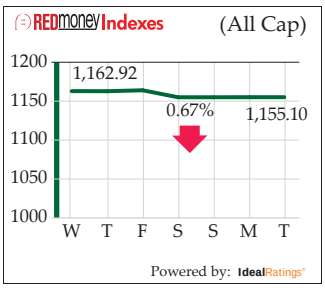
IFN Islamic Finance news

The World's Leading Islamic Finance News Provider



1st February 2017 (*Volume 14 Issue 05*)

COVER STORY

Alternative debt investments — where to look outside Sukuk?

It's tough times for the global debt market as the decades-long bull market in bonds peters to a halt. So what other options are available to Islamic investors seeking stronger returns? With the likes of crowdfunding, minibonds and P2P lending on the rise, LAUREN MCAUGHTRY looks at the latest opportunities popping up across the globe.

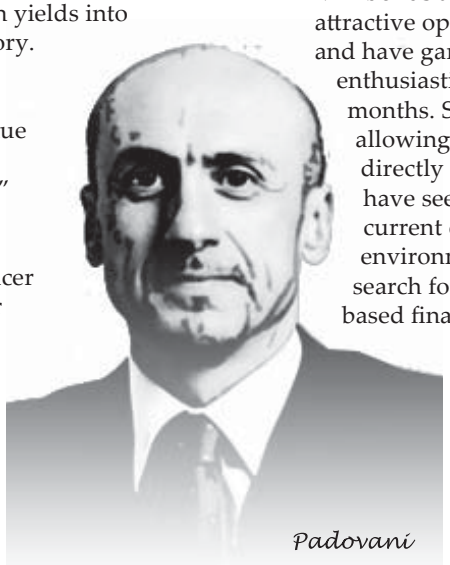
Breaking bonds

Global bond sales this year started at a record pace (according to Dealogic data) with over US$610 billion raised through bank-syndicated corporate and sovereign debt sales in January — 18% higher than the same period last year and the best performance since 2013. In Asia, international borrowing almost doubled in January (according to the FT) while European capital markets have seen bond sales of over US$280 billion. Overall, bond sales in emerging markets (excluding China) reached US$482 billion in 2016 driven by a boom in GCC international issuance as Gulf states rush to fill the holes in their budgets left by the low oil price.

In fact, emerging market debt is one of the few bright spots on the horizon due to a rebound in commodity prices and stronger economic growth. The GCC will see a continued spate of issuance this year (according to the latest outlook from Bank of America Merrill Lynch) and the Sukuk market is likely to benefit from the increased investor demand.

But overall the global bond boom is not expected to last — nor will it translate into the corporate market. Higher interest rates from the Federal Reserve, a soaring dollar, growing inflation, concerns over the new Trump administration, the Brexit crisis in Europe and general global uncertainty will depress valuations, scare investors and could push yields into negative territory.

"Fixed income markets continue to face a rather dire backdrop," warned Dan Kemp, chief investment officer of Morningstar Investment Management, on the 26th January 2017. "Most critically, valuation pressures continue to mount in many key markets, creating a growing sense of caution that is both prudent and warranted."



Money in minibonds?

So where should we look for alternative diversification? Increasingly, opportunities in debt-based crowdfunding and peer-to-peer (P2P) lending are looking attractive to investors struggling to make money in a climate of high bond valuations and low cash returns.

Minibonds are one of the most attractive options for retail investors, and have garnered correspondingly enthusiastic headlines in recent months. Shorter-term instruments allowing individuals to lend money directly to businesses, minibonds have seen interest boom amid the current constricted bank lending environment, as corporates search for new ways to raise debt-based finance. This has resulted in compelling rates — as high as 10-12% in some cases — as well as additional benefits and perks for participants.

continued on page 3

Volume 14 Issue 05

DEALS

Indonesia issues IDR6.31 trillion (US$471.36 million)-worth of sovereign Sukuk; oversubscribed by 3.77 times

Sunway Treasury Sukuk issues 179th Islamic commercial papers worth RM100 million (US$22.52 million)

Malaysia's RM4 billion (US$901.47 million) government investment issue Murabahah oversubscribed by RM9.65 billion (US$2.17 billion)

Investment Corp of Dubai sets final spread of 265bps for US$1 billion Sukuk issuance

Warba Bank secures regulatory approval to raise up to US$250 million via Sukuk

Tunisia plans US$500 million Sukuk to cover external financing deficit

NEWS

IDB affirms commitment toward supporting Gambia's development

MCB Islamic Bank adapts **Diebold Nixdorf**'s biometric systems and software for new branches

Mindanao Islamic Chamber of Commerce and Industry wants Shariah aspects to be included in Halal Export Development and Promotion Act

Indonesian government considering establishing special Islamic economic zone in Jakarta

International Finance Corporation inks advisory agreement with **Meezan Bank** to drive Shariah compliant SME financing

Demand for **Al Rayan Bank**'s Islamic home financing facilities reaches record high

International Islamic Trade Finance Corporation signs tripartite agreement with Canada and Senegal to facilitate cross-border trade

RESULTS

Syarikat Takaful Malaysia's fourth quarter net profit rises 7.9% to RM39.26 million (US$8.84 million)

Dubai Islamic Bank's 2016 net profit rises 6% to AED4.05 billion (US$1.1 billion)

Kuwait International Bank's 2016 net profit increases 14% to reach KWD18.2 million (US$59.55 million)

Qatar International Islamic Bank posts QAR785 million (US$215.4 million) in net profit for the full year of 2016

Bank Dhofar proposes cash dividend and bonus share of 13.5% and 7.5% respectively

ASSET MANAGEMENT

KAMCO Investment Company launches Shariah compliant equity fund

TAKAFUL

Takaful Al Rajhi Company for Cooperative Insurance allocates SAR150 million (US$39.98 million) from rights issue proceeds to meet solvency margin requirements

First Takaful Insurance plans board meeting to discuss merger proposal

Malath Cooperative Insurance and Reinsurance suspends reinsurance business to improve solvency and investment returns

RATINGS

RAM reaffirms 'AAA/Stable' rating of **Cagamas MBS**'s RM2.05 billion (US$461.75 million) Sukuk Musharakah residential mortgage-backed securities

RAM lifts negative rating watch on **Mudajaya Corporation**'s Islamic commercial papers/medium-term notes; revises long-term rating outlook to negative

RAM reaffirms 'AA3/Stable' rating on **Jimah Energy Ventures**'s RM4.85 billion (US$1.09 billion) Sukuk facility

Special Power Vehicle's RM800 million (US$180.29 million) Class A Islamic medium-term notes maintain 'A1/Stable' rating

AM Best affirms **Qatar General Insurance & Reinsurance Company**'s ratings; operator's profile enhanced by Takaful subsidiary

MOVES

Warba Bank appoints new chief retail banking officer

90 North welcomes John Yeend as new senior investment specialist

Al Hilal Bank CEO to step down; CFO to step up as acting CEO until replacement is found

Kenanga Investment Bank's executive director and chairman step down

Resat Karabiyik leaves **Bizim Menkul Degerler**

Syarikat Takaful Malaysia promotes Jazimin Izzat Wan Zookifli to CFO

Alternative debt investments — where to look outside Sukuk?

Continued from page 1

In 2014 for example, confectionary company Hotel Chocolat issued a three-year minibond with an annual return of 7.25% — paid in Hotel Chocolat gift cards which can be used stores, cafes and restaurants throughout the UK, while investors also receive a box of chocolates every two months. Leading UK crowdfunding site CrowdCube recently launched its own minibond platform for members, claiming to offer a steady fixed income of up to 12% interest per year with a minimum investment of just GBP500 (US$627.19).

And other sites have rapidly sprung up: such as Downing Crowd, which offers retail customers the chance to lend directly to a range of UK companies via bonds secured on their assets — with returns of 4-7% per year and an ethical focus. So far over 35,000 investors have raised over GBP1.7 billion (US$5.56 billion) into "businesses that make a difference" according to the company website including renewable energy, care homes, health clubs, and children's nurseries.

European boom

Minibonds are growing in popularity across developed markets — in the US, for example, just last week the city of Cambridge in Massachusetts announced its first minibond issuance offering residents the chance to invest directly in municipal infrastructure. In Europe, the market is even further along, with instruments available in Italy, Germany, France, Spain, Norway and the UK.

"Access to capital markets, in particular for SMEs may not be easy. In fact, the main markets are suitable only for medium-large companies, while alternative markets, like AIM are not always attractive for investors because of their limited liquidity," explained Stefano Padovani, a partner at Milan-based law firm NCTM, speaking to IFN. "As a result, the Italian government decided to facilitate, by relaxing the tax and regulatory regime, the access of SMEs to debt capital market introducing the so-called minibonds, which are mainly traded on a dedicated segment of the Italian Stock Exchange, the ExtramotPro."

As a result of the reform around 15 minibond-focused debt funds were already active in Italy by the end of 2015, with around 180 issues worth EUR7 billion (US$8.78 billion) taking place between 2012-15.

"Such instruments could be particularly useful to fill the financing gap left by equity funding on the one side and banking financing on the other, which for the reasons above mentioned may not always be sufficiently available to SMEs," explained Padovani.

Islamic application

So could these be used in an Islamic context? Italy is so far the only country that has stepped forward to tailor minibonds to Shariah usage, although if successful other countries could follow its example.

"We have worked together with Shariah advisors with a view to create an hybrid structure which on the one hand refers to the existing minibond legislation and on the other combines contractual structures which are very close to Islamic contracts like Murabahah and Mudarabah, and in particular the latter as the first one triggers tradability limitations which do not fit with the nature of the instruments to be listed on the exchange," confirmed Padovani to IFN. "The process… has taken longer than expected, but we hope to get there soon and then start with the marketing of the instruments immediately thereafter — which is obviously the most exciting part of the venture."

Outside of the minibond space however, the majority of Shariah compliant alternative financing has so far been launched in the Middle East and Asia, although these markets have inevitably used the pioneering peer-to-peer industries of more developed markets as template for growth.

> ***"We have worked together with Shariah advisors with a view to create an hybrid structure which on the one hand refers to the existing minibond legislation and on the other combines contractual structures which are very close to Islamic contracts like Murabahah and Mudarabah"***

Will these markets borrow the new innovations emerging in the UK, Europe and the US to forge forward with their digital strategy?

Craig Moore, CEO of pioneering Dubai-based Shariah compliant crowdfunding platform Beehive thinks that there is certainly an opportunity for growth.

"[Minibonds] potentially could be a solution for GCC firms — but like all new products there would need to be a period of educating the market as to why they are different, what restrictions they hold, etc.," he explained to IFN. "We currently offer a one-year non-amortized product but to issue minibonds we would need to be comfortable that investors have an interest in longer-dated instruments."

continued on page 4

Alternative debt investments — where to look outside Sukuk?

Continued from page 3

A cautious warning

Even if Islamic investors were to jump on the bandwagon, minibonds are not all good news. Unlike traditional bonds, they cannot be traded and are not listed, which makes them much less flexible. The regulatory requirements are also far less rigid, making them popular for issuers but riskier for investors — and in the UK, at least, minibonds are not protected by the Financial Services Compensation Scheme.

In September 2016 several minibond scandals hit the headlines, including a program from Providence Financial Investments that had promised interest of up to 8.25% in minibonds investing in global corporate office space.

In the US, Providence was accused of offering "ongoing fraudulent and unregistered securities" by the Securities and Exchange Commission and ordered to stop trading, while soon afterwards its Guernsey-based holding company was forced to wind up with Deloitte stepping in as administrator to the bonds amid rumors that investors may have lost up to GBP8 million (US$10.04 million) in the program.

Retail opportunities

If the minibond market might take a little longer to catch fire, what other options are out there?

"Peer to peer lending is perhaps a more accessible and popular model for Islamic investors," suggested Moore. "We are seeing a lot of interest from businesses but I feel the real attractiveness is for investors. Many struggle to access Sukuk issues as they are heavily subscribed by Islamic banks and typically held to maturity — this creates a gap in an investor's diversified portfolio. I believe this gap can by closed by peer-to-peer, particularly at the smaller end of the corporate market."

A number of platforms are already making steady headway in the Shariah compliant space. Beehive has raised an estimated US$4 billion for SMEs in the UAE so far, while over in Asia new players such as KapitalBoost (a Singapore-based Islamic crowdfunding platform that offers funding to small businesses through a Murabahah arrangement) and real estate crowdfunding platform EthisCrowd are making waves.

UK innovation

But it is not just Muslim-majority markets that are seeing a P2P boom. The UK in particular is a hotspot for innovation, with over 75 P2P platforms in 2016. While P2P lending is a grey area for Islamic investors due to the standard presence of interest, the UK is already home to several Shariah-focused sites offering an alternative method such as Seed.org.uk, an Islamic investment company offering both equity crowdfunding and Il Qard Hasana crowdfunding, where investors loan their money without interest and get it back in instalments over a fixed period.

This sector in the UK is likely to see a significant boom due to the Innovative Finance ISA (IFISA) introduced by the UK government in April 2016, which allows individuals to use some (or all) of their annual ISA investment allowance to lend funds through the growing P2P lending market, whilst receiving tax-free interest and capital gains. Some ISA providers are already offering expected returns of 6-8% — much higher than most cash ISAs can offer — by cutting out the middle man.

Although most of these investments are closed to Islamic investors due to their interest-based models, in August 2016 the government also published draft legislation to expand IFISA coverage to include other debt-based securities such as bonds and debentures — and in November 2016 the Treasury extended the IFISA remit to specifically include crowd bonds.

Although these instruments are crucially not protected by the Financial Services Compensation Scheme and thus offer higher levels of risk, their attractive returns and tax-free status are likely to catapult them into popularity with investors seeking diversification and yield.

> ***"Many struggle to access Sukuk issues as they are heavily subscribed by Islamic banks and typically held to maturity — this creates a gap in an investor's diversified portfolio. I believe this gap can by closed by peer-to-peer, particularly at the smaller end of the corporate market"***

Notably, the IFISA does not include equity-based crowdfunding and P2P investing, meaning that debt-based instruments will receive the lion's share of the benefit. In fact, UK-based P2P analysis firm 4th Way forecasts a growth of 50% in P2P lending in the UK in 2017 from its 2016 level of GBP3 billion (US$3.76 billion), with the number of platforms increasing from five to 16 by the end of the year.

A combination option

Islamic investors may be wary of P2P lending platforms that fail to meet Shariah expectations — but in this brave new world of online investment solutions, there are multiple other

continued on page 5

Alternative debt investments — where to look outside Sukuk?

Continued from page 4

options springing up to offer an alternative.

> ***"If other platforms follow the same innovative example, a whole new world of debt investing could open up for the Shariah compliant space"***

One of the most exciting of these is WiseAlpha, an online investment platform founded in 2014 that offers its members access to senior secured loan or bond investments in some of the UK's leading companies — an asset class that has hitherto been almost inaccessible to retail investors due the prohibitive costs and complexity of investment, meaning that until now non-institutional investors seeking access have had to go through expensive brokers or specialist debt funds. WiseAlpha on the other hand is open to all investors — from private family offices or third-party asset managers down to individual investors seeking alternative investments to compliment their portfolio.

"We firmly believe that the debt markets offer some of the best and most lucrative long-term investment opportunities, which, until WiseAlpha launched, were only accessible to the financial elite, including pensions funds, investments banks and ultra high net worth individuals," said CEO Rezaah Ahmad. "In today's market, retail investors are often crowded out of retail bond issues by institutional investors and their choice is often limited to financial-based companies rather than a broad range of corporates across different sectors. In addition, the ability to purchase secured corporate bonds in small denominations has never before been possible for the private investor."

For Islamic investors concerned about interest, the solution is ingenious. The firm is not a P2P lender, but instead lists its own 'notes' whose underlying assets (senior unsecured loans or bonds) have already been issued by major international banks to large UK borrowers. Members do not make direct loans to borrowers, but instead invest in proprietary debt securities — with which the firm eventually hopes to create a secondary market allowing members to buy and sell from each other to create even more liquidity. This means that investors can now access low-risk debt in a theoretically interest-free manner — with returns of between 5-8%.

Although not currently formally Shariah compliant, as an online platform investing in corporate debt the opportunity is theoretically open to Islamic investors interested in UK opportunities — while the firm also has plans to expand into the European space later this year. "In terms of Islamic investments we do intend to expand our strategy into this area possibly by the end of 2017," Rezaah confirmed to IFN.

If other platforms follow the same innovative example, a whole new world of debt investing could open up for the Shariah compliant space. With so much happening in the online and alternative investment space, 2017 looks to be an exciting year despite the negative outlook in traditional asset classes.

Fund Focus: KAMCO Islamic Equity Fund

Kuwait-based KAMCO Investment Company this week opened its KAMCO Islamic Equity Fund (KIEF), its first dedicated Shariah fund, designed to capture global equity opportunities, specifically from the North American region as well as large developed world markets. VINEETA TAN casts an eye over the new fund.

Opening its first round of subscription this week, KAMCO, which manages KWD70.2 billion (US$229.67 billion)-worth of assets as at the end of 2015, intends to attract US$18-550 million into the open-ended fund by targeting both retail and corporate investors looking for attractive risk-adjusted returns over a long-term horizon (in excess of the S&P BMI Global Shariah Index). Setting eyes on a minimum 10% annualized rate of return, the Kuwaiti firm teamed up with London-based Wellington Management International, which has almost two decades of experience managing portfolios for GCC clients, to manage the fund. Wellington has US$998 billion in client assets under management.

The fund may be KAMCO's sole fully-fledged Islamic fund in its existing product stable, but the fund manager is no stranger to Shariah compliant investments. As the asset management and investment banking arm of

Kuwait Projects Holding Company, the firm is experienced in arranging and underwriting Sukuk as well as in engineering Islamic financing solutions. Its KAMCO MENA Plus Fixed Income Fund also invests both in bonds and Sukuk.

