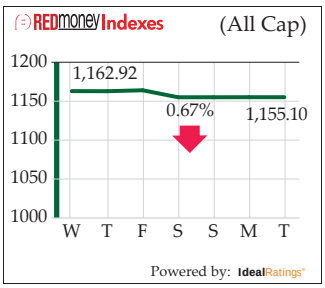
IFN Islamic Finance news

The World's Leading Islamic Finance News Provider



COVER STORY

8th February 2017 (*Volume 14 Issue 06*)

Struggle in the skies: An Islamic opportunity in aviation finance

Trouble is coming to the airline industry. It has been a bull run over the last few years but in 2017 shares have plummeted on the Trump travel ban, Gulf carriers are restructuring amidst slowing growth; while higher fuel prices, rising interest rates and a stronger US dollar are squeezing an already competitive sector. The pressure is pushing airlines to seek funding support — and as they search for liquidity, Islamic finance is increasingly on the radar. LAUREN MCAUGHTRY explores the ups and downs of the current market.

Aviation opportunity

Airlines have had a good run over the past few years, especially Middle Eastern carriers which have seen strong growth and record profits. But the cracks are starting to show — Emirates reported a 75% drop in net profits for the half year ending September 2016, and as economic pressures and geopolitical concerns make their mark, the stress is stepping up.

"It is currently a highly benign environment for aircraft financing," thinks Pat Cauthery, the head of aerospace and defense at UK Export Finance, speaking to IFN. "Liquidity in the market remains strong given funds from commercial banks, investors, existing and new entrant lessors. The big question is how long this environment will last."

Struggling in the skies

Jonathan Berger, the vice-president of aerospace and MRO advisory at aviation consulting firm ICF, expects "2017 to be the year aviation and aerospace blinked". The market might be riding on a wave, but the signs of a slowdown are already on their way. And the Middle East, which has built itself up on the back of its position as a transport hub in recent years, could bear the brunt. Political instability in the region is affecting regional demand, while long-haul routes opening up directly between east and west (such as the new Qantas route between London and Perth starting in 2018) are impacting its position as a layover point. The election of Donald Trump as president of the US is also likely to have a negative impact, given his protectionist policies and the long-running feud between US and Gulf airlines over access to the US market. Following its latest results, Emirates Chairman Ahmed Saeed Al Maktoum commented on the bleak economic outlook, warning that the airline is having to "work even harder for every customer, and make every dollar spent go even further". The airline reported a AED786 million (US$213.93 million) profit for the six months to the 30th September, a fall of 75% from the same period last year, while revenues also declined slightly to US$11.4 billion (down from US$11.5 billion), blamed on a strong dollar and challenging operating environment.


Cauthery

It is not just Emirates that is suffering. The aviation market in the Middle East is intensely competitive, and peers including Abu Dhabi carrier Etihad, Qatar Airways and Turkish Airlines are also feeling the chill. Although 2016 results for Etihad have not yet been released (and the airline reported a 41% increase in profits for 2015), they recently announced a restructuring exercise to "reduce costs and improve productivity and revenue" against "a backdrop of weakened economic conditions" and in "an increasingly competitive landscape" — with the expectation of "a measured reduction in

continued on page 3

IFN Awards 2016

Celebrating Winners

KL AWARDS DINNER
Wednesday, 22nd February 2017
Mandarin Oriental Hotel
Kuala Lumpur

DUBAI AWARDS DINNER
Tuesday, 28th February 2017
Ritz Carlton DIFC
Dubai

Volume 14 Issue 06

DEALS

Indonesia looking to raise IDR6 trillion (US$450 million) through sovereign Sukuk

Sunway Treasury Sukuk issues Islamic commercial papers on 3rd February; another due on the 10th February

Autoriti Monetari Brunei Darussalam issues 142nd Sukuk Ijarah worth BN$100 million (US$69.9 million)

EQUATE Petrochemical all set to issue US$750 million Sukuk to refinance existing debt

Aktif Bank receives regulatory approval for US$120 million Sukuk sale

Aeon Credit Service to make periodic distribution of RM400 million (US$90.26 million) Sukuk facility on the 16th February

Dubai Islamic Bank may issue benchmark-sized US dollar Sukuk

Malaysia's RM500 million (US$112.9 million) Islamic treasury bills oversubscribed by RM527 million (US$118.92 million)

Investment Corporation of Dubai lists US$1 billion Sukuk on **NASDAQ Dubai,** bringing total Sukuk listing value on exchange to US$47.21 billion

NEWS

Credit Guarantee Malaysia signs portfolio guarantee agreement with **Bank Simpanan Nasional**

Amana Bank in talks with the **Islamic Corporation for the Development of the Private Sector** to enhance capital

Pakistan proposes infrastructure finance bank; plans to beef up Islamic finance as an avenue for infrastructure funding

National Savings Scheme considering extending Islamic banking services to bring investors into Sukuk market

Department of Islamic Development Malaysia recognizes Halal certification of the Maldives

RESULTS

Kuwait Finance House recommends 17% cash distribution and 10% bonus shares on the back of 13.3% increase in net profit attributable to shareholders

First Gulf Bank realizes AED6.39 billion (US$1.74 billion) in net interest income and income from Islamic financing in 2016

Sharjah Islamic Bank's 2016 net profit rises 12.9% to AED462.89 million (US$126 million)

Abu Dhabi Commercial Bank net profit drops 16% in the fourth quarter of 2016

National Bank of Abu Dhabi records flat net profit of AED5.3 billion (US$1.44 billion) in 2016; net interest and Islamic financing income at AED7.3 billion (US$1.99 billion)

ASSET MANAGEMENT

Waqf Fund approves US$1 million budget to fund Islamic finance training and education projects

Sabana Shariah Compliant Industrial Real Estate Investment Trust undergoing strategic review

Lembaga Tabung Haji to invest RM2 billion (US$451.42 million) in UK and Australian real estate

TAKAFUL

ACR Capital Holdings acquires full ownership of **ACR ReTakaful Holdings** and **Asia Capital Reinsurance Malaysia**

