Morocco	TBA	First half 2017
Bahrain	TBA	First quarter 2017
Oman	US$2 billion	TBA
Iran	IRR60 trillion	2017
Nigeria	TBA	First quarter 2017
Egypt	TBA	2017
Kazakhstan	TBA	2017
Kenya	TBA	2017
South Africa	TBA	2017
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
The UAE	TBA	TBA
Shandong Province	CNY30 billion	TBA
Sindh Province	US$200 million	TBA
Kuwait	KWD5 billion	TBA
The Maldives	TBA	TBA
Sri Lanka	US$1 billion	TBA
Germany	US$1 billion	TBA

Egypt

Egypt could be issuing a US dollar Sukuk facility in 2017, after the launch of its conventional bond. Reuters, quoting investors attending the bond's presentation, said that the conventional bond could be launched after the investor meetings that are scheduled to end on the 23rd January.

Fitch expects Sukuk issuance to maintain growth trend

Fitch expects Sukuk issuance to maintain similar growth rates in 2017 and believe Islamic facilities will command a larger market share driven by the decision of governments to issue Sukuk alongside conventional bonds.

Fresh Sukuk issuance with a maturity of over 18 months from the GCC, Malaysia, Indonesia, Turkey and Pakistan increased to US$40 billion in 2016 from approximately US$32 billion the year before, translating into a 28.5% share of total bond and Sukuk issuance, a slight drop from 29% in 2015.

Canada jumps on the Islamic bandwagon as gold glitters and dollar dulls

As the dollar tumbles on the back of increasing global trade concerns induced by US President Donald Trump's protectionist stance, a Canadian company is looking to the Islamic world — paved by a new Shariah compliant gold standard — to cash in on a bullish gold market as investors flee to safe haven assets. VINEETA TAN takes a closer look.

Chart 1: Gold price as at 11.10pm EST on the 23rd January 2017

Source: Goldprice.com

Goldmoney is one of the many actors who have jumped on the Islamic bandwagon in recent months following the introduction of a long-awaited international guidance on gold as an investment vehicle. The Canadian firm has effectively broadened the appeal of its offerings by gaining a Shariah certification for its suite of products, allowing religious-conscious investors to purchase, save and transact in gold on the Goldmoney platform.

"As a company with an increasingly global client base, our compliance with Shariah law is an important step in our growth, enabling us to expand our offerings to the Islamic market," said Roy Sebag, CEO of Goldmoney.

The 100% reserved gold-based financial network is not the first online gold platform to have taken the Shariah route: just last month, Malaysia-based HelloGold won the recognition of Shariah scholars as a compliant gold platform. This was amid a rush by other players from Asia, Europe and the Middle East: SAAFI, a Takaful specialist from France, rolled out its physical gold investment product; Singapore Stock Exchange sought and secured approval from scholars for its gold futures, the Kilobar Gold Contract; while Dubai Multi Commodities Center and the Turkish bourse joined forces to develop an international Shariah compliant gold exchange and create dedicated delivery centers for precious metals in both Dubai and Istanbul.

The expansion of the Islamic gold investment universe is indeed timely as the yellow metal has been on a winning streak, increasing in value in 10 of the past 11 sessions, and hitting a two-month high on Monday, the 23rd January as Trump takes over the reins of the US and sets the motion for withdrawing from the negotiating process of the Trans-Pacific Agreement, and subsequently, hurting the dollar. On New York's Comex, the most active contract rose over 1% from Friday's close reaching US$1,219.4 in afternoon dealings — the highest intra-day level for gold since the 22nd November.

"The expansion of the Islamic gold investment universe is indeed timely as the yellow metal has been on a winning streak, increasing in value in 10 of the past 11 sessions, and hitting a two-month high on Monday, the 23rd January as Trump takes over the reins of the US"

Islamic finance to reach Scandinavian shores?

The growing awareness and popularity of Islamic finance around the world has finally landed in a market that has not had much interaction with Shariah compliant finance — Norway. DANIAL IDRAKI reports.

Earlier this month, Storebrand, which operates in Norway and Sweden, launched a website, http://www.etisklaan.no, to gauge the level of demand and interest from customers on the bank's idea of offering interest-free mortgages in order to appeal to Muslims residing in the country. Following in the footsteps of other Shariah compliant home financing products, the Scandinavian bank's Islamic products will be based on the principles of Ijarah and diminishing Musharakah.

"We wanted to find out if this can be another way of entering the housing market with rising prices. The product may be appropriate for young people, fresh graduates and people who cannot take up conventional mortgage due to religious considerations," Storebrand said on its website which has since been closed. Storebrand's communications director, Bjon Erik Saettem, told Norwegian newspaper Vart Land recently that the bank had received almost 300 inquiries from customers

regarding the Islamic mortgage, and Storebrand is now evaluating the market potential for such products. Saettem added that the bank has also been approached by financial advisors in the UK and Malaysia to structure the product offering.

Islam is the second-largest religion in Norway and Muslims currently represent approximately 3% of the country's population or roughly 144,000 people, according to statistics from Pew Research Center's Forum on religion and public life, and is projected to grow by more than twofold by 2030.

With Norway being the largest oil and natural gas producer outside of the Middle East and having the world's fourth-highest per capita income as well as the second-highest GDP per capita among European countries, Islamic finance has a reasonable growth potential in the country, given its growing Muslim population.

However, Storebrand's effort to offer an Islamic mortgage did not come without a minor setback. According to Saettem, the bank received a handful of complaints from customers over its Islamic mortgage proposal, with some threatening to stop using its services.

Storebrand's history stretches all the way back to 1767 when it was first established in Copenhagen, Denmark, and is currently involved in the Nordic markets for pensions, life and health insurance, banking and asset management. The bank harbors ambitions of becoming a top provider of pension savings, and is heavily involved in the areas of sustainability and climate change, and was recognized as the world's 20th most sustainable company by Corporate Knights in conjunction with the World Economic Forum in Davos in 2015.

As of 2015, Storebrand has NOK571 billion (US$67.73 billion) in assets under management, an increase of NOK36 billion (US$4.27 billion) from the previous year, according to its latest available annual report.

Tawarruq platform taps SME market with Islamic factoring instrument; eyeing regional expansion

A Malaysian commodity Murabahah platform has expanded its product suite to include Islamic trade receivables, opening itself for the first time to the SME segment as the company undergoes a major overhaul in strategic direction with an eye on regional expansion. VINEETA TAN reports.

Sedania As Salam Capital, a Tawarruq solutions provider, has partnered with Zikay Factoring allowing the latter's Shariah compliant Bai Dayn product to be available on its platform. Enabling SMEs to improve their cash flow in a Shariah compliant manner, Islamic factoring is uncommon in the Gulf but more prevalent in Malaysia; it is worth some RM1.2 billion (US$268.97 million) in the Southeast Asian nation, according to Azrin Mohd Noor, the founder and group CEO of Sedania Group. On a yearly basis, Zikay Factoring is involved in RM100 million (US$22.41 million)-worth of transactions, hitting RM145 million (US$32.5 million) last year.

Traditionally catering to the retail market through its As-Sidq platform used by Islamic banks and cooperatives, Sedania As Salam Capital is, however, broadening its ambit to small and medium businesses and is also looking to bring the Tawarruq solution beyond its Malaysian remit to include other regional markets.

"Today is another major landmark – we have tapped the banking and cooperative segments, and for us to have Zikay Factoring to join us in creating a community where we are concerned about our funding source being Halal is a significant achievement," said Azrin, who also revealed that the group has plans to replicate this business model in other countries such as Indonesia, Bangladesh and Pakistan this year.

The company, which was the first Halal commodity trading platform to utilize telecommunication airtime instead of the commonly used crude palm oil as its underlying asset, is also repositioning itself as a fintech firm — focusing its resources and efforts on product development this year onward with a clear aim of creating other financial technology solutions beyond its current Tawarruq platform. Since 2012, As-Sidq has processed over 300,000 transactions worth over RM25 billion (US$5.6 billion).

Senegal: Making its mark

Hailed as one of the most stable nations in the African region, Senegal has managed to churn out enviable economic growth numbers over the last few years under a robust economic development plan — one that is increasingly utilizing Shariah compliant financial instruments. VINEETA TAN analyzes.

Economic background

Over the last couple of years, Senegal has demonstrated strong economic growth, expanding 6.5% in 2015 and 6.4% in the first quarter of 2016, according to the World Bank, making the country the second-fastest growing West African economy, behind the Ivory Coast. It is projected that the country will achieve a 6.6% growth in 2016 with the likelihood of higher growth in the next few years. A stable political environment and robust primary sector (extractives, fishing and agriculture) driven by stronger output and exports have boosted Senegal's economic performance; not forgetting the implementation of the Plan for Emerging Senegal (PSE), which was engineered to transform Senegal into an emerging economy by 2035, is bearing fruit.

Regulatory landscape

Islamic finance in Senegal, like its conventional counterpart, is regulated by the common WAEMU (West African Economic and Monetary Union) banking sector laws. While Senegal does not have a dedicated Islamic finance and banking law, the government has taken measures to accommodate the sector: in April 2015, the National Assembly of Senegal voted unanimously for Bill N° 272015 related to Waqf in an attempt to formalize and regulate the long-practiced Waqf sector. The bill effectively puts the registration of old and new Waqf assets under the responsibility of the High Authority of Waqf.

In the same month, it was decided that a program in support of Islamic microfinance activities will be established along with a monitoring committee following a workshop held by the IDB and the Ministry of Economy and Finance. It was also resolved in an Islamic finance-related forum chaired by a representative of the Senegalese prime minister and jointly organized by ACOFFIS (a consultancy firm in Islamic finance) and a parliamentary group for the promotion of Islamic finance that a Shariah board is required in every Islamic financial institution as part of their corporate governance structure.

There are also concerted efforts at the regional level to facilitate Shariah compliant finance. In October 2016, the governor of the Central Bank of West African States (BCEAO), Tiemoko Meyliet Kone, confirmed at the Africa Islamic Finance Forum that the BCEAO is working on an Islamic finance framework expected to come into effect this year.

Sukuk

Senegal first issued sovereign Sukuk in 2014 — a CFA100 billion (US$163.16 million) four-year Ijarah facility, beating South Africa and Nigeria to the market and followed with a second issuance in 2016, raising CFA200 billion (US$326.32 million), up from the initial target of CFA150 billion (US$244.74 million).

In October 2016, both Senegal's Sukuk along with that of the Ivory Coast and Togo amounting to CFA766 billion (US$1.25 billion) were listed on the West African Regional Stock Exchange (BRVM), allowing investors to trade the securities and improve market liquidity. The Sukuk index was a collaboration between the Islamic Corporation for the Development of the Private Sector (ICD) and the BRVM. Khaled Al Aboodi, CEO of the ICD, revealed that the ICD was exploring dual-listing options at the Kuala Lumpur Stock Exchange (Bursa Malaysia) in order to boost quantum trade and also to offer investors of the Middle and Far East with exposure to the WAEMU.

Banking and Takaful

There are no publicly available financial disclosures (in English) of Banque Islamique du Senegal (BIS), the Republic (and West Africa)'s first fully-fledged Islamic bank. However, according to majority shareholder Tamweel Africa Holding, which owns 68.77% of BIS, the bank intends to command a 10% market share by 2016.

Other Islamic financial institutions in the Republic include Faisal Islamic Bank of Senegal and the Islamic Investment Company of Senegal.

There is at least one Takaful provider in Senegal: SALAMA Assurances Senegal (formerly SOSAR), which is an indirect subsidiary of Dubai-based Islamic Arab Insurance Company (SALAMA).

IDB

Senegal benefits financially from being a member of the IDB: the West African nation over the 2014-16 period received CFA477.1 billion (US$778.43 million), 86.7% of the Priority Action Plan (2014-18) in partnership with the IDB. The Islamic multilateral financier in 2016 also committed to extending CFA888.2 billion (US$1.45 billion) to fund 12 new projects under its new Strategy Document-Country Partnership for the 2016-20 period in support of the PSE.

Apart from social and infrastructure development funding, the Senegalese government also utilizes Shariah compliant financing to drive its private sector as well as support its trade segment. One notable deal in 2016 was the US$75 million syndicated Murabahah facility in partnership with the International Islamic Trade Finance Corporation for the groundnut sector, a national strategic commodity (up to 40% of the population is dependent on this cash crop).

Outlook

While the PSE has paved the way for notable developments for the West African country, the World Bank expects that its structural impact may not be as anticipated should the investment climate not be improved. A dependence on the agricultural sector may not work in its favor due to the volatility of the sector.

Nonetheless, President Macky Sall's long-term development strategy (while not without criticism) has pushed growth numbers up and in order to continue the momentum, Islamic finance is becoming an increasingly vital avenue to do so; this is clear by the government's eagerness and commitment to using Shariah financial debt capital instruments to finance national projects and working with the likes of the IDB and other domestic players to develop other segments of the industry such as Islamic microfinance.

Islamic bank financing and debt: Challenging times ahead

Keeping up with the growing needs of an expanding economy, financing activities are inevitable. Capital has been raised and procured through various means such as Sukuk, syndicated financings, share issuances and straightforward loans. With the current macroeconomic landscape, however, Islamic financial institutions have not been spared the downturn of the financial markets, and it remains to be seen how banks will be able to navigate through the tough times ahead. DANIAL IDRAKI provides an overview of recent developments in the sector.

Asia

Islamic banks in Malaysia registered a market share in financing of 27.9% of the overall banking system loans as at the 30th June 2016, up 0.9% year-on-year, outpacing that of conventional banks over the previous five years, according to Fitch in November 2016. The rating agency also observed a pickup in Islamic financing in construction and real estate sectors in the first half of 2016 on the back of the government's focus on infrastructure projects.

Islamic banks' investment accounts have also outperformed Islamic deposits with the former growing to RM36.2 billion (US$8.14 billion) as at June 2016, from RM4.3 billion (US$966.4 million) in July 2015, while the latter's growth remained flat. The rating agency, however, foresees that financing growth — both Islamic and conventional — will expand at a more modest pace in 2017, and the impaired loan ratios may rise slightly.

Over in Indonesia, S&P published a report in February last year that expects non-performing loans of Indonesian banks to increase between 3-4% in 2016 compared with 2.7% in November 2015. The rating agency also said that a sharp increase in the private sector's external debt poses a risk to asset quality. S&P, however, is optimistic that the risks will remain manageable and expects no sudden deterioration of Indonesian banks' debt ratings.

While Thailand has hardly made much headlines in the Islamic finance sector, a report on the Islamic Bank of Thailand (iBank) in August last year did pique the interest of industry observers. iBank proposed the setting-up of an asset management company to buy debt worth THB53 billion (US$1.52 billion) from the Islamic bank. iBank intends to bring on board a new partner to develop the Islamic bank after it has completed increasing its registered capital to THB10 billion (US$281.23 million) to reduce its Bank for International Settlements ratio.

Eurasia

In a recent report, Fitch noted that Islamic banking in Turkey is viewed as being able to offer reasonable medium-term growth prospects despite the muted growth in recent months, as the government continues on its course to increase the market share of Islamic banks' total sector assets to 15% by 2025, from 4.7% at the end of the nine months in 2016 (9M16).

The rating agency added that the downside risks to asset quality remain, given high SME and foreign currency (financing) (including foreign currency-indexed financings) on Islamic banks' balance sheets, and increases in watchlist and restructured financings. Islamic banks' non-performing loans (NPLs)/gross loans ratio stood at 4% at the end of 9M16, above the sector average of 3.3%, although this was partly driven by a fall in 9M16 financings at the second-largest participation bank in Turkey, Turkiye Finans Katilim Bankasi. Additionally, Fitch views that Turkey's Islamic banks' average equity/assets ratio of 9.5% at the end of 9M16 will only be able to provide a moderate buffer to absorb unexpected losses due to significant asset quality risks, the possibility of further lira depreciation, pressure on internal capital generation from the challenging operating environment and moderate unreserved NPLs relative to equity.

Africa

Over in Tunisia, the governor of the central bank, Chedly Ayari, called for the country to come up with a US$1 billion Sukuk issuance in order to boost the economy. 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.

In Kenya, meanwhile, the National Bank of Kenya (NBK)'s 2015 record loss was due to corporate governance violations, which could not be blamed on the Islamic banking segment, said Board Chairman Mohammed Hassan and Abdullatif Essajee, an expert in Islamic banking, as reported by Kenya's Daily Nation. Six managers of the bank, including CEO Munir Ahmed, were dismissed and are currently under investigation for allegedly flouting banking principles. The NBK in 2015 suffered a KES1.15 billion (US$11.14 million) loss after NPLs nearly doubled to KES11.7 billion (US$112.55 million) in the last quarter of the year and Islamic banking was cited as one of the major sources of bad financings.

Middle East

According to Fitch in December 2016, 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, and will especially affect sectors that are 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.

Over in Oman, banks are allowed to hold government securities up to 45% of their net worth from 30% as the Central Bank of Oman raised the limit for banks' government bond holdings. The announcement comes on the heels of the central bank's reserves policy adjustment announced earlier which encourages banks to buy government debts and Sukuk.

Pakistan's Sukuk Ijarah: Most competitively priced sovereign Sukuk

The government of Pakistan last year issued US$1 billion-worth of Sukuk, marking its return to the US dollar Sukuk market after two years. DURGAHYENI MOHGANA SELVAM speaks to Noor Bank, one of the joint lead managers and bookrunners, about the successful issuance.

The issuance, aimed at meeting the general budgetary requirements of the government of Pakistan, was an Ijarah-based financing with part of the M2 Motorway as an underlying asset.

"This is a typical structure used for most sovereign financings wherein an asset is assigned," Noor Bank said. The issuance has a five-year tenor with a periodic distribution rate of 5.5%.

The distribution rate itself played a major part in the successful comeback of Pakistan with the issuance oversubscribed over two times. The issuance price was the lowest in Pakistan's sovereign Sukuk history and it helped the South Asian country to achieve a diverse investor base across various geographies with the Middle East taking up 36% and Europe, the US and the rest of the world making up 21%, 34% and 9% of the issuance respectively.

The price was not only the government's lowest to date, but also the lowest in the market at that period. "During a similar period, other emerging market sovereign players priced their issuances at a significantly higher coupon. Both the Kingdom of Bahrain and Sri Lanka priced their issuances at 5.62% and 5.75% respectively. We feel the issuance was able to exceed expectations," the bank told IFN.