"The new launched fund is in line with the company's strategy focusing on providing our valued clients with innovative products and outstanding service to achieve their investment targets," explained KAMCO Chief Assets Officer Salah Al Wuheib, who added: "We believe that the fund will serve the local market's need for distinctive investment products with diversified returns on investments."

The launch of the fund is timely considering the recent post-Trump rallies of the US equities market. The decision to make it Shariah compliant was conscious

> ***"Exposure to global equity markets in a carefully constructed thematic portfolio offers an enhanced opportunity set"***

as KAMCO wanted to appeal to a wider investor base: "[A] Shariah compliant structure world appeal to Islamic Shariah-based clients while conventional-minded clients would be attracted to the strong performance track record, portfolio management style and capabilities," noted the firm in its presentation on KIEF. It addition to that, the firm was motivated by the fact that global equities have historically provided the strongest investment returns on a long-term basis, adding that: "Exposure to global equity markets in a carefully constructed thematic portfolio offers an enhanced opportunity set." The dollar fund will invest in a portfolio over 150 Shariah compliant stocks.

Malaysia's command on global Sukuk market share weakening — not entirely bad news

The likes of Turkey, Pakistan and Bangladesh are giving Malaysia a run for its money as these non-core markets are grabbing away a larger slice of the global Sukuk market pie from the Islamic finance giant. Nonetheless, the Southeast Asian nation is still leaps and bounds ahead of its next rival in originating Sukuk, although its market share is indeed dwindling. VINEETA TAN reports.

Calculations from RAM Ratings indicate that Malaysia's global Sukuk market share slipped by almost seven percentage points from 48% as at the end of 2015 to 41.1% last year with a total of US$29.9 billion-worth of issuance for the 12 months of 2016. Neighboring Indonesia held 16.3% of the world market share with US$11.9 billion in sales, followed by the UAE at 10.9% or US$7.9 billion.

Despite choppy market conditions, global Sukuk issuance in 2016 exceeded RAM's projection of US$55-65 billion, noted Ruslena Ramli, the rating agency's head of Islamic finance. Analysts expect sales figure to hover around that range this year.

Malaysia has long been the largest Sukuk issuer sitting comfortably with almost half the world's market share, however, the increasing popularity of Sukuk as a capital-raising instrument among non-traditional markets has seen new entrants chipping off Malaysia's market share. The impact last year was more pronounced as the country, whose issuances are largely denominated in the ringgit, grappled with a plunging local currency (the region's worst performing currency, in fact). As at December 2016, US$72.9 billion worldwide was raised through Sukuk (US$63.4 billion in 2015), according to RAM — Turkey accounted for US$5 billion, Pakistan US$4.8 billion and Bangladesh US$1.1 billion.

While this augmentation in global Sukuk base may be alarming for Islamic finance heavyweight, it is nonetheless a step in right direction for the Islamic finance industry as a whole as it signals maturity of the market and much-needed diversification brought on by increasing internationalization of Shariah compliant financial instruments. More new issuers are expected to make their Sukuk mark this year including Kuwait, Saudi Arabia, Oman and Egypt.

Could Dubai be the Silicon Valley for Islamic fintech companies?

The Silicon Valley is synonymous with the rise of technological advancement and 21st century innovation, and the last few years have seen a tremendous number of new startups rise from the southern San Francisco Bay Area of California to fill in the market gap that is created by the new generation of living. Similarly, Dubai is following in the valley's footsteps in becoming a hotbed for fintech companies in the Middle East, Africa and South Asia (MEASA) region, after the Dubai International Financial Center (DIFC) launched the 'FinTech Hive', the region's first fintech accelerator to empower entrepreneurs. DANIAL IDRAKI asks if Dubai could be the new hub for Islamic fintech, as the city also harbors ambition to be a leading Islamic economy.

With the global fintech sector attracting more than US$50 billion in investment since 2010, Dubai is positioning itself to grab a slice of the cake with its latest initiative. Although the value of global fintech investment in 2015 grew by 75% to US$22.3 billion, according to a report by Accenture, global investors are barely making any progress in the MENA region. As such, the FinTech Hive, which is supported by Accenture, is meant to bridge the gap by creating a platform to drive innovation and identify leading technology entrepreneurs and companies through a competitive process and offering them the opportunity to develop, test and modify their innovations in collaboration with top executives from DIFC and regional financial institutions.

The Fintech Hive is also aligned with Dubai Plan 2021 that seeks to empower entrepreneurs to innovate and meet specific market needs. With the DIFC being a founding member of the Global Blockchain Council, its desire for Dubai's progress in the fintech arena could not be understated. But where and how does Islamic fintech fit in Dubai's growth ambitions?

For one, Dubai also has a major ambition to position itself as the capital of the Islamic economy, and with fintech making its presence in the financial services sector indispensable and all the more important as growth takes on technological underpinnings, its strategy should be an all-inclusive and flexible one that would be able to accommodate necessary changes.

"It [Islamic economy] must strengthen the commitment of concerned authorities to ensure effective implementation and governance mechanisms. Through doing so, the strategy can seamlessly achieve our goal of transforming Dubai — and the wider UAE — into a leading international hub for Islamic economy and a destination of choice for key industry players," Sultan bin Saeed Al Mansoori, the minister of economy and chairman of Dubai Islamic Economy Development Center, noted in December.

> ***"The kind of Shariah-based services the FinTech Hive will specifically address, will depend on the challenges identified by the mentorship committee, which at the moment is comprised of Emirates NBD, Mashreq, Visa, as well as HSBC"***

Pinaki Aich, the vice-president of group strategy at DIFC, told IFN exclusively that the Fintech Hive will catalyze growth and efficiency in areas such as Shariah-based financial services by connecting leading technology providers to the market and financial services firms within the region.

"The kind of Shariah-based services the FinTech Hive will specifically address, will depend on the challenges identified by the mentorship committee, which at the moment is comprised of Emirates NBD, Mashreq, Visa, as well as HSBC. They will identify the common problems financial institutions face in the region, and strive for innovative fintech solutions," he explained.

Aich added that the MENA region has some of the highest levels of mobile penetration at roughly 80% and high youth demographics, making conditions ripe for fintech to capitalize and offer solution for inclusive banking. "FinTech Hive at DIFC could prove a serious contributor to this development, and some banks that offer Shariah compliant services have already started exploring this area, and we want to provide the platform to develop this if the demand and potential is there. Islamic fintech will be an area that will surely be looked into carefully," he affirmed.

Omar Boulos, the regional managing director of Accenture in MENA, commented during the launch of FinTech Hive that the digital era will define the region's future in terms of liquidity and growth.

"The fintech market has already begun revolutionizing the banking industry by offering new ways of unlocking resources and capital, while driving efficiency and creating new partnerships. With 99% of consumers in the UAE using a mobile or smartphone, fintech has the potential to make a real difference," Omar said.

The DIFC's fintech initiative comes shortly after Abu Dhabi Global Market treaded a similar path by launching its 'Fintech RegLab' in November last year to foster innovation within the UAE financial service market, for both new market entrants and existing financial institutions. With the UAE building up its fintech ecosystem and Dubai forging ahead with its goal of being a leading Islamic economy, the building blocks are in place for Islamic finance based entrepreneurs to leverage on and unlock further value in these challenging yet exciting times for businesses.

Rapid rise of Islamic finance impeding conventional loan growth in Oman

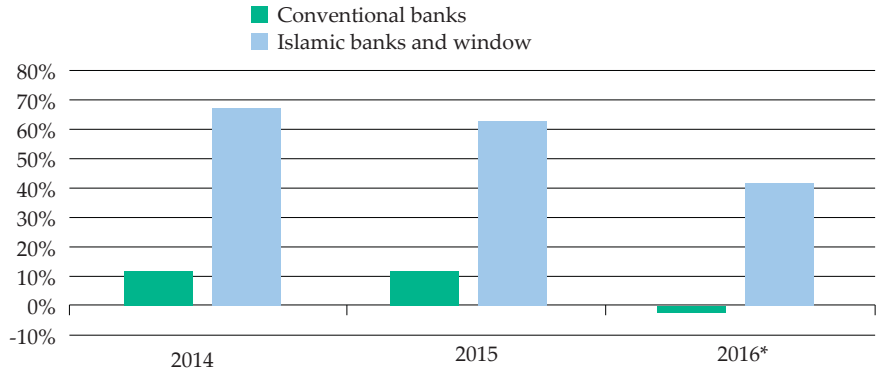
The meteoric rise of Islamic finance in Oman is threatening the growth of conventional loans whose expansion is already squeezed by weak oil prices and feeble consumer sentiments. VINEETA TAN takes a closer look at the situation.

Despite originating from a lower base, Islamic banking assets in Oman — the last of the GCC nations to introduce Shariah compliant finance — have rose significantly since 2013, consistently outpacing that of the conventional segment. As of November 2016, 10% of Omani banking assets were Shariah compliant (it was only 2% as of March 2013) and Moody's Investors Service forecasts the market share to hit 12-15% by 2020.

> ***We expect the Islamic windows of established conventional banks, particularly Maisarah (Bank Dhofar) and Meethaq (Bank Muscat) to scale up more rapidly than the fully-fledged Islamic banks***

"The rapid penetration of Islamic banking assets constrains the three banks' conventional lending growth," commented Mik Kabeya, an analyst with Moody's, referring to the three largest banks in Oman: Bank Muscat, Bank Dhofar and National Bank of Oman. This, said Kabeya, is in addition to the persisting pressures on government revenues and business and consumer confidence instigated by low oil prices. The rating agency projects oil prices to remain below the average of US$108 over 2011-14 and below the breakeven price for the Sultanate (approximately US$77.5 billion in 2016 according to IMF estimates). With the government tightening its spending this year, Moody's expects credit growth to contract by about half to 6-8% in 2017 from 12% in 2015.

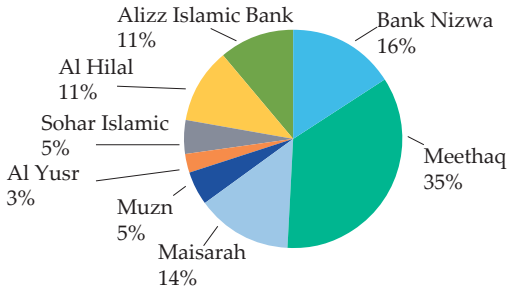
Chart 1: Total banking assets growth rate, conventional vs Islamic



*2016 YTD growth figure is the year-on-year growth from Q3 2015 to Q3 2016
Source: Central Bank of Oman Statistical Bulletin

Chart 2: Domestic market share of Islamic banking assets by banks (as at the end of 2015)

Domestic Market Share of Islamic Banking Assets, by Lender (YE 2015)



Sources: Moody's Investors Service

Home to two fully-fledged Islamic banks and six Shariah banking windows, Oman's Islamic banking growth has mainly been driven by the latter, and this will continue to be the case for the foreseeable future.

"We expect the Islamic windows of established conventional banks, particularly Maisarah (Bank Dhofar) and Meethaq (Bank Muscat) to scale up their operations more rapidly than the newly-established fully-fledged Islamic banks," commented Kabeya. The two Shariah banks are Bank Nizwa and Alizz Islamic Bank which respectively held 2% and 1% of the total banking market share as at the end of the third quarter in 2016. In comparison, Bank Dhofar commanded 13% of the Sultanate's total banking share over the same period (up from 10% in 2012), with its Islamic operations accounting for 8% of its total assets.

Yet, while the growth of Shariah compliant financing, which is pressuring the size of conventional loan books in Oman, is a testament to the potential and demand for Islamic finance in the Muslim nation, Islamic window operations are still less profitable than their conventional peers due to higher funding costs, weaker efficiency metrics and higher general provisioning charges against operating income. This, opined Moody's, will affect banks' overall profitability over the next 12-18 months.

Sovereign Sukuk: Indonesia and Tunisia gear up for global sale

The past month saw a healthy dose of activity in the sovereign Sukuk market, making it a healthy start to the new year and suggesting more opportunities to come in the near term. DANIAL IDRAKI brings you the latest roundup in the sovereign Sukuk space.

Indonesia

Indonesia, which has invited banks to pitch for its global Sukuk sale, is considering coming to market in March this year, according to Reuters, quoting Scenaider Siahaan, the finance ministry's director of borrowing strategy. The Sukuk issuance is aimed at raising as much money as last year's US$2.5 billion sale.

The government over the last week auctioned sovereign Sukuk (SPN-S 11072017 and four project-based Sukuk series) on the 24th January receiving total incoming bids of IDR23.73 trillion (US$1.77 billion). The government raised a total of IDR6.31 trillion (US$471.36 million) from the five Sukuk series offered, which will be used to finance the 2017 State Budget.

Tunisia

Similarly, Tunisia which has mulled a sovereign Sukuk over the last few years, could finally come to market this year as Finance Minister Lamia Zribi revealed that the North African country intends to raise US$500 million via Sukuk to cover its 2017 budget deficit, according to Reuters.

Malaysia

The Malaysian government's RM4 billion (US$901.47 million) GII Murabahah offering issued on the 26th January received 437 bids worth a total of RM13.65 billion (US$3.08 billion). The facility to mature on the 26th July 2027, was sold at a profit rate of 4.26%.

Upcoming sovereign Sukuk

Country	Amount	Expected date
Indonesia	TBA	First quarter 2017
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	2017
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

Africa leads the way; issues first dollar Sukuk of the year

Global investors rushed to get their hands on the year's first dollar Sukuk as analysts predict a subdued 12 months of Islamic issuances weighed down by transactional complexities. VINEETA TAN brings you details on the landmark transaction.

The privately-placed US$150 million paper by multilateral financier Africa Finance Corporation (AFC) was originally one-third smaller but was upsized following strong demand from investors — over US$230 million in the orderbook was received for the 'A3'-rated US$100 million Murabahah offering. The positive response is almost expected due to the scarcity of Shariah compliant investment grade dollar papers — the rarity of the sale was further underscored by the fact that it is the first Sukuk by an African multilateral institution, providing investors with exposures to the region.

In 2016, the global Sukuk market saw an increase in volume and size, although S&P notes that the growth is "marginal" and below market expectations.

"The Sukuk market did not play a countercyclical role in core Islamic finance markets in 2016, and we forecast a stabilization of total issuance in 2017 at around US$60-65 billion," said Dr Mohamed Damak, S&P Global Ratings's head of Islamic finance, recently. Dr Mohamed also believed that the relatively cumbersome process in raising capital Islamically as compared to the conventional route would bear significantly on issuers' decision. Nonetheless, S&P anticipates sovereigns to issue dual facilities — Islamic and conventional — this year.

Fitch Ratings also expects a higher number of Sukuk issuances this year to be offered alongside conventional bonds, although Sukuk issuance is likely to mirror 2016 trends this year. The rating agency's forecast of sovereigns and supranationals as the incumbent dominant issuers of the year is likely to hold true. Apart from AFC, the Indonesian government is also considering tapping the international Sukuk market again this quarter, following a successful US$2.5 billion Sukuk issuance in March 2016. Several other sovereigns are also expected to come to market this year including Egypt, Kuwait, Oman and Tunisia.

Rise of the female Shariah investor

More women are investing in Shariah compliant financial instruments in the UAE, found one Islamic investment company, a sign, VINEETA TAN writes, of the increasing power of the female investor especially in the area of ethical and impact finance.

Dubai-based National Bonds Corporation witnessed a 50% year-on-year surge in the number of female regular savers in 2016, forming almost one-third of its bondholder base. This was on the back of a 43% growth in cumulative savings across the firm's programs.

"The surge in the number of female savers indicates the extent of women's contribution to economic activity and their commitment to their future through using savings as a tool to ensure financial health. Although the results reveal a disparity between the number of UAE national and expat female savers — 35% compared to 63% respectively — women still account for more than 32% of our total customer base," said CEO Mohammed Qasim Al Ali.

While previously marginalized or overlooked, the female population is fast becoming an economic force to be reckoned with, driven by the greater access to education, a stronger political will to advance female economic participation and the democratization of information brought on by technology among others. The UAE, in particular, is viewed as a regional beacon in terms of social liberalism and women empowerment — almost half (43%) of the labor force is female, 22.5% of the parliament is constituted of women and female literacy stands at 91% in 2010, according to Dubai government statistics. Two-thirds of public university enrolment and half of private university students are female. The country also formed the Dubai Women Establishment, led by Shaikha Manal Mohammed Rashid Al Maktoum, a member of the Dubai ruling family.

In terms of economic contribution, women accounted for AED6.6 billion (US$1.8 billion) of the nation's economy in 2014, said Manal, adding that the Emirates is home to 22,000 businesswomen who collectively possess over AED45 billion (US$12.25 billion) in private investments.

The growing financial prowess of this segment is hard to ignore, even more so as many believe that women (alongside millennials) are key to driving the growth of social impact and ethical investment proposition — of which Islamic finance is a comfortable fit. GCC Islamic financial institutions are integrating women as part of their business strategy — both at the boardroom level and in terms of product and service diversification. Qatar Islamic Bank, for example, in December launched a ladies banking proposition.

> ***"The surge in the number of female savers indicates the extent of women's contribution to economic activity and their commitment to their future through using savings as a tool to ensure financial health"***

Japan: Slow and steady

The Land of the Rising Sun may not come to mind as far as Islamic finance in concerned, but with a booming Halal industry and the Tokyo Olympics on the horizon, amid relaxed regulations to facilitate Shariah compliant financial transactions driven by strong activities by market participants, Japan may just earn its place at the Islamic finance table. VINEETA TAN takes a look at the Japanese Islamic finance landscape.