Kuwait Finance House Takaful to distribute 5% insurance surplus to policyholders

RATINGS

Capital Intelligence lowers **Albaraka Turk Katilim Bankasi**'s ratings; outlook revised to stable

UEM Group maintains 'AA2/Stable' rating on RM2.2 billion (US$496.18 million) Islamic medium-term note program

MARC affirms 'AAAIS' rating on **TNB Western Energy**'s RM4 billion (US$902.47 million) Sukuk facility

Capital Intelligence upgrades outlook on Qatar's sovereign ratings from negative to stable

Central Bank of Jordan recognizes **Islamic International Rating Agency** as an external credit assessment institution

MOVES

Zurich Takaful chairman assumes board chairmanship of **Alliance Bank**

Franklin Templeton Investments's Sandeep Singh to lead Central Eastern Europe, Middle East and Africa business; continues role as head of Islamic business

Islamic Banks Consultative Forum appoints new chairman, co-chairmen and vice-chairmen

Disclaimer: IFN invites leading practitioners and academics to contribute short reports each week. Whilst we have used our best endeavors and efforts to ensure the accuracy of the contents we do not hold out or represent that the respective opinions are accurate and therefore shall not be held responsible for any inaccuracies. Contents and copyright remain with REDmoney.

Struggle in the skies: An Islamic opportunity in aviation finance

Continued from page 1

headcount". The airline has also reduced the number of destinations it flies to, from 116 in 2015 to 112 in 2016.

Turkish Airlines, which has been attempting to compete with the Gulf players, is also facing difficulties — reporting a US$463 million loss in the first nine months of 2016 and with a number of its jets grounded as it struggles to deal with the economic and political challenges Turkey has experienced over the past year.

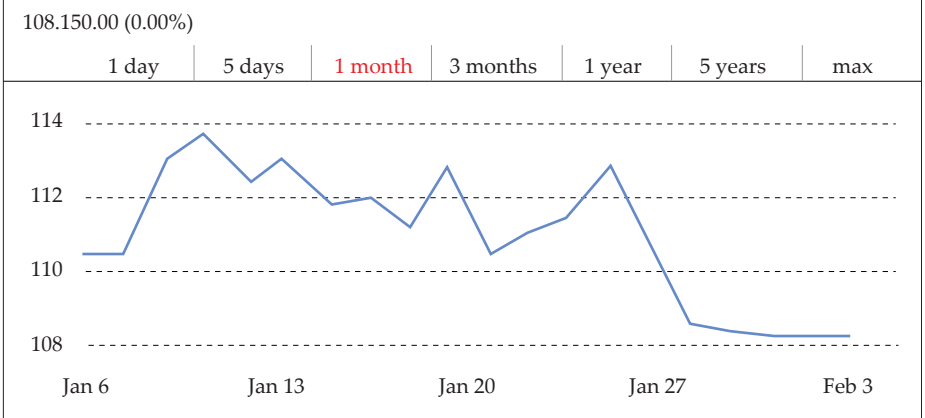
> ***"While the availability of Islamic finance should not be overly exaggerated, liquidity in the Islamic finance market does provide a viable alternative source of funding for the aviation sector"***

Debt market impact

These conditions are a cause for concern, but also a source of opportunity. With the airlines facing falling profits and squeezed margins, they are now looking to the debt markets to raise financing for their future growth strategies — and this is where the Islamic market should step in to consolidate its strength in the sector.

Adil Hussain, a partner at Clyde & Co, confirmed to IFN the potential within the industry for Islamic finance. "The aviation and Islamic finance stakeholders must strengthen ties and look at further collaboration opportunities," he explained. "While the availability of Islamic finance should not be overly exaggerated, liquidity in the Islamic finance market does provide a viable alternative source of funding for the aviation sector. The Shariah principles of Islamic financing sit hand-in-hand with the asset-based nature of aviation financings, therefore making this an attractive business line for Islamic financiers."

Chart 1: NYSE Arca Airline Index, January 2017



Source: NYSE

Growing activity

There is increasing evidence that this is being recognized on both sides of the fence — and more activity should be expected for 2017. Emirates, for example, saw its cash position plummet from US$6.4 billion in March 2016 to US$4.1 billion in September. Given its history of landmark Islamic issuance, its pragmatic approach to the capital market and its ambitious spending (with 16 wide-bodied planes delivered last year and 20 more new aircraft scheduled to be delivered by March 2017), the debt capital market would be a logical place to turn to. And having repaid US$1.1 billion of debt last year, the airline is in a reasonable position to raise further funds.

Etihad Airways is already in talks with banks to raise US$2 billion in loans to finance aircraft deliveries including 10 Boeing Dreamliners, as well as a further US$600 million for two Airbus A380 jets. Just last month, the airline completed a sale and leaseback transaction for two 2016 Airbus A380s, marking Etihad's first operating lease of an Airbus A380. The 12-year leases were leveraged with a combination of Islamic and conventional debt tranches arranged by Natixis as the sole lead arranger, with co-arrangers Dubai Islamic Bank, First Gulf Bank and Union National Bank. Completed within the Abu Dhabi General Market (ADGM), which has the stated ambition of becoming an aviation finance hub within the region, Natixis is now in talks to develop an aircraft investment platform within ADGM to target investors looking for a high US dollar yield. "It has been a pleasure to work on this transaction with a syndicate of Middle Eastern banks — which further underpins the region's commitment to aviation finance," said Ramki Sundaram, the global head of aviation at Natixis.

"The civil aviation scene in the UAE and Abu Dhabi has generated significant opportunities and is expected to grow exponentially in the next decade," commented ADGM Chairman Ahmed Al Sayegh. "In addition, the Middle East is a vibrant aviation hub with airports increasing their handling capacity and airlines expanding their fleet to address global demand. These, in turn, fuel further demand for aviation financing."

continued on page 4

Struggle in the skies: An Islamic opportunity in aviation finance

Continued from page 3

Low-cost carrier FlyDubai is also thought to be in talks with Emirates NBD, Noor Bank and Union National Bank for a loan to support its infrastructure requirements. With its debut US$500 million Sukuk in 2014 oversubscribed by six times, and with a diversified investor base including 25% from Europe, there is every reason to think that the airline might once again tap the Islamic market.