But issuing a Sukuk facility, especially after two years of absence, is not an easy feat. Noor Bank opined that the biggest challenge in the whole process was the timeline itself. The work streams and processes have to be met in a strict deadline, according to the bank. But toward the end of the third quarter of 2016, the government of Pakistan appointed joint lead managers to assist in the pricing and the issuance. All the work streams were achieved within one month to enable the successful pricing on the 5th October 2016.

Noor Bank is not a stranger to the global Sukuk market. Last year alone, the bank lead-managed more than US$10 billion in issuances across the globe and has remained involved in most notable issuances across the GCC. But what makes this issuance special to Noor Bank? "While we have been involved in sovereign financings before, this deal was unique as it was our first public sovereign issuance," the Dubai-based bank said.

This sovereign issuance is also deemed a milestone for Noor Bank and the government of Pakistan. The issuance feeds investors' needs for a Pakistani paper — the secondaries are also trading at a significant premium. "We feel the issuance would give confidence to local blue chip issuers to evaluate raising funding from international markets," Noor Bank opined.

Legal advisor(s)/ counsel to the government of Pakistan	As to the laws of Pakistan: Ahmed & Qazi As to English and US law: Norton Rose Fullbright
Legal advisor(s)/ counsel to the JLMs	As to the laws of Pakistan: Kabraji & Talibuddin As to English and US law: Allen & Overy
Listing	Luxembourg Stock Exchange (Euro MTF Market)
Underlying assets	Part of the M2 Motorway
Rating	B3 (Moody's) / B (Fitch)
Shariah advisor(s)	The Shariah Advisory Board of Citi Islamic Investment Bank; the Shariah advisor of Deutsche Bank, London; the Executive Committee of the Fatwa and Shariah Advisory Board of Dubai Islamic Bank; the Shariah Supervisory Committee of Noor Bank; and the Shariah Supervisory Committee of Standard Chartered Bank
Structure	Ijarah
Investor breakdown	Banks 51% Asset managers 39% Insurance/pension/others 6% Hedge funds 4%

Government of Pakistan Sukuk Issuance

US$1 billion

13th October 2016

Issuer	The Third Pakistan International Sukuk Company
Obligor	The president of the Islamic Republic of Pakistan for and on behalf of the Islamic Republic of Pakistan
Size of issue	US$1 billion
Mode of issue	144A/Regulation S senior unsecured issuance
Purpose	To be used for the government's general budgetary purposes
Tenor	Five years
Periodic distribution rate	5.5%
Currency	US dollar
Maturity date	13th October 2021
Joint lead manager(s) (JLMs) and bookrunner(s)	Citigroup Global Markets, Deutsche Bank, London Branch, Dubai Islamic Bank, Noor Bank, Standard Chartered Bank
Governing law	The purchase agreement, the sale deed and the lease agreement will be governed by, and construed in accordance with the laws of Pakistan. The purchase undertaking, the declaration of trust, the agency agreement, the servicing agency agreement, the substitution and transfer undertaking and the certificates (including any non-contractual obligations arising out of or in connection with the same), will be governed by, and construed in accordance with English law

2016 research highlights

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

As one of the founding partners in a research-based advisory firm, I spend most of the time 'thinking big' about the intractable problems that businesses face, and how we can bring the rigor, the data and the insights generated by our network of leading global academics to support organizations, governments and communities to address their most pressing issues. Toward this end, we recently hosted a small, private event in Dubai where we shared highlights from our 2016 research agenda, and set the leading themes for 2017. In my first 'thinking big' column of 2017, I will share some of the most relevant 2016 highlights for the Islamic finance industry.

Diagram 1: Key takeaways

1 **Organizational risk** External conditions and forces play a significant role in an organization's ability and willingness to define risk.	3 **Structural alignment** Organizations need to explicitly identify and define 'impact' to drive organizational alignment.
2 **Country risk** The absence of a justified and shared definition to country risk is a significant barrier in effectively addressing country risk.	4 **Employee engagement** Cultural relevance and the predominance of vertical power structures with poorly defined decision rights erode employee engagement.

Source: Author's own

In drawing from the key takeaways in Diagram 1, one of the underlying issues within Islamic finance is how organizations identify, define, measure and address risk. As a highly regulated industry, financial institutions in general and Islamic finance institutions in particular are exposed to a 'regulatory bias' when it comes to risk management. Specifically, this means that organizations not only become exposed to but allow the external environment and external stakeholders to identify, define and drive the KPI framework for measuring and mitigating risk. While meeting all compliance requirements when it comes to risk is necessary, our findings indicate that it is hardly sufficient.

As summarized in Diagram 2, the performance implications of allowing risk to be predominantly externally influenced creates significant organizational issues that negatively impact performance in a myriad of ways. Within the Islamic finance industry itself, our research indicates that there are two acute risks that organizations are not effectively capturing. The first is governance risk. A paradigm that views risk from an externally dominated lens tends to lead to a minimum standard mentality, where if an organization is compliant they assume they have adequately addressed the risk. As the recent Wells Fargo cross-selling scandal in the US demonstrated, simply meeting compliance standards when it comes to managing and mitigating governance risk is by no means adequate.

The second risk is related to human capital and the long-term risk that organizations face when it comes to engaging their employees. The business outcomes of poor employee engagement (cost, productivity and profitability implications) are well documented. For Islamic finance institutions, and in the GCC in particular, organizations face a very real and mounting talent risk.

As our findings indicate in Diagram 3, standard employee engagement tools that have demonstrated proven success in other geographies are not necessarily well suited to the Islamic finance industry or to regional application without being adapted. Successfully addressing the talent risk stemming from disengaged employees will require regional organizations to be more adaptive and search for solutions that are more responsive to both regional and industry-specific pressures.

In briefly turning to our 2017 plans, we plan to continue to 'think big' about risk, talent and performance. And I invite you to 'think big' with us to drive the industry forward.

Diagram 2: Performance implications

Findings:
Organizations are good at:
1. Defining risks where external pressure exists:
   1.1. Organizations are very good at defining risks that are driven by regulatory and reporting requirements.
   1.2. Organizations are very good at defining risks that fit into a compliance-oriented framework.
2. Defining risks for their organization when existing, quantifiable metrics are available, in particular, financial risks.

Performance implications:
Organizations are NOT very good at: Defining risks that are more strategic in nature; that are more oriented around enabling opportunity vice mitigating a threat.

1	Creates structural misalignment for the execution of strategy.
2	Leads to the mispricing of risk and inefficient allocation of capital.
3	Creates barriers to collaboration and cooperation.
4	Undermines employee engagement.

Source: Author's own

Diagram 3: Findings related to human capital

Findings:

1	Many imported employee engagement measurement tools are poorly suited to both different cultural contexts and the underlying forces (nationalization) driving labor force changes in the GCC.
2	Approaches built around peer-to-peer coaching, and creating more horizontal management structures, appear to be having minimal impact on both engagement and performance.
3	How organizations cascade responsibility and accountability within the firm represents key challenges to long-term success.
4	Creating effective incentive structures with cascading decision rights poses transformational barriers for regional organizations.

Source: Author's own

Update on the growth of Shariah compliant equities in Indonesia

INDONESIA

By Farouk Abdullah Alwyni

The growth of market capitalization of Shariah compliant stocks up until November 2016 was very favorable. The market capitalization of two Islamic indices in the country, the Jakarta Islamic Index (JII) and the Indonesian Shariah Equity Index (ISSI in its Indonesian abbreviation), both grew twice as fast as the market capitalization of all stocks traded on the Indonesian Stock Exchange (IDX) whose index is known in its Indonesian abbreviation as IHSG.

Between January and November 2016, the market capitalization of JII and ISSI grew 26% and 28.7% respectively, compared to 14.4% recorded by the IHSG (Table 1). The market capitalization of the ISSI stood at IDR3.29 quadrillion (US$230.3 billion), and it accounted for 59% of the total IDX composite which is also known as the Jakarta Composite Index. Currently, there are 345 companies listed on the ISSI out of 535 listed on the IDX. The ISSI is a stock index that reflects the overall Islamic stocks listed on the IDX. It constitutes a whole constituency of Islamic stocks listed on the stock exchange and registered in the list of Islamic securities.

If the ISSI includes all Shariah compliant stocks listed on the IDX, the JII only includes 30 Shariah compliant stocks considered to have the largest market capitalization and the most liquid transaction. Both the ISSI and the JII are reviewed every six months, in the months of May and November for the ISSI, and January and July for the JII. As shown in Table 1, the market capitalization of the JII accounted for 66.5% of the ISSI.

Of 345 listed Islamic equities, the largest sector is the trade, services and investment sector which has 87 shares accounting for 25.2% of the total number of listed Islamic equities. The second-largest sector in terms of the number of shares is the real estate, property and construction sector with 58 shares (16.8%), followed by the basic industry and chemistry sector with 52 shares (15.1%).

> ***"Of 345 listed Islamic equities, the largest sector is the trade, services and investment sector which has 87 shares accounting for 25.2% of the total number of listed Islamic equities"***

The year 2016 showed marked improvement in terms of the growth of Islamic equities compared with 2015 when both the ISSI and the JII suffered a decline. In fact, although the economy has not reached its full potential yet, 2016 showed a general improvement in the economy compared with 2015 which showed a decline overall in the IHSG. Other than this, some calls in the last two to three years to strengthen the role of Islamic finance in the country may finally deliver some results through more awareness of, and increased investing in, Shariah compliant shares.

Farouk Abdullah Alwyni is CEO of Alwyni International Capital and the chairman of the Center for Islamic Studies in Finance, Economics, and Development. He can be contacted at faalwyni@alwynicapital.co.id.

Table 1: Selected market capitalization of Indonesian indices (2013-November 2016) (IDR trillion)

Index	2013	2014	2015	November 2016
JII	1,672.1	1,944.5	1,737.3	2,188.8
ISSI	2,557.8	2,946.9	2,600.8	3,291.5
IHSG	4,219.0	5,228	4,872.7	5,575.4

Source: Financial Services Authority and the Indonesian Stock Exchange

Hong Kong highly regarded in the Sukuk space

HONG KONG

By Wilson Yeung

The Hong Kong government has issued Sukuk twice in 2014 and 2015 and such an unprecedented attempt was highly regarded by Islamic bankers at the World Islamic Banking Conference held in Bahrain in December 2016.

Market participants are always concerned with the development of Islamic finance in the Greater China region. China has plenty of infrastructure projects that demand a significant amount of capital, and Hong Kong has an excellent regulatory system, so investors are very willing to make their investments in Islamic finance products issued in Hong Kong. Currently, Hong Kong is carrying out some standardized operations in their Islamic finance development process, starting with Sukuk issuance and then gradually extending to other related areas. Market participants hope to see more progress in Hong Kong in this regard.

In November 2016, when John Tsang Chun-Wah, the financial secretary of Hong Kong, was interviewed by the media in Beijing, he said once again that Hong Kong is always very eager to develop Islamic finance, that Sukuk already issued were oversubscribed by Middle Eastern investors, and a large number of financial institutions in the Asia Pacific region were very interested in the Sukuk of Hong Kong.

> ***"Hong Kong should endeavor to offer more extensive Islamic finance training to regulators and market participants to enhance their practical expertise in this area"***

Tsang went on to say that Hong Kong was already well prepared to issue its third sovereign Sukuk, and believed that the world is also looking forward to it. However, the world economy is relatively complicated nowadays, and the Hong Kong government needs to carefully consider the entire economic situation before deciding on when to issue its third Sukuk and in what type.

Obviously, the targeted buyers of the Hong Kong Sukuk are institutional investors. In response, the first thing is to have real projects in place like power plants, roads, bridges and railways as these infrastructures can be used as the investment subject of Sukuk. In fact, 'One Belt, One Road' countries provide such invaluable opportunities for Hong Kong. Secondly, newly amended tax rules are needed to provide tax adjustments for this part of the Islamic finance market, for which Hong Kong has already done a good job in 2013 in providing a level-playing field for Sukuk when compared to its conventional bond counterpart. Thirdly, Hong Kong should endeavor to offer more extensive Islamic finance training to regulators and market participants to enhance their practical expertise in this area.

Wilson Yeung is a certified tax advisor and a member of The Taxation Institute of Hong Kong. He can be contacted at wyeu002@gmail.com.

The Maldives: Ideal to be developed as an Islamic finance hub

MALDIVES

By Dr Aishath Muneeza

On the 16th January 2017, the Maldives Center for Islamic Finance (MCIF), a 100% government-owned entity and set up with the exclusive objective of developing the Maldives into an Islamic finance hub in South Asia, inaugurated the 'Fin Talk' luncheon talk series targeted at finance industry players to discuss Islamic finance themes quarterly.

The first 'Fin Talk' event was held in Male', the capital of the Maldives and it was well received by Islamic finance stakeholders of the country. The speakers at the event were members of the board of directors of the MCIF: Professor Rifat Ahmed Abdel Karim, Afaq Khan and Omar Sheikh. The event was inaugurated by the chairperson of the MCIF. During the event, global Islamic finance industry experts pointed out that the Maldives is an ideal jurisdiction to be developed as an Islamic finance hub and it has a unique proposition for the development of Islamic tourism linked with Islamic finance.

The Maldives is a 100% Muslim country where the constitution of the country specifically states that only a Muslim can be a Maldivian. The Maldives has been included among the top 15 developed nations in the Islamic finance industry by the ICD-Thomson Reuters Islamic Finance Development Indicator (IFDI) 2016 proving the positive effect of the government policies during recent years to introduce and implement Islamic finance in the country.

Currently, there are 13 Islamic financial institutions in the country — for a country with limited financial resources and a small population, this is a huge number that proves the inherent growing demand for Islamic finance.

Dr Aishath Muneeza is the chairman of the Maldives Center for Islamic Finance. She can be contacted at muneeza.aishath@gmail.com.

Afghanistan: Lack of money market instruments and surplus liquidity

AFGHANISTAN

By Manezha Sukhanyar

Despite the many challenges faced by Islamic banking in Afghanistan, there are reasons to remain optimistic. One of the concrete reasons is the dedication of the people of Afghanistan in avoiding the conventional system due to the involvement of Riba and seeking for interest-free banking services.

The recent developments in the Islamic banking sector in the country such as the development of manuals, guidelines and regulations should not be ignored. However, since Islamic banking is at its very initial stage, there is much to be done.

The lack of money market instruments is another challenge which Islamic banks and Islamic banking windows are facing. Most of the banks with Islamic operations have surplus liquidity in view of the existence of a strong market for Islamic banking. Sukuk, particularly sovereign Sukuk, can play an effective role in absorbing the liquidity from banks.

As per the Afghanistan National Peace and Development Framework (ANPDF) 2017-21, a stable financial sector is the requirement for successful development. Therefore, the ANPDF emphasized the following: the provision of a credible system for banking regulations; the rebuilding of public confidence; and the preparation of a national financial strategy to allow citizens better access to banking services by December 2017.

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A new dawn for the Italian banking system?

ITALY

By Stefano Padovani

2016 ended with the introduction of further legislative measures regarding the banking system. Indeed, on the 23rd December 2016 the Italian government approved Law Decree no. 237/2016 (the Law Decree, entered into force the same day and now awaiting to be converted into law within 60 days), which introduces new measures concerning liquidity and recapitalization of distressed banks. In particular, the Law Decree mainly aims at rescuing what is considered the oldest bank in the world, Monte dei Paschi di Siena (MPS), which is now the fourth-largest Italian bank, as well as other regional banks, without triggering the bail-in procedure provided for by EU regulations as implemented in Italy at the end of 2015.

MPS has been trying over the last few months to launch a capital increase of EUR5 billion (US$5.33 billion) to meet its capital requirements as set forth by the European Central Bank, which should have been subscribed, among others, by Qatar Investment Authority.

However, following the recent change of government and related market turmoil, the projected capital increase failed and, as a result, MPS immediately applied under the new procedure introduced by the Law Decree, thus avoiding greater instability for the entire Italian banking system and economy.

The Law Decree is structured around two key measures. Firstly, the Ministry of Economy and Finance (MEF) is authorized, following the issue of a positive decision of the EU Commission, and in accordance with detailed conditions set forth in the Law Decree, to subscribe for or purchase, within one year, shares issued by Italian banks.

Secondly, the MEF could provide, against consideration, and again following the issue of a positive decision of the EU Commission and provided that certain conditions are met, a state guarantee in respect of certain debt financial instruments issued by Italian banks, which is aimed at restoring the medium to long-term indebtedness ability of such banks. The total of the available funds backing the Law Decree is EUR20 billion (US$21.32 billion).

It is arguable whether the Law Decree will definitely resolve the various problems currently affecting the Italian banking system, including the issues related to the large amount of non-performing loans (NPLs) that most of the banks have on their books as a result of the deep recession the country has been going through over the last 10 years, but this will have to be seen in the near future. The idea of a state-owned or at least a partially state-owned 'bad bank' to which, similar to what happened in Spain and Ireland a few years ago, all NPLs of the Italian banks should be transferred, is still under discussion.

For the time being, it appears that the markets have positively reacted to the new measures as the stock prices of most of the Italian banks have increased immediately after the approval of the Law Decree.

However, upon closer scrutiny, it would appear that the way in which the banking system is structured as a whole in Italy and in other countries as well should be also be reconsidered in the light of new challenges such a system is now facing, like fintech and internet disintermediation. Maybe the time has arrived, also in Italy, to consider available alternatives to 'common finance' and conventional banking, including ethical and Islamic finance.

Stefano Padovani is a partner and the head of banking and finance at NCTM Legale Associato. He can be contacted at stefano.padovani@nctm.it.

Kuwait follows US Fed rate hike

KUWAIT

By Thuwaini Al Thuwaini

It only took the Central Bank of Kuwait (CBK) mere minutes to raise its discount rate by a quarter percentage point from 2.25% to 2.5% subsequent to the rate hike announcement made by the US Federal Reserve (US Fed) on the 14th December 2016.

The rate increase did not come as a surprise to the local market as everyone was anticipating a corresponding rate increase by the CBK in the event the US Fed raised rates considering oil is traded in the US dollar and oil is the main source of revenue for Kuwait. However, the celerity of the move by the CBK demonstrates the pervasive fear of currency speculation harbored by the state's policy architects.