Regulatory landscape

Japan does not have comprehensive Islamic finance legislations although the country has in recent years taken concrete steps to facilitate Shariah compliant financial transactions at home and abroad. For example, the prohibition of banks from offering leasing or other asset-involved financing has for years posed as a major obstacle for Japanese banks in offering Shariah compliant products; in respond to that, the government in 2008 passed a law allowing subsidiaries of banks to extend Islamic products, including those involving assets (such as Murabahah and Ijarah); however, as this only applied to subsidiaries (to separate non-financial risks from the bank itself), this created operational inefficiencies. The Financial Services Agency of Japan in 2012 also drew up legal and tax frameworks for originating Sukuk in Japan (although this has yet to be utilized).

On the request by Japanese financial institutions, the government in April 2015 amended the Comprehensive Guidelines for Supervision of Major Banks and Comprehensive Guidelines for Supervision of Regional Financial Institutions, finally enabling local banks to include Islamic banking services as part of their product suite.

Banking and finance

The modified rules were well-received by market players which hailed the move as a potential game-changer for the industry. The largest Japanese banks, Bank of Tokyo-Mitsubishi (BTMU), Sumitomo Mitsui Banking Corporation (SMBC) and Mizuho Financial Group, all offer Shariah compliant financing, although, through their Malaysian arms. Following the implementation of the new guidelines, BTMU however set up an Islamic window in Dubai as it secured a license by the Dubai Financial Services Agency in July 2015. The bank in March 2016 extended its first line of Shariah compliant financing via its Dubai branch — a US$200 million facility to Ma'aden. SMBC also has plans to leverage its Dubai unit to extend Islamic finance facilities.

Other Japanese financial institutions such as ORIX sre also making their way into Islamic finance: in 2016, the leasing and finance company acquired Standard Chartered Services of Pakistan, which holds a 10% stake in Standard Chartered Modaraba.

Sukuk

Just as Japanese banks have for years circumvented restrictive regulations in their home market by anchoring their Islamic businesses in their overseas subsidiaries, Japanese corporates have also leveraged other Muslim jurisdictions to tap the Islamic capital markets. This includes Toyota, Nomura Islamic Asset Management and BTMU Malaysia. There has long been talks about a J-Sukuk (Sukuk issued in Japan for foreign Islamic investors) however this has yet to materialize, despite a time-limited tax exemption on such a facility being in place. The J-Sukuk exemptions which include profit distribution received by non-resident individuals and foreign corporations and registration tax of trust assets repurchases were extended for another three-year term beginning in the 2016 fiscal year.

Although there are no material developments on J-Sukuk, Japan International Cooperation Agency (JICA) under a 2014 agreement with the Islamic Corporation for the Development of the Private Sector, assisted the government of Jordan to issue its maiden sovereign Sukuk in 2016.

Asset management

Malaysia continues to be the Islamic finance gateway for Japanese institutions even in the asset management space. There are several Japanese Islamic funds available in the market including the PNB-INSPIRE Ethical Fund 1, established by Japanese investment firm Inspire, and the Malaysian investment company Permodalan Nasional's PNB Asset Management Japan in 2014 and well participated by other smaller Japanese banks. Together, the firms also launched a Shariah business advisory firm (Respire) in Malaysia to assist Japanese institutions in their investments into Malaysia and other regional markets including in the Halal sector.

Japan's SBI Holdings in 2010 established the SBI Islamic Fund (Brunei) with the Ministry of Finance of Brunei Darussalam as a Shariah compliant investment arm for private equities. In 2016, SBI again launched another Islamic fund of up to JPY10 billion (US$86.85 million) in collaboration with Brunei and the IDB to invest in biotechnology and food processing. It may also be worth mentioning that Japan's Softbank in 2016 also created a fund in partnership with Saudi Arabia's Public Investment Fund which may carry the potential for Shariah compliant financing.

Takaful

In the Takaful area, Tokio Marine started the Islamic insurance business with Malaysia's Hong Leong, though the entity was succeeded by its competitor, Mitsui Sumitomo Insurance Group, due to the capital alliance between the whole financial groups.

Outlook

While the potential for Islamic finance in Japan may not be as immense as other Muslim-majority markets, however, the prospects are appealing nonetheless especially in light of the country's booming Halal industry. In fact, IFN understands that work is already underway for Malaysia to assist Japan in managing its Halal industry and facilitating its Islamic finance sector. Malaysia's Halal Industry Development Corporation expects to generate US$10.3 billion from Japan, leveraged by Olympics 2020 — an event that could open up a host of potential projects to be financed in a Halal manner. Measures taken by the government and other stakeholders, from extending the tax exemptions on J-Sukuk to the Japan Society of Monetary Economics establishing a dedicated Islamic finance session during its annual conference, are promising signs for the nascent industry.

Technology in Islamic finance: Shifting sentiments

The financial industry as a whole is undergoing massive disruption due to the digital revolution that is being driven by financial technology (fintech) companies, throwing a curve ball to the markets and established industry players. Islamic financial services providers are no exception to the evolving landscape, and market players are jumping on the bandwagon to take advantage of opportunities in the new era, rather than be left behind. DANIAL IDRAKI takes a look at recent developments in this exciting space.

Overview

Fintech is revolutionizing the way customers pay for goods and services, transfer money between accounts and conduct cross-border transactions. Driven by innovative start-ups, the booming fintech industry is capturing traditional market share with its approach and there have been calls for traditional financial services companies to tie up with fintech companies to leverage on their penetration levels, rather than compete head-on.

According to Accenture, global fintech investment grew by 75% in 2015 to reach US$22.3 billion, driven by deal flow across continental Europe and Asia-Pacific, while more than US$50 billion have been invested in almost 2,500 companies globally since 2010. Innovators and entrepreneurs in the fintech sector are redefining the way in which consumers store, save, borrow, invest, move, spend and protect money.

Middle East

Dubai International Financial Center (DIFC) launched the region's first fintech accelerator in partnership with Accenture earlier this year. The launch is expected to provide better exposure to financial services technology in the Middle East, Africa and South Asia. The accelerator is aimed at promoting knowledge in areas such as trade finance and Shariah-based services, among young leaders and entrepreneurs.

This follows Abu Dhabi Global Market's footstep after it launched the Fintech RegLab, which is designed to tailor regulatory regime for fintech participants and to foster innovation within the UAE financial service market for both new market entrants and existing financial institutions. The RegLab also allows participants to develop and test their fintech proposition without having to worry about undue regulatory burdens. Over in Bahrain, the central bank is considering introducing regulations on fintech and is inviting technology companies to set up their offices in Bahrain and use it as a base to serve the entire GCC and Middle East region, said Khalid Hamad, the chairman of the Waqf Fund and the executive director of banking supervision at the Central Bank of Bahrain, in December 2016.

Asia

In Malaysia, the Securities Commission Malaysia (SC) signed an MoU with MIMOS, the nation's research and development center in information and communications technology, to jointly develop a capital market advanced analytics platform. The partnership will allow it to process a higher volume of data from a variety of sources beyond the traditional data sets, facilitate the usage of RegTech or technology to enhance regulatory effectiveness and build Malaysia's big data capability in the capital market. The SC also issued licenses to peer-to-peer and equity crowdfunding platforms in 2016.

Bank Negara Malaysia (BNM) had in October last year issued details of the fintech regulatory sandbox framework, following a one-month consultation on the proposed framework released on the 29th July 2016. The regulatory sandbox will enable the experimentation of fintech solution in a live environment, subject to appropriate safeguards and regulatory requirements.

Over in neighbouring Indonesia, Bank Indonesia launched the Bank Indonesia Fintech Office in Jakarta in November 2016 as the country seeks to facilitate the development of innovation in a technology-based financial ecosystem and improve the competitiveness of the fintech industry.

In Pakistan, Meezan Bank partnered with Inov8 in December last year to develop the latter's FalconPay Payment's digital ecosystem powered by MasterCard's digital wallet solution, Masterpass. The Islamic bank said that the partnership is aimed at building a platform for customers to use its services on-the-go, with online purchases and bookings. Meezan Bank will be the first bank in Pakistan to allow linking of customers' accounts to that of FalconPay Payments.

Over in India, meanwhile, a team comprising software and hardware engineers and economic experts in Rajasthan has conceived an e-currency system for Islamic banking by creating an income cycle with the capacity to rotate itself ad infinitum. The system — 13 years in the making — is designed as an electronic currency machine for banking through the digitization of money and can be used for interest-free transactions, risk-sharing, asset and service backing and contractual certainty, enabling banks to use their reserves without any limitation for any number of times.

Europe

In January 2017, Luxembourg-based EETHIQ Advisors announced a strategic partnership with University of Luxembourg's SnT Interdisciplinary Centre for Security, Reliability and Trust, to form a joint research program on blockchain technology and smart contacts for ethical and Islamic finance.

The firm is also collaborating with French asset manager 570 AM on two fintech initiatives, EETHIQ founder and managing director Rachid Ouaich told IFN. The first project is to expand 570 AM's Shariah compliant digital mortgage offering to other European countries beyond France, while the second is to develop a personal finance management platform, which is currently still at the research and development stage. The app, which will have the capability to link to banking accounts, will incorporate Shariah compliant financial products and automated Zakat calculations.

Jordan's maiden sovereign Sukuk: A memorable debut

The government of Jordan issued its debut sovereign Sukuk last year to overwhelming success. The JOD34 million (US$47.9 million) innovative deal was more than thrice oversubscribed and even won the IFN's Sovereign Deal of the Year 2016 award. Speaking to the Islamic Corporation for the Development of the Private Sector (ICD), the transaction's advisor, DURGAHYENI MOHGANA SELVAM gains exclusive insights into the making of this deal.

The issuance was an amortized Sukuk Ijarah with a five years tenor, with a purpose to aid development. According to the ICD, the structure includes 10 instalment payments to investors in the form of principal repayments and profit amount. The note also has a weighted average life of 2.75 years lease. Developing the structure itself was a challenge for ICD.

"ICD had to develop a structure that revolves on the use of a partially completed building. The Shariah reservation, by the Jordanian scholars, was about questioning the economic benefit of leasing an asset that has not been fully completed. Having sought guidance from the IDB Group's Shariah committee, ICD advised that it is permissible to use such asset as the outcome will lead to finance the completion of the construction and hence achieving economic benefit to the public," ICD said.

The challenge did not end there. The next hurdle came in the form of the country's Leasing Law. The law indicates that the sale and leaseback structure, which is a commonly used Ijarah, is not allowed. To address this, the ICD led a working team to create the unique amortized Sukuk Ijarah, a first time in Jordan. The ICD also introduced a new method of subscription to adhere to the local Shariah requirements.

"The subscribing banks would subscribe on expected yield instead of a finalized yield. After the closing of the transaction, investors will negotiate with government of Jordan on the final yield," said the corporation.

The issuance was successfully oversubscribed by more than three times. The pricing was also well inside the kingdom's bond curve, effectively lowering the cost of borrowing. As for the investors, Jordan Dubai Islamic Bank, Jordan Islamic Bank and Islamic International Arab Bank secured 30% each; and Cairo Amman Bank on behalf of Al Safa Bank which is based in Palestine took up 9%.

"After decades of being unable to invest excess liquidity, the Islamic banks were able for the first time to find a Shariah compliant instrument that meets their regulatory requirements. A Palestinian Islamic Bank subscribed to the Sukuk, hence accessing a liquidity management tool that is not available in the country's domestic market," ICD quipped.

The issuance came with many highlights and new prospects to the market. The ICD launched the Expert Advisory Committee to research the underlying asset and advise on the rental payment. The committee recommended the rate at 2.927% per year. To cover the operational expenses incurred by the SPV, a mechanism to deduct certain amount from the 10 periodical payments was also initiated. Japan International Cooperation Agency (JICA) signed an MoU with the ICD to increase cooperation in Islamic finance, which marked JICA's foray into the sector and brought the successful issuance of the Sukuk. Another interesting achievement of Jordan's maiden sovereign Sukuk is that the ICD set up external on-the-job training programs for the government staff involved in the transaction.

This issuance has brought about a potential seismic change in the Jordanian capital-raising landscape. It has lowered the cost of borrowing by opening new niche market, developed the local currency debt market, initiated the government to use Sukuk to finance their future projects, and is encouraging utility companies to seek alternative funding from the newly created market instead of relying on the government.

Jordan's Debut Sovereign Sukuk

JOD34 million (US$47.9 million)

17th October 2016

Issuer	The Sukuk SPV for Financing Governmental Projects
Obligor	The Government of the Hashemite Kingdom of Jordan, represented by the Ministry of Finance
Size of issue	JOD34 million
Mode of issue	Public offering
Purpose	Development purposes
Tenor	Five years
Technical assistance provider	Japan International Cooperation Agency
Profit rate	3.01% (expected)
Payment	Semi-annual
Currency	Jordanian dinars
Maturity date	2021
Issuance manager and the paying agent	Central Bank of Jordan
Transaction advisor	ICD
Bookrunner(s)	Not applicable
Governing Law	Jordanian
Legal Advisor(s) / Counsel	Dentons (Safwan Moubaydeen Law Firm in association with Dentons)
Listing	Amman Stock Exchange (expected)
Underlying assets	Government building that is under construction
Rating	'BB-' (S&P)
Structure	Amortized Ijarah-based Sukuk
Tradability	Yes
Investor breakdown	Islamic and conventional banks
Face value / minimum investment	1,000 Jordanian dinars
Shariah advisor:	Dr Hana Huneity Dr Mohammed Hawalmh -The issuance obtained a Fatwa from the Central Shariah Scholars Committee of Jordan

Establishment of the parallel market of the Saudi Stock Exchange

SAUDI ARABIA

By Nabil A Issa & Hamed Afzal

On the 21st December 2016, the Capital Market Authority of Saudi Arabia (the CMA) approved the Parallel Market Listing Rules (the Rules), thereby establishing the parallel market, an alternative market to the main market of the Saudi Stock Exchange (Tadawul). The stated objective of the parallel market is to provide an opportunity for a wider spectrum of issuers, particularly SMEs, to obtain a listing on Tadawul as an alternative to obtaining a main market listing. It is widely expected that investor preference will continue to be for companies that operate on a Shariah compliant basis and such will spur some entities to become Shariah compliant prior to listing on the parallel market.

Which entities are eligible for listing on the parallel market?

The Rules provide that not only Saudi joint stock companies, but also joint stock companies which are majority-owned by nationals of the GCC, are eligible for listing on the parallel market. For example, a UAE-incorporated limited liability company which is 51% owned by its founding shareholders may, following its conversion to a public joint stock company, apply for its shares to be listed on the parallel market.

Who can invest in the parallel market?

The Rules provide that only 'qualified investors' may invest in shares listed on the parallel market, which is defined to include 'qualified foreign investors' and companies and funds established in any GCC member state.

Eligibility for listing requirements

One of the most significant provisions of the Rules is the eligibility for listing requirements, making it less stringent than applying to the main market. The most noteworthy differences in the

eligibility requirements of the parallel market compared to the main market are as follows:

- Track record — the applicant must have been carrying on a main activity for at least one financial year (as opposed to three which is the case for the main market).
- Financial statements — SOCPA-audited financial statements are required for the preceding financial year only (as opposed to three financial years which is the case for the main market).
- Aggregate market value of shares to be listed (ie expected market capitalization) — at least SAR10 million (US$2.66 million) (as opposed to at least SAR100 million (US$26.65 million), which is the case for the main market).
- Minimum shares to be held by the public (ie 'free float') — not less than 20% (as opposed to 30% which is the case for the main market).
- Minimum number of public shareholders — not less than 50 shareholders if the total market value of all shares to be listed is more than SAR40 million (US$10.66 million), and not fewer than 35 shareholders if the total market value of all shares to be listed is less than SAR40 million (as opposed to not fewer than 200 shareholders which is the case for the main market).

Nabil A Issa is a partner and Hamed Afzal is a senior associate at King & Spalding. They can be contacted at nissa@kslaw.com and hafzal@kslaw.com respectively.

IFN Country Correspondents

AFGHANISTAN: Manezha Sukhanyar
head of Islamic banking, Maiwand Bank
AUSTRALIA: Christopher Aylward
partner, Finance and Major Transactions, Madison Marcus Law Firm
BAHRAIN: Dr Hatim El-Tahir
director of Islamic Finance Knowledge Center, Deloitte & Touche
BANGLADESH: Md Siddiqur Rahman
executive vice president, Islami Bank Bangladesh
BOSNIA HERZEGOVINA: Amer Bukvic
CEO, Bosna Bank International
BRAZIL: Fabio Figuera
partner, Veirano Advogados
CANADA: Jeffrey S Graham
partner, Borden Ladner Gervais
EGYPT: Dr Walid Hegazy
managing partner, Hegazy & Associates
FRANCE: Kader Merbouh
head of the Executive Master Islamic Finance department and the international cooperation officer, Paris-Dauphine University
HONG KONG: Wilson Yeung
member, The Taxation Institute of Hong Kong
INDIA: H Jayesh
founder & partner, Juris Corp
INDONESIA: Farouk A Alwyni
CEO, Alwyni International Capital
IRAN: Majid Pireh
Islamic finance expert, Securities & Exchange Organization of Iran
ITALY: Stefano Padovani
partner & head of banking and finance, NCTM Studio Legale Associato
KAZAKHSTAN: Timur Rustemov
chairman, Association for Development of Islamic Finance
KENYA: Mona K Doshi
senior partner, Anjarwalla & Khanna Advocates
KOREA: Yong-Jae Chang
partner, Lee & Ko
KUWAIT: Thuwaini Al Thuwaini
executive manager of investments, Warba Bank
MALAYSIA: Ruslena Ramli
head, Islamic finance, RAM Rating
MALDIVES: Aishath Muneeza
deputy minister, Ministry of Islamic Affairs
MALTA: Reuben Buttigieg
president, Malta Institute of Management
MOROCCO: Dr Ahmed Tahiri Jouti
COO, Al Maali Consultancy Group
NEW ZEALAND: Mohamed Nalar
trustee and board member, Awqaf New Zealand
NIGERIA: Auwalu Ado
Shariah auditor, Jaiz Bank
OFFSHORE CENTERS: Manuela Belmontes
partner, Maples & Calder (Dubai)
OMAN: Anthony Coleby
head of corporate commercail, Said Al Shahry Law Office
PAKISTAN: Muhammad Shoaib Ibrahim
managing director & CEO, First Habib Modaraba
QATAR:Amjad Hussain
partner, K&L Gates
RUSSIA: Dr Ilyas Zaripov
member, Partnership Banking Working Group, Central Bank of the Russian Federation
SAUDI ARABIA: Nabil Issa
partner, King & Spalding
SINGAPORE: Lim Say Cheong
head of Islamic banking, Maybank Singapore
SOUTH AFRICA: Muhsin Jeena
head of regional business-MENA & SEA, Old Mutual Investment Group
SRI LANKA: Imruz Kamil
head of Islamic banking, Richard Pieris Arpico Finance
TANZANIA: Yassir Salim Awadhi Masoud
head of Islamic banking and retail banking, National Bank of Commerce
TUNISIA: Mohamed Araar
general directorate of External Financing and Settlements, deputy director of Private Financing and International Relations Department, Central Bank of Tunisia
TURKEY: Ali Ceylan
partner, Baspinar & Partners
UAE: Anita Yadav
senior director, head of fixed income research, Emirates NBD

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

Finance Malta sets up Islamic finance group

MALTA

By Reuben Buttigieg

The efforts to promote Malta as an Islamic finance hub in the Mediterranean continue to grow slowly but steadily. Indeed, following a trade mission in Dubai, Finance Malta has decided to set up a group under its umbrella to push forward the momentum of actions that Malta is taking in order to promote Islamic finance.