> ***"Whatever the state of the overall financing market, Islamic finance offers the airline access to a new or different pool of investors"***

Looking ahead

Higher fuel prices, higher interest rates, the growth of nationalism and its negative impact on trade and the stronger US dollar are all likely to impact performance going forward. Speaking to MRO Network, Berger predicted a profit margin of just 0.7% for Middle Eastern carriers in 2017. However, not everyone is so pessimistic.

"The fundamentals of most airlines remain strong. The last three years have seen historic levels of profitability. It is only natural that profitability and performance should revert to closer to the mean," noted Cauthery. "Both [Emirates and Etihad] have had significant success in the capital markets and access to funding… The airline industry has a history of being able to quickly adapt to a changing environment (whether political, financial, environmental, health) and redeploy capacity. Provision of financing tends to take a longer view than share markets. [The] Application of Basel III or a higher interest rate environment is likely to have more of an impact on the financing markets."

So what does this mean for Islamic finance — and what advantage can Shariah transactions offer airlines seeking new financing opportunities? "Diversification," emphasizes Cauthery. "Whatever the state of the overall financing market, Islamic finance offers the airline access to a new or different pool of investors. This can be an important consideration; in 2010-13 when bank financing came close to drying up, the capital markets represented an alternative source of finance. The Islamic finance market further enhances the capital market offering, bringing in a new pool of investors from countries and regions previously not strongly represented in aircraft investment. It may also be a more appealing source of investment, for ethical reasons, for some airlines based in Islamic countries."

> ***"In order for there to be further growth in this space, Islamic financiers will need to offer similar pricing and facility tenors to that currently being offered by their conventional counterparts"***

With landmark transactions including the 2016 UKEF-supported Emirates Airline Sukuk and the US$7.7 billion Islamic financing deal for Saudi national carrier Saudia (the largest Islamic aviation deal ever) in 2015, there is certainly a precedent as well as an established benchmark. However, Adil warns that there is still some way to go. "In order for there to be further growth in this space, Islamic financiers will need to offer similar pricing and facility tenors to that currently being offered by their conventional counterparts," he noted.

Tax neutrality a must if GCC wants Islamic finance to remain competitive

With Saudi Arabia and Bahrain finally coming on board with the region's unified value-added tax (VAT) framework, the motion has been set for all six GCC countries to implement their own national VAT laws based on agreed terms. The question most relevant to us is: how will this new tax impact Islamic financial transactions in a region which has so long been tax-free? VINEETA TAN takes a look.

Under the GCC VAT Framework Agreement, GCC nations are expected to introduce VAT at a basic rate of 5% with certain goods and services being zero-rated or VAT-exempted beginning 2018. Affecting most businesses and sectors, including finance — it is anticipated, however, that the Islamic finance segment is dealt the short end of the stick as compared to its conventional counterpart.

> ***"If the planned tax treatment for Islamic finance activities is not made clear well in advance of the implementation, then the uncertainty could reduce Islamic finance activity and attractiveness in the short term"***

"Without tax neutrality or equality rules, the introduction of VAT would put Islamic finance transactions at a disadvantage to conventional transactions," said Bashar Al Natoor, the global head of Islamic finance at Fitch Ratings. "In principle, Islamic finance activities should have a real economic purpose, involving services and/or asset-based or asset-backed transactions."

What this means is that it is likely that the additional layers or steps required in executing a Shariah compliant transaction would trigger a VAT charge, absent from conventional deals. Using Murabahah as an example, Bashar explained that VAT could be implemented on the installment payments as usually required by Sukuk Murabahah which involves the sale of an agreed asset at cost plus an agreed profit margin.

"It is worth noting that Murabahah is only one form of Islamic finance. The tax impact could be even bigger for more complex transactions," warned Bashar.

While some quarters are projecting for details of the VAT framework to be made public shortly, the uncertainty and the region's lack of experience and history with tax are setting off alarm bells for some, even more so for Islamic finance stakeholders as the complexity of certain Shariah deals could drag the process even further leaving less time for institutions to prepare.

"If the planned tax treatment for Islamic finance activities is not made clear well in advance of the implementation, then the uncertainty could reduce Islamic finance activity and attractiveness in the short term," believes Bashar.

So is the Islamic finance market set on a downward growth slope in this new tax environment? Likely, unless GCC governments act to prop the industry like what has been done in Malaysia, Pakistan and the UK — and it is likely that they will consider the religious affinity of the region and its bold Islamic finance ambition, but also equally important, the systematic importance of Islamic finance in most of these countries.

"Our expectation is that the GCC authorities will make Islamic finance tax equality a priority. Given the aim of an aligned GCC VAT framework, we believe these rules would be broadly comparable across the region," opined Bashar.

Humanitarian action via the Islamic finance route

If there is a particular moment in the modern world's timeline that requires urgent humanitarian action combined with responsible financial investment, now is the time. The entire world seems to be undergoing a severe stress test with a need for stable financial markets and transparency in transactions and the refugee crisis and climate change among many issues at hand. What if the main global actors, be it in politics or finance, could tackle the world's most pressing issues by utilizing responsible financial instruments? That is what the International Federation of Red Cross and Red Crescent Societies (IFRC) seems to be doing when it recently opted to go down the Islamic finance route, in order to raise funds for some of the world's humanitarian projects. DANIAL IDRAKI brings you the story.

IFRC recently signed an MoU with International Center for Education in Islamic Finance (INCEIF) to leverage on Islamic social finance opportunities as well as develop strategies and fundraising tools for a number of the organization's humanitarian aid programs, which include the design and development of social impact Sukuk, Waqf and Zakat endowment funds and other mechanisms that make use of obligatory and voluntary faith-based donations.

On its part, INCEIF will provide guidance on ways to tap Islamic social finance by connecting its alumni network in 80 countries with National Red Cross and Red Crescent Societies and advocating for the direct funding of programs that alleviate suffering, build resilience and promote human dignity.