In a divergence from the policy adopted by its neighboring GCC countries, Kuwait's currency is not pegged to the US dollar, but rather a basket of major global currencies — albeit, the US dollar being the biggest component of the basket, by the CBK's own admission. Therefore, in convergence with the policy of its GCC counterparts with the sole exception being the Sultanate of Oman, Kuwait's policy rate must thus tail that of the US Fed with a view of safeguarding its currency alignment.

A rising interest rate environment will place added pressure on the government and its economic policies to manage a potential threat to economic activity as increased borrowing costs for consumers and firms may lead to lower levels of consumption and business activity. Nevertheless, a strong start to oil prices in 2017 with the recent OPEC commitment to production cuts will surely help offset the effects of higher interest rates and enhance consumer and investor sentiments regarding Kuwait's economy in the coming months.

Over the short term, the impact of the CBK discount rate increase is not expected to adversely impact Kuwait's Islamic banking sector, especially for those banks whose financing portfolios have a biased weighting toward corporate exposures by comparison with retail exposures. The impact may even translate positively on an Islamic bank's cost of funding considering the liquidity levels which remain abundantly plentiful and which are evidently driving down inter-bank rates. The short-term effect would be an increase in the net spreads recognized by Islamic banks on corporate and project-linked financing facilities as they get repriced upwards at their respective rollover dates succeeding the CBK discount rate increase date.

Thuwaini Al Thuwaini is the acting chief investment banking officer of Warba Bank. He can be contacted at Thuwaini.AlThuwaini@warbabank.com.

Financial inclusion and economic developments in Turkey

TURKEY

By Ali Ceylan

President Recep Erdogan's campaign to support the Turkish lira by calling citizens to sell their foreign exchange is in progress. He has also called on businesspeople, tradesmen and craftsmen to make investments which he indicated as the only solution to dispose of the current economic problems. Despite rising inflation, President Erdogan again said all banks, including state-run lenders and the central bank, should cut interest rates to spur demand. He stated that the government has given a lot of support to the business, craft and artisan world with tax and registry amnesties and credit support and this support will continue.

Moody's stated that economic growth, weak consumer and business confidence and foreign exchange (FX) volatility will keep the overall outlook for Turkish, Middle Eastern and South African non-financial corporates in 2017 negative. Also, it stated that nearly half of Turkish corporations have ratings above Turkey's 'Ba1' sovereign rating and maintain very conservative financial profiles with a degree of resilience against a domestic economic slowdown because of their market leadership positions, strong balance sheets, healthy liquidity and manageable FX exposure.

The Commercial Bank of Qatar has now become the sole owner of Turkey's Alternatif Bank (ABank) in a deal signed with Turkey's Anadolu Group. Joseph Abraham, CEO of the Commercial Bank, underlined that this investment, which started in 2013, demonstrated their confidence in the Turkish economy, banking industry and their commitment to ABank that has a history of a quarter of a century. ABank is the third and largest investment made by the Commercial Bank outside of Qatar.

The government of Afghanistan has signed an US$11.4 million contract with Turkish company Vefa Group on the 7th January to build a prefabricated housing factory in the country. Afghan President Dr Ashraf Ghani attended the signing ceremony and he stated that: "We are not only two friends but also two Muslim brotherly countries and this relation brings us closer to each other."

Turkish commercial vehicle maker Otokar stated that it had signed a technology and licensing deal with Iran's Afshan Industrial and Manufacturing Co concerning the export and sale of its Navigo buses. Otokar said the deal covered a three-year period with an option to extend by two years. It claimed that the deal could generate revenue of around TRY50 million (US$13.24 million) annually.

Hitachi has announced that it has entered into an agreement to acquire a 75% stake in Turkey's Kurt & Kurt and aims to make it a consolidated subsidiary of Hitachi. Hitachi plans to expand its sales channels of diagnostic systems to provide solutions including operation services for hospital imaging centers in Turkey, Central Asia and the Middle East and Africa by taking advantage of Kurt & Kurt's business base.

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New year, new legal framework?

LEGAL FRAMEWORK

By Dr Hurriyah El Islamy

The Central Bank of the UAE published the Regulatory Framework For Stored Values and Electronics Payment Systems (the Regulation) on the 1st January 2017. While it is not Islamic finance regulation per se, the provisions are applicable to the industry, namely the payment service provider (PSP), agents and/or approved third-party providers and outsourcing entities that operate within the Shariah compliant mandate.

The Regulation covers 14 areas across the digital payments value chain including, among others, the licensing process, licensing requirements, customer registration, requirements for the use of agents, funding, transactions and spending limits, the authorization of payment transactions and such.

In addition to specifying the common regulatory requirements for all PSPs, the Regulation also provides for specific requirements applicable to each category of PSPs, namely, retail PSPs, micropayment PSPs, government PSPs and non-issuing PSPs (including the KYC and CDD requirements for the respective category).

The Regulation also specifies the governance requirements of the PSP and while Regulation D.2.10(b) does not specify the requirement to have Shariah-qualified personnel at any level of management, it is assumed that the Central Bank of the UAE retains the power to require for such personnel for Shariah compliant PSPs using the general provision of Regulation D.2.10(a) that dictates the duty of the PSP to have effective governance to the satisfaction of the central bank.

Well done to the Financial Services Authority of Indonesia for approving a bank's new product proposal which is new in the Indonesian market, and deemed and seen as a step closer to a true Shariah approach for Islamic finance. Even though it is still a pilot project, it is hoped that if the project goes well, the regulator will issue guidelines or regulations allowing Islamic banks (including Islamic windows) to enter into true sale transactions.

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High expectations on Sukuk

SOVEREIGN SUKUK

By Hamed Afzal

The new year has seen a number of key market participants comment on the expected levels of Sukuk activity in 2017; in a recent report, S&P commented that it expects total global Sukuk issuance to remain subdued in 2017, particularly due to the added complexity of issuing Sukuk versus conventional bonds, albeit that it expects some GCC member countries to issue Sukuk this year. It also commented that sovereign issuance out of sub-Saharan Africa is likely to remain active. Meanwhile, Moody's commented that it expects sovereign Sukuk to be stable in 2017, with Malaysia, Indonesia and Turkey continuing to issue long-term sovereign Sukuk.

The new year has also thus far seen a number of key announcements by prospective sovereign issuers. In Africa, Nigeria has announced it is seeking advisors in respect of its debut sovereign Sukuk, as part of the government's broader plan to develop alternative sources of funding and to establish a benchmark curve.

Saudi Arabia is, according to Bloomberg, also considering a possible Sukuk sale in the first quarter of this year, although no definitive tenor or size is yet to be determined.

Elsewhere in the Middle East, the Omani government has also announced plans to tap the international debt markets, according to Reuters, albeit it has not been decided if the offering would be of conventional bonds or Sukuk.

Egypt is also reportedly planning to issue a US dollar-denominated Sukuk after its conventional bond issuance this year. In Asia, the government of Indonesia has asked banks to submit proposals for a planned US dollar Sukuk offering.

In terms of completed transactions, the Malaysian government issued RM3.5 billion (US$785.22 million)-worth of Sukuk at a profit rate of 3.23%, while the government of Indonesia conducted an auction of sovereign Sukuk on the 10th January to finance the 2017 State Budget, according to an announcement on the Ministry of Finance's website.

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Why has so little theory about risk management for Islamic banks been formalized?

RISK MANAGEMENT

By Dr Ken Baldwin

It occurs to me when considering risk management for Islamic banks that we are not able to draw upon a sufficient volume of literature to understand the answers to many important questions, as is possible for conventional banks.

If I want to understand hedging or capital management in conventional banks, for example, a lot of text is available which I can turn to that are well written, thoroughly researched and of great use to practitioners. However, the same is not true for the Islamic finance sector. Most textbooks I have come across related to risk and financial management for Islamic banks have been written by finance practitioners never having worked in an Islamic bank. There could be a number of reasons for this. I very much suspect, however, that the main reason is the lack of confidence of Islamic banking practitioners and scholars of Islamic finance to author such text. Islamic banking practitioners seem to forever be looking to practitioners and academics of conventional finance to 'lead the way'. Conventional practitioners also come with 'big bank' experience, so naturally they tend to consider creating instructional discourse on Islamic banking well within their realm of expertise.

But it isn't. Put simply, Islamic banking practitioners are better placed than anyone to understand, and to be able to solve, the financial and risk management issues they face. Therefore, it seems sensible to not wholly rely on those outside the industry, whether through low utility textbooks for the mass market, or expensive consultants who never really get to grips with the actual problems at hand. So where does this all happen? At the policy-setting level. Policy-setters who establish financial management rules model financial dynamics related to the issues at hand, eg pricing, optimal product mix, long-term funding and liquidity, capital raises, etc. Based on these models, they then decide from among the parameter value choices available to them, which choice best achieves the outcome they are looking for, or prefer. Until Islamic banking practitioners start to do this, or consultants start to provide relevant methodological solutions that are not from a 'one size fits all' tool box, this industry will not evolve to establish best practice which is indeed 'best', rather than merely 'common'.

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Preparations underway for Sukuk

FINANCIALINSTITUTIONS ANDCORPORATESUKUK

By Rizwan Kanji

At the onset of 2017, corporate Sukuk issuances have been led by Malaysia, with Bank Pembangunan Malaysia reportedly appointing banks to join CIMB and HSBC Amanah Malaysia in managing its RM7 billion (US$1.57 billion) Sukuk. Sabah Credit Corporation also launched its upsized RM3.5 billion (US$785.22 million) Sukuk Musharakah program, while Sunway Treasury Sukuk issued RM120 million (US$26.92 million)-worth of Islamic commercial papers. Frequent issuer the International Islamic Liquidity Management Corporation has also begun the year strongly, by expanding its tenor range to include a two-month facility, with a US$260 million paper issued on the 11th January alongside an US$850 million three-month Sukuk facility.

In the Middle East, EQUATE Petrochemical of Kuwait is, according to Reuters, considering launching a US dollar-denominated Sukuk facility in early January which, if completed, would be the first-ever corporate Sukuk out of Kuwait. Also in Kuwait, Warba Bank has reportedly lined up banks to manage its Tier 1 capital issuance.

In the UAE, Dubai Islamic Bank has requested proposals in respect of a potential benchmark-sized US dollar Sukuk, while the Investment Corporation of Dubai also announced the possibility of doing the same in 2017 (albeit it has not been decided whether it will be a conventional bond or by way of a Sukuk issuance).

In Qatar, Masraf Al Rayan mandated Abu Dhabi Islamic Bank, Dubai Islamic Bank, Emirates NBD and Noor Bank for a US$500 million Sukuk issuance, while in Bahrain, Nogaholding has reportedly engaged banks for a potential dollar Sukuk/bond sale.

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Time to speed up the developing process of Islamic finance in Russia

The VIII Gaidar Forum was a first international forum in 2017 in Russia held on the 12th-14th January. Dmitry Medvedev, the Russian prime minister and chairman of the Russian government, officiated the opening ceremony of the forum where experts, government officials, ministers, bankers and businessmen gathered to discuss about the modern trends of the economic policy of Russia as well as the global trends in the short and medium term.

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In his speech, Medvedev said that being a part of the global economy means that Russia faces long-term stagnation and suffers from an investment deficit but the government has an ambitious goal of a 3-4% economic growth for 2017-18. He stressed that the main challenge is to find a proper way to continue reforms via upgrading technologies and the qualification of state and private institutions, supporting new forms of business models.

In that context, an Islamic finance expert panel session was held on the 14th of January, co-moderated by Bekhan Chokhaev, the deputy head of department at the Presidential Academy of National Economics and State Service and Magomet Yandiev, an associate professor at Moscow State University.

The key questions during the panel's discussion were:

- The development of Islamic finance in Russian regions – the experience of companies and government institutions
- The forms of legal support needed – a separate federal law or a set of legislative amendments to the current legislation
- The role of the central bank in the regulation of Islamic finance
- Islamic finance demand, offerings and state regulation, and
- The international experience of state regulation of an industry.

During the discussion, Alexander Torshin, the deputy chairman of the Bank of Russia, confirmed the intention of the Russian regulator to develop Islamic finance following the Road Map of Partnership Banking Development and Related Financial Services in the Russian Federation for 2016 to 2017. He also highlighted that five Russian institutions have signed agreements of cooperation with the IDB: Bank of Russia, State Corporation-Vnesheconombank, Sberbank, AK Bars Bank and Moscow State University.

Based on all points highlighted in the road map, the Bank of Russia, which is the central bank of Russia, is ready to move forward fast in its banking, Takaful, legal and educational components. A representative from the central bank informed the delegates that the regulator is in the process of collaborating with the national authorities of Iran following their visit last year and plans to visit Saudi Arabia on the same note early this year.

Delegates attending the event also showed support to representatives from the republics of Tatarstan, Dagestan and Chechnya on their plans to speed up the process of developing Islamic finance in their respective territories.

Renat Edikhanov, the head of the Islamic Finance Department at the All-Russia Business Association (Business Russia), said that the instability in conventional banking in Russia did not affect the Center for Partnership Banking in Kazan which was opened in March 2016 by the Tatarstan President Roustam Minnihanov nor the functioning of the Financial House Amal. He reasoned that Islamic financial institutions managed to stay away from any problems by making adequate decisions to change their settlement banks and continuing to function.

Behnam Gurbanzada, an advisor to the deputy chairman of Sberbank, said that Sberbank has already structured a Shariah compliant deal based on Ijarah and Mudarabah. He did not provide the details of the deal but promised to disclose all information before March 2017. The owner of LaRiba Finance, Murad Aliskerov, also reported about resilient financial records of his company located in Dagestan.

As a founder of the Eurasian Economic Union, Russia will be developing Islamic finance initiatives by cooperating with Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Azerbaijan and other CIS countries with a Muslim population to promote this market. The discussion by Islamic finance experts at the VIII Gaidar Forum makes 2017 a possible breakthrough year for the acceleration of Islamic finance development in Russia so let's watch this space.

Trump and Brexit highlight the need for more participation (Islamic) finance: Part 1

In this article which is the first of a two-part series, KHALID HOWLADAR writes on Islamic finance or, to use his preferred and more inclusive term, 'participation finance', in light of the dramatic political upsets of 2016 – the UK's decision to exit the EU on the 23rd of June and the election of Donald Trump on the 8th November, with the hope of provoking further debate and promoting what he sees to be a more inclusive approach to capitalism.

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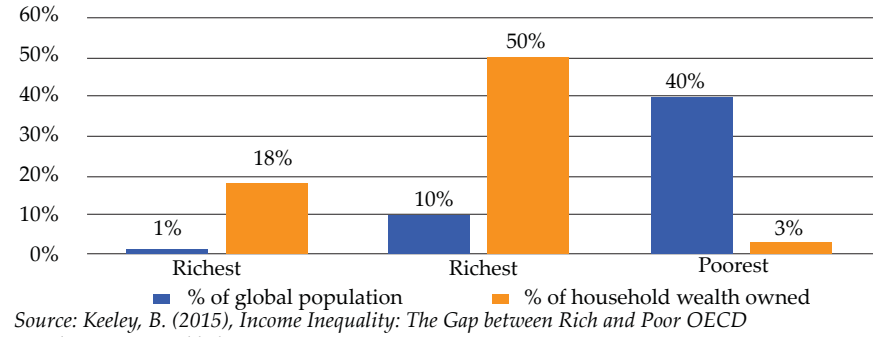
A global backdrop of increasing financial inequality

The issue of financial inequality first attracted my attention during the global financial crisis (GFC) of 2007 and 2008 but has become increasingly prominent as the quantitative easing (QE) policies pursued around the world failed to stimulate debt-based consumption and sustainable economic growth (particularly in Europe). Although recovery has started to occur in the US, the historical lack of profit-sharing of the economic gains of globalization and technology continue to drive increasing financial stagnation, insecurity and inequality for many on middle and lower incomes.

In many emerging Muslim-majority countries, the growth of Islamic finance has become a matter of public policy and they often look to countries like the prosperous US as an economic and social role-model. Following extensive thought and debate with a wide number of diverse and senior stakeholders, I have concluded that the core principles underpinning Islamic finance – or to use my preferred and more inclusive term 'participation' finance – are more relevant now than ever.

In my opinion, one of the main drivers of these upsets was, and (more importantly for the future) remain, the 'exclusion' or lack of 'participation' of the middle and lower income segments of the population in the extensive wealth creation of recent decades, often driven by globalization and technology. The Organization for Economic Co-operation and Development (OECD) report – 'The Gap between Rich and Poor' – published in 2015 (Chart 1), highlights that the richest 10% controlled 50% of all household wealth in OECD countries, the top 1% held 18% and the poorest 40% controlled only 3% of wealth – recall that

Chart 1: OECD wealth distribution



Source: Keeley, B. (2015), Income Inequality: The Gap between Rich and Poor OECD Insights, OECD Publishing, Paris.

the OECD excludes the poorest emerging market countries, these startling metrics represent trends in advanced economies, most of them democracies.

As many IFN readers will know, participation finance is the common and a more literal label of Islamic finance popularized in Turkey given the secular political environment two decades ago. It is term that in one word, simultaneously explains the most important - inclusive - principle underlying Islamic finance and emphasizes that such forms of finance are for everyone – not just Muslims, a key consideration when assessing that many of those 'excluded' are in non-Muslim countries. A fact also relevant when assessing the growth potential of the industry.

A vocal rejection of 'exclusive' capitalism

As an internationalist and broad believer in trade for promoting mutual prosperity, I was shocked that the UK, a prominent advocate of free trade with a perceived DNA of tolerance and diversity, had voted to leave the EU (disclosure: I am a UK citizen born in pro-EU London). Until this shock, the UK and indeed Europe were complacent in appreciating that the increased austerity measures, coupled with the financial insecurity of its citizens (post-GFC), were driving increasing feelings of intolerance and isolationism. It is difficult for those already economically pressured to show compassion to 'foreigners' – particularly against a backdrop of rising religious and political extremism.