Finance Malta is the foundation that promotes financial services in Malta and is basically a joint venture between government and the industry itself. It

> ***"Malta offers an opportunity and could be the new city for Islamic banks to penetrate this interesting market. One must not forget that Malta is also close to the North African region which will need Islamic finance as well if it is to reinvent itself"***

is significant that this foundation has taken this step in order to assist the government in its project for Islamic finance in Malta.

The group had its first meeting in January 2017 whereby it determined its action plan for the next few months. Significant is the presence of the Malta Stock Exchange, Malta Government Investments and the Bank of Valletta in this group.

This is the right time for Islamic finance to gear up in the Mediterranean and Europe. With Brexit, there shall basically be no presence of Islamic banks in Europe. In this sense, Malta offers an opportunity and could be the new city for Islamic banks to penetrate this interesting market. One must not forget that Malta is also close to the North African region which will need Islamic finance as well if it is to reinvent itself. With this in mind, and given that Malta has the EU presidency, it is the right time to promote Malta even more as a center for Islamic finance and to use its EU presidency to lobby in favor of a level-playing field for Islamic finance in Europe.

Reuben Buttigieg is the president of the Malta Institute of Management. He can be contacted at rmb@erremme.com.mt.

UAE: Bank results in line with expectations

UAE

By Anita Yadav

January was largely an uneventful month from financial developments perspective.

Financial result announcements during the month reflected most Islamic banks reporting 2016 results better than or in-line with expectations. Dubai Islamic Bank reported a 4% increase in net revenue to AED6.76 billion (US$7.84 billion) and announced plans to raise capital by US$1 billion via the issuance of Tier 1 Sukuk this year.

The Sukuk market had a good start with Investment Corporation of Dubai, the Dubai government's investment vehicle, pricing a 10-year tenured dollar Sukuk (Ijarah structure with commodity Murabahah element) at MS+265bps, 25bps tighter than the initial price guidance of MS+290bps. The deal was more than three times oversubscribed with orders worth US$3.1 billion and debut strongly in the secondary market. Dubai's Islamic finance market also attracted the first Sukuk from an African government-backed issuer. During the month, Africa Finance Corporation (rated 'A3' by Moody's) launched and priced a three-year US$150 million Sukuk at LIBOR+200bps.

Secondary market trading in Sukuk universe was thin as investors sat on the sidelines, awaiting further guidance on the US rate curve. In price terms, shorter-dated Sukuk, including the perpetual securities with call dates over the next three–five years, outperformed the wider universe.

As per the Global Islamic Economy Report, the UAE is best placed to attract Halal tourism. Dubai has well developed components of the Halal industry including service provided on the airplane, the food served in hotels and leisure attractions, the availability of prayer spaces, to beach resort facilities dedicated for women.

Anita Yadav is the senior director of global markets and treasury at Emirates NBD Bank. She can be contacted at Anitay@emiratesnbd.com.

Bahrain: Breaking through with fintech

BAHRAIN

By Dr Hatim El Tahir

The pace of change in financial technology is faster than ever. Recent changes include exciting innovations in business applications and service offering, all shaped with greater reliance on technology applications, and interestingly the growth and coalescence of financial and technology services around the globe is creating more and more new products and services.

No doubt, the Islamic finance industry service needs to be dynamic, reflective of these changes, and fast enough to adjust to continuing change to offer better services to its customers and investors and other stakeholders.

In his keynote speech at an Islamic finance event, the governor of the Central Bank of Bahrain (CBB) Rasheed Al Maraj emphasized on the growth of fintech and the potential of this emerging industry. He stressed on the need for better regulations and policy guidance and more specifically said the CBB would soon issue regulations to facilitate fintech solutions in the Kingdom. This is welcome news in Bahrain which has constantly been a leader in introducing best practices in the financial sector.

With global fintech service growth expected to be strong in the years to come, the perennial competition and quest for innovative products in Islamic finance will intensify, hopefully focusing on serving the all-time, growing-in-importance, generation Y — an important market segment which needs more emphasis and strategic planning within the industry.

For one thing, industry stakeholders, regulators, practitioners and professionals need to collaborate and work more closely to address challenges and opportunities in this emerging niche market. Reflecting on the topic, Bahrain Islamic Bank's CEO, Al Jarrar asserts that "being leaders in the Islamic financial industry, Malaysia and Bahrain should take the first step and pioneer Islamic

fintech or else other big countries would snatch away the advantages".

The few months or years to come will be crucial as how Bahrain and other key markets of Islamic finance will respond to the opportunities in the fintech industry and see how the latter market is evolving.

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

What's continued from 2016?

LEGAL FRAMEWORK

By Dr Hurriyah El Islami

Singapore had recently tabled the Securities and Futures (Amendment) Bill 2016 for the second reading on the 9th January 2017. While the amendments are not specifically addressed for the Islamic market, nonetheless it is expected that the new provisions will have impacts to the Islamic finance industry as they include, among others, the following: provisions that will allow for derivatives products to be listed and traded on organized trading facilities without the need for Monetary Authority of Singapore (MAS) case-by-case approval; the introduction of a new definition of collective investment schemes (CIS) will no longer require investors' contributions and profits to be pooled for a scheme to be regarded as a CIS; public offers of securities such as shares and bonds and investment funds will be required to be made with a prospectus registered by MAS; and the classifications of non-retail investors will be refined with the introduction of a new 'opt in' option.

The Central Bank of Kuwait (CBK) issued the instructions 'Shariah Supervisory Governance for Kuwaiti Islamic Banks' (the Instructions) on the 20th December 2016. The Kuwaiti Islamic banks have been given the whole year of 2017 to ensure compliance with the Instructions. The Instructions are on Shariah supervision governance, providing the definitions and general requirements of the framework; principles of Shariah supervision governance including oversight, accountability and responsibility and the roles of the board of directors, executive management and the Shariah supervisory board; independence requirements; 'fit and proper' requirements for board members; confidentiality of information; and requirements for consistency among board members in their decision-making and in providing advice to the bank. The Instructions also incorporate both internal and external Shariah auditing, including the scope and objectives of the audit and the qualifications required of Shariah auditors.

On the 28th December 2016, the Financial Services Authority (OJK) of Indonesia issued the regulation titled 'Layanan Pinjam Meminjam Uang Berbasis Teknologi Informasi' which is as the conduct of financial services to arrange for the meeting of the lender and the borrower, in order to enter into a loan transaction in rupiah, directly through the use of an electronic system via the internet. The insertion of the word 'secara langsung' in the definition may trigger some issues with respect to those providers who allow for the anonymity of 'donors' and/or who act on behalf and/or use themselves as part of the structure to act on behalf of the 'lenders'. Regarding the restriction of the choice of currency, it is unclear if funding in other currencies will be covered under this regulation or whether the providers may 'escape' the registration requirement so long as they do not offer any arrangements in rupiah. In any case, the regulation is a commendable milestone achieved by the OJK as the regulation, among others, provides for the formal recognition of the legal status of the providers (Article 2(1)). The regulation also provides for greater certainty as it sets the minimum capital requirements, lending limits, requirements for registration, licensing, transfer of ownership, etc. Looking at the regulatory approach in Indonesia, it is possible that the OJK may issue separate regulations to govern Shariah compliant fintech. Nonetheless, until that happens, the provisions are general enough to cover the providers with Shariah mandates subject to harmonization.

Hopes and wishes for the Islamic finance industry

There are many areas that need to be continuously improved in the Islamic finance industry. The work increases as financing activity has entered into a larger sphere: the virtual realm. While many jurisdictions have started to look at peer-to-peer financing activities, authorities may also want to start looking at the use of alternative means of payment as the world is getting 'smaller' and people as well as businesses try to minimize costs by using a global currency mutually accepted by all parties and disregarding national borders. In addition, the industry has to continuously strive to ensure compliance and put in place better internal governance. Shariah legality, for example, is not a required Shariah organ in Malaysia. But if non-Shariah compliance continues to appear in legal documents, the industry may want to put up a red flag and consider the importance for the bank's internal legal personnel to have an appropriate level of knowledge of Shariah, ie to the extent it is necessary to ensure that they do not violate Shariah requirements while drafting legal documents.

People should stop criticizing the Islamic finance industry without proposing practical solutions to the issues at hand. Condemning the industry without knowing exactly how it works does not help. What we have today is better than what we had some years ago. As one leading banker once said: "Why would Muslims choose the path that leads to hell (referring to the practice of Riba) when they have the option of choosing one that leads to paradise (referring to the Shariah compliant alternative)?"

Dr Hurriyah El Islamy is the IMF expert in Islamic finance, an FAA assessor and an AAOIFI CSB Working Group member. She can be contacted at hurriyah@gmail.com.

Potential target group for Takaful products

TAKAFUL &RE-TAKAFUL (EUROPE)

By Ezzedine Ghlamallah

KT Bank is the first Islamic bank in Germany and in the eurozone, with headquarters in Frankfurt and branches in Berlin and Mannheim. The wholly-owned subsidiary of Kuveyt Turk Katilim Bankasi (Kuveyt Turk Participation Bank), which is leading the Islamic banking market in Turkey, is currently attracting the Muslim community and millions of clients interested in ethical banking in Germany alone.

KT Bank's mission is to become the leading socially responsible and first choice house bank for clients of all religions and nationalities. With a population of currently more than 4.8 million Muslims in Germany, the country is a huge market for Islamic banking and Takaful. Net incomes of Muslim households are estimated to rise, and Muslims also have a remarkable savings rate of nearly double the national average. In addition, 41% of the Turkish Muslims in Germany consider themselves to be very religious (47% rather religious), making them a potential target group for Islamic finance products such as Takaful and bancaTakaful.

The main regulatory challenge in the European market is in terms of the banking license application process in Germany where you need to work with the German authorities and the regulator to comply with all regulatory, legal and fiscal requirements applicable for conventional banks. As for Islamic car purchases and real estate financing, one has to develop approaches to comply with the German legislation.

With the support of Kuwait Finance House as the main shareholder of Kuveyt Turk Participation Bank, KT Bank has excellent links with Turkey and the MENA region, thus creating opportunities for economic exchange and new investments.

Ezzedine Ghlamallah is the executive director of SAAFI which specializes in Islamic finance and Takaful solutions. He can be contacted at ezzedine.ghlamallah@saafi.fr.

Challenges facing the Takaful industry of the Middle East

TAKAFUL &RE-TAKAFUL (MIDDLE EAST)

By Dr Sutan Emir Hidayat

Based on the literature and opinions of industry experts, there are at least five existing challenges facing Takaful industry in the Middle East

They are:
(1) Lack of human talents;

(2) Lack of appropriate distribution channels;

(3) Lack of standardization in accounting standards and disclosure;

(4) A limited number of investment avenues; and

(5) Issues on corporate governance.

With regards to the first challenge, until today talent shortage and mismatch still persist. The number of professionals who have mastered Shariah knowledge and have sufficient exposure to Takaful practices is very limited. For the second challenge, Takaful being the complimentary segment of Islamic finance to Islamic banking, needs to create a strategic alliance in the form of bancaTakaful. However, despite many articles and opinion that promote this mechanism, bancaTakaful is still not widely implemented in the Middle East.

For the third challenge, within the Middle Eastern region, the variations in accounting standards and disclosure still exist. There is no clear direction towards adopting a common accounting framework such as the AAOIFI accounting standards for all Takaful companies operating in the region. For the fourth challenge, the number of Shariah compliant instruments such as Sukuk is still very limited for insurance companies, thus exposing Takaful operators to higher investment risks than their conventional counterparts. For the last challenge, the issue of representation of policyholders at the board level has yet to be resolved. In other words, policyholders still do not have a governance structure equivalent to what shareholders have which also means fewer mechanisms for policyholders to protect their interests in the Takaful scheme.

Based on the above points, it is important to note that tackling the above challenges is crucial for the Takaful industry to sustain its accelerated growth in the Middle East.

Dr Sutan Emir Hidayat is the assistant professor and head of Business Administration and Humanities Department at University College of Bahrain. He can be contacted at sutan@ucb.edu.bh.

Trump and Brexit highlight the need for more participation (Islamic) finance: Part 2

In this concluding part of a two-part series, KHALID HOWLADAR continues his views on participation (Islamic) finance with the hope of seeing further developments in inclusive capitalism using participation finance principles as the foundation.

***Khalid Howladar** is the managing director and founder of Acreditus. He can be contacted at khalid.howladar@acreditus.com and followed on Twitter at @khalidhowladar.*

Participation finance supports a more equitable wealth distribution

It is the '1%' (or 10%) wealthy described in Part 1 of this article who as business (equity) owners or investors (in equity and property) use debt/leverage to multiply their gains further. Now while it's not clear to me if it's a zero-sum game with the other '99%' of citizens (there is a supposed trickle-down effect), it is a reasonable assumption that the 99% will likely have a much higher proportion of wealth in low/zero-interest cash, with the poorest more likely to have a highest proportion of cash as a share of their net worth.

This cash bias, when combined with the higher (risk-adjusted) gains attributable to equity holders, is helping to inadvertently drive more financial inequality. If, as promoted by participation finance, more of the population were to collectively have more of their cash invested in income-generating assets – such as equities – perhaps as part of their compensation or mandatory savings plans, this would help share some of the global wealth creation (often derived from globalization and technology advances) with the other 99%.

With its focus on risk and profit-sharing, the bias in participation finance is inherently toward equity-type or income-generating products (whether in company stocks or in real, tangible assets like real-estate) which the '1%' have long understood is the key to longer-term prosperity. It is it telling that in Malaysia – the most developed Islamic finance economy – the state pension and Hajj funds; Employees Provident Fund (EPF), Kumpulan Wang Persaraan (KWAP) and Lembaga Taibung Haji (LTH) have delivered steady albeit now pressured returns (averaging over 5% during recent years) far more than cash deposit rates over the same period, by investing significantly in equities. With collective assets of over US$200 billion and over 10 million savers, this government-driven approach has supported a much more equitable wealth distribution.

Malaysia leads…

By encouraging/requiring the Malaysian citizenry to invest as opposed to lending (via bank deposits), Malaysia is already encouraging participation finance on a massive scale. The attractiveness of LTH returns also goes some way to explaining why Islamic banks in Malaysia have relatively weak deposit profiles when compared to their GCC counterparts where no such comparable competition for customer deposits (Islamic or otherwise) exists – but could easily be implemented. Both EPF and KWAP have also recently taken steps to increase their Shariah compliant asset allocation, further embedding participation principles into their investment mandates – this trend will continue.

Malaysia should be proud of this achievement and not seek to endlessly financialize the gains of the real economy but continue to drive more equitable participation in the real economy, particularly in areas such as infrastructure finance. Investment growth versus debt-driven consumption should be the goal.

The broadly profitable and increasingly global Islamic banking industry has established an important critical mass by mostly replicating both the strengths and weaknesses of conventional banking but with ethical, social and sustainable objectives often more central to their business and an instant 'brand affinity' with over a billion customers. This sound and robust foundation provides the platform to support a more investment-driven approach to customer savings and to move the sector to what I call Islamic Finance 2.0.

Malaysia's 2013 Islamic Financial Services Act brought clarity around deposit structures and insurance and prompted local banks to move toward offering more v2.0 products to retail customers. This is a crucial step to bringing such investment principles to an even wider segment of the population. The increased focus on 'genuine' investment accounts will build upon the strong, domestic Islamic banking sector and support increased participation in Malaysia's ongoing wealth creation, hopefully avoiding some of the more extreme inequality trends seen in the US and other developed markets.

…but where is the GCC?

Strangely, despite being home to some of the world's largest Islamic banks, Gulf governments have been relatively slow to promote widespread long-term economic 'participation' of either their citizens or crucially longer-term expatriates in the local economy. Retail participation in the equity markets tends to be short-term and speculative in nature, hence there is a sizeable potential for more institutional investment through 'social wealth funds', corporate 'end-of-service' liability funds or simply through a broader more proactive retail mandate for some of the existing sovereign funds, although it should be noted that the regional sovereign wealth funds indirectly support the citizenry through the state funding of a high level of social benefits.