In a world of negative-yielding bonds, perhaps social impact investment with the goal of eradicating suffering and poverty isn't such a bad idea, given the severity of the current humanitarian conditions, enhanced by the complexity of the global refugee crisis. Instead of gunning for financial returns, investors could approach such social impact investment as a long-term payoff that would benefit the wider society, which is what Islamic finance's ultimate objective really is all about: for the betterment of the Ummah.

Dr Jemilah Mahmood, the IFRC's undersecretary-general for partnerships, noted that Islamic social financing has the potential to help address significant financial challenges in meeting the needs of millions of people caught in crises and poverty. "We are keen to explore innovative ways the Islamic finance sector can work with Red Cross and Red Crescent Societies and demonstrate solidarity and principled action to save lives and promote dignity. We will be eager to see Islamic social finance contribute to strengthening

communities and realizing the IFRC's commitment of leaving no one behind," Dr Jemilah explained previously.

As the IFRC and INCEIF blaze through a new and challenging journey of addressing humanitarian issues by utilizing Shariah compliant instruments, this could well be a catalyst for other NGOs or humanitarian organizations to consider turning to the well-laid-out path of Islamic finance in their humanitarian undertaking.

At a time of growing inequity in which the world's eight richest people own the same amount of wealth as the poorest half of the world's population (according to Oxfam's recent report), the current global humanitarian situation presents Islamic financial instruments a great opportunity to help play a key role in resolving some of the world's most pressing issues, and at the same time help achieve the sustainable development goals that were laid out by the United Nations.

Saudi Aramco moves forward with Sukuk plans; could issue before end of Q2

The world's largest oil producer is gearing up to tap the Sukuk market for the very first time, joining the ring of oil and gas companies rushing to raise money to stay afloat in an environment of depressed oil prices. VINEETA TAN reports.

Saudi Aramco, according to Bloomberg, has engaged HSBC Saudi Arabia, Riyad Capital, NCB Capital and Alinma Investment to arrange its riyal Sukuk offering likely to take place before the end of the second quarter (Q2) — a sale which could prelude the Saudi national oil giant's plans to enter the international bond market as the company looks to raise up to US$10 billion in bonds and Sukuk over the next 11 months. The firm approved setting up a Sukuk program last April.

In capital-raising mode as its revenues take a hit from the collapse in oil prices, compelling it, and other oil and gas companies worldwide, to raise money to improve cash flow and sustain operations, Saudi Aramco's Sukuk offering comes ahead of the firm's IPO next year. The impending IPO — part of the Saudi government's ambitious plan to diversify its oil-dependent economy squeezed by the oil price crash — is touted as possibly the largest the world has ever seen, even overshadowing Alibaba Group Holding's mammoth US$25 billion sale in 2014; valued at US$2 trillion, Saudi Aramco's IPO could be four times larger than Alibaba's if the government decides to sell 5% of the company.

Saudi Aramco's decision to take the Islamic route to begin its bond-issuing journey is encouraging and a testament to the increasing appeal of Shariah compliant financial instruments among issuers. Kuwait's EQUATE Petrochemical is another example of an oil and gas firm seeking Islamic facilities to restructure its existing debt. EQUATE, according to Reuters, could issue US$750 million through a seven-year Sukuk facility early in the week of the 13th February — becoming the first GCC corporate to raise money from the international markets this year.

IFN monthly review: Activity picks up as the year gets underway

Welcome to the latest edition of our monthly global analysis, a comprehensive review of what's been happening across the world's Islamic markets over the past four weeks. Sovereign activity is picking up while financial institutions move back into the Sukuk space. The commodity markets saw a strong uptick as oil prices rally into 2017, while the Islamic asset management industry goes from strength to strength. LAUREN MCAUGHTRY brings you the latest updates.

Deals

The global debt capital markets are swinging back into action, and new players are coming onto the scene to promise a positive sovereign trend for 2017. Most recently, Tunisia announced plans for a sovereign Sukuk to fund its deficit while Africa Finance Corporation made the headlines with its US$150 million debut international Sukuk to fund infrastructure projects in the first-ever African government-backed Islamic issuance.

Indonesia is planning a new issuance in March following a successful IDR6.31 trillion (US$471.36 million) raised from five Sukuk series offered in January. Malaysia issued a 10-year RM4 billion (US$898.98 million) Murabahah facility on the 26th of the month, and Brunei and Bahrain also came to market with short-term issuances.

Pakistan's National Savings Organization is considering an asset-based Sukuk Ijarah to facilitate small-scale investors, while Egypt is also believed to be considering a Sukuk issuance after the launch of its conventional sovereign bond last month and the International Islamic Liquidity Management Corporation auctioned a short-term US$1.11 billion offering. Offerings are also expected from Saudi Arabia and Oman in the coming months.

On the corporate side and the big news this year so far has been the 10-year US$1 billion Sukuk Ijarah from the Investment Corporate of Dubai which hit a final spread of 265bps over midswaps with an orderbook exceeding US$3.1 billion, demonstrating the continuing appetite for Sukuk. In Kuwait, Warba Bank has obtained approval from the central bank for a perpetual issuance of up to US$250 million and EQUATE Petrochemical is expected to launch its first US dollar Sukuk this quarter, while in Bahrain Nogaholding is also planning a new Sukuk issuance and in Qatar Masraf Al Rayan has already mandated banks for a new US$500 million transaction. Dubai Islamic Bank has also requested banks to submit proposals to arrange a prospective US dollar-denominated Sukuk issue worth more than US$500 million.

Banking

In Morocco, the central bank on the 2nd January announced the approval of five banks offering Shariah compliant products and services — albeit using the term 'participatory' rather than 'Islamic' banking. The subsidiaries of three French banks (Societe Generale, BNP Paribas and Credit Agricole) have also been given permission to sell Islamic products.

In the UK, Islamic retail bank Al Rayan announced record sales for its home purchase plans, while in Pakistan the International Finance Corporation signed an agreement with Meezan Bank to enhance access to Islamic finance for SMEs.