Next came the US, where a billionaire outsider could show empathy with an angry and an increasingly disenfranchised majority, largely ignored by the 'elite' political establishment in a country with incredible, but concentrated, wealth creation. The same OECD report highlights that when looking at 'Gini points' (a measure for income inequality, with zero being everyone equal and 100 being the worst, unequal score), the US ranked second for inequality at almost 40 points (close to Turkey but behind Mexico at around 47), whereas the OECD average was around 31. The report also revealed that in the US, one of the world's most prosperous countries, over 17% of people lived below the poverty line, a level exceeded only by Chile, Turkey, Mexico and Israel.

Participation finance favors (productive) asset-backed finance over consumption-driven leverage

A McKinsey Global Institute study published in July 2016 (see Diagram 1)– 'Poorer than their Parents' – showed that over 65% of people in advanced economies (around 550mm people) saw stagnant or declining income from 2005-14 compared to less than 2% (<10 million) from 1993-2005. More specifically, the UK stood at 70% and the US at 81%, among the highest of the countries surveyed. In both countries, the post-GFC economic

Continued

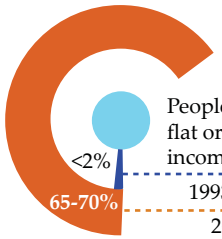
growth strategy has been to restart the supposed perpetual and debt-based consumption models that – coupled with the excessive financializaton of the economy have contributed strongly to such inequality over the last few decades. Excessive borrowing gave the short-term illusion of an improved standard of living but the fiction was exposed once credit-driven growth evaporated – despite the almost free money provided by QE and households sought to sensibly reduce their debts.

Luckily, there is now increasing awareness and appetite for more equitable and inclusive forms of capitalism. The dominant economic neoliberal ideals (notably promoted by economists Friedrich Hayek and Milton Friedman) of recent decades promote competition over community and deliberately creates a society with 'winners' and 'losers'. Clearly, such policies have a negative impact on equality and are contrary to the goals of most European democracies as well as the social and ethical principles inherent in participation finance. Also, we have seen that coordinated government support for the Islamic sector has been key in promoting its successful growth, particularly in Malaysia, Bahrain, Qatar, dramatically in Oman and soon potentially Turkey. Again, such state intervention in the economy is also highly discouraged under such 'free-market' ideologies.

Cheap debt and economic financialization distorting capital allocation

A key principle of participation finance is the prohibition of interest income. This removes the economic incentives to lend unsecured to finance non-productive assets. Payments on 'bonds' should always be generated from some 'real' economic and/or business activity, hence asset-backed and equity financings are encouraged and inherently Shariah compliant. Many commentators such as Adair Turner (the chairman of the Institute for New Economic Thinking) have noted that the banking sector role in funding new investment is decreasing in favor of increased, debt-fueled speculation. The rapid gains offered by such financialization draws funds and human capital away from longer-term, more broad-based economic activity and can crowd out the 'real' economy. It should also be highlighted that the promotion of interest income creates an economic asymmetry that enriches the lender but weakens the (retail) borrower who typically gets 'poorer', especially when borrowing for consumption. The lender is incentivized to lend as much as possible up to the breaking-point of the borrower, regardless of any negative longer-term or social impact. Also, funds that could be directed to more sustainable and productive sectors ultimately support cyclical and excess consumption-driven ones.

Diagram 1: People with flat or falling income (advanced economies)



65-70% of households in advanced economies, on average, were in income segments whose incomes in 2014 were flat or down compared with 2005

Source: 'Poorer Than Their Parents', July 2016, McKinsey Global Institute

"When you combine ignorance and leverage, you get some pretty interesting results" – Warren Buffett

Participation finance promotes asset-backed versus unsecured finance. Thus, it becomes more difficult for citizens or corporates to leverage heavily for consumption when unsecured debt is discouraged – it simplistically becomes difficult for consumers to 'buy-things-they-don't-need-with-money-they-don't-have'. It should be highlighted that equity investment is a form of asset-backed financing, with the asset being a share in a tangible and productive business. Such constraints on unsecured lending would favor productive investment over such lending and help moderate the leverage-driven shocks to the economy, but would likely reduce growth in the short term.

For corporates, stock-markets reward debt-fueled buybacks – a trend going up since the 1980s. S&P 500 firms are now spending around US$1 trillion a year on share buybacks and dividends, according to a Goldman Sachs report of November 2016. They estimate that the amount paid to equity holders will rise by around 19% in 2017 versus a 6% rise in the amounts invested for growth (R&D, capex, etc). The net leverage of the S&P500 is close to the highest level of the last 40 years (net debt/EBITDA of 1.6x) and the cheap debt (with its well-documented tax benefits) ensures executives focus on financial engineering and the short-term stock prices rather than longer-term objectives. The bulk of corporate employees are excluded from any stock-related compensation and hence unable to participate in the associated 'wealth creation'.

Despite some recent deleveraging, private individuals too are increasingly indebted according to another study – 'Macrofinancial History and the New Business Cycle Facts' – by academics Jordà, Schularick and Taylor, published in October 2016. Private debt in the advanced economies almost doubled from 62% in 1980 to 118% in 2010 with an immense 30% of the increase happening in the decade just before the GFC in 2007. The report highlights that much of the vast debt increase over the last 40 years has been used to fund property assets. This often creates an unvirtuous circle of asset price inflation that again typically benefits the wealthier elements in society, leaving those on lower incomes unable to benefit from another recent (financialized) source of the wealth creation. Participation finance principles (as opposed to the practice) encourages increasing equity co-ownership between bank and buyer, aligning incentives, although such a model would dramatically alter the risk and pricing profile of banks given mortgages represent the dominant asset class on their balance sheets.

With real incomes and the lower-end stagnating in the face of a global and relatively infinite labor supply, retail customers have historically overleveraged in an attempt to improve, or in some cases falsely maintain, their quality of living – an unsustainable approach that has resulted in financial insecurity for many people who now blame their respective governments; this in turn has driven US and UK citizens to vote for a dramatic and nationalistic change but what can be done to make them supporters of integration and free trade?

To be continued in Part 2.

Late payment charges in Islamic banking

For the longest time, Islamic banks have suffered at the hands of delinquent customers due to the low penalties imposed for late payments or no penalties at all. As a result, customers take advantage of the situation by purposely holding off payments which affects the running capital of Islamic banks. Therefore, Islamic banks are trying very hard to find a mechanism to solve late payments by customers. ABDUL HAKIM OSMAN finds out if Islamic banks can impose compensation as a mechanism to solve the problem.

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Compensation (Ta'widh) in Fiqh

Ta'widh literally derives from the root 'Awwada' which means 'instead' (Lisan al-Arab 7/192). Ta'widh can be defined as giving compensation for a loss incurred as a result of harm occurring (Al-Mausu'ah Al-Fiqhiah Al-Kuwaitiah 13/35).

Ta`widh also means damages imposed on the actual loss suffered by the lenders as a result of delayed payments by customers. In the conventional system, the application of a penalty called Gharamah is used in the aforementioned situation. Gharamah is defined as a penalty or fine imposed for late payments of the debt, without proof of the existence of the actual loss.

Shariah scholars' views on Ta'widh

Basically, Islam prohibits Riba and permits Halal transactions. Any excessive payments in paying back a loan is Riba. Islamic banks should not charge any excessive payments to customers and this loophole can be manipulated by customers. This is a risk that must be avoided by Islamic banks. In Ta'widh cases, a penalty is imposed because of deferred payments. Is this considered Riba?

There are three different opinions among Shariah scholars as follows.

Opinion 1: It should be penalized in the form of money

Some of the Islamic banks in the UAE and most of the Shariah boards of Islamic banks in Malaysia are of the opinion that a penalty is allowed and can be benefited by the bank as income. The penalty is based on Masalih Mursalah which prohibits customers from taking advantage of delayed payments.

The central bank of Malaysia, Bank Negara Malaysia (BNM)'s 'Guidelines on Late Payment Charges for Islamic Banking Institutions' issued in 2012 is a comprehensive guide on how Islamic banks in Malaysia can charge for late payments on default accounts. Historically, BNM had only approved a 1% per annum compensation charge on arrears with the intention to cover the actual costs of managing the non-performing account.

> ***"Gharamah can only be taken for the penalizing of the delinquent customer but without benefiting the bank"***

The guidelines add that Islamic banks can also charge a penalty for late payments on certain conditions as follows:

1. Banks are allowed to charge late payment charges (LPCs) up to the average financing rate (AFR) of a portfolio. For example, if the portfolio of an Islamic mortgage has an AFR of 5% per annum, the banks can therefore charge an LPC of up to 5%. This calculation of 5% must be submitted to BNM on a yearly basis for its review and approval.

2. The LPC is divided into two components – Ta'widh (compensation) and Gharamah (penalty). Banks are allowed to charge an LPC of either Ta'widh + Gharamah, or just Ta'widh.

3. If the bank chose only to charge Ta'widh (which is business as usual for most banks anyway), the maximum rate chargeable is up to 1% of the arrears amount (non-compounding). This 1% charge may be recorded in the bank's books as 'revenue' to offset the actual expenses incurred in managing the delinquent account. This 1% charge must also be reviewed, justified and approved by the bank's internal Shariah board members on a yearly basis.

4. If the bank chose to charge an LPC of both Ta'widh and Gharamah, there is a specific treatment required for Gharamah. While Ta'widh's treatment remains the same as mentioned previously, Gharamah can only be taken for the penalizing of the delinquent customer but without benefiting the bank. This means the Gharamah's portion must be flowed into payments to charity and must not go into the revenue books of any kind. The bank must not derive any benefits from Gharamah, directly or indirectly, and this charity amount must be managed under the oversight of the Shariah board.

5. As mentioned, the maximum amount that can be charged under the LPC is up to the AFR rate. If the AFR is 5%, this means the bank can recognize up to 1% of Ta'widh as its revenue, while the remaining 4% is to be taken as the amount for charity.

6. There is also a change in the compensation for off-tenor accounts such as accounts that are already expired or matured. For such accounts, BNM allows the usage of the daily Islamic Interbank Money Market rate for the LPC calculation on the balance outstanding. In this case, the whole amount can be recognized as the bank's revenue.

Continued

Opinion 2: It should be penalized in the form of money but should be channeled to charity
The Shariah Council of AAOIFI is of the view that a penalty is allowed in cases of delayed payments but a portion of it should be channeled to charity based on Iltizam Al-Tabarru' in Mazhab Malik. It means, prior to the execution of any contract, the client undertakes that he/she will pay a certain amount to a charitable fund managed by the bank, in cases where the customer defaults on purpose. The undertaking is considered as an instance of the commitment to make a donation (Iltizam Al-Tabarru') which is well established in the Maliki School of Law. This opinion is also adopted by all Islamic banks in Pakistan and most in the UAE and Oman. However, the customer is not necessarily required to undertake that he/she will pay that amount to a charitable fund.

> ***"The Shariah Council of AAOIFI is of the view that a penalty is allowed in cases of delayed payments but a portion of it should be channeled to charity based on Iltizam Al-Tabarru' in Mazhab Malik"***

Opinion 3: No penalty should be charged at all
Among scholars who support this opinion are Shariah board members of Al Rajhi Bank because they strongly believe that a penalty is regarded as Riba.

Actual costs incurred by Islamic banks

Normally the Islamic bank will propose the list of charges that it intends to impose on the customer in lieu of the costs incurred by the bank in managing the past due financing portfolio. Some of the fees and services incurred by Islamic banks are shown in Table 1.

Table 1: Selected fees and services incurred by Islamic banks

No	Expenses item
1	Personal expenses
2	Allowances
3	Bonus
4	Deferred bonus
5	Medical
6	Salary
7	Sales commission
8	Staff welfare
9	Statutory contribution
10	Marketing expenses
11	Establishment expenses
12	Administration and general expenses:
A.	**Communication:**
I.	Courier charges
II.	Postage
III.	Telephone and fax lines
B.	Outsourcing fees:
I.	Collection
II.	Credit
C.	Professional fees
D.	Travel and transport
E.	Printing and stationery

Source: Author's own

Upon the review of the said proposal, a few points can be discussed as follows:

1) Expenses of the proposed fees from item No 1 to 11 and item No 12(B)(II) are considered as normal expenses incurred by the bank to operate the business. These expenses incurred are only to protect the bank's interests. Hence, those expenses are not allowed to be charged to customers.

2) Expenses of the proposed fees in item No 12(A), (B)(I), (C), (D) and (E) are considered as actual costs incurred and therefore can be imposed specifically to collect a debt and paid to third parties. These expenses are to cover the actual costs incurred in managing the past due financing, eg the payment to the solicitor's company to handle unpaid installments.

In implementing the approved charges, Islamic banks shall abide by the following guidelines:

a. All the approved costs can be charged strictly in relation to the collection of the due debt, eg expenses for court proceedings and other related costs. Those costs are actually paid to third parties in order to collect the debt.

b. With regards to item No 12(A)(III) and (E), the bank must provide details of the calculation of the actual costs to be charged to the customer, eg the actual costs of calling, printing and stationery for each customer prior to the disbursement of financing.

c. The bank must clearly inform the details of the costs of the proposed charges prior to giving the financing and mention them in the terms and conditions. The said costs will be deducted from the customer's account when they are late in paying their installments within the agreed period of time.

d. For existing customers, the bank can send a notice to inform them regarding the costs that will be deducted from their account when they are not able to pay their debt.

3) In general, the defaulters are regarded to be capable of paying their debt (Mumatil) unless they are proven to be in genuine difficulty (Mu'sir). It is not permissible to charge any fees on Mu'sir. Allah says in the Holy Quran:

   "If the debtor is in difficulty, grant him time until it is easy for him to repay. But if you remit it by way of charity, that is best for you if you only knew (Al Baqarah verse 280)."

   This (I'sar) can be proven through a court's decision or if the bank is convinced with the evidence submitted by the relevant defaulters.

4) Prior to any imposition of the proposed actual costs, the bank shall provide to the Shariah Board the mechanism used to calculate the actual costs.

Can Islamic banks help to revive the Palestinian economy?

Post to the signature of Oslo Accord in 1993, and Paris Economic Agreement, the Palestinian Monetary Authority founded in 1995, issued licenses to establish new Palestinian banks and approve the reopening of Jordanian bank branches which have been closed due to the Israeli occupation of the Palestinian territories in 1967. GHASSAN M JABR analyses if the Palestinian Islamic banks can help to revive the country economy.

Ghassan M Jabr is the deputy general manager at Arab Islamic Bank. He can be contacted at ghassan.jabr@aibnk.com.

Currently, the number of banks operating in Palestine totaled to 17 banks, including three Islamic banks, namely:

- Arab Islamic Bank, founded in 1996 with most of its shares owned by the Bank of Palestine, the largest commercial and the first national bank operating in Palestine, and the Palestinian Investment Fund Inc.
- Palestine Islamic Bank, founded in 1997 with most of its shares owned by Aswaq Co for Investment Portfolios and the Palestinian Investment Fund Inc.
- Safa Bank, founded in 2016 with most of its shares owned by Cairo Amman Bank, one of the largest banks operating in Palestine.

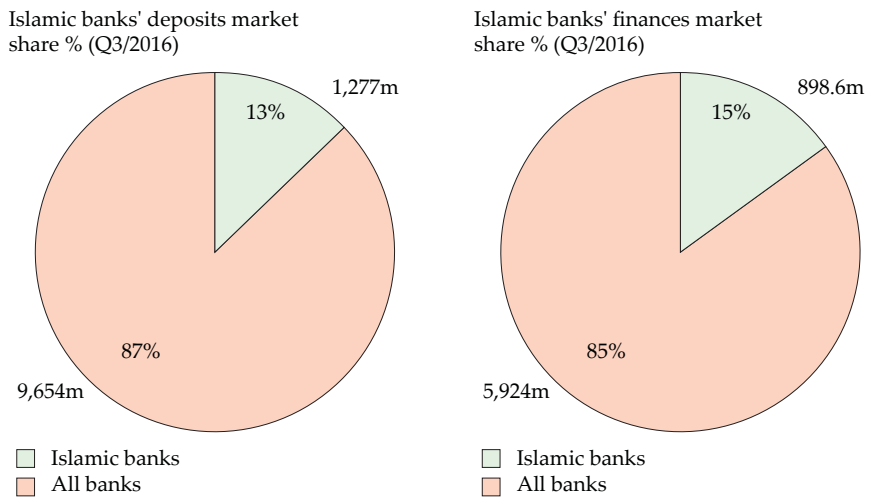
Market share

Since inception, the Islamic banks in Palestine have experienced great challenges, perhaps the most critical of which is the difficulty of persuading clients with the notion of Islamic banking. There was an impression at the beginning of the operations of these banks among the public that there is no difference in the essence of the banking process, whether in terms of investment or financing, between the Islamic banks and conventional banks, due to the following main reasons:

1. The lack of knowledge and experience of employees working in the Islamic banking sector who mostly come from conventional banks without any training or adequate experience in the Islamic banking field.

2. The modernity of Islamic banking action, globally and domestically, providing that only twenty years have passed since the establishment of the first Islamic bank in the world.

Figure 1: Market share of Islamic banks in deposits and finance in Palestine (third quarter of 2016)



Source: Palestine Monetary Authority

After 20 years of the establishment of the first Islamic bank in Palestine, the market share of the Palestinian Islamic banks have increased to about 13% of the total banking system deposits and about 15% of the total banking system facilities in Palestine. Twenty percent out of the total number of bank branches in operation are Islamic while 1,012 employees are working in Islamic banks out of 6717 bank employees which constitutes 15% of the banking sector work force. Islamic bank ATMs conquer about 17% of the overall number operating in the country.

It is evident from the above mentioned statistics, the increased growth of the Islamic banking sector in Palestine in recent years, attributed to the improvised working experience of employees operating in the Islamic banking system by keeping up with the latest developments and updates in Islamic banking in the Arab and Muslim worlds as well as in the global level. To further enhance their knowledge, employees are provided with the opportunity to attend seminars, conferences and workshops on Islamic finance and banking. Furthermore, this sector now has a wide range of experts who have added new techniques and information.

The future of Islamic banks in Palestine

There is high percentage of Palestinian citizens who hold religious tendency and strong desire in the banking system based on Islamic Shariah. A section of deals with the Islamic banks operating in Palestine constitute about 15%.