Citizens are demanding more participation in wealth creation

With the democratic upsets of Brexit and Trump, it's clear that a more social and inclusive approach to capitalism is desperately needed to ensure a more equitable, stable and prosperous society, else – as we have already seen – nationalism and intolerance will continue to climb, fragmenting much of the

Continued

successful post-war integration of the last 60 years.

Gulf and Asian countries should not seek to emulate the neoliberalistic capitalism of the US and parts of Europe unless they wish to ultimately create the same social pressures for their citizens. By taking a more proactive state-led stance to encouraging participation/ Islamic finance, the GCC can help ensure better long-term prosperity for their populations, particularly at a time of low-oil induced hardship for their citizens and a transformational time in the sustainability of government finances that requires more investment. Other countries in Asia and Africa too can benefit by ensuring a more inclusive approach to economic development.

This article is quite broad in scope and perhaps limited in depth but I hope it may provide some ideas for more comprehensive academic research. Nonetheless, the following are some ideas for stakeholders to consider:

1. Islamic Finance 2.0. Application of new technologies and regulations to facilitate increased awareness around the core principles of participation finance and hence encourage long-term asset/equity investment at the bank retail level, with more product differentiation.
2. The creation of 'social wealth funds' with mandatory contributions from citizens and/or resident expatriates where they do not already exist.
3. The creation of more retail-oriented, low-cost funds within banks, existing pension or sovereign wealth funds.
4. The formalization of funding for statutory corporate employee benefits and liabilities into fund-type structures.

Most critically, the corporate governance, fee and incentive structures around these ideas would be critical to their success and likely there are many more ideas beyond the scope of this piece. I hope that 2017 will see further developments in inclusive capitalism using participation finance principles as the foundation to help the Gulf and Asian states better share the wealth creation of their dynamic economies and hence avoid the inequality driving the discontent highlighted by Trump and Brexit .

Gold powering the growth of Islamic finance

The launch at the end of last year of the AAOIFI Shariah Standard on Gold (the Standard) developed in collaboration with the World Gold Council opens up an entire asset class to Islamic finance, and could power the future growth of the industry. ANDREW NAYLOR writes.

Andrew Naylor is the director of central banks and public policy at the World Gold Council. He can be contacted at Andrew.Naylor@gold.org.

Gold can support the growth of Islamic finance in four ways:

1. It is a powerful investment tool – virtually any Islamic investment portfolio can be improved with some allocation to gold.
2. Gold enhances the Islamic investment universe – Islamic finance lacks a true safe haven asset. Gold is the ultimate safe have asset and, as a large and liquid market, it will be accessible in times of need.
3. Gold will support innovation in Islamic finance – a whole new asset class is now available to product developers. Product innovation will help satisfy consumer demand for Islamic financial solutions.
4. Gold is a distinctive asset – gold historically played a very important role in Islamic finance and it is fitting that it will play an important role in the next phase of the growth of Islamic finance.

Gold has historically played an important role in Islam but a lack of Shariah guidance on contemporary gold-based financial products has held back its use in modern Islamic finance. The launch of the Standard changes that – for the first time, financial institutions and investors have very clear Shariah guidance on the use of gold.

A new asset class is now available in Islamic finance, and Islamic banks can use the Standard to develop a suite of physically-backed Shariah compliant gold products. These products will enable savers and investors in the Muslim world to benefit from gold's unique attributes as a diversification tool, as a risk-mitigating asset and as a long-term preserver of wealth.

Supporting the growth of Islamic finance worldwide

Islamic finance is growing, and many national governments have plans to support and grow their domestic Islamic finance markets. According to the IFSB, Shariah compliant assets under management are expected to reach US$6.5 trillion by 2020.

As the market grows in size, it becomes ever more important to diversify to ensure financial market stability and resilience. In order for Islamic finance to reach its full potential, a broader range of Shariah compliant financial instruments needs to be available to savers and investors. Product diversity is key to ensuring the commercial viability of Islamic finance institutions, ensuring that consumer demand is met with a range of financial solutions, and new tools are available for portfolio diversification, risk management and liquidity management purposes.

Shariah compliant gold instruments will support the growth of Islamic finance worldwide by increasing the size and depth of its investment universe. The Standard is the highest authority available to Islamic finance institutions and will give confidence to the industry to develop contemporary Shariah compliant gold products such as physical gold exchange-traded funds, gold certificates, gold investment accounts and gold savings plans. Banks will be able to use gold as part of their operations, such as using it as collateral or for liquidity management purposes. It could also be used by Sukuk issuers, potentially as a way of improving the credit quality of Sukuk. The Sukuk market has grown substantially recently, but high credit quality Sukuk remain relatively scarce.

The importance of AAOIFI standards should not be underestimated. They help harmonize practice across borders and are the highest authority available to the industry on Shariah compliance. Harmonizing Shariah guidance acts as a catalyst for the internationalization of Islamic finance and will help facilitate, for example, cross-border investments by removing Shariah uncertainty.

Bringing the benefits of gold to investors in the Muslim world

Gold's role as a safe haven asset has endured throughout history, and this role is becoming increasingly important in today's uncertain economic environment. In 2017, there are a number of trends expected to increase the allure of gold, including heightened political and geopolitical risks. The start of the Brexit process, general elections in key European countries and an uncertain global trade environment following the election of Donald Trump in the US have led to greater political uncertainty. Other factors likely to support demand for gold are currency depreciation, rising inflation expectations and inflated stock market valuations. A long-term decline in oil prices – more relevant to the Islamic world – the opening up of new markets and long-term Asian growth will further increase the prospects for gold.

Gold is considered by many to be the ultimate safe haven and wealth preservation asset. The reasons for this are well understood: it has almost no correlation with other asset classes (including Shariah compliant assets). It has no credit risk, and it is a physical, tangible asset.

Its distinctive behavior as a financial asset makes it an excellent risk management tool. This is very important for Islamic investors, who have fewer tools available at their disposal. In conventional finance, derivatives are used to manage risk but they are instruments not permissible in Islamic finance. Gold functions as a hedge against risk, including foreign exchange risk and tail-risk events. Its inclusion in Islamic portfolios will help Islamic investors manage risk while at the same time potentially boosting overall returns.

Islamic institutional investors, pension funds and Hajj funds are all seeking to boost returns while mitigating risk. Gold is now available to these investors, and can help improve returns. The launch of the Standard could be a defining moment in the history of Islamic finance. Gold is now more accessible to Islamic investors, and it can power the growth of the industry through greater product innovation. It is through greater product innovation that Islamic finance will reach its full potential.

Disclaimer: This article is for information purpose only and does not constitute investment advice. The World Gold Council is not responsible for any losses.

Jordan's Islamic finance industry looking promising

NAFITH NAZZAL explores the current Islamic finance landscape of Jordan and what to expect this year.

Nafith Nazzal is an Islamic banking specialist attached to an Islamic financial institution in Jordan. He can be contacted at nafez1974@yahoo.com.

Survey results from a top Islamic financial institution indicated that the Shariah financial market continues to move in the right direction, with Shariah compliant institutions improving access to delivery of financial services, developing microfinance activities, and forming stronger strategic partnerships across Asia and the Middle East in the Islamic finance field. The current population of Jordan is 7.38 million based on the latest United Nations estimates. Total GDP reached US$30.204 billion with growth of 2.38% in 2015 according to the last statistics provided by Oxford Economics. Muslims account around 92% of Jordan population and experts revealed that more than 50% of Jordanian prefers to deal with Islamic banks.

Banking and finance

Last year, Jordan permitted the establishment of four Islamic banks which have had mixed successes in Jordan. The formative years began with the establishment of Jordan Islamic Bank (JIB) in 1978 when the Jordanian government issued a special law for the establishment of the first Islamic bank; JIB is a member of the Bahrain-based Al Baraka Banking Group. Islamic International Arab Bank was established in 1997 and in 2010 and 2011, Jordan Dubai Islamic Bank (JDIB) and Al-Rajhi Bank were established respectively. The Jordanian banking system consists of 16 local banks (13 conventional and three Islamic) and nine foreign banks (eight conventional and one Islamic).

> *"Despite being a small part of the Jordanian banking system, the strong support from the government for Islamic finance augurs well for the sector"*

According to a report by the Association of Banks in Jordan — Jordan has four operating Islamic banks, six Islamic finance and investment companies as well as two Islamic insurance companies. Islamic banks in Jordan, which have demonstrated steady growth, have around 140 branches in 2015.

This year, Foursan Group, a Middle Eastern private equity firm, has withdrawn its investment in JDIB. 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. In other news, the IDB is providing US$5 million-worth of financing support for the construction of a solar power plant in Jordan, which is expected to contribute to the sustainability and financial resource optimization of the King Hussein Cancer Center expansion project. The financing is expected to be repaid within a period of 20 years inclusive of a five-year grace period.

Sukuk

Jordan issued its first sovereign Sukuk on the 22nd May 2016 via the Central Bank of Jordan. The JOD75 million (US$105.78 million) Murabahah facility carries a return of 3.5%. In September 2015, the authorities announced plans to raise JOD150 million (US$210.9 million) in financing for the National Electric Power Company.

On the 17th October 2016, Jordan closed its local currency sovereign Sukuk. The five-year Ijarah paper, carrying an expected profit rate of 3.01%, was more than three times oversubscribed. Proceeds from the issuance will be used to finance the Ministry of Finance's new building.

What to expect in 2017?

Islamic banks in Jordan are likely to introduce new products for both the retail and corporate sectors. Despite being a small part of the Jordanian banking system, the strong support from the government for Islamic finance augurs well for the sector. The government is expected to benefit extensively from sovereign Sukuk issuances as they offer diversification especially taking into consideration that the fiscal deficit will remain sizeable. The Central Bank of Jordan is anticipated to be a main player in the Islamic bonds market.

Islamic finance and fintech – what can be the correlation?

Fintech is a portmanteau of money-related innovations that depicts a rising monetary administration part in the 21st century. Originally, the term applied to technology and relates to the back-end of established consumer and trade financial institutions. SALEEM UDDIN FAISAL delves further.

***Saleem uddin Faisal** is the founder and CEO of DanOwa (DO) Group and DanOwa SofiTech (DOST). He can be contacted at info@danowagroup.org.*

It's very important to integrate the current Islamic finance system with fintech solutions in order to address the requirements of a US$2.1 trillion market. Fintech can get yet another US$1 trillion for Islamic finance with the use of technology and reach the areas where Islamic finance has limited or no access.

The main objective of fintech is to bring down the cost of intermediaries and return the same savings to end users. Keeping an eye on the same objectives, Islamic finance can also provide even more robust and cost-effective solutions to customers by using fintech. An example is blockchain which is an open ledger system with no central governing authority and has very low chances of getting hacked due to data encryption and the decentralized topology. Security isn't a part of the system, it is the system. Blockchain is also going beyond finance. A blockchain is a public ledger of all bitcoin (cryptocurrency) transactions that have ever been executed. It is constantly growing as 'completed' blocks are added to it with a new set of recordings. The blocks are added to the blockchain in a linear, chronological order.

By permitting computerized data to be appropriated yet not duplicated, blockchain innovation has provided the foundation for another kind of web. Initially formulated for the digital money bitcoin, the tech community is presently finding other potential uses for such a brilliant innovation.

Bitcoin has been called 'digital gold', and for good reasons; to date, the aggregate estimation of such cash is near US$14 billion. Blockchain can make different sorts of digital values. Like the internet (or your vehicle), you don't have to know how the blockchain attempts to utilize it. In any case, having an essential information of this new innovation demonstrates why it's viewed as progressive and revolutionary.

Blockchain innovation resembles the internet in that it has an inherent robustness. By putting away blocks of data that are indistinguishable over its system, therefore blockchain cannot:

- be controlled by any single entity, and
- has no single point of failure.

> ***"Fintech can get yet another US$1 trillion for Islamic finance with the use of technology and reach the areas where Islamic finance has limited or no access"***

Blockchain is considerably more secure than the current customary innovation of centralized databases of companies. For example, banks, traders, stock exchanges and so on are more vulnerable to cyberattacks, notwithstanding securing them since a hacker who breaks in can control the whole system.

Bitcoin was invented in 2008 and since then, the bitcoin blockchain has worked without critical interruption. To date, any issues connected with bitcoin have been because of mismanagement, if any. As it were, these issues originate from bad intentions and human mistakes, not blemishes in the fundamental ideas. The innovation itself was not intended to be abused and it absolutely depends on how it will be utilized.

The internet itself has ended up being sturdy for just about 30 years. It has a reputation that looks promising for blockchain innovation as it keeps on being developed.

The blockchain network lives in a condition of accord, one that naturally checks in with itself like every 10 minutes. A sort of self-reviewing and auditing environment of digital value, the system accommodates each exchange that occurs in a 10-minute interim. Every gathering of these exchanges is alluded to as a 'block'. Two vital properties result from this:

- Transparency – information is inserted inside the system all in all; by definition it is open to the public.
- It can't be undermined – modifying any unit of data on the blockchain would mean utilizing an enormous measure of figuring energy to supersede the whole system.

By outline, the blockchain is a decentralized technology. Anything that happens on it is a function of the network as a whole. Some imperative ramifications stem from this. By making another approach to check exchanges, parts of a customary business could get to be distinctly superfluous. Stock exchange transactions turn out to be practically synchronous on the blockchain, for example – or it could be a sort of record-keeping, similar to a land registry, completely open where decentralization is now a reality.

A worldwide system of computers uses blockchain innovation to mutually deal with the database that records bitcoin transactions. That is, bitcoin is overseen by its system, and no one focal power. Decentralization implies the system works on a client to-client (or peer-to-peer) premise. The types

Continued

of mass-coordinated effort this makes conceivable are recently starting to be researched.

In addition to blockchain, one must also keep in mind the platform for such technology called Ethereum, an open-source platform to build decentralized applications that run exactly as programmed without any chance of fraud, censorship or third-party interference; we can also use the platform more and consider using it smartly.

Islamic finance can take advantage of fintech in many ways and enhance its current product offerings like Sukuk, Murabahah, Ijarah, Waqaf, Zakat, etc. Fintech can be useful in many ways, for example, in smart contracts, crowdfunding, intellectual property, renewal energy, anti-money laundering and know your customer processes, land title registration, stock exchange, etc.

By using blockchain and Ethereum, Islamic finance experts can even think about designing more innovative products that can further increase the penetration to markets beyond the current capacity, hence technology can assist capacity-building and bring product offerings to a worldwide audience.

> ***"As per the World Bank, there are approximately two billion adults categorized as 'unbanked' which is an exciting opportunity to bank them within Islamic finance through fintech"***

In my opinion, Islamic finance needs to consider blockchain as a technology that can literally reduce the cost of transactions, instead of taking such differences into income use for either charity or public welfare.

As per the World Bank, there are approximately two billion adults categorized as 'unbanked' which is an exciting opportunity to bank them within Islamic finance through fintech.

In a nutshell, fintech is endorsing the fundamentals of Islamic finance, for example, risk-sharing, trust, transparency, justice, efficiency and equality.

Islamic finance should act fast to capture the market by using fintech to cover those territories that it has not covered before.

I would like to end my article by narrating verse 5:2 from the Quran which says: "Help one another in (the) righteousness and (the) piety, but (do) not help one another in (the) sin and (the) transgression. And fear Allah; indeed, Allah (is) severe (in) (the) punishment."

Zakat – an Islamic solution to global income inequality

Global economic growth has been significantly weak in the years since the 2008 financial crisis. The US has experienced the weakest cyclical recovery since 1958 and, due to a double dip recession in the region, the eurozone's GDP has only just recovered to pre-financial crisis levels. This is despite the economic backdrop being extremely accommodative with aggressive easing of policy rates by central banks in most developed economies. In addition, unconventional stimulus measures were also implemented in Europe and the US. ABDUL DAVID analyzes the global income space and the role that Zakat plays in it.

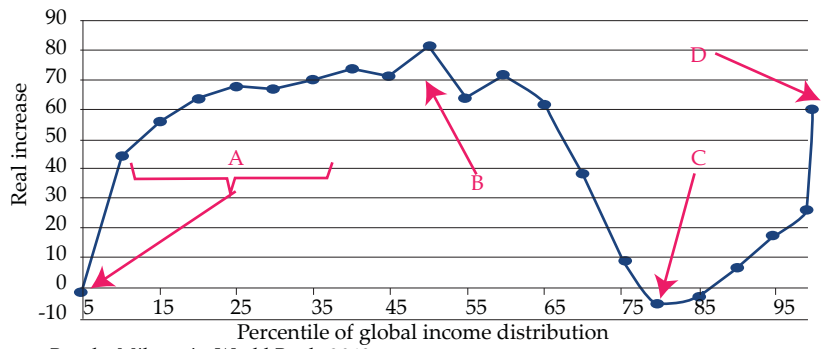
Abdul David is the head of research at Kagiso Asset Management. He can be contacted at adavids@kagisoam.com.

Since the financial crisis, total global debt levels have continued to increase according to a 2015 report by McKinsey Global Institute titled 'Debt and (not much) deleveraging', with a particularly sharp rise in China. In addition, global monetary policy stimulus is currently at record high levels, driving down global debt yields to record low levels with some developed countries enjoying negative yields.

The accommodative backdrop has significantly boosted asset prices with most global bond and equity markets now trading at very high ratings by historic standards, despite weak fundamental outlooks. In our view, this disconnect between low real economic growth (and the resultant low income growth for workers) and soaring asset prices (which disproportionately benefit the rich) is contributing to unsustainable levels of income inequality. No wonder that the general population in most developed countries have become disillusioned with their economic disenfranchisement and are flexing their muscle at the ballot box – the Brexit vote in the UK and the rise of Donald Trump as the president of the US are symptomatic of widespread unhappiness with the economic construct in both of these countries.