In Bahrain, Ithmaar Bank launched new services for customers with special needs, while Bahrain Islamic Bank also announced new facilities for disabled customers. In the GCC, Emirates Islamic launched a new credit card while Abu Dhabi Islamic Bank introduced its first Islamic equity investment structured note of 2017, giving investors exposure to undervalued blue chip companies from a range of sectors including healthcare, technology and telecommunications.

Performance

The year started off on a positive note, with commodity prices hitting an 18-month high in January led by strong performances in rubber, petrochemicals and metals. The Nikkei Commodity Index rose for the fifth consecutive month, climbing 1.7% from the end of December to 171.743. Brent Crude is also performing well, remaining steadily above the US$50 mark and standing at US$55.7 as of the 31st January.

The S&P Global BMI Shariah Index is up 2.66% year-to-date, at 124.91 as of the 30th January — roughly on a par with its conventional counterpart the S&P Global BMI, up 2.63% over the same period. The S&P Developed BMI Shariah is also performing well, up 2.41% in January, while the S&P Emerging Market BMI put in an even better performance at 5.41% so far this year as investors look to emerging market yields as developed markets falter under political concerns.

The Middle East is doing reasonably well with returns of 1.53% so far this year for the S&P Pan Arab Shariah Index, while Africa also performed strongly with returns of 3.43% for the Pan Africa Shariah Index — but the real star is Asia, with the S&P Pan Asia Shariah Index shooting up 7.04% in January.

Asset management

It has been a strong start to the year for Islamic asset management, with a plethora of new funds and bold performances. In Saudi Arabia, Akhhabeer Capital launched its Saudi Real Estate Income Fund 1, a private placement fund aimed at generating returns from rental properties in Riyadh.

In Bahrain, Securities & Investment Company (SICO) entered into a strategic partnership with Trucial Investment Partners for the Shariah compliant SICO Trucial US Real Estate Income Fund with a target size of US$50 million, to be launched during the second quarter of the year. The Bahraini ASMA Capital, owned by the IDB and Public Investment Fund, recently signed a minority stake purchase agreement with Utico, the largest private utility firm in the UAE, in an equity and project finance deal worth US$147 million, to be carried out through the Asma Capital-managed IDB Infrastructure Fund II.

In Pakistan, Al Meezan Investment Management (Al Meezan) has added a new fund category to its product suite in the form of Meezan Energy Fund, a sector-specific equity fund aiming to benefit from the growth in Pakistan's energy sector. And at the end of December, Citigate International, a Dubai-based financial consultancy company, closed a secured Shariah compliant fund — Safa Afrique — raising US$10 million from GCC investors to be deployed in the fund's diamond mining portfolio.

Fund Focus: SICO Trucial US Real Estate Income Fund

Bahrain-based Securities and Investment Company (SICO) is expanding its footprint beyond the GCC region after it entered into a strategic partnership with Dubai-based asset management and advisory firm Trucial Investment Partners for a real estate fund in the US. DANIAL IDRAKI takes a look at SICO's latest fund.

The unleveraged, Shariah compliant SICO Trucial US Real Estate Income Fund, which has a target size of US$50 million, will focus on income-generating residential multi-family and single-family properties in conurbations outside major US gateway cities, which include the prospect of growing populations, high yields and rising capital values.

The two entities will co-seed and co-manage the fund, which is due to be launched during the second quarter of 2017.

"The targeted investors are GCC-based clients that are interested in diversifying their investments into the US residential property market, adding alternative investments as well as Shariah compliant products to their portfolio with US dollar exposure," Najla Al Shirawi, SICO's CEO, told IFN exclusively, adding that the close-ended fund has an annual targeted return of 7.5% and a targeted internal rate of return of 12% over a five-year period. One of its strategies in maximizing returns in the US is to chase after smaller ticket real acquisitions, which would result in the higher diversification of assets across a larger number of locations.

The fund marks SICO's maiden foray into the US real estate sector, and marks a significant milestone for the investment bank as it adds diversified products to its suite. While the political landscape in the US has made financial markets all over the world view the new White House administration's recent actions with some form of caution and jitters, SICO isn't all too concerned when it comes to tapping into the opportunities present in the country's real estate sector.

> ***"One of its strategies in maximizing returns in the US is to chase after smaller ticket real acquisitions, which would result in the higher diversification of assets across a larger number of locations"***

"The new administration is seen as business and investment-friendly. We expect the US real estate sector to be a beneficiary of lower taxes, higher mortgage availability and overall economic growth. We do not expect the Shariah compliant nature of the fund to have any unique implications from the new administration," Najla explained.

On Trucial's part, it will design a strategy focused on specific real estate and geographic segments within the US, and the firm is not short on experience and a track record of investing in the country's real estate market, as it chases yields and returns for the fund's investors.

"Through our North American platform, Trucial USA, we also offer a local capability to execute and support this strategy," Maisan Al Maskati, Trucial's managing partner, noted during the signing ceremony with SICO previously.

According to its website, Trucial USA has to date supported the acquisition of over 350 residential units in Michigan, Ohio, Texas, Tennessee and Arizona.

Receive all the latest news via the **No.1** Islamic finance based feed
Twitter.com/IFN_News
twitter

Dubai to regulate Islamic peer-to-peer platforms

Hot on the heels of Dubai International Financial Center (DIFC)'s FinTech Hive Accelerator Program launched earlier in January, the Dubai Financial Services Authority (DFSA) is now gathering market feedback on regulating crowdfunding platforms — both Islamic and conventional — as part of the government's goal to make the UAE an innovation-friendly ecosystem on the back of its Islamic economy hub ambition. VINEETA TAN explores.

Crowdfunding is relatively unregulated at the global level as international standard-setters have yet to agree on how this form of financing should be regulated at an international level, although some preliminary comments on the regulation of loan-based crowdfunding platforms have been made. This has left a rather unchartered territory for the likes of Dubai.