Furthermore, about 10% of Palestinian citizens have the desire to deal with Islamic banks but they are not yet engaged in it due to the default of Islamic banks in marketing their services among these citizens, while another 10% of Palestinians also have the desire but not engaged yet due to the lack of contentment with the notion of Islamic banking as they believe it does not differ in essence from conventional banks. It should be noted here that there is a great opportunity before the three Islamic banks operating in Palestine increase their market share by about 20% or more.

In the event these Palestinian banks have developed their businesses, simplified their procedures, and kept up to date with the developments in the Islamic banking system, including the field of banking and electronic services; this percentage shall

Continued

increase up to 30% or even more.

Types of financing

Murabahah occupies the largest share among the types of financing used in Islamic banks due to its simple enforcement, lack of accompanied risks, and facility of marketing to clients. In addition to Murahabah, there is also participation, speculation, leasing, and Istisnah, but with lower percentages due to higher risk in these types of financing.

However, after having the required constitutional legislation and through increased experience of employees operating in the Islamic banking system as well as instilling greater trust of clients by providing them with the above mentioned financings, and their satisfaction on the mechanism of grants and payment, these percentages are increasable especially in the field of Istisnah, providing that this type of financing is compatible with the Palestinian territory due to the increased demand in financing real estates, whether commercial or personal.

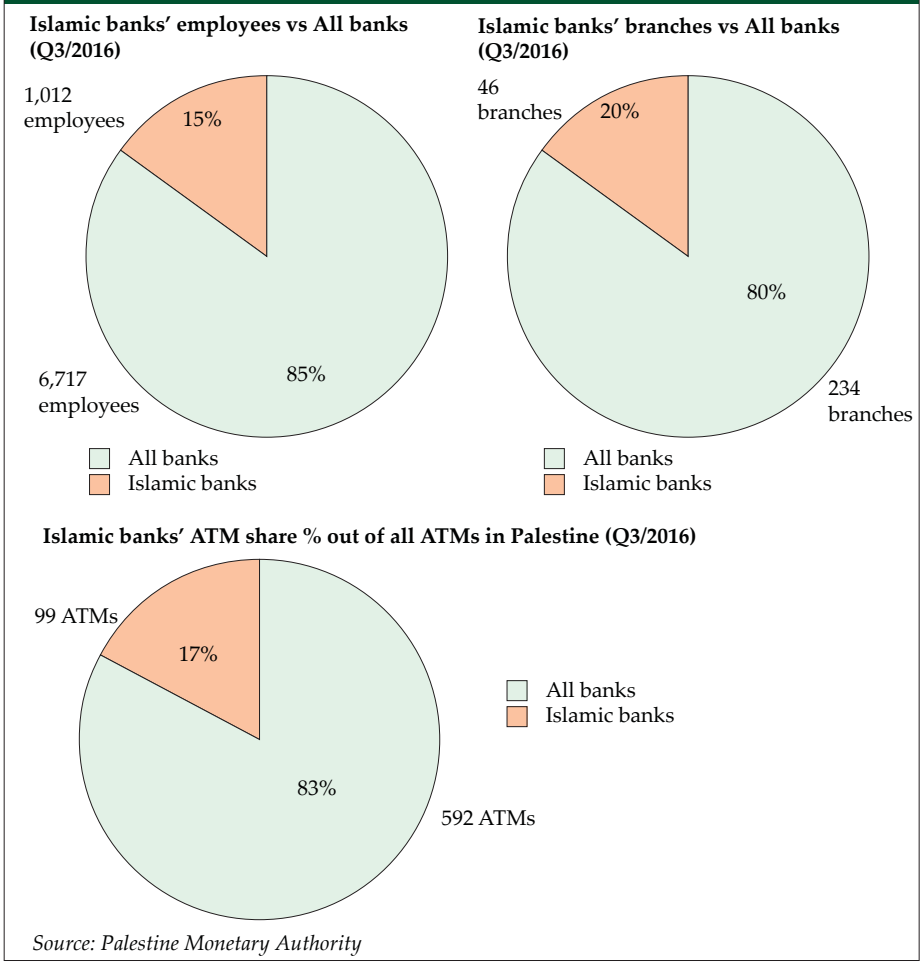
Islamic banks and investments

Islamic banks in Palestine needs new financing mechanisms to attract more clients looking for investments in compatible with Islamic Shariah, provided that these banks do not simulate their financing with the conventional banks which decreases the opportunities for increasing investment volumes.

For example, the Palestine Capital Market Authority has developed the Sukuk Issuance Act with great effort. It is expected that this Act may be issued in the current year under which Islamic banks will be capable of providing clients with investment services of this kind away from bonds issued by conventional banks.

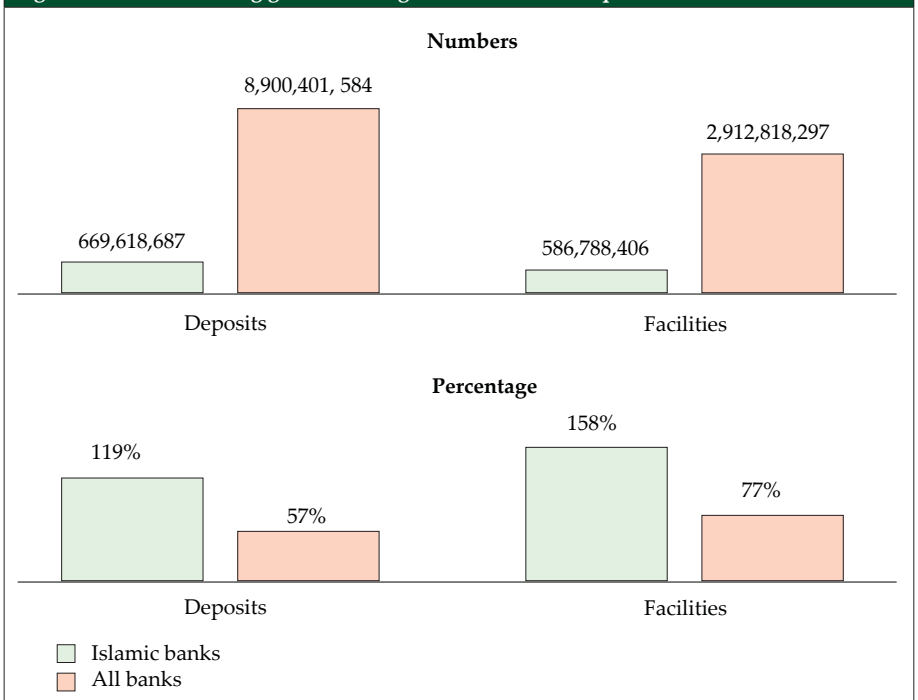
To read the rest of this article, please log on to www.islamicfinancenews.com

Figure 2: Islamic banks' market share (employees at banks and branches; ATMs)



Source: Palestine Monetary Authority

Figure 3: Islamic banking growth during 2012-16 as of third quarter of 2016



Source: Palestine Monetary Authority

The future of Islamic financing and debt products for the retail industry

RAJ MOHAMMAD discusses how debt and financing-related products in the Islamic finance industry have cascaded to the retail markets focusing on challenges and opportunities it presents. He also attempts to explore how we can accelerate and expand the reach by plugging into developments that are evolving at breakneck speed in the technological and digital arena.

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Islamic finance is still considered a 'new kid on the block' when compared to the conventional financial market ecosystem. The progress has been sporadic and 'choppy' with uneven growth in terms of products, geography and even segment. The global asset size of Shariah compliant assets is estimated to be US$2 trillion versus the global size of US$127 trillion, according to Bloomberg, with about 73% going to Islamic banks and financial institutions, 17% are Sukuk, 3% in mutual funds and the remaining in Takaful or Islamic insurance. Maybank Group, which is Malaysia's largest banking conglomerate which is also a significant player in the Islamic capital market industry in Asia, forecasts this to reach US$3.4 trillion by 2018.

Most of the Islamic banking and investment activities naturally are predominant in GCC countries and Asia while Malaysia is positioning itself to play a leading role in offering various products to institutional and retail investors. However, having said that, retail offerings are still underdeveloped and this points to tremendous opportunities for anyone who is interested to capitalize and profit from this.

Globally, both Islamic and conventional markets have steadily embraced and indulged in Islamic finance products. Although some skepticism still prevails, the growth has been steady if not slow.

Islamic financing and debt products for the retail market

The key characteristic of a conventional loan that is totally unacceptable in an Islamic product is the presence of Riba. As most are aware, initially Riba was defined as usury in not just the Holy Quran, but also in the Christians' Bible, the Torah and even in the Hindu holy book. All of them warn about the detrimental effects usury has on mankind and humanity.

In a conventional debt product, the interest charged is the cornerstone of the contract. How does an Islamic lender offer their product with an alternative to interest income? Therein lies the ingenuity and salient features of Islamic finance. Although the concept of Qard Hasan or a benevolent financing exists, unfortunately it is not practical and we do not have any financial institutions offering such financings.

> ***"The growth of financing and debt products in different markets is dependent on their domestic policies, regulations and also various other factors"***

Qard Hasan is financing with no interest or fees charged. The financing is granted benevolently with no cost or collateral and leaves the lender with huge risk and exposure. The lender loses all in the event of a financing default thus although it exists, benevolent financings are rarely offered by financial institutions. They only exist in informal financings between individuals or relatives and friends.

Islamic finance scholars and experts over the last three decades have deliberated and designed alternatives to interest-based conventional product equivalents on the basis of need and necessity. There are still some pockets of the community or practitioners, although very few in numbers, who vehemently reject the Islamic alternatives but in general, the progress in financing and debt products has been highly commendable.

Examples of Shariah or acceptable retail financing and debt products are as follows:

1. Property, vehicle or asset
2. Working capital and business loan
3. Leasing
4. Short-term personal exigencies
5. Credit card
6. Study loan, and
7. Insurance.

The growth of financing and debt products in different markets is dependent on their domestic policies, regulations and also various other factors.

For example in Singapore, even if it had made some very welcome adjustments to its tax regime to facilitate some retail products, the take-up rate is not as it hoped for because it does not have the domestic consumption rate prevalent in the GCC, Malaysia or Indonesia.

Islamic finance proponents on the other hand have to focus on their research and product innovation capability as the technical know-how and product sophistication are still very much driven by their conventional counterparts.

The recent developments in the digital world are opening new opportunities, which can be both a boon and bane to financial institutions. The concepts of crowdfunding, venture capital, angel investors and the more recent phenomenon of fintech are threatening to disrupt the equation of capital provider and consumer in a significant way. We are already seeing entrants in the crowdfunding space because of low cost infrastructure and wide outreach through digital platforms offering attractive returns and at the same time raising funds much faster. The concept of a shared economy, which is very

Continued

synonymous with the principles of Islamic finance, should help not only Muslims but also non-Muslims in emerging markets and developing nations.

We are already seeing a few companies such as LaunchGood, EthisCrowd and Kapital Boost seeing good take-up rates not only from Muslim participants but also from non-Muslims. Singapore is also gaining global attention as a fintech hub, which can boost the Islamic financing and debt market offerings.

> ***"The concept of a shared economy, which is very synonymous with the principles of Islamic finance, should help not only Muslims but also non-Muslims in emerging markets and developing nations"***

Fintech is a typical digital platform that matches lenders and borrowers in a non-banking digital environment. Thus, if someone with excess liquidity is looking to earn a higher return from the typical investment product he or she (barring various risks) may lend capital via a fintech platform. For example, if a developer is looking to raise capital for a project and the capital cannot be secured via a bank loan or the cost of funding is 'expensive' via a traditional banking loan, the developer may resort to crowdfunding to raise capital. If the underlying activities are Shariah compliant, the developer may offer higher profit-sharing terms and directly raise funds via crowdfunding.

We see significant development in financing and debt products especially in the Islamic finance space in the near future with the advent of new technology solutions and offerings.

DEALS

Indonesia auctions sovereign Sukuk

INDONESIA: The government of Indonesia has conducted an auction of sovereign Sukuk (SPN-S 11072017 and four project-based Sukuk series) on the 24th January to finance the 2017 State Budget, according to an announcement on the Ministry of Finance's website. The indicative target for the auction is set at IDR6 trillion (US$449.4 million).

Egypt to issue dollar Sukuk in 2017

EGYPT: Egypt could be issuing a US dollar Sukuk facility in 2017, after the launch of its conventional bond. Reuters, quoting investors attending the bond's presentation, said that the conventional bond could be launched after the investor meetings that are scheduled to end on the 23rd January.

Jabal Omar possibly issuing Sukuk this year

SAUDI ARABIA: Jabal Omar, Saudi's real estate development company focusing on the Hajj and Umrah industry, is looking to tap into the Sukuk market this year, according to its CEO, Yasser Al Sharif in an interview with Bloomberg. The Sukuk facility, aimed at securing investments for potential merger and acquisition strategies and to fund risk management measures, could be either a riyal or US dollar issuance.

ICD to issue Sukuk

UAE: The Investment Corporation of Dubai (ICD) is all set to launch its US$700 million US dollar Sukuk from the week of the 23rd January, after a five-day roadshow in Asia, the Middle East and Europe, according to GlobalCapital. The issuance, from the ICD's US$2.5 billion trust certificate issuance program, will be a Reg S Sukuk facility with a maturity up to 10 years. Originally, the intention was to divide the US$1 billion transaction equally between conventional bonds and Sukuk, but market demand saw the Sukuk upsized to its present size.

Bahrain Bourse lists short-term Sukuk Ijarah

BAHRAIN: Bahrain Bourse has listed a six-month Sukuk Ijarah facility worth BHD26 million (US$68.47 million) and three other treasury bills amounting to BHD201 million (US$529.34 million), according to a statement. With the listing of those issues, the total number of treasury bills and Sukuk Ijarah listed on the bourse reached five with a total value of BHD591 million (US$1.56 billion).

QCB announces Sukuk yield results

QATAR: Qatar Central Bank (QCB) has announced a total yield of QAR8 billion (US$2.2 billion) in Sukuk sales on the 16th January 2016, according to a statement. Issues QA0003529765 and QA0003529756, with allotted amounts of QAR250 million (US$68.61 million) each, yielded 2.5% and 3.1 % respectively. Issue QA0003529774 worth QAR3 billion (US$823.26 million) yielded 3.75% whereas issue QA0003529783 amounting to QAR4.5 billion (US$1.23 billion) yielded 4.25%.

Maxis's Sukuk now tradable

MALAYSIA: Maxis Broadband's unrated Sukuk Murabahah program worth up to RM10 billion (US$2.24 billion) in aggregate nominal value has been confirmed as tradable and transferable as of the 19th January pursuant to the Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework, according to an official announcement.

Brunei issues 141st Sukuk Ijarah

BRUNEI: Autoriti Monetari Brunei Darussalam has, on behalf of the government of Brunei, issued its 141st series of short-term Sukuk Ijarah for the total amount of BN$100 million (US$69.77 million), according to a statement. The 91-day facility was priced at 0.63% and will mature on the 13th April 2017. With this issuance, the Bruneian government has thus issued over BN$10.53 billion (US$7.35 billion)-worth of short-term Sukuk Ijarah securities since the maiden offering on the 6th April 2006, and the total holdings of Sukuk outstanding of the Bruneian government until the 12th January 2017 stood at BN$573.2 million (US$399.92 million).

NSO considering retail Sukuk Ijarah

PAKISTAN: Pakistan's National Savings Organization (NSO) is considering asset-based Sukuk Ijarah to facilitate small-scale investors, according to The News International quoting officials. The organization, which is at the stage of conceptualizing the retail Sukuk, has not decided on the structure and issuer.

Malaysia to issue GII Murabahah

MALAYSIA: The government of Malaysia will issue a RM4 billion (US$898.98 million) government investment issue (GII) Murabahah facility on the 26th January 2017, according to an announcement on Bank Negara Malaysia (BNM)'s website. The facility will mature on the 26th July 2027, and BNM may purchase up to 10% of the issuance size.

DEAL TRACKER Full Deal Tracker on page 34

EXPECTEDDATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENTDATE
26th January 2017	Government of Malaysia	US$898.98 million	GII Murabahah	23rd January 2017
TBA	Pakistan's National Savings Organization	TBA	Sukuk Ijarah	22nd January 2017
TBA	Government of Egypt	TBA	Sukuk	18th January 2017
TBA	Government of Indonesia	US$449.4 million	Sukuk	18th January 2017
TBA	Nogaholding	TBA	Sukuk/Bond	15th January 2017

AFRICA

IDB helps Senegal to create more jobs

SENEGAL: The IDB's Islamic microfinance project in Senegal will be able to create 25,000 jobs in the Republic by 2022, as disclosed by the multilateral bank's vice-president (sector operations), Dr Mansur Muhtar, during a signing ceremony with the minister of economy, finance and planning, Amadou Bah, in Dakar recently, according to a statement. The Islamic microfinance project falls within the social and economic development plan of Senegal known as 'Plan Senegal Emergent'. The total cost of the project is US$82 million, out of which the IDB will provide US$60.3 million, and the project will increase access to financing among disadvantaged members of the population, particularly women and youth, from 15% to 18% by 2027.

In a separate statement, the IDB announced that it has provided US$32 million in financing to Senegal via its Lives and Livelihoods Fund to help the country eradicate malaria. A total of 25 districts across five different regions in Senegal will benefit from the project.

AMERICAS

Suriname to tap into the IDB's synergy

SURINAME: Suriname is considering applying the IDB's reverse linkage synergy to their private and public sectors. The IDB's 'Reverse Linkage or South-South Cooperation' is an initiative of capacity development through the transfer of knowledge, technology and resources to match the specific capacity needs of its member countries with capacities available in other member countries. Suriname is focusing on aiding the nation's private sector through partnerships with the IDB and the Islamic Corporation for the Development of the Private Sector among others to finance and support SMEs. Dr Anwar Lall Mohamed, Suriname's alternative governor to the IDB, said that conventional banks' interest rates are not feasible for developing countries. The IDB's soft financings are more suitable for Suriname, Dr Anwar said, as quoted by Caribbean News Now.

ASIA

Azerbaijan inks agreement with IDB

AZERBAIJAN: The government of Azerbaijan has signed a grant agreement with the IDB for the provision of technical assistance in drafting an Islamic financing legislative base, according to Trend. The deal is aimed at analyzing the banking legislation as well as introducing principles of Islamic banking in Azerbaijan. The IDB has agreed to provide technical assistance worth US$200,000.