Chart 1, which is taken from the 2012 report titled 'Global Income Inequality by the Numbers: in History and Now' by Branko Milanovic of the World Bank, illustrates the real increases in incomes across different percentiles of the global population. The shape of the chart (dubbed the elephant chart) tells a fascinating story:

Chart 1: Changes in income (1988-2008)



Source: Branko Milanovic, World Bank, 2012

A. The bottom third of the population experienced a healthy real income increase of between 40% and 70% (with the exception of the very poorest 5% of the world who have seen flat real income growth). This general improvement is largely due to the rapid economic growth in China that, over the last decade, has seen more than 300 million Chinese people move out of extreme poverty.
B. Within the lower middle classes, there have been solid gains, mostly within emerging markets (China is again a strong beneficiary).
C. The decline in this section has primarily hurt working class citizens of developed countries and offers a compelling explanation of the worrying trend toward the anti-establishment populism witnessed across Europe (Brexit) and the US (the rise of Trump).
D. The very rich have had very healthy increases in real income.

The data behind the 2012 World Bank study is slightly dated, but our assessment is that the trends in this picture have accelerated post the financial crisis, and cannot be sustained forever. At the 2017 World Economic Forum in Davos, the extent of the global inequality was highlighted by the fact that the world's five richest individuals are worth more than the poorest half of the world's population – that is over 3.6 billion people!

As is evidenced from the aforementioned statistics, a key shortcoming of traditional income tax systems is that they are not effective in addressing inequality, particularly the gap between middle income (tax-paying) households and the very rich. The rich derive a large proportion of their wealth gains from investments rather than income, and so there are now increasing calls for asset-based taxes to augment and complement traditional income-based tax systems.

The popular French economist Thomas Piketty recently called for property taxes for the wealthy to address inequality between the poor and the wealthy. In contrast, the Islamic system of Zakat meets the criteria of an efficient wealth tax. Zakat, which literally means to purify, compels Muslims to spend 2.5% of their latent wealth, ie any assets that remained unutilized for more than a calendar year, on the poor. The system of Zakat therefore encourages the productive use of assets and wealth to avoid paying the Zakat wealth tax.

A key feature of the Zakat system is the requirement that the funds raised should be spent on the most marginalized in society: the poor and destitute. The Islamic system of Zakat would therefore be an efficient and effective method to redress the rising global income inequality, both in terms of the income transfer and the potential to better utilize unused wealth for the benefit of society.

DEALS

Indonesia's sovereign Sukuk oversubscribed

INDONESIA: The government of Indonesia's sovereign Sukuk (SPN-S 11072017 and four project-based Sukuk series) auction on the 24th January received total incoming bids of IDR23.73 trillion (US$1.77 billion), according to an official announcement. The government raised a total of IDR6.31 trillion (US$471.36 million) from the five Sukuk series offered, which will be used to finance the 2017 State Budget.

Separately, Indonesia is considering a global Sukuk sale in March this year, according to Reuters quoting Scenaider Siahaan, the finance ministry's director of borrowing strategy. The Sukuk issuance is aimed at raising as much money as last year's US$2.5 billion sale.

STSSB issues 179th ICP

MALAYSIA: Sunway Treasury Sukuk (STSSB) issued RM100 million (US$22.52 million)-worth of Islamic commercial papers (ICP) on the 31st January 2017, according to an announcement on Bank Negara Malaysia's website. The 'MARC-1IS'-rated facility is STSSB's 179th ICP series.

Malaysia's GII Murabahah oversubscribed

MALAYSIA: The Malaysian government's RM4 billion (US$901.47 million) GII Murabahah offering issued on the 26th January received 437 bids worth a total of RM13.65 billion (US$3.08 billion). According to a filing with Bank Negara Malaysia, the facility, to mature on the 26th July 2027, was sold at a profit rate of 4.26%.

Investment Corp of Dubai sets final spread for Sukuk

UAE: The Investment Corp of Dubai has set a final spread of 265bps over midswaps for its 10-year US$1 billion Sukuk Ijarah issue, Reuters reported. Citing documents from lead managers, the pricing was tighter than the initial 290bps over midswaps, with orderbooks exceeding US$3.1 billion, including the interest from joint lead managers. The bookrunners for the Islamic debt facility, which includes a commodity Murabahah component, were Citibank, Dubai Islamic Bank, Emirates NBD Capital, HSBC, JPMorgan, National Bank of Abu Dhabi and Standard Chartered.

Warba Bank gets approval for Sukuk

KUWAIT: Warba Bank has secured approval from the Capital Market Authority to issue perpetual Tier 1 Sukuk worth up to US$250 million, according to a bourse filing.

Tunisia plans Sukuk to fund deficit

TUNISIA: Tunisia plans to issue a US$500 million Sukuk facility this year to cover its 2017 budget deficit, according to Finance Minister Lamia Zribi reported Reuters. The North African country, which requires US$2.85 billion in external financing over the next 12 months, will begin roadshows for a EUR1 billion (US$1.07 billion) Eurobond in February, with the potential of raising another EUR2 billion (US$2.14 billion) in debts in 2017.

DEAL TRACKER Full Deal Tracker on page 31

EXPECTEDDATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENTDATE
2017	The Government of Tunisia	US$500 million	Sukuk	31st 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
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

AFRICA

IDB affirms commitment to Gambia

GAMBIA: The IDB has affirmed its commitment toward supporting Gambia's development and the bank's vice-president, Dr Mansur Muhtar, noted that the IDB has been active in Gambia since 1980 and has provided financing worth US$690 million so far, according to a statement. He added that the IDB currently has 14 active projects in Gambia totaling US$158 million.

Gambia's newly elected president, Adam Barrow, called on long-term partners such as the IDB to support the country in infrastructure development, agriculture, health, capacity-building and governance reform.

ASIA

MCB Islamic and Diebold Nixdorf collaborate

PAKISTAN: MCB Islamic Bank has announced that its new branches will be incorporated with Diebold Nixdorf's biometric-enabled systems and software, according to a press release. In an effort to reach Pakistan's unbanked population, the bank said the new cash-dispensing technology from Diebold Nixdorf will enable the bank to drive connected commerce and enhance the consumer experience with increased security and convenience while providing a seamless experience across their entire network. The maintenance services of the new ATMs will be provided by Touchpoint, a local distributor.

MICCI wants Halal Act to be Shariah inclusive

PHILIPPINES: The Mindanao Islamic Chamber of Commerce and Industry (MICCI) has stated that the Philippine Halal Development and Promotion Act of 2016 should include Shariah aspects, according to the SunStar quoting the MICCI's executive secretary and co-founder and president of Universal Islamic Center, Marilou Ampuan. The country's Department of Trade and Industry has initiated an ongoing nationwide series of consultation sessions to address the concern. Shariah aspects are targeted to be incorporated into the Act by the end of the final consultation expected to be held this year, Marilou added.

AlHuda launches French certification

PAKISTAN: AlHuba CIBE has launched a French version of its Global Islamic Finance Certification, a one-year postgraduate diploma program.

Indonesia mulling special Shariah economic zone

INDONESIA: The Indonesian National Development Board is considering establishing a special Shariah economic zone in Jakarta, reported Kompas.com quoting Islamic economic expert Adiwarman Karim. This is driven by the fact that Indonesia's Islamic finance client base has exceeded 40 million, outnumbering the populations of Malaysia, Singapore, Brunei and the UAE combined.

IFC signs SME agreement with Meezan Bank

PAKISTAN: International Finance Corporation (IFC) has signed an advisory agreement with Meezan Bank to enhance access to Islamic finance for SMEs, according to Daily Times. The partnership is aimed to aid Meezan Bank to utilize IFC's expertise to increase its SME services and facilities and boost its supply chain finance program.

GLOBAL

ITFC signs tripartite agreement

GLOBAL: The International Islamic Trade Finance Corporation (ITFC), Trade Facilitation Office Canada and Senegalese Export Promotion Agency have signed a tripartite agreement for the International Trade Capacity and Market Access Support Program. The one-year technical assistance program, according to an official release, is to facilitate trade support institutions and Senegalese SMEs in exporting their products to Canada and other foreign markets. The program consists of a train-the-trainer scheme as well as a component to enhance the capabilities of SMEs.

PwC and IdealRatings join forces

GLOBAL: PwC and IdealRatings have launched a joint business relationship for the screening of Islamic, ethical and environmental, social and governance investments, according to a press release. The two entities will be able to provide asset managers and their service providers with compliance services, especially with Shariah compliant and socially responsible investment criteria, including the review of investment policies, controls, screening methods and reporting mechanisms.

AMAF and IDB sign MoU

GLOBAL: The Awqaf and Minors Affairs Foundation (AMAF) and the IDB have signed an MoU to increase collaboration in areas related to endowment services and investments with a focus on supporting development goals and enhancing the prosperity of Muslim societies. According to a media release, the two entities will work toward maximizing the availability of Islamic banking services to the endowment sector. In addition, the AMAF and IDB are mandated to expand investment collaboration and exchange expertise in the field of Waqf, as well as build strategic relations in the endowment finance sector. Furthermore, they will collaborate to raise awareness regarding the role of Shariah compliant finance and banking in stimulating endowment investments.

MIDDLE EAST

Saudi's fiscal position to see recovery

SAUDI ARABIA: RAM expects Saudi Arabia's weak fiscal position to gradually recover, supported by increased hydrocarbon revenue from improved global energy prices, according to a statement. The rating agency had revised the country's rating downwards to 'gAA3(pi)/Stable' from 'gAA2(pi)/Negative' in November 2016 to reflect steep credit deterioration from lower hydrocarbon receipts.

Ithmaar Bank launches new services

BAHRAIN: Ithmaar Bank, an Islamic retail bank, has launched additional new services for customers with special needs at its main branch, according to a press release. The facilities are lower, voice-guided ATMs; prioritized desk services and Braille forms among others. The bank is also arranging sign language training for employees so they may better serve customers with special needs.

Profitability challenges remain for Saudi banks

SAUDI ARABIA: Saudi Arabian banks saw profits tumble in 2016 driven by rising provisioning charges, according to Moody's Investors Service. Based on preliminary financial results, net profits declined 5.4% year-on-year while banks' net financing from June-December 2016 slipped 3% against 5% in the first half of 2016. Annual credit growth plunged from 8.2% in 2015 to 1.8% last year while return on assets stood at 1.9% versus 2% the previous year.

IDB to partner with Saudi ministry

SAUDI ARABIA: The IDB Group has met Saudi's Minister of Housing to discuss partnerships to support the kingdoms' housing plans as part of the Saudi Vision 2030 and National Transformation Plan 2020, according to a press release. The meeting was held to discuss cooperative housing, establishing a real estate technology fund and housing funds, starting a real estate supply, and providing quality residential products at affordable prices, among others.

Al Salam and Al-Ma'awdah sign escrow agreement

BAHRAIN: Shariah compliant Al Salam Bank-Bahrain and Bahraini construction materials and development company Al-Ma'awdah Group have signed an agreement to create a real estate development escrow account, according to a press statement. The agreement marks the official sales launch for Residence Sharq, a multimillion dollar seafront project located within the US$1.6 billion 'health island' masterplan, Dilmunia.

Etihad Islamic Investment ups stake in JDIB

JORDAN: Etihad Islamic Investment has increased its stake in Jordan Dubai Islamic Bank (JDIB) after it purchased 13 million of JDIB's shares from Bank Al Etihad at JOD1.88 (US$2.64) per share, raising its stake to 61.8%, according to a bourse filing.

QIIB signs for Misys Islamic solution

QATAR: Qatar International Islamic Bank has announced in a statement that it has selected Misys FusionBanking Essence Islamic by Misys Financial Software to provide modern Shariah compliant banking experience to customers. FusionBanking Essence Islamic, a new initiative of Misys FusionBanking Essence, enables banks to transform its build without needing to replace, which creates fast and cost-effective construction of new finance processes in Islamic banks.

EUROPE

RFI to gather in Zurich

SWITZERLAND: The Responsible Finance & Investment (RFI) Summit 2017 will convene in Zurich from the 3rd - 4th May to address some of the most important areas for the growth of responsible finance including Islamic finance, ESG integration and fintech.

Al Rayan Bank sees increase in home financing

UK: Al Rayan Bank, a Shariah compliant retail bank, has recorded a 9% increase in applications for its Home Purchase Plans and Buy-To-Let Purchase Plans in 2016 and a 99% hike in the last five years. Chief Commercial Officer Keith Leach noted in a statement that there is substantial room for growth in this market and expects more demand in coming years.

ASSET MANAGEMENT

KAMCO initiates public offering for Islamic fund

KUWAIT: KAMCO Investment Company has initiated the public offering of its KAMCO Islamic Equity Fund, with a targeted size from US$18-550 million, according to a press release. The fund, a partnership between KAMCO and Wellington Management International, has a minimum initial subscription of 1,000 units at US$ 10 per unit at establishment. The aim of the fund is to outperform the stated benchmark by investing in equity securities of global Shariah compliant companies.

RESULTS

Syarikat Takaful Malaysia

MALAYSIA: Syarikat Takaful Malaysia reported a net profit attributable to ordinary equity holders of the parent of RM39.26 million (US$8.84 million) for the fourth quarter of 2016, a 7.9% year-on-year rise from RM36.38 million (US$8.19 million) recorded in the corresponding quarter of the previous year, according to a bourse filing. The company also saw a 21.7% rise in revenue from RM403.34 million (US$90.85 million) to RM490.82 million (US$110.56 million), attributable to the higher sales generated by both the Family Takaful and General Takaful businesses.

Dubai Islamic Bank

UAE: Dubai Islamic Bank (DIB) realized a group net profit of AED4.05 billion (US$1.1 billion) for the full year of 2016, up 6% from AED3.84 billion (US$1.05 billion) recorded in 2015, according to a press release. The bank's total income grew 14% to AED8.64 billion (US$2.35 billion) from AED7.55 billion (US$2.06 billion), while total assets stood at AED175 billion (US$47.64 billion), an increase of 17% from a year ago. DIB's Sukuk investments also grew 17% to AED23.4 billion (US$6.37 billion) compared with AED20.1 billion (US$5.47 billion) in 2015.

Kuwait International Bank

KUWAIT: Kuwait International Bank (KIB) reported a net profit of KWD18.2 million (US$59.55 million) in 2016, a 14% increase compared with KWD16.1 million (US$52.68 million) registered a year earlier, according to a press release. The Islamic bank's financing income also grew 12% to KWD71 million (US$232.32 million) compared with KWD63.2 million (US$206.8 million) in 2015, while total assets increased by 3% to reach KWD1.85 billion (US$6.05 billion).

QIIB

QATAR: Qatar International Islamic Bank (QIIB) posted a net profit of QAR785 million (US$215.4 million) for the full year of 2016, compared with QAR784 million (US$215.12 million) recorded in the previous year, according to a statement. QIIB's total assets increased by 5% year-on-year to QAR42.6 billion (US$11.69 billion), while deposits at the end of 2016 amounted to QAR26.6 billion (US$7.3 billion). QIIB's financing portfolio, meanwhile, increased 9% to QAR27.2 billion (US$7.46 billion) in 2016, compared with QAR25 billion (US$6.86 billion) at the end of 2015.

Bank Dhofar

OMAN: Bank Dhofar's board of directors has proposed a cash dividend and bonus share of 13.5% and 7.5% respectively for the year ended the 31st December 2016, after it approved the year's audited financial statements. According to a bourse filing, the proposed cash dividend amounts to OMR25.64 million (US$66.36 million) while the bonus share amounts to 142.44 million shares of 100 baisa (25.88 US cents) par value each. The financial statements, the proposed dividends and bonus shares are subject to the approval of the Central Bank of Oman and shareholders of the bank. Bank Dhofar operates Maisarah Islamic Banking Services.

Mashreq Bank

UAE: Mashreq Bank has announced a net profit of AED1.9 billion (US$517.18 million) for 2016, according to a press release. The bank's operating income rose 3.2% year-on-year to AED6.2 billion (US$1.69 billion), assisted by the strong growth in net interest income and net income from Islamic products, which increased by 4.2% year-on-year. Total assets for 2016 stood at AED122.8 billion (US$33.43 billion), with a 6.6% increase.

Ajman Bank

UAE: Shariah compliant Ajman Bank posted a profit of AED125.55 million (US$34.17 million) for the year ended the 31st December 2016 compared with AED122.08 million (US$33.23 million) recorded in the previous year, according to the bank's latest consolidated financial statement. The bank's total assets also increased to AED16 billion (US$4.36 billion) from AED14.32 billion (US$3.9 billion) in 2015.

TAKAFUL

Takaful Al Rajhi announces use of rights issue

SAUDI ARABIA: Takaful Al Rajhi Company for Cooperative Insurance has used SAR150 million (US$39.98 million) from the proceeds of its rights issue for its solvency margin requirements, according to a bourse filing. The company has also placed SAR20 million (US$5.33 million) of the proceeds into its statutory deposit in compliance with capital increase requirements. The total proceeds amounted to SAR200 million (US$53.31 million).

First Takaful to propose merger in meeting

KUWAIT: First Takaful Insurance has announced that a board meeting will be conducted on the 1st February 2017 to discuss a proposal on a merger, according to Reuters.

Malath Insurance halts reinsurance operations

SAUDI ARABIA: Malath Cooperative Insurance and Reinsurance Company has received Saudi Arabian Monetary Authority's approval to halt its reinsurance operations, according to a bourse filing. The move comes as an effort to enhance the company's solvency and investment returns.

RATINGS

Cagamas MBS's Sukuk Musharakah reaffirmed

MALAYSIA: RAM has reaffirmed the 'AAA/Stable' rating on Cagamas MBS's RM2.05 billion (US$461.75 million) Sukuk Musharakah residential mortgage-backed securities, according to a statement. The reaffirmation of the rating is premised on the available credit support, as reflected by the 122.07% overcollateralization ratio on the reporting date of the 8th August 2016. Cagamas MBS is a limited-purpose entity incorporated for the purpose of securitizing government staff housing financing and government staff Islamic home financing facilities.