"While the loan-based crowdfunding market is very well developed in the US, we did not elect to benchmark against this market. The Securities and Exchange Commission recently issued regulations for crowdfunding platforms (namely for equity-based platforms), but they are yet to create a bespoke regulatory approach for loan-based crowdfunding platforms and in our benchmarking we opted to look at markets that had created an individual regime for these types of platforms," explained the regulator in its consultation on its proposed framework for regulating loan/financing-based crowdfunding platforms. The framework was formulated based on existing regimes in the UK, New Zealand, Isle of Man, France, Netherlands and Spain, and is the first of a series of consultation papers by the DFSA to regulate crowdfunding and fintech within the DIFC.

The paper puts forward seven key proposals: a tailored regime specifically for loan-based crowdfunding platform operators; minimum standards for systems and controls; operational transparency and adequate disclosure to both borrowers and lenders; suitable checks on platform participants; appropriate safeguarding and segregation of client money; the development of business cessation plans; and enabling the transfer of rights or obligations under a financing agreement between financiers.

In the context of Shariah compliant financing-based crowdfunding platforms, operators would need to comply with relevant DFSA Islamic Finance Rules (IFR) and secure a Fatwa on their license. However, this extra compliance measure raises several issues for Shariah operators, the most pertinent being the issue of cost.

"We are aware that the standard Shariah governance arrangements required in Islamic finance rules, specifically relating to the appointment of a Shariah supervisory board, could be problematic, for example due to the cost of appointing a board, for operators of loan-based crowdfunding platforms," acknowledged the DFSA. "We would like to hear from market participants if there are any suggestions for alternative measures, for example, using a screening methodology that we allow as an alternative for collective investment funds under IFR 6.2.1(3), and how this could be applied to crowdfunding operations."

The decision to put in place alternate mechanisms in lieu of a Shariah supervisory board would likely hinge on whether market participants view this alternative form of financing in the same light as traditional Islamic financial service providers and whether or not crowdfunding should be subjected to the same IFR rules — and if not, why not.

REDmoney seminars

SHARIAH REQUIREMENTS AND ARRANGEMENTS FOR ISLAMIC FINANCIAL PRODUCTS & FEATURES

• Ijarah • Istisnah • Waad

27th March 2017
InterContinental, Kuala Lumpur

Bank Negara Malaysia recently released and continues to release detailed Shariah guidelines, requirements and optional practices and arrangements for various Islamic financial contracts, products and features. Following on from this, banks and financial institutions will be required to submit actions plans based around these requirements and practices. As such, a great deal of important information gathering and analysis will have to take place in a relatively short period of time.

REDmoney Seminars is pleased to offer an insightful, concise and incisive update on the Shariah standards and requirements, optional practices and arrangements for Ijarah, Istisnah and Waad. Industry experts will cover the most important elements of each, and will identify key areas for attention and action.

Panel Speakers:


Mohd Johan Lee
Managing Partner, J Lee & Associates


Dr Aishath Muneeza
INCEIF


Associate Professor Dr Hakimah Yaacob
Senior Assistant Professor, Sultan Sharif Ali Islamic University (UNISSA) Brunei Darussalam

REGISTER NOW
www.REDmoneyevents.com

W: www.redmoneyevents.com | E: lorelie.panaligan@redmoneygroup.com | T: 603 2162 7800 ext. 43

REDmoney seminars

ISLAMIC REAL ESTATE FINANCE & INVESTMENT

IN ASSOCIATION WITH
ashurst

24th March 2017
Broadwalk House, Appold, London

Real estate finance and Islamic finance have for a long time been closely associated. Real estate and property satisfy the requirement of Shariah for tangible, physical assets and, as such, the two have thrived in a highly synergetic manner. It is also the case that United Kingdom offers significant benefits and opportunities for the Shariah compliant real estate investor, whether it be through direct/private equity-style investment, or indirectly through an investment fund. The UK possesses a deep understanding of the complexities of Shariah compliant finance, a range of technical skills and expertise, as well as the comfort of an established and tested legal system. Coupled with the UK government's initiatives to promote Islamic finance in the country, the UK offers significant opportunities in Shariah-compliant real estate investment.

KEY LEARNING OUTCOMES
- Evaluate the current global real estate market and investors – who is investing, in what and where?
- Assess the UK real estate market and in particular the impact of Brexit
- Identify opportunities for the Shariah compliant real estate investor in the UK and beyond
- Structure effective real estate finance transactions and develop Shariah compliant options
- Review regulatory issues: an analysis of regulation affecting real estate transactions in key European markets
- Examine structuring issues for Islamic real estate funds: jurisdictional considerations, regulation, screening, leverage, purification, foreign ownership, costs and fees
- Identifying key risk exposures of Shariah compliant real estate finance investors: liquidity, redemption, foreign exchange, Shariah

REGISTER NOW
www.REDmoneyevents.com

W: www.redmoneyevents.com | E: lorelie.panaligan@redmoneygroup.com | T: 603 2162 7800 ext. 43

Sovereign Sukuk: Southeast Asia shakes up the market

The sovereign Sukuk market in Southeast Asia saw a busy period over the last week, with the usual short-term issuers of Indonesia, Malaysia and Brunei making the rounds this time. DANIAL IDRAKI brings you the usual updates.

Indonesia

The government of Indonesia conducted an auction of sovereign Sukuk (SPN-S 08082017 and four project-based Sukuk series) on the 7th February to finance the 2017 State Budget, according to an official announcement. The indicative target for the auction is set at IDR6 trillion (US$450 million).

Malaysia

The government of Malaysia's RM500 million (US$112.9 million)-worth of Islamic treasury bills (MITB) issued on the 3rd February 2017 received 28 bids amounting to RM1.03 billion (US$232.42 million), according to an announcement on Bank Negara Malaysia's website.

Brunei

Autoriti Monetari Brunei Darussalam has, on behalf of the government of Brunei, issued its 142nd series of short-term Sukuk Ijarah for the total amount of BN$100 million (US$69.9 million), according to a statement. The 91-day facility was priced at 0.63% and will mature on the 4th May 2017. With this issuance, the Bruneian government has thus issued over BN$10.63 billion (US$7.43 billion)-worth of short-term Sukuk Ijarah securities since the maiden offering on the 6th April 2006, and the total holdings of Sukuk outstanding of the Bruneian government until the 2nd February 2017 stood at BN$513.2 million (US$358.71 million).