JPMorgan reverses assessment of Indonesia

INDONESIA: JPMorgan Chase & Co has upgraded its assessment of Indonesia's equities to neutral, reversing its earlier bearish call on the country two weeks ago. According to Bloomberg quoting a JPMorgan report, the bank opined that the volatility in emerging market bonds in the wake of the US elections should now subside. The Indonesian government welcomed JPMorgan's latest analysis with Coordinating Minister for Economic Affairs Darmin Nasution saying the neutral recommendation is more in line with fundamentals.

GLOBAL

Sukuk issuance maintains growth trend

GLOBAL: Fitch expects Sukuk issuance to maintain similar growth rates in 2017 and believe Islamic facilities will command a larger market share driven by the decision of governments to issue Sukuk alongside conventional bonds. Fresh Sukuk issuance with a maturity of over 18 months from the GCC, Malaysia, Indonesia, Turkey and Pakistan increased to US$40 billion in 2016 from approximately US$32 billion the year before, translating into a 28.5% share of total bond and Sukuk issuance, a slight drop from 29% in 2015, confirmed the rating agency in a statement. Malaysian firms continue to be the most active corporate Sukuk issuers.

MIDDLE EAST

Iran's banking bill to be finalized in parliament

IRAN: The Banking Reform Bill, a law outlining major reforms in Iran's banking sector, will be discussed and finalized in the parliament's spring session after 33 years, according to Fars News Agency quoting the head of Majlis Economic Commission, Mohammad Reza Pour Ebrahimi. Fiqh and Islamic aspects of the bill are currently being reviewed. The bill defines the duties of financial institutions and regulations for the establishment of branches of foreign banks and sets limits to their investments.

Islamic Holding's foreign ownership limit increased

QATAR: Qatar Central Securities Depository has increased the foreign ownership limit of Islamic Holding Group to 49% of the capital, beginning the 19th January 2017, according to a bourse filing.

Saudi Binladin seeks financing extension

SAUDI ARABIA: Saudi Binladin Group (SBG) is negotiating with banks for an extension of up to two years on a SAR10 billion (US$2.66 billion) Islamic credit facility used to pay for building work at the Kingdom's Grand Mosque in Mecca after delays to the project, Reuters quoted banking sources as saying. SBG had asked for an extension until the end of 2019 for the syndicated Islamic facility, used as working capital to fund the expansion of the Grand Mosque, according to the banking sources.

EIBFS announces CIBF

UAE: The Emirates Institute for Banking and Financial Studies (EIBFS) has launched a new professional certification program, the Certificate in Islamic Banking and Finance (CIBF). The course is designed in partnership with the Islamic Banking and Finance Institute Malaysia and aims to develop qualified personnel with in-depth knowledge of Islamic banking products, services, the Islamic financial market and Takaful operations. Catering to those studying while working, the program has eight modules with evening classes held three days a week for three hours a day and includes lectures, case studies, class work, exercises, progress assessment and a final exam.

ANB to open subsidiary in Cayman Islands

SAUDI ARABIA: Arab National Bank (ANB), which offers Shariah compliant financing products, has received approval from Saudi Arabian Monetary Authority to establish a fully-owned subsidiary in the Cayman Islands, according to a bourse filing. The new subsidiary will act as an SPV engaging in derivatives trading and repo activities. The bank also said that the establishment of this SPV will not affect the current consolidated financial statements of ANB. Further developments will be announced in due time.

NSB joins NASDAQ Dubai

UAE: NAEEM Shares & Bonds (NSB), a subsidiary of NAEEM Holding, which provides Islamic banking products and services, has joined NASDAQ Dubai's equity futures platform as a member. According to a press release, the initiative is to facilitate NSB's efforts to connect its UAE, Egyptian and international clients to the market. NSB is the seventh brokerage firm to join NASDAQ Dubai.

Boursa Kuwait joins ICMA

KUWAIT: Boursa Kuwait has officially joined the International Capital Market Association (ICMA) as a member, the exchange confirmed in a statement. Kuwait over the last few years has been assertively pushing the development of its Islamic capital markets.

BisB launches inclusive banking services

BAHRAIN: Bahrain Islamic Bank (BisB) has announced in a press release the establishment of banking services for its customers with disabilities at the Financial Mall in Hamad Town. The facilities introduced include priority services, services in the Braille language, employment of staff competent in sign language and ATMs and parking spaces equipped to aid differently abled customers.

Foursan withdraws investment in JDIB

JORDAN: Foursan Group, a Middle Eastern private equity firm, has withdrawn its investment in Jordan Dubai Islamic Bank (JDIB), according to a press release.

The firm, the second-largest shareholder of the bank, sold its stake to Bank Al Etihad, realizing a gross equity multiple of 2.5 times on the sale.

KFH welcomes CBK's Shariah governance rules

KUWAIT: Isa Abdullah Duwaishan, the executive manager of Shariah control and advisory at Kuwait Finance House (KFH), confirmed in a statement that the Islamic bank is keen on adhering to the Central Bank of Kuwait (CBK)'s instructions and regulations on the role of Shariah supervisory boards in Islamic banks, including the latest instructions, 'Shariah Supervisory Governance for Kuwaiti Islamic banks'.

The CBK has given banks until the 31st December 2017 to meet the requirements of the regulations.

ASSET MANAGEMENT

SICO and Trucial enters into strategic partnership

BAHRAIN: Securities & Investment Company (SICO) has entered into a strategic partnership with Trucial Investment Partners for the Shariah compliant SICO Trucial US Real Estate Income Fund with a target size of US$50 million, according to a statement. The two institutions will co-seed and co-manage the planned fund which is due to be launched during the second quarter of 2017, and will focus on income-generating residential multi-family and single-family properties in conurbations outside major US 'gateway' cities. The fund marks SICO's maiden foray into the US real estate sector.

EREF secures new facilities

UAE: Emirates Real Estate Fund (EREF) will restructure its balance sheet with the US$190.6 million five-year profit-only Mudarabah facility it recently secured from Emirates NBD. According to an official statement, a portion of the facility has been earmarked by the Islamic fund's manager, Emirates NBD Asset Management, to fund future acquisitions. The facility carries a 10% repayment of principal in its fourth year.

ASAR structures EBRIT's IPO

BAHRAIN: The IPO of Shariah compliant Eskan Bank Realty Income Trust (EBRIT), which closed on the 6th December 2016, achieved 95% subscription, offering 145 million units of the total 198 million units in issuance with a total value of BHD14.4 million (US$37.9 million), according to a bourse filing. Al Ruwayeh & Partners (ASAR) acted as the sole transaction counsel to Eskan Bank and Securities & Investment Company in the structuring and IPO.

Alkhabeer establishes Shariah real estate fund

SAUDI ARABIA: Alkhabeer Capital, according to a press release, has launched its Saudi Real Estate Income Fund I. The Islamic fund, aimed at generating returns from the rental income of residential properties in Riyadh, is a private placement in accordance with the Investment Fund Regulations of the Capital Market Authority.

RESULTS

Alinma Bank

SAUDI ARABIA: For the three-month period ending the 31st December 2016, Alinma Bank's net profit increased 1.04% year-on-year to SAR390 million (US$103.91 million) from SAR386 million (US$102.84 million) in the corresponding quarter of the previous year, according to a bourse filing. The Islamic bank's net profit for the 12-month period in 2016 also increased 2.18% to SAR1.5 billion (US$399.65 million) from SAR1.47 billion (US$391.66 million) in the previous year.

Qatar Islamic Bank

QATAR: Qatar Islamic Bank has achieved a 10.3% increase in its net profit from QAR1.95 billion (US$535.12 million) in 2015 to QAR2.16 billion (US$592.75 million) in 2016, according to a press release. The bank's total assets rose 10% to QAR139.8 billion (US$38.36 billion). Financing activities of the bank in 2016 reached QAR98.2 billion (US$26.95 billion), representing a 12% growth from the previous year. Total income for the year registered a 22% growth to QAR5.49 billion (US$1.51 billion), compared with QAR4.51 billion (US$1.24 billion) in 2015.

Al Rajhi Bank

SAUDI ARABIA: Al Rajhi Bank reported a net profit of SAR8.13 billion (US$2.17 billion) in 2016, a 13.97% increase year-on-year from SAR7.13 billion (US$1.9 billion) the bank recorded in 2015, according to a bourse filing. Al Rajhi's net profit for the fourth quarter of 2016 also rose 5.03% to SAR2.05 billion (US$546.31 million) compared with SAR1.95 billion (US$519.66 million) in the corresponding quarter of the previous year.

Aljazira Takaful Taawuni Company

SAUDI ARABIA: Aljazira Takaful Taawuni Company achieved a 46.76% growth in net profit before Zakat to reach SAR25.92 million (US$6.91 million) in 2016 from SAR17.66 million (US$4.71 million) it posted in the previous year, while its net profit before Zakat for the fourth quarter of 2016 also rose 42.55% year-on-year to reach SAR7.53 million (US$2.01 million) from SAR5.29 million (US$1.41 million) in the corresponding quarter of 2015, according to a bourse filing.

National Commercial Bank

SAUDI ARABIA: National Commercial Bank, which also offers Islamic banking services, recorded a net income of SAR9.32 billion (US$2.48 billion) in 2016, representing a 2.5% increase year-on-year compared with SAR9.09 billion (US$2.42 billion) in the previous year, according to a press statement. Net income for the fourth quarter of 2016 reached SAR2.29 billion (US$610.27 million) compared with SAR2.13 billion (US$567.63 million) in the corresponding quarter of the previous year, achieving an increase of 7.5%.

TAKAFUL

Tawuniya to provide insurance to Saudia staff

SAUDI ARABIA: Tawuniya, which offers Takaful services, will be providing health insurance services to employees and family members of Saudi Arabian Airlines (Saudia), according to a bourse filing. The health insurance, valid for a year starting from the 1st March 2017, is expected to contribute more than 5% of Tawuniya's total premiums for the 2016 fiscal year and is expected to have an impact on the insurance provider's financial results for 2017.

Optimistic outlook on Indonesian Takaful segment

INDONESIA: Life Takaful continues to command the lion's share of Indonesia's Islamic insurance market, accounting for 78% of the industry at the end of October 2016, according to Fitch. The rating agency noted in a report that the five-year compound annual growth rate for life Takaful and General Takaful stood at 31% and 24% respectively in 2015, outpacing the conventional segment. In the first 10 months of 2016, General Takaful contributions reached IDR2.2 trillion (US$164.78 million) while life Takaful contributions stood at IDR7.7 trillion (US$576.73 million).

Fitch views the country's Financial Services Master Plan positively for the growth of the Islamic insurance industry as it assists the segment to be more aligned with conventional peers.

GIG signs new agreements

EGYPT: Abu Dhabi Islamic Bank-Egypt and Arkan Real Estate Development are among the 10 institutions which signed medical insurance cover agreements with Egyptian Life Takaful Company (GIG) worth EGP50 million (US$2.65 million) in total sum insured, according to Amwal Al Ghad quoting GIG's managing director, Rimah Asaad.

Egypt to boost Takaful and Karama

EGYPT: The Egyptian government has put forward a plan which includes increasing the coverage of its Takaful and Karama programs and other social safety net projects such as the distribution of free school meals. These measures are proposed alongside hikes in taxes through the implementation of value-added tax, fuel subsidy cuts and controlling the public sector wage bill, according to an online press briefing by the IMF.

Alinma Tokio Marine invests in Islamic certificates

SAUDI ARABIA: Alinma Tokio Marine Company announced in a bourse filing that it has invested proceeds from a rights issue amounting to SAR222.14 million (US$59.16 million) raised in August 2015 in short-term Murabahah deposits, real estate funds, Sukuk and liquidity funds.

RATINGS

MARC affirms Cagamas's debt ratings

MALAYSIA: MARC has affirmed Malaysia's national mortgage corporation Cagamas's conventional and Islamic commercial paper (ICP) programs with an aggregate combined limit of RM20 billion (US$4.48 billion) at 'MARC-1/MARC-1IS' respectively; the conventional and Islamic medium-term note (IMTN) programs of up to RM40 billion (US$8.97 billion) at 'AAA/AAAIS' respectively; and the ICP and IMTN programs with a combined aggregate limit of RM5 billion (US$1.12 billion) at 'MARC-1IS' and 'AAAIS' respectively. The rating agency added that the outlook on all ratings is stable, and that the affirmed ratings continue to be driven by Cagamas's systemic importance in the domestic financial system and its strong capitalization and liquidity position.

Kuveyt Turk's ratings affirmed

TURKEY: Capital Intelligence has affirmed the long and short-term foreign currency ratings of Kuveyt Turk Katilim Bankasi at 'BB+' and 'B' respectively with a stable outlook, according to a statement.

Positive rating watch for SGT

BAHRAIN: Solidarity General Takaful (SGT)'s 'B++' financial strength ratings and 'bbb' long-term issuer credit ratings have been placed under review with positive implications by AM Best following the acquisition of Al Ahlia Insurance Company (AAIC) by SGT's parent group, Solidarity Group Holding in December 2016. The group's Jordanian subsidiary First Insurance Group has also been placed under a similar review. The Takaful group plans to convert AAIC's operations and license from conventional to Takaful.

Purple Boulevard's Sukuk ratings reaffirmed

MALAYSIA: The ratings on Purple Boulevard's RM250 million (US$56.09 million) in nominal value Sukuk Ijarah have been reaffirmed by RAM predicated on the net property income of the underlying asset, Ampang Point Shopping Center. Purple Boulevard is the SPV of Nadin Holdings and Nadin Management.

According to a press statement, the reaffirmation for the facility, which falls under the SPV's RM450 million (US$100.96 million) multi asset-backed Sukuk Ijarah program, is as follows: Senior Class A of up to RM95 million (US$21.31 million) at 'AAA/Stable'; senior Class B of up to RM15 million (US$3.37 million) at 'AA3/Stable'; senior Class C of up to RM15 million at 'A3/Stable; and guaranteed Class D of up to RM125 million (US$28.04 million) at 'AAA(fg)/Stable'. The program's subordinated Class E Sukuk facility of up to RM200 million (US$44.87 million) is unrated.

PDB's ICP and IMTN rated 'MARC-1IS/AAAIS'

MALAYSIA: MARC has affirmed the 'MARC-1IS/AAAIs' ratings on PETRONAS Dagangan (PDB)'s Islamic commercial paper (ICP) and Islamic medium-term note (IMTN) program of up to RM2 billion (US$449.49 million) with a stable outlook, according to a press release. The ratings are based on PDB's relationship and operational linkages with its parent, Petroliam Nasional (PETRONAS). MARC currently maintains public information ratings of 'MARC-1/AAA /Stable' on PETRONAS.

IIRA recognized by BRSA

TURKEY: Islamic International Rating Agency (IIRA), according to CEO Sabeen Saleem, is looking to strengthen its presence in Turkey. This follows a decision by the Turkish Banking Regulation and Supervision Agency (BRSA) recognizing IIRA as an external

credit assessment institution, allowing for the utilization of IIRA ratings to measure and evaluate the capital adequacy of banks.

UAE's sovereign ratings affirmed with a stable outlook

UAE: Capital Intelligence has affirmed the UAE's long-term foreign and local currency ratings at 'AA-' and its short-term foreign and local currency ratings at 'A1+', according to a statement.

Abu Dhabi's ratings affirmed with a stable outlook

UAE: Fitch has affirmed Abu Dhabi's long-term foreign and local currency issuer default ratings (IDRs) at 'AA' with a stable outlook, according to a statement. The issue ratings on Abu Dhabi's senior unsecured foreign currency bonds have also been affirmed at 'AA', while the short-term foreign and local currency IDRs were affirmed at 'F1+' and the country ceiling at 'AA+'. The country ceiling applies to Abu Dhabi and Ras Al Khaimah.

MOVES

BBK

BAHRAIN: BBK, which offers Islamic financial services, has appointed **Dr Adel Salem** as the assistant general manager of the Retail Banking Division, replacing **Mohammed Malik** who has been appointed as deputy CEO and the head of the banking group, according to a press release. Dr Adel previously held the role of deputy general manager at Benefit Company.

Deutsche Bank

GLOBAL: Deutsche Bank, which provides Islamic banking services, has appointed **Fred Hilal** as its head of wealth management for the Gulf region, according to a press release. The bank's subsidiary, Deutsche Securities Saudi Arabia, also welcomed **Sascha Pietrek** as its head of wealth management for the Kingdom of Saudi Arabia. Prior to joining Deutsche Bank, Fred held several senior leadership positions in Merrill Lynch's Wealth Management Division; while Pietrek has been with Deutsche Bank for over 14 years in a number of senior product and coverage positions predominantly in the Middle East and the Africa region.

DIFC Authority

UAE: Dubai International Financial Center Authority (DIFC Authority) has appointed **Yazan Mohamad Nasser** as its new CFO, according to a press release. Yazan previously served as CFO for Emaar Malls and has 30 years of experience in finance and audit. Yazan will be overseeing key financial controls, business processes and management reporting and the evaluation of commercial and investment opportunities in the DIFC.

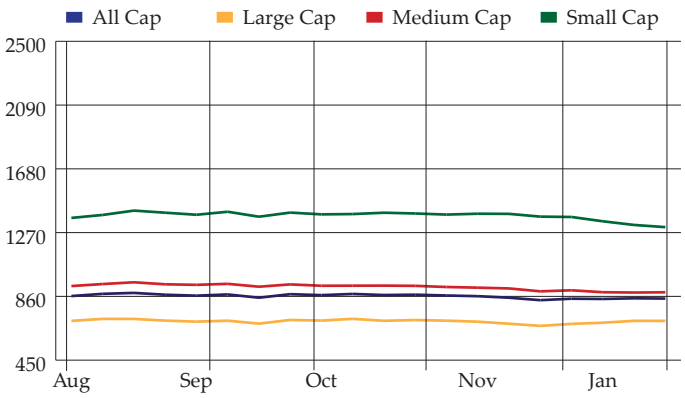
RHB Bank Singapore

SINGAPORE: **Nazmi Camalxaman**, previously with CIMB, has joined RHB Bank Singapore to head its Islamic banking business. "It's a newly created role and team as RHB Group is keen to do more Islamic finance deals outside Malaysia," Nazmi told IFN.