Mudajaya's Islamic papers' negative rating watch lifted

MALAYSIA: RAM has lifted the negative rating watch on the 'A2/P2' ratings on Mudajaya Corporation's Islamic commercial paper/medium-term note (CP/MTN) program and revised the long-term rating outlook to negative, according to a statement. Mudajaya Corporation's negative rating watch was lifted after it repaid RM240 million (US$54.06 million)-worth of MTNs due on the 23rd January 2017, although the rating agency expressed concerns about its weak 2016 performance.

Jimah Energy Ventures's Sukuk reaffirmed

MALAYSIA: RAM has reaffirmed the 'AA3/Stable' rating on Jimah Energy Ventures's RM4.85 billion (US$1.09 billion) senior Islamic medium-term note facility (2005/2025), according to a statement. The rating's reaffirmation is based on the company's strong cash flow profile, which is a result of better operational performance subsequent to rectification works on the economizers at its plant.

Special Power Vehicle's IMTN reaffirmed

MALAYSIA: RAM has reaffirmed the 'A1/Stable' rating on Special Power Vehicle's RM800 million (US$180.29 million) Class A Islamic medium-term note facility (2005/2022), according to a statement. The rating reflects the continued receipt of sturdy payments from Jimah Energy Ventures's RM895 million (US$201.7 million) junior debt.

QGIR's ratings affirmed

QATAR: AM Best has affirmed Qatar General Insurance & Reinsurance Company (QGIR)'s financial strength rating of 'A-' and 'a-' long-term issuer credit rating, with a stable outlook , according to a press release. The company's profile is enhanced by its Shariah compliant subsidiary, General Takaful, which is anticipated to maintain its positive underwritings obtained in 2016.

MOVES

Warba Bank

KUWAIT: Warba Bank, a Kuwait-based Islamic bank, has appointed **Simon Clements** as its chief retail banking officer, taking over the responsibilities of Warba's Retail Banking Goup, according to a press release. Clements joined the bank in 2014 as its COO. Prior to this, he helmed several senior executive positions heading operations and technology divisions at a number of leading banks in Europe, Asia and the Middle East.

90 North Real Estate Partners

UK: 90 North Real Estate Partners, a Shariah compliant property investment firm, has appointed **John Yeend** as its senior investment specialist, according to a press release. Joining the firm as a partner, Yeend was previously the director of investment and development acquisitions at LaSalle for six years.

Al Hilal Bank

UAE: **Khaled Al Khoori** will step down as CEO of Al Hilal Bank following the completion of his contract and will be replaced by CFO **Craig Bell** on an acting basis, according to reports.

Kenanga Investment Bank

MALAYSIA: Kenanga Investment Bank, which offers Islamic banking solutions, has announced that its executive director, **Chay Wai Leong**, has resigned effective on the 28th January 2017. According to a bourse filing, he remains as the group's managing director. The bank's chairman and non-independent non-executive director, **Tengku Noor Zakiah Tengku Ismail**, has also left office upon completion of her term on the 28th January 2017.

Bizim Menkul Degerler

TURKEY: **Resat Karabiyik**, a member of the board and executive director of Bizim Menkul Degerler, an asset management company in Turkey which offers Shariah compliant products, has left Bizim late last month due to personal reasons.

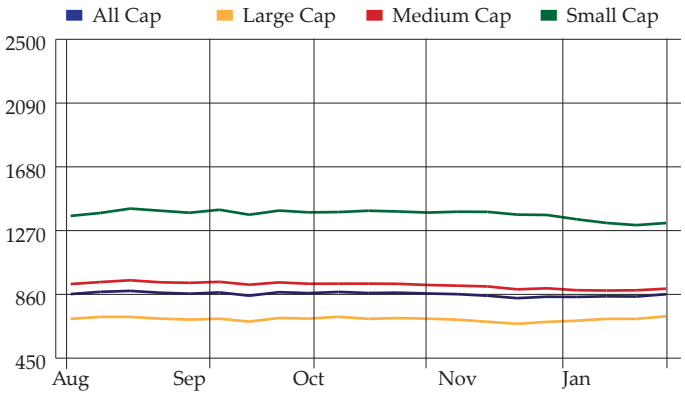
Syarikat Takaful Malaysia

MALAYSIA: Syarikat Takaful Malaysia has promoted its head of finance **Jazimin Izzat Wan Zoolkifli** to the position of CFO, according to a bourse filing.

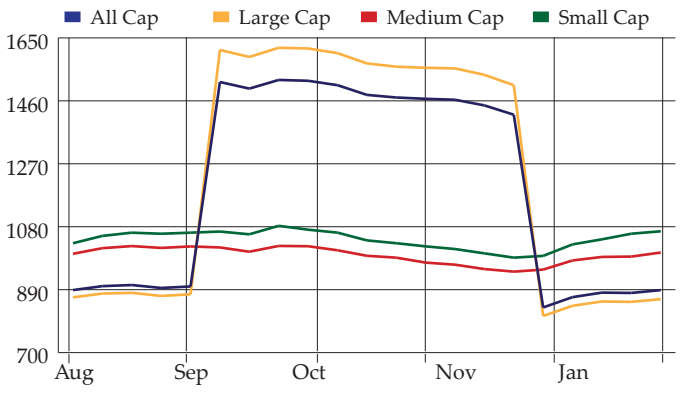
Expected date	Company's name	Size	Structure	Announcement Date
2017	The Government of Tunisia	US$500 million	Sukuk	31st January 2017
TBA	Pakistan's National Savings Organization	TBA	Sukuk Ijarah	22nd January 2017
TBA	Government of Egypt	TBA	Sukuk	18th January 2017
TBA	Government of Indonesia	US$449.4 million	Sukuk	18th January 2017
TBA	Nogaholding	TBA	Sukuk/Bond	15th January 2017
TBA	Masraf Al Rayan	US$500 million	Sukuk	11th January 2017
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
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
By 2017	Republic of Maldives	TBA	Sukuk	29th April 2016
Second half of 2016	Saudia	up to SAR5 billion	Sukuk	26th April 2016

REDMONEY SHARIAH INDEXES

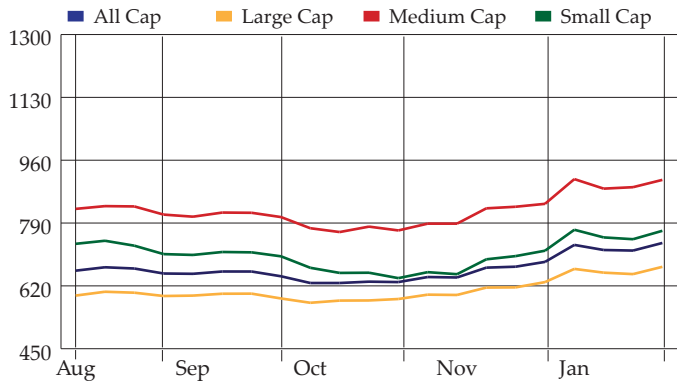
REDmoney Asia ex. Japan *6 Months*



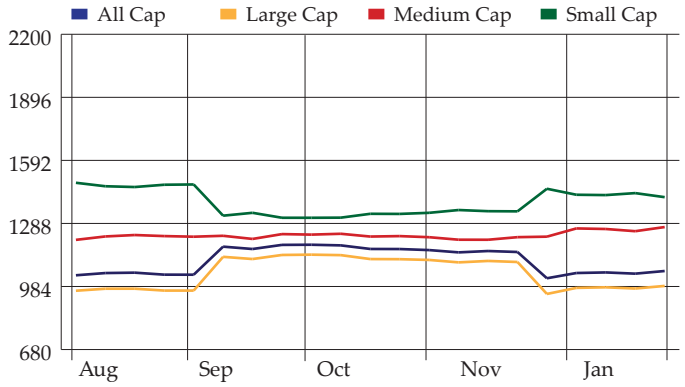
REDmoney Europe *6 Months*



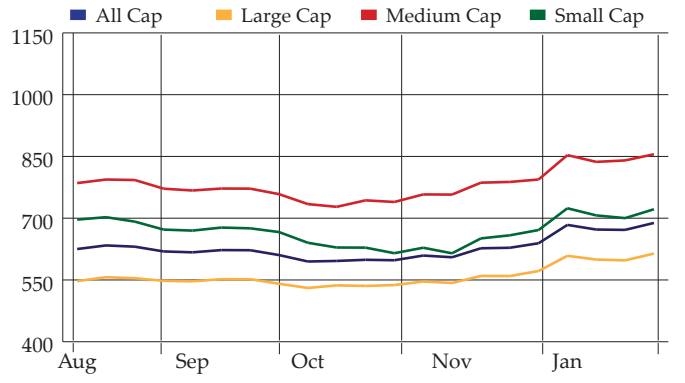
REDmoney GCC *6 Months*



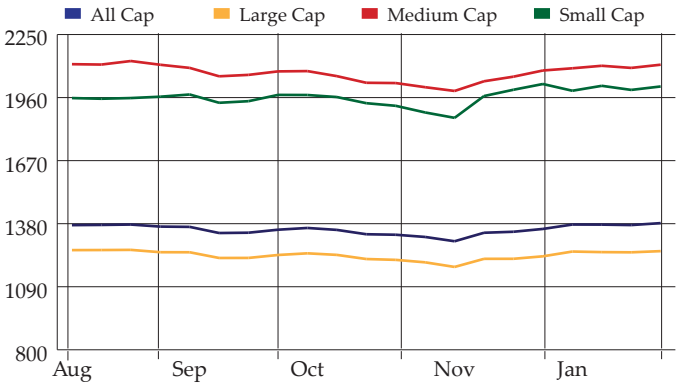
REDmoney Global *6 Months*



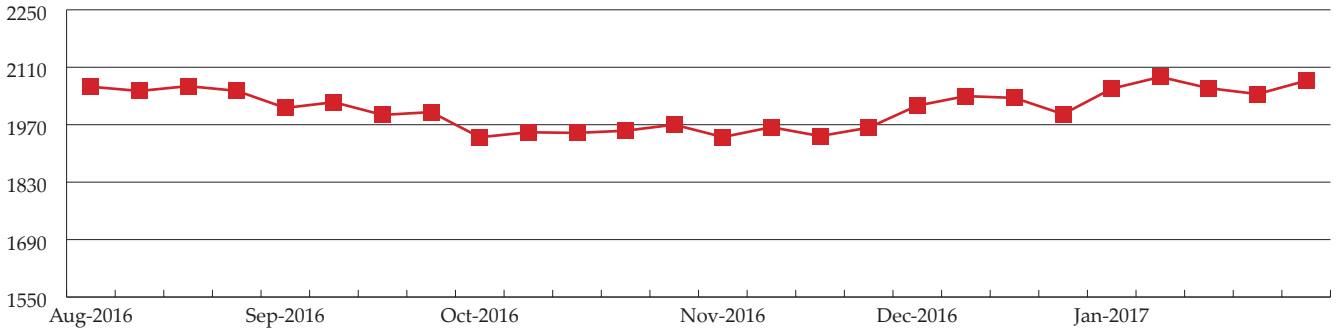
REDmoney MENA *6 Months*



REDmoney US *6 Months*

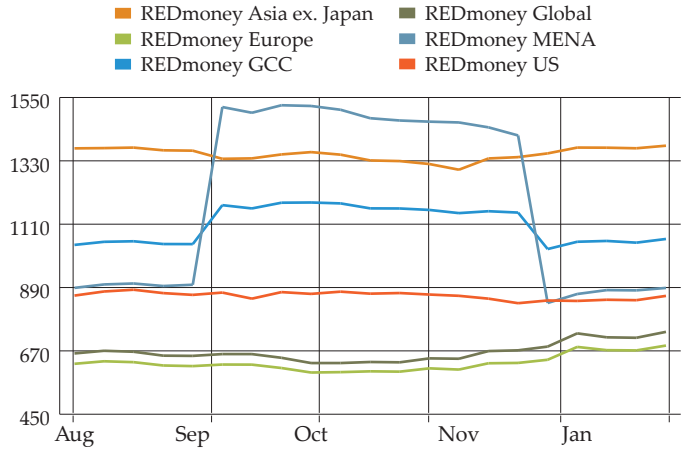


SAMI Halal Food Participation (All Cap) *6 months*

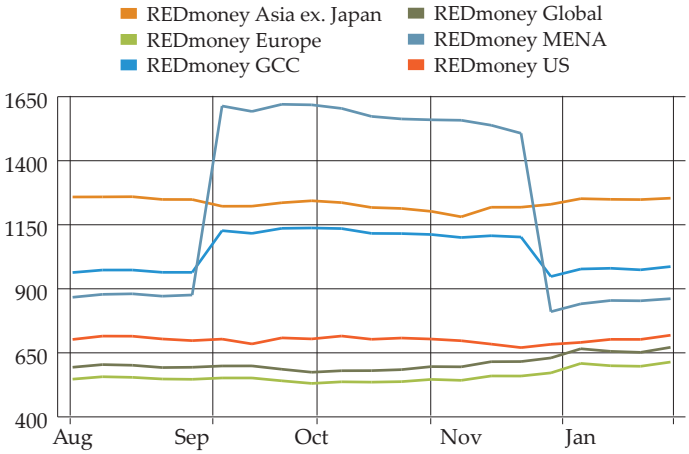


REDMONEY SHARIAH INDEXES

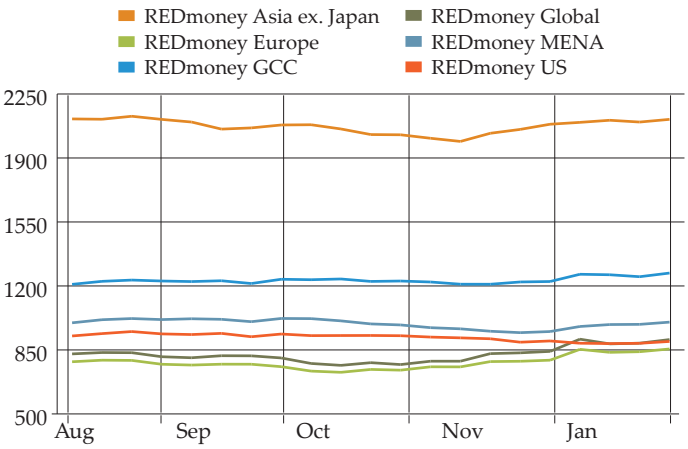
REDmoney Global Shariah Index Series (All Cap) *6 Months*



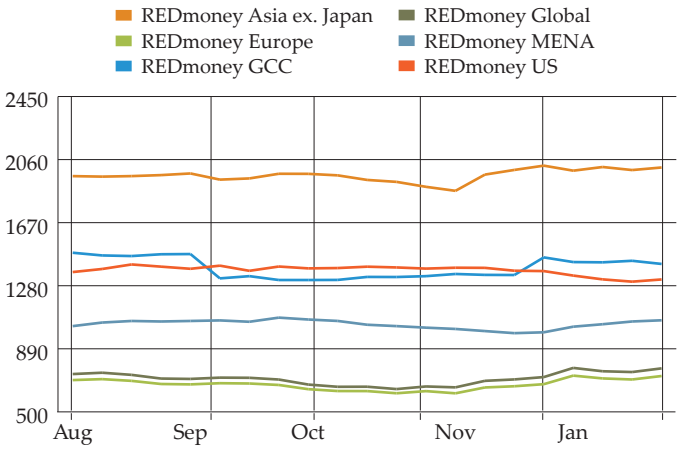
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



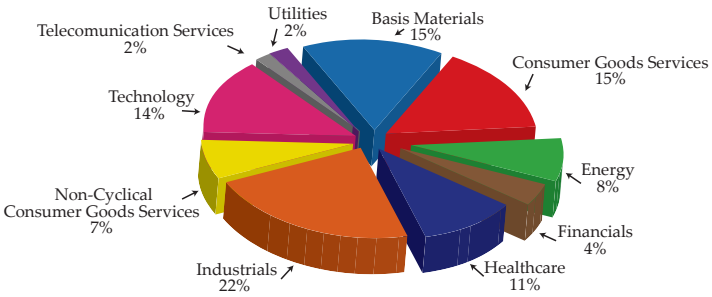
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



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®

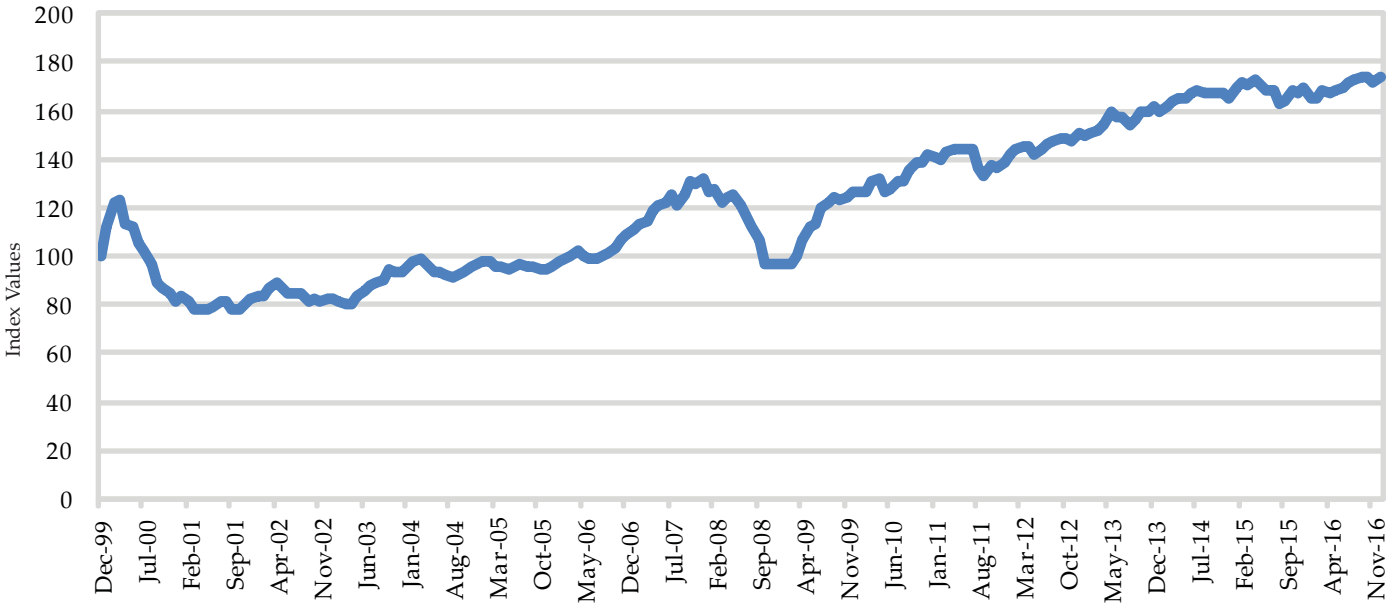
For further information regarding REDmoney Indexes contact:

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 Global Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Al-Ameen Islamic Active Allocation Plan - I	UBL Fund Managers	8.76	Pakistan
2	Al-Ameen Islamic Active Allocation Plan - II	UBL Fund Managers	8.74	Pakistan
3	Al-Ameen Islamic Active Allocation Plan - V	UBL Fund Managers	8.71	Pakistan
4	Al-Ameen Islamic Active Allocation Plan - III	UBL Fund Managers	8.68	Pakistan
5	Al-Ameen Islamic Active Allocation Plan - IV	UBL Fund Managers	8.58	Pakistan
6	HSBC Insurance Ethical Global Equity	HSBC Insurance Singapore	5.14	Singapore
7	EFH Islamic Financial Institution USD	QInvest	4.28	Luxembourg
8	Oasis Crescent Global Property Equity	Oasis Global Management Company (Ireland)	3.56	Ireland
9	Oasis Crescent Global Equity	Oasis Global Management Company (Ireland)	2.81	Ireland
10	Al Shamekh Sharia Compliant	Riyad Bank	2.41	Saudi Arabia
	Eurekahedge Islamic Fund Index		**1.92**	

Based on 100.00% of funds which have reported December 2016 returns as at the 31st January 2017

Top 10 Monthly Returns for ALL Funds

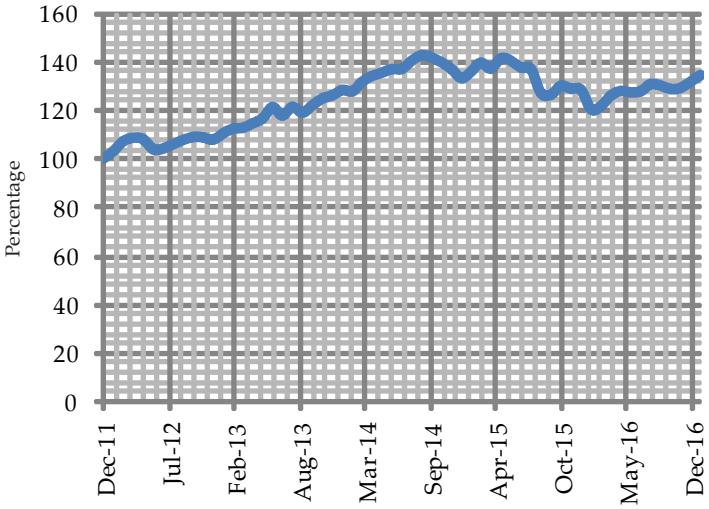
	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Al-Ameen Shariah Stock	UBL Fund Managers	12.07	Pakistan
2	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	12.03	Pakistan
3	Atlas Islamic Stock	Atlas Asset Management	11.92	Pakistan
4	Meezan Islamic	Al Meezan Investment Management	11.86	Pakistan
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	Al Baraka	Hermes Fund Management	9.38	Egypt
10	Faisal Islamic Bank of Egypt Mutual	Hermes Fund Management	9.11	Egypt
	Eurekahedge Islamic Fund Index		**1.54**	

Based on 94.35% of funds which have reported December 2016 returns as at the 31st January 2017

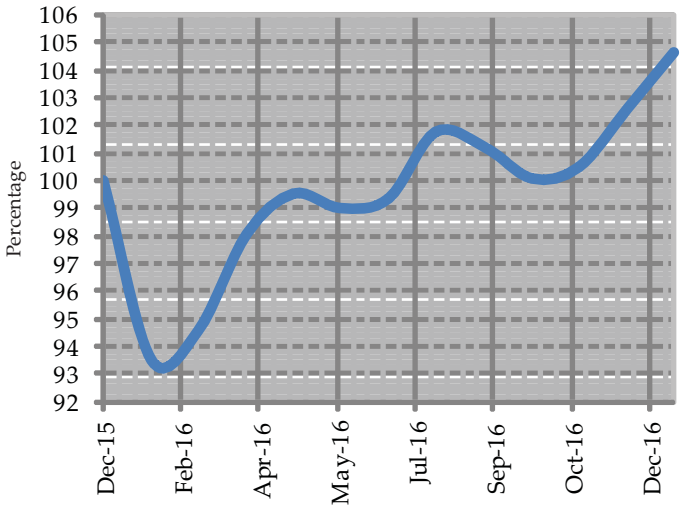
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity, 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 Equity Index over the last 1 year



Top 10 Islamic Fund Equity by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Al Baraka	Hermes Fund Management	51.34	Egypt
2	Faisal Islamic Bank of Egypt Mutual	Hermes Fund Management	39.98	Egypt
3	HSBC Saudi Companies Equity - ASF	SABB	29.14	Saudi Arabia
4	Al-Mubarak Pure Saudi Equity	Arab National Bank	28.65	Saudi Arabia
5	AlAhli Saudi Trading Equity	The National Commercial Bank	28.38	Saudi Arabia
6	Saudi Companies	The Saudi Investment Bank	28.14	Saudi Arabia
7	HSBC Saudi Industrial Companies Equity	SABB	25.81	Saudi Arabia
8	Al-Saffa Saudi Equity Trading	Banque Saudi Fransi	25.15	Saudi Arabia
9	Al Rajhi Saudi Equity	Al Rajhi Bank	24.16	Saudi Arabia
10	FALCOM Saudi Equity	FALCOM Financial Services	23.80	Saudi Arabia
	Eurekahedge Islamic Fund Index		**4.55**	

Based on 93.18% of funds which have reported December 2016 returns as at the 31st 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	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	EFH Islamic Financial Institution USD	QInvest	12.36	Luxembourg
8	Al-Mubarak Balanced	Arab National Bank	9.02	Saudi Arabia
9	HSBC Insurance Ethical Global Sukuk	HSBC Insurance Singapore	7.26	Singapore
10	Al Shamekh Sharia Compliant	Riyad Bank	4.90	Saudi Arabia
	Eurekahedge Islamic Fund Index		**0.34**	

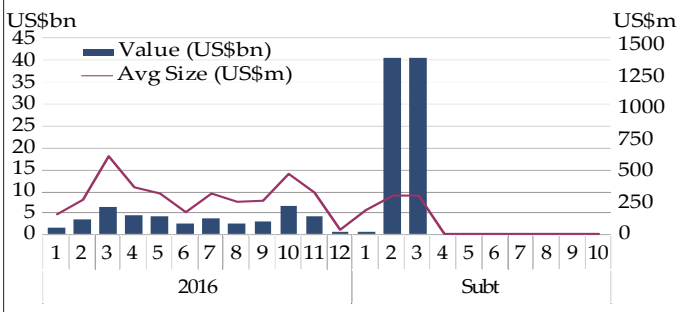
Based on 100.00% of funds which have reported December 2016 returns as at the 31st January 2017

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

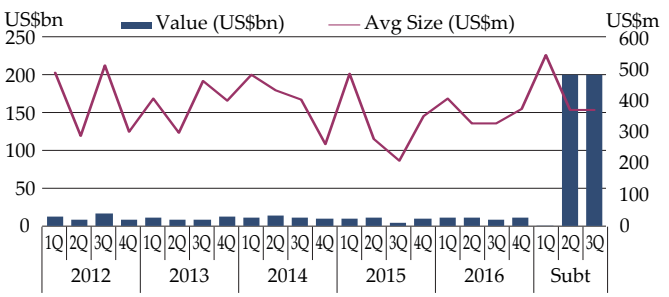
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
25th Jan 2017	Investment Corporation of Dubai	UAE	Sukuk	Euro market public issue	1,000	Standard Chartered Bank, JPMorgan, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Citigroup, Emirates NBD
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

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter



Top 30 Issuers of Global Sukuk *12 Months*

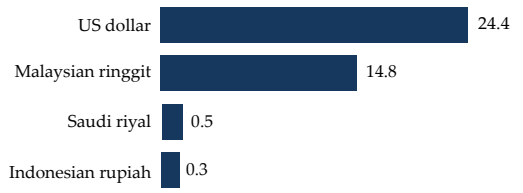
	Issuer	Nationality	Instrument	Market	US$ (mln)	Iss (%)	Managers
1	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	2,850	7.1	Standard Chartered Bank, JPMorgan, National Bank of Kuwait, Gulf International Bank, Natixis, CIMB Group, Emirates NBD, Mizuho, National Bank of Abu Dhabi, RHB Capital, Credit Agricole
2	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	2,500	6.2	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	3.7	JPMorgan, HSBC, Maybank, CIMB Group
5	Etihad Airways	UAE	Sukuk	Euro market public issue	1,500	3.7	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	Investment Corporation of Dubai	UAE	Sukuk	Euro market public issue	996	2.5	Standard Chartered Bank, JPMorgan, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Citigroup, Emirates NBD
14	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
15	Lebuhraya DUKE Fasa 3	Malaysia	Sukuk	Domestic market public issue	912	2.3	RHB Capital, Maybank, CIMB Group, AmInvestment Bank
16	Maxis Broadband	Malaysia	Sukuk	Domestic market public issue	886	2.2	CIMB Group, AmInvestment Bank, Maybank
17	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	880	2.2	Maybank, CIMB Group, Affin Investment Bank, AmInvestment Bank
18	Kuveyt Turk Katilim Bankasi	Kuwait	Sukuk	Euro market public issue	850	2.1	HSBC, Kuwait Finance House, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates NBD, Kuwait Projects, QInvest, Noor Bank, Standard Chartered Bank, Arab Banking, Dubai Islamic Bank
19	TNB Global Ventures Capital	Malaysia	Sukuk	Euro market public issue	750	1.9	BNP Paribas, HSBC, CIMB Group, Citigroup
19	Emaar Sukuk	UAE	Sukuk	Euro market public issue	750	1.9	RHB Capital, Maybank, CIMB Group, AmInvestment Bank
21	Prasarana Malaysia	Malaysia	Sukuk	Domestic market public issue	733	1.8	RHB Capital, Maybank, Kenanga Investment Bank, CIMB Group, AmInvestment Bank
22	Jambatan Kedua	Malaysia	Sukuk	Domestic market public issue	644	1.6	RHB Capital, Maybank, Kenanga Investment Bank, AmInvestment Bank
23	Barwa Bank	Qatar	Sukuk	Euro market private placement	605	1.5	National Bank of Abu Dhabi, Standard Chartered Bank
24	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
25	Sime Darby	Malaysia	Sukuk	Domestic market public issue	535	1.3	Maybank
26	Bank Albilad	Saudi Arabia	Sukuk	Euro market private placement	533	1.3	HSBC
27	Sultanate of Oman	Oman	Sukuk	Euro market public issue	500	1.2	Standard Chartered Bank
27	SIB Sukuk III	UAE	Sukuk	Euro market public issue	500	1.2	Standard Chartered Bank, HSBC, Kuwait Finance House, Arab Banking, Maybank, Dubai Islamic Bank, Emirates NBD, QNB Capital, Noor Bank
27	Noor Bank	UAE	Sukuk	Euro market public issue	500	1.2	Standard Chartered Bank, First Gulf Bank, Dubai Islamic Bank, Sharjah Islamic Bank, Citigroup, Emirates NBD, Noor Bank
27	Axiata SPV2	Malaysia	Sukuk	Euro market public issue	500	1.2	Deutsche Bank, HSBC, CIMB Group
	Total				**40,334**	**100**	

DEALOGIC LEAGUE TABLES

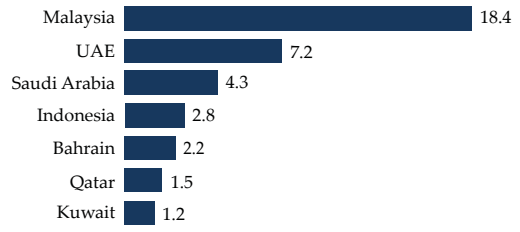
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	CIMB Group	5,371	37	13.3
2	Standard Chartered Bank	4,352	24	10.8
3	Maybank	3,994	29	9.9
4	HSBC	3,038	19	7.5
5	RHB Capital	2,968	28	7.4
6	AmInvestment Bank	2,658	22	6.6
7	Dubai Islamic Bank	1,887	16	4.7
8	JPMorgan	1,740	8	4.3
9	Emirates NBD	1,648	16	4.1
10	National Bank of Abu Dhabi	1,536	10	3.8
11	Citigroup	1,288	7	3.2
12	Deutsche Bank	987	4	2.5
13	Arab Banking Corporation	854	8	2.1
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	262	6	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	**40,334**	**129**	**100**

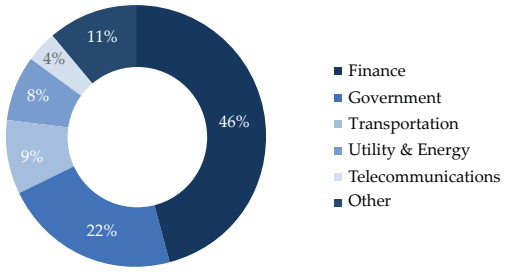
Sukuk Volume by Currency US$ (billion) *12 Months*



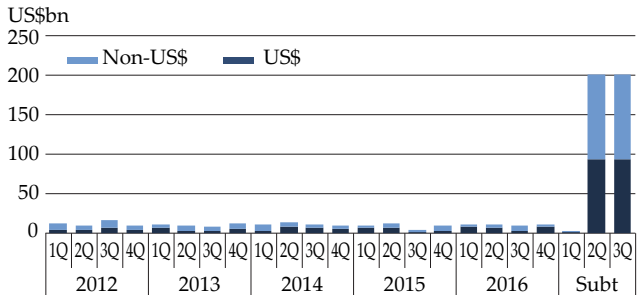
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



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

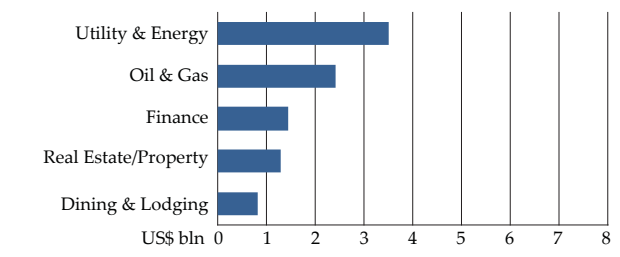
Top Islamic Finance Related Financing Deal List *12 Months*

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

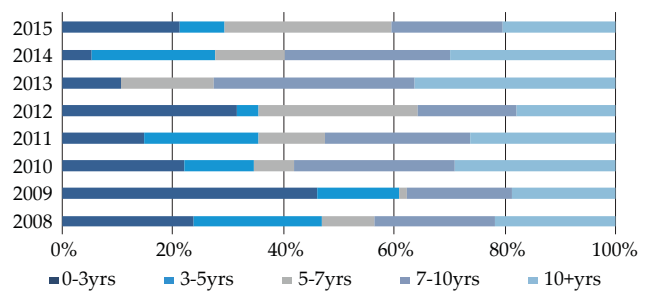
Top Islamic Finance Related Financing by Country *12 Months*

	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)
Email: mayumi.ohira@dealogic.com Tel: +852 2804 1223

dealogic

EVENTS DIARY

FEBRUARY 2017		
22nd	KL Awards Dinner	Kuala Lumpur, Malaysia
28th	Dubai Awards Dinner	Dubai, the UAE
MARCH 2017		
7th	IFN Oman Forum	Muscat, Oman
14th	CIS Forum	Astana, Kazakhstan
22nd	China OIC Forum	Beijing, China
APRIL 2017		
10th – 11th	IFN Asia Forum	Kuala Lumpur, Malaysia
11th	IFN FinTech Forum	Kuala Lumpur, Malaysia
MAY 2017		
9th	IFN Morocco Forum	Casablanca, Morocco
17th	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
TBC	IFN Iran Forum	Tehran, Iran
OCTOBER 2017		
TBC	Africa Islamic Finance Forum	Lagos
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

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

Editor Vineeta Tan, vineeta.tan@REDmoneygroup.com

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

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

Senior Journalist Danial Idraki, danial.idraki@redmoneygroup.com

Journalist Durgahyeni Mohgana Selvam, durgahyeni.selvam@redmoneygroup.com

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

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

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

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

Associate Publisher Steve Stubbs, steve.stubbs@REDmoneygroup.com

Associate Publisher Sandra Spencer, sandra.spencer@REDmoneygroup.com

Finance Director Faizah Hassan, faizah.hassan@REDmoneygroup.com

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

Managing Director Andrew Tebbutt, andrew.tebbutt@REDmoneygroup.com

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

Published By: REDmoney

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

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

NE-IFN14/05