Upcoming sovereign Sukuk

Country	Amount	Expected date
Saudi Arabia	TBA	First quarter 2017
Morocco	TBA	First half 2017
Bahrain	TBA	First quarter 2017
Oman	US$2 billion	TBA
Iran	IRR60 trillion	2017
Nigeria	TBA	First quarter 2017
Egypt	TBA	2017
Kazakhstan	TBA	2017
Kenya	TBA	2017
South Africa	TBA	2017
Bangladesh	TBA	TBA
Hong Kong	US$500 million to US$1 billion	TBA
Ningxia Hui Autonomous Region	US$1.5 billion	TBA
Niger	XOF150 billion	TBA
Luxembourg	TBA	TBA
Tunisia	US$500 million	TBA
The UAE	TBA	TBA
Shandong Province	CNY30 billion	TBA
Sindh Province	US$200 million	TBA
Kuwait	KWD5 billion	TBA
The Maldives	TBA	TBA
Sri Lanka	US$1 billion	TBA
Germany	US$1 billion	TBA

Are you using our unique and exclusive
RESEARCH REPORT?
Islamic Finance news
RESEARCH REPORT
This excellent and easy-to-use service is available only to subscribers.
Generate personalized research reports based on your search criteria. A customized report can be easily generated to a PDF file through 8 simple steps

Shariah compliant REIT makes further inroads in the UAE

The UAE has welcomed the country's first-ever Shariah compliant residential REIT with the launch of the Residential REIT by Equitativa (AD), in partnership with Al Hamra Real Estate Development (Al Hamra) and National Bonds. The latest initiative is only the second REIT in the UAE after the launch of the Emirates REIT in 2010, the country's first regulated Shariah compliant REIT, managed by Equitativa Group. DANIAL IDRAKI reports.

The Residential REIT, incorporated in the Abu Dhabi Global Market (ADGM) and regulated by the Financial Services Regulatory Authority, has a total portfolio value of AED517 million (US$140.72 million), after securing an additional property valued at AED99 million (US$26.95 million). Al Hamra contributed 371 residential units consisting of a mix of apartments, duplexes, townhouses and villas located in Al Hamra Village, Ras Al Khaimah, while National Bonds contributed a building with 112 units made up of studio and one-bedroom apartments, collectively known as 'Barton House' located in Dubai's Motor City. The contributed properties currently have a 95% occupancy rate.

> ***"The development of Islamic REITs in the Gulf region has been picking up momentum in recent times, mainly due to the regulatory progress that is being made"***

Sylvain Vieujot, the chairman of Equitativa, noted that the time is ripe for the group to enter the residential market and launch the Residential REIT, as residential yields are attractive in the current environment and are expected to provide medium-term upside, and that there continues to be significant interest in REITs across the region from both institutional and private investors.

The Islamic REIT will distribute at least 80% of its net income to shareholders, and Equitativa expects to raise further funds to allow the fund to build up a larger portfolio in order to prepare for an IPO. The Residential REIT was launched after the grant of an exclusive Emiri decree in October 2016, which permits current and future REITs and other collective funds managed by Equitativa to invest in Ras Al Khaimah onshore real estate.

"The decree issued by His Highness Sheikh Saud, the ruler of Ras Al Khaimah, allowing Equitativa to invest in the emirate's onshore property pool, has enabled us to put our strong and high-yielding Al Hamra real estate portfolio into this REIT structure as well as open up the emirate to institutional investment," said Benoy Kurien, the general manager of Al Hamra Group, adding that the residential commercial and hospitality assets in Ras Al Khaimah continue to provide reasonable investment opportunities.

Meanwhile, Mohammed Qasim Al Ali, CEO of National Bonds, noted that REITs are a perfect structure for the company as they have many of the characteristics of its own unique savings and investments scheme. "By putting our real estate assets into a REIT structure, with a proven REIT manager, we can combine consistent asset growth with strong dividend cash returns," Mohammed affirmed.

With the development of the REIT industry in the UAE facilitating equity financing in real estate and unlocking value in the underlying real estate investments, Emirates REIT, for example, became the world's largest listed Shariah compliant REIT after going public on NASDAQ Dubai some three years ago, and is making significant progress with a AED2.8 billion (US$762.11 million) portfolio of office buildings, schools and retail assets.

The development of Islamic REITs in the Gulf region has been picking up momentum in recent times, mainly due to the regulatory progress that is being made. Besides the UAE, Bahrain's stock exchange had in May last year established new listing rules for REITs, including a minimum requirement of two properties with a combined asset value of above US$20 million, while Bahrain's first Islamic retail REIT by Eskan Bank opened up for IPO subscription at the end of last year. Over in Oman, meanwhile, the Capital Market Authority is finalizing its new draft Real Estate Investment Trust (REIT) Fund Regulation, which is benchmarked against international best practices.

Maldives: South Asia's Islamic finance beacon?

Known for its pristine beaches, blue lagoons and coral reefs, the Maldives is also making a name for itself in the Islamic finance universe. With a strong commitment from the government to position the Muslim nation of over 300,000 as a South Asian hub for Islamic finance and the Halal sector, the country has over the last few years rapidly built its Islamic finance industry. VINEETA TAN canvasses the Maldives's Islamic finance landscape.

Regulatory landscape

The Maldives has in place a basic regulatory infrastructure for Islamic finance. Regulated by the Maldives Monetary Authority (MMA) and the Capital Market Development Authority (CMDA): Shariah banking falls under Islamic Banking Regulation 2011 overseen by the MMA while the CMDA has enacted several regulations for the Islamic capital markets including for Sukuk issuance and Islamic securities screening. In 2015, a Zakat bill and regulation for Waqf were also drafted with the assistance of the IDB and the Islamic Research and Training Institute.