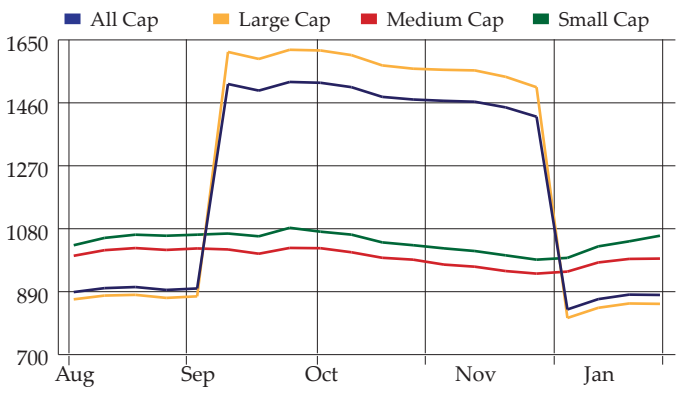
Expected date	Company's name	Size	Structure	Announcement Date
26th January 2017	Government of Malaysia	US$898.98 million	GII Murabahah	23rd January 2017
TBA	Pakistan's National Savings Organization	TBA	Sukuk Ijarah	22nd January 2017
TBA	Government of Egypt	TBA	Sukuk	18th January 2017
TBA	Government of Indonesia	US$449.4 million	Sukuk	18th January 2017
TBA	Nogaholding	TBA	Sukuk/Bond	15th January 2017
TBA	Masraf Al Rayan	US$500 million	Sukuk	11th January 2017
Early February 2017	Africa Finance Corp	TBA	Sukuk Murabahah	11th January 2017
TBA	Sabah Credit Corporation	US$781.99 million	Sukuk Musharakah	11th January 2017
January of 2017	Investment Corporation of Dubai	TBA	Sukuk/Bond	9th January 2017
TBA	Dubai Islamic Bank	US$500 million	Sukuk	4th January 2017
TBA	Government of Oman	US$1 billion	Sukuk/bond	3rd January 2017
TBA	Sabana Reit	US$55.24 million	Sukuk	27th December 2016
TBA	Kingdom of Saudi Arabia	TBA	Sukuk	28th December 2016
22nd March 2017	Central Bank of Bahrain	US$112.37 million	Sukuk Salam	21st December 2016
First quarter of 2017	Warba Bank	US$250 million	Sukuk	20th December 2016
TBA	Nigeria Debt Management Office	TBA	Sukuk	19th December 2016
TBA	EQUATE Petrochemical Co	US$2 billion	Sukuk	16th Dcember 2016
First quarter of 2017	Al Baraka Banking Group	US$300 million	Sukuk	7th December 2016
TBA	ACWA Power	up to US$1 billion	Sukuk	6th December 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	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
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

REDMONEY SHARIAH INDEXES

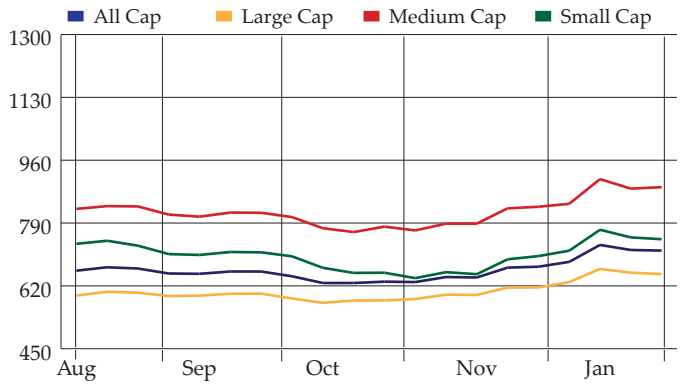
REDmoney Asia ex. Japan *6 Months*



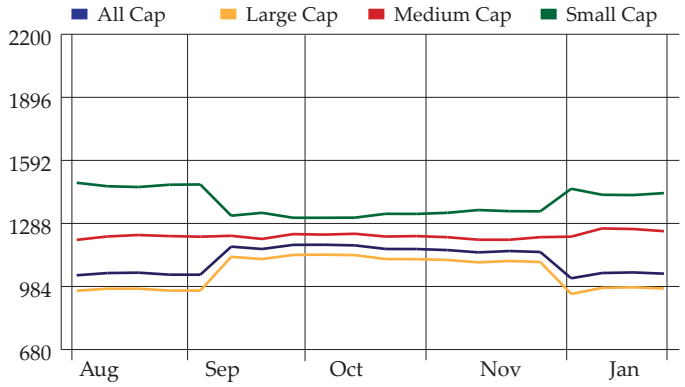
REDmoney Europe *6 Months*



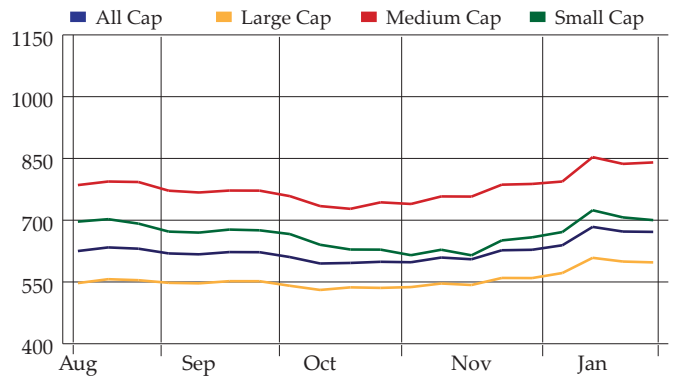
REDmoney GCC *6 Months*



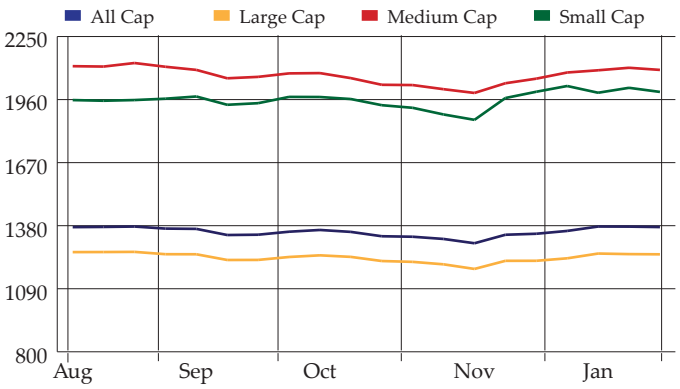
REDmoney Global *6 Months*



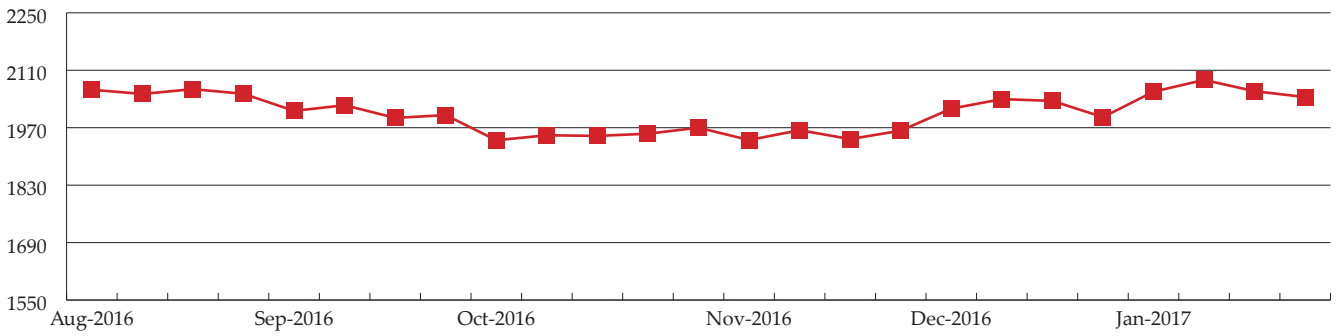
REDmoney MENA *6 Months*



REDmoney US *6 Months*

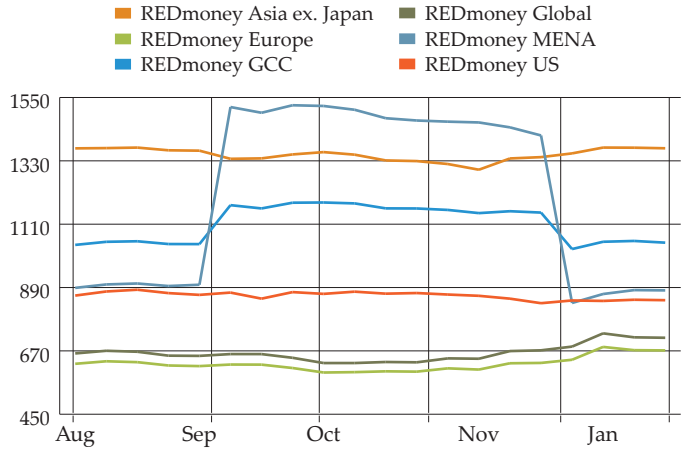


SAMI Halal Food Participation (All Cap) *6 months*

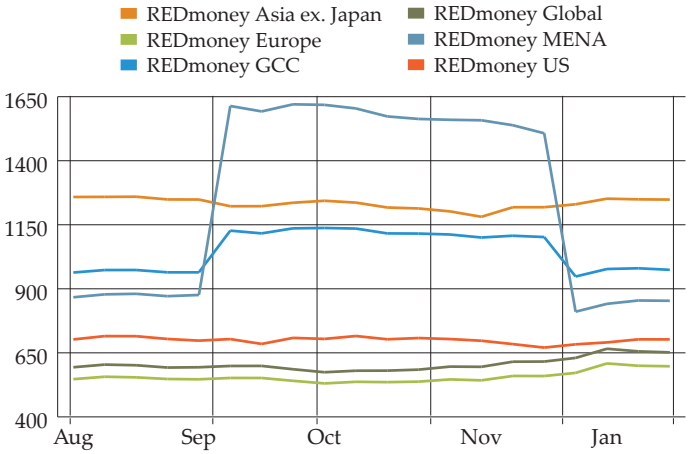


REDMONEY SHARIAH INDEXES

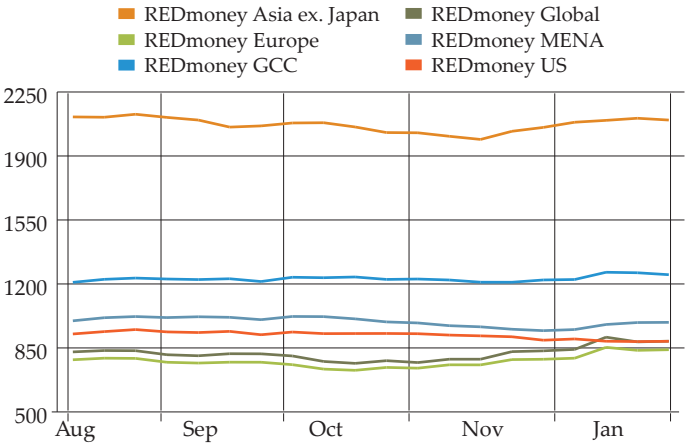
REDmoney Global Shariah Index Series (All Cap) *6 Months*



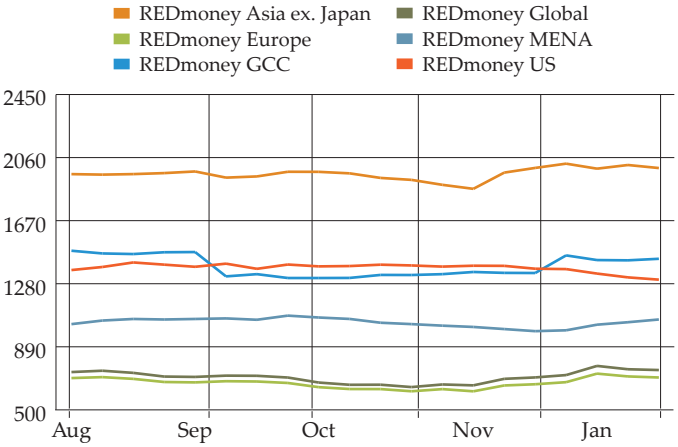
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



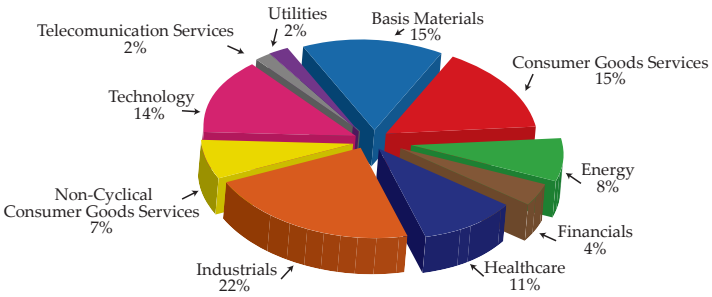
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



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®

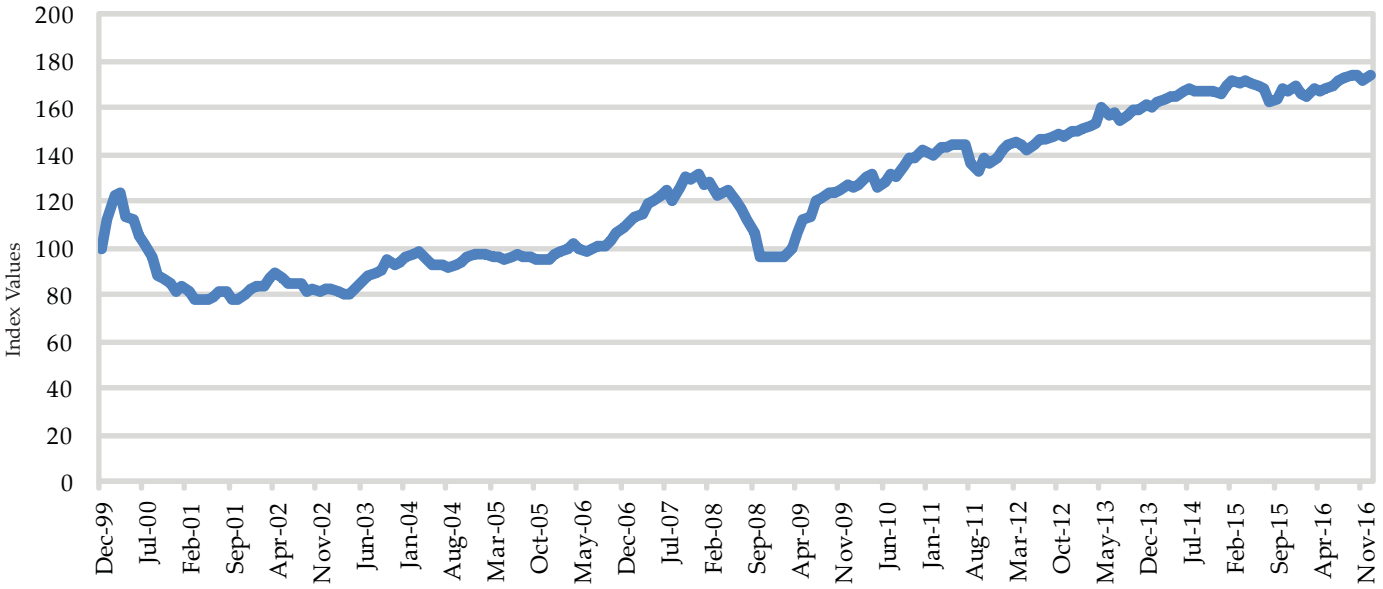
For further information regarding REDmoney Indexes contact:

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	Al-Ameen Shariah Stock	UBL Fund Managers	12.07	Pakistan
2	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	12.03	Pakistan
3	Atlas Islamic Stock	Atlas Asset Management	11.92	Pakistan
4	Meezan Islamic	Al Meezan Investment Management	11.86	Pakistan
5	Al Meezan Mutual	Al Meezan Investment Management	11.74	Pakistan
6	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	11.58	Pakistan
7	Alfalah GHP Islamic Stock	Alfalah GHP Investment Management	11.42	Pakistan
8	Pakistan International Element Islamic Asset Allocation	Arif Habib Investment Management	10.47	Pakistan
9	JS Islamic	JS Investments	8.12	Pakistan
10	Meezan Balanced	Al Meezan Investment Management	7.29	Pakistan
	Eurekahedge Islamic Fund Index		**1.24**	

Based on 81.62% of funds which have reported December 2016 returns as at the 23rd January 2017

Top 10 Monthly Returns for Middle East/Africa Funds

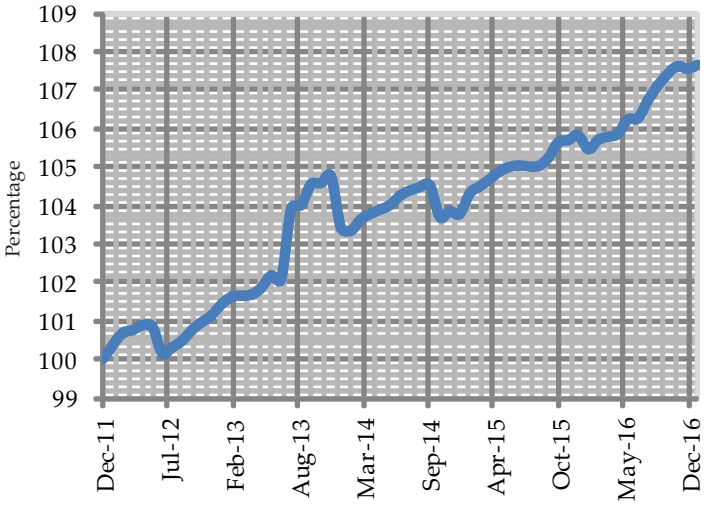
	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Al Baraka	Hermes Fund Management	9.38	Egypt
2	Faisal Islamic Bank of Egypt Mutual	Hermes Fund Management	9.11	Egypt
3	Pak Oman Islamic Asset Allocation	Pak Oman Asset Management	8.96	Pakistan
4	AlAhli Saudi Mid and Small Cap Equity	The National Commercial Bank	7.04	Saudi Arabia
5	Al Danah GCC Equity Trading	Banque Saudi Fransi	6.67	Saudi Arabia
6	Al Qasr GCC Real Estate & Construction Equity Trading	Banque Saudi Fransi	6.12	Saudi Arabia
7	Al Rajhi Petrochemical and Cement Equity	Al Rajhi Bank	5.79	Saudi Arabia
8	Jadwa GCC Equity	Jadwa Investment	5.71	Saudi Arabia
9	Al-Aman Islamic	Al-Aman Investment Company	5.56	Kuwait
10	Jadwa Arab Markets Equity	Jadwa Investment	5.52	Saudi Arabia
	Eurekahedge Islamic Fund Index		**2.42**	

Based on 82.67% of funds which have reported December 2016 returns as at the 23rd January 2017

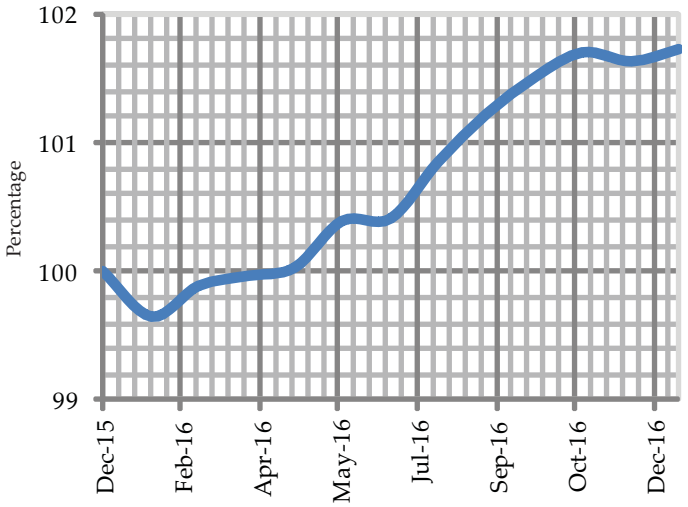
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity,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

EUREKAHEDGE FUNDS TABLES

Eurekahedge Islamic Fund Money Market Index over the last 5 years



Eurekahedge Islamic Fund Money Market Index over the last 1 year



Top 10 Islamic Fund Money Market by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Atlas Pension Islamic - Money Market Sub	Atlas Asset Management	1.56	Pakistan
2	Meezan Tahaffuz Pension - Money Market Sub	Al Meezan Investment Management	1.27	Pakistan
3	Apex Dana Al Kanz	Apex Investment Services	0.88	Malaysia
4	PB Islamic Cash Management	Public Mutual	0.82	Malaysia
5	Al-Mubarak SAR Trade	Arab National Bank	0.76	Saudi Arabia
6	International Trade Finance - (Sunbullah SAR)	Samba Financial Group	0.74	Saudi Arabia
7	FALCOM SAR Murabaha	FALCOM Financial Services	0.73	Saudi Arabia
8	Public Islamic Money Market	Public Mutual	0.72	Malaysia
9	PB Islamic Cash Plus	Public Mutual	0.69	Malaysia
10	Commodity Trading - SAR	Riyad Bank	0.69	Saudi Arabia
	Eurekahedge Islamic Fund Index		**0.21**	

Based on 90.00% of funds which have reported December 2016 returns as at the 23rd January 2017

Top 10 Islamic Fund Globally-Investing by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Al-Ameen Islamic Active Allocation Plan - II	UBL Fund Managers	13.54	Pakistan
2	Al-Ameen Islamic Active Allocation Plan - I	UBL Fund Managers	13.51	Pakistan
3	Al-Ameen Islamic Active Allocation Plan - IV	UBL Fund Managers	13.37	Pakistan
4	HSBC Insurance Ethical Global Equity Fund	HSBC Insurance Singapore	13.29	Singapore
5	Al-Ameen Islamic Active Allocation Plan - III	UBL Fund Managers	13.24	Pakistan
6	Al-Ameen Islamic Active Allocation Plan - V	UBL Fund Managers	13.01	Pakistan
7	Al-Mubarak Balanced	Arab National Bank	9.02	Saudi Arabia
8	HSBC Insurance Ethical Global Sukuk	HSBC Insurance Singapore	7.26	Singapore
9	Al Shamekh Sharia Compliant	Riyad Bank	4.90	Saudi Arabia
10	Al Shuja'a Sharia Compliant	Riyad Bank	2.70	Saudi Arabia
	Eurekahedge Islamic Fund Index		**0.14**	

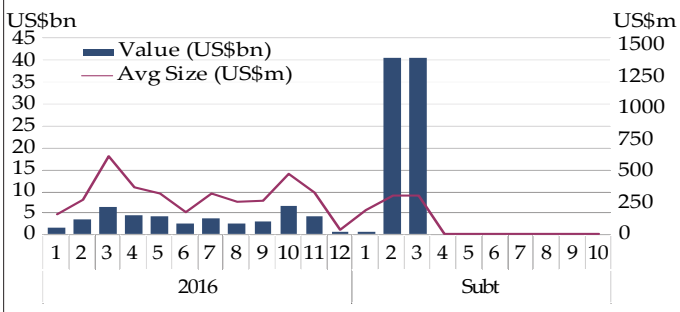
Based on 97.78% of funds which have reported December 2016 returns as at the 23rd January 2017

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

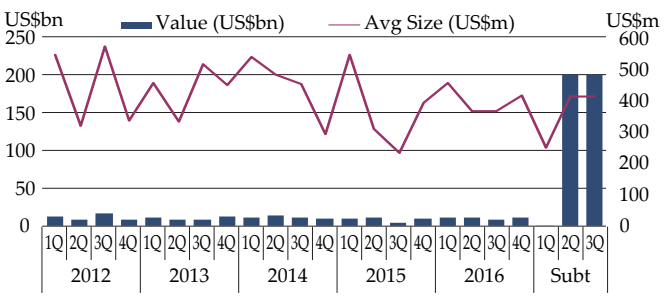
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
17th Jan 2017	Africa Finance Corporation	Nigeria	Sukuk	Euro market private placement	150	FirstRand, Mitsubishi UFJ Financial Group, Emirates NBD
9th Jan 2017	Rantau Abang Capital	Malaysia	Sukuk	Domestic market public issue	224	CIMB Group, AmInvestment Bank
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	UAE	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
8th Nov 2016	Barwa Bank	Qatar	Sukuk	Euro market private placement	130	National Bank of Abu Dhabi PJSC
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

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter



Top 30 Issuers of Global Sukuk *12 Months*

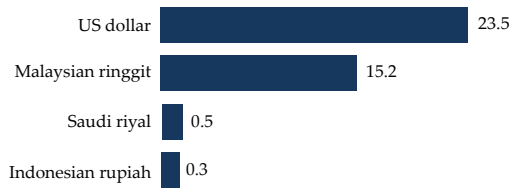
	Issuer	Nationality	Instrument	Market	US$ (mln)	Iss (%)	Managers
1	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	2,850	7.2	Standard Chartered Bank, JPMorgan, National Bank of Kuwait, Gulf International Bank, Natixis, CIMB Group, Emirates NBD, Mizuho, National Bank of Abu Dhabi, RHB Capital, Credit Agricole
2	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	2,500	6.3	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, CIMB Group, Citigroup
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	Standard Chartered Bank, JPMorgan, BNP Paribas, Arab Banking, Credit Suisse
5	Malaysia Sukuk Global	Malaysia	Sukuk	Euro market public issue	1,500	3.8	JPMorgan, HSBC, Maybank, CIMB Group
5	Etihad Airways	UAE	Sukuk	Euro market public issue	1,500	3.8	JPMorgan, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Dubai Islamic Bank, Abu Dhabi Islamic Bank
7	Sarawak Hidro	Malaysia	Sukuk	Domestic market public issue	1,365	3.4	RHB Capital, Maybank
8	DP World	UAE	Sukuk	Euro market public issue	1,200	3.0	JPMorgan, Deutsche Bank, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Barclays, Dubai Islamic Bank, SG Corporate & Investment Banking, Citigroup, Emirates NBD
9	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	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup, Noor Bank
11	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	2.5	Standard Chartered Bank, HSBC, Emirates NBD
13	Lembaga Pembiayaan Perumahan Sektor Awam	Malaysia	Sukuk	Domestic market public issue	986	2.5	OCBC, RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group, Affin Investment Bank, AmInvestment Bank
14	Lebuhraya DUKE Fasa 3	Malaysia	Sukuk	Domestic market public issue	912	2.3	RHB Capital, Maybank, CIMB Group, AmInvestment Bank
15	Maxis Broadband	Malaysia	Sukuk	Domestic market public issue	886	2.2	CIMB Group, AmInvestment Bank, Maybank
16	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	880	2.2	Maybank, CIMB Group, Affin Investment Bank, AmInvestment Bank
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, Dubai Islamic Bank
18	TNB Global Ventures Capital	Malaysia	Sukuk	Euro market public issue	750	1.9	BNP Paribas, HSBC, CIMB Group, Citigroup
18	Emaar Sukuk	UAE	Sukuk	Euro market public issue	750	1.9	RHB Capital, Maybank, CIMB Group, AmInvestment Bank
20	Prasarana Malaysia	Malaysia	Sukuk	Domestic market public issue	733	1.8	RHB Capital, Maybank, Kenanga Investment Bank, CIMB Group, AmInvestment Bank
21	Jambatan Kedua	Malaysia	Sukuk	Domestic market public issue	644	1.6	RHB Capital, Maybank, Kenanga Investment Bank, AmInvestment Bank
22	Barwa Bank	Qatar	Sukuk	Euro market private placement	605	1.5	National Bank of Abu Dhabi, Standard Chartered Bank
23	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	570	1.4	Standard Chartered Bank, HSBC, Arab Banking, National Bank of Abu Dhabi, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD
24	Sime Darby	Malaysia	Sukuk	Domestic market public issue	535	1.3	Maybank
25	Bank Albilad	Saudi Arabia	Sukuk	Euro market private placement	533	1.3	HSBC
26	Sultanate of Oman	Oman	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank
26	SIB Sukuk III	UAE	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank, HSBC, Kuwait Finance House, Arab Banking, Maybank, Dubai Islamic Bank, Emirates NBD, QNB Capital, Noor Bank
26	Noor Bank	UAE	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank, First Gulf Bank, Dubai Islamic Bank, Sharjah Islamic Bank, Citigroup, Emirates NBD, Noor Bank
26	Axiata SPV2	Malaysia	Sukuk	Euro market public issue	500	1.3	Deutsche Bank, HSBC, CIMB Group
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				**39,784**	**100**	

DEALOGIC LEAGUE TABLES

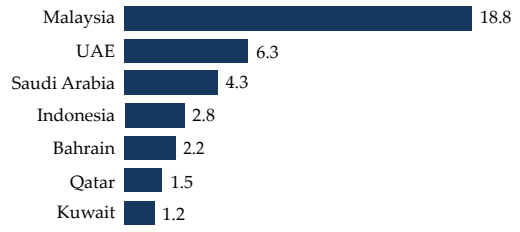
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	CIMB Group	5,485	38	13.8
2	Maybank	4,228	30	10.6
3	Standard Chartered Bank	4,210	23	10.6
4	RHB Capital	3,046	30	7.7
5	HSBC	2,895	18	7.3
6	AmInvestment Bank	2,658	22	6.7
7	Dubai Islamic Bank	1,745	15	4.4
8	JPMorgan	1,598	7	4.0
9	Emirates NBD	1,506	15	3.8
10	National Bank of Abu Dhabi	1,394	9	3.5
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	Kenanga Investment Bank	406	7	1.0
20	Abu Dhabi Islamic Bank	393	3	1.0
21	Affin Investment Bank	391	4	1.0
22	Hong Leong Financial Group	367	4	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	Credit Agricole	223	3	0.6
28	Kuwait Finance House	206	4	0.5
29	Mashreqbank	183	2	0.5
30	Mizuho	164	2	0.4
	Total	**39,784**	**133**	**100**

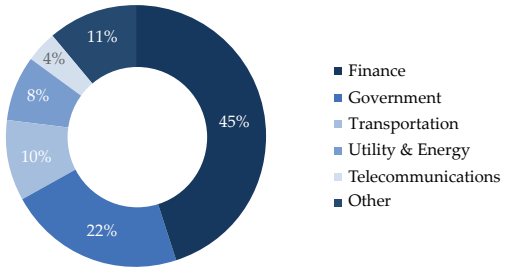
Sukuk Volume by Currency US$ (billion) *12 Months*



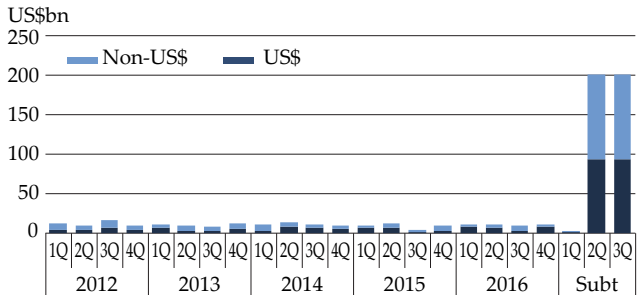
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



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	Kuwait Finance House	1,996.95	1	16.75
1	National Bank of Kuwait	1,996.95	1	16.75
3	Al Rajhi Capital	663.09	2	5.56
4	Alinma Bank	549.59	2	4.61
5	Banque Saudi Fransi	497.22	3	4.17
5	HSBC	497.22	3	4.17
5	Samba Capital & Investment Management	497.22	3	4.17
8	National Commercial Bank	490.69	3	4.11
9	Mitsubishi UFJ Financial Group	377.18	3	3.16
10	Standard Chartered Bank	328.93	3	2.76

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

	Legal Advisor	US$ (million)	No	%
1	Latham & Watkins	4,279.41	3	32.24
2	Allen & Overy	3,197.46	3	24.09
3	Clifford Chance	2,755.10	2	20.76
4	Baker & McKenzie	1,365.39	1	10.29
5	Norton Rose Fulbright	915.00	1	6.89
6	White & Case	758.14	1	5.71

DEALOGIC LEAGUE TABLES

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

	Mandated Lead Arranger	US$ (mln)	No	%
1	Dubai Islamic Bank	1,019	12	7.5
2	Samba Capital	969	5	7.2
3	Banque Saudi Fransi	939	4	6.9
4	Saudi National Commercial Bank	933	4	6.9
5	Noor Bank	815	12	6.0
6	Abu Dhabi Islamic Bank	788	7	5.8
7	Emirates NBD	643	8	4.8
8	SABB	604	6	4.5
9	Standard Chartered Bank	525	8	3.9
10	Abu Dhabi Commercial Bank	385	4	2.8
11	Al Rajhi Capital	366	2	2.7
12	HSBC	365	6	2.7
13	Union National Bank	345	4	2.6
14	Natixis	265	4	2.0
15	Alinma Bank	260	2	1.9
16	Riyad Bank	258	2	1.9
17	Arab National Bank	254	2	1.9
18	Arab Banking Corporation	251	4	1.9
19	Credit Agricole	249	3	1.8
20	First Gulf Bank	243	6	1.8
21	Bank Albilad	229	1	1.7
22	National Bank of Abu Dhabi	207	3	1.5
23	Gulf International Bank	193	3	1.4
24	Al Hilal Bank	184	1	1.4
25	Mashreqbank	173	3	1.3
26	National Bank of Bahrain	159	2	1.2
26	Ahli United Bank	159	2	1.2
28	Mitsubishi UFJ Financial Group	138	1	1.0
29	Sharjah Islamic Bank	136	3	1.0
30	BBK	133	2	1.0

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

	Bookrunner	US$ (mln)	No	%
1	Abu Dhabi Islamic Bank	1,006	6	13.2
2	Noor Bank	746	7	9.8
3	Dubai Islamic Bank	642	5	8.4
4	Standard Chartered Bank	570	5	7.5
5	Emirates NBD	474	3	6.2
6	Mashreqbank	428	2	5.6
7	SABB	312	2	4.1
8	Abu Dhabi Commercial Bank	283	1	3.7
9	Arab Banking Corporation	275	4	3.6
10	Saudi National Commercial Bank	267	1	3.5

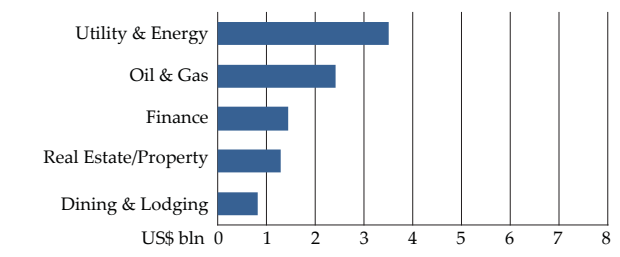
Top Islamic Finance Related Financing Deal List *12 Months*

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
29th Aug 2016	Atlantis The Palm	UAE	850
31st Aug 2016	Almarai	Saudi Arabia	600
1st Mar 2016	National Oil & Gas Authority	Bahrain	570
10th May 2016	Allana International	UAE	500

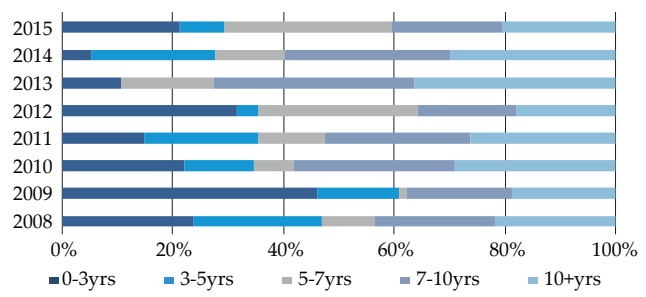
Top Islamic Finance Related Financing by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	Saudi Arabia	5,756	7	42.6
2	UAE	4,181	19	30.9
3	Bahrain	1,188	2	8.8
4	Qatar	460	1	3.4
5	Turkey	384	3	2.8
6	India	368	1	2.7
7	Egypt	305	2	2.3
8	Malaysia	283	1	2.1
9	Jordan	275	1	2.0
10	Pakistan	200	1	1.5

Top Islamic Finance Related Financing by Sector *12 Months*



Global Islamic Financing - Years to Maturity (YTD Comparison)



Are your deals listed here?
If you feel that the information within these tables is inaccurate, you may contact the following directly: Mayumi Ohira (Media Relations)
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EVENTS DIARY

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
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
11th	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
21st	IFN Jordan Forum	Amman, Jordan
22nd	IFN Saudi Arabia Forum	Jeddah, Saudi Arabia

Islamic Finance *news*

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