There are still legal gaps to be met, for example, the tropical nation lacks SPV laws as well as trust laws, posing challenges in issuing Sukuk. Nonetheless, the regulators are working on developing a comprehensive and effective regulatory framework.

Takaful

The Maldives's Islamic finance story first began in 2005 in the form of Amana Takaful Maldives which offered general insurance products. In 2011, the operator became the first Shariah compliant equity stock to be listed on the Maldives Stock Exchange. The operator is also in talks with the country's sole Islamic bank, Maldives Islamic Bank (MIB), to set up a bancaTakaful partnership.

The Takaful sector is showing promising signs of growth: in 2014, Allied Insurance Maldives — the largest local insurer — launched an Islamic window, Ayady Takaful, which has remained active. In 2017, Ayady Takaful partnered with the National Disaster Management Center to roll out a new Takaful scheme for natural disasters.

Banking and finance

There is one fully-fledged Islamic bank in the Maldives: MIB, established in 2011 in collaboration between the Islamic Corporation for the Development of the Private Sector and the Maldivian government. Islamic banking services are also extended by the Bank of Maldives — the national bank — which launched its Islamic window in 2015 and opened a dedicated Islamic banking branch in 2016. There were also talks about establishing a second fully-fledged Islamic bank; however, that has not materialized yet. Predominantly serving the retail and corporate market, MIB has plans to venture into investment banking to lead manage Sukuk. In 2012, the first-ever Islamic window of a non-banking financial institution was introduced (HDFC Amna).

The demand for Islamic financial services is significant as demonstrated by the measures taken by both banking and non-banking financial institutions to introduce such facilities: Housing Development Finance Corporation (HDFC), which launched an Islamic product in May 2016, in the third quarter of 2016 decided to convert all existing property facilities to be compliant with the Shariah by discontinuing compound interest — all new products offered will be Islamic moving forward. In the same year, hire-purchase company Litus Automobiles also converted its entire portfolio to be Shariah compliant. They follow in the footsteps of Alia Investment Maldives which became the first private firm to engage in Islamic finance when it Islamized its portfolio in 2013.

To drive up the market share of Islamic finance, the government in January 2016 set up a dedicated firm, Khazana Maldives, tasked with developing Shariah finance, as well as established the Maldives Center for Islamic Finance (MCIF) with the objective of propelling the nation as a hub for Islamic finance and the Halal industry for South Asia.

Sukuk

While relatively new in the Islamic finance scene, the Maldives has issued Sukuk: in 2013 it welcomed its first corporate Sukuk (a Mudarabah paper issued by HDFC), and the government offered the region's first Islamic treasury bill, which followed a private sovereign Sukuk Wakalah/ Mudarabah facility which used oil trading as an underlying asset. The HDFC was supposed to issue its sophomore Sukuk in 2016; however, that was postponed. To be listed on the Maldives Stock Exchange, it was planned that the MVR200 million (US$12.58 million) Sukuk Mudarabah paper would carry a tenor of 10 years. IFN understands that the Ministry of Finance is also planning a sovereign dollar-denominated Sukuk it hopes to issue in 2017.

Shariah funds

Taking a leaf out of Malaysia's book, the South Asian country wanted to also create a Lembaga Tabung Haji equivalent for the Maldives as a means to develop its Shariah mutual fund industry. The idea was met with political resistance — a Hajj-related bill was rejected by the parliament; as a result, proponents of the Hajj pilgrims fund decided to set up a state-owned enterprise instead, the Maldives Hajj Corporation, formed under a presidential decree in 2013. In 2014, the Ministry of Islamic Affairs set up a Waqf fund. The fund first invested in a real estate project, the Darul Eman Project, which has been successful with the entire building completed and rented out in 2016.

The Maldives Center for Islamic Finance is embarking on a project to combine Waqf and Islamic tourism to create a sustainable fund to alleviate poverty.

Human capital development

The Maldives is also focusing on developing its Islamic finance talent pool: in 2016, MCIF and the Islamic University of Maldives (IUM) entered into several agreements with AlHuda Center of Islamic Banking and Economics in the areas of education and research. The CMDA signed an MoU with Malaysia's International Center for Education in Islamic Finance to develop Islamic finance curricula at foundation, diploma and bachelor levels, to be available through the IUM in 2017. The MCIF, on the other hand, signed an MoU with the Women on Boards in an effort to attract more women into the Islamic finance industry by means of training and research among others.

Securitization in Islamic finance

Although one of the many effective means of raising funds is undoubtedly derived from the securitization of assets, the Islamic finance industry did not see much development in this space over the past 12 months. It is, however, worth highlighting some of the notable progress made by Islamic financial institutions in this area; DANIAL IDRAKI provides a roundup of securitization in Islamic finance in recent months.

Overview

Securitization can be defined as the process through which an issuer creates a financial instrument by combining other financial assets and then marketing different tiers of the repackaged instrument to investors, and this process can encompass any type of financial asset and promote liquidity in the marketplace.

> *There have only been a small number of Shariah compliant securitizations to date, and this is mainly due to the global economic slowdown which has affected global Sukuk issuance and securitization in general*

According to STA Law Firm, assets that may be securitized include residential mortgages, auto loans, credit card receivables, leases and utility payments and are separated into different classes of assets to include and mean asset-backed securities and mortgage-backed securities. While mortgage-backed securities are securities created from the pooling of mortgages, asset-backed securities are created from the pooling of non-mortgage assets including but not limited to, credit card receivables, student loans and auto loans.

In this regard, Islamic securitizations cannot be separated from developments in the securitization market in general terms, and this provides a huge potential for Shariah compliant transactions. However, STA Law Firm noted in a report last year that there have only been a small number of Shariah compliant securitizations to date, and this is mainly due to the global economic slowdown which has affected global Sukuk issuance and securitization in general.

Recent developments

Asia

In Malaysia, Bank of Tokyo-Mitsubishi UFJ (BTMU) obtained approval from the country's financial authorities in August 2016 to securitize auto loans under a program compliant with Shariah precepts. The Mitsubishi UFJ Financial Group unit's program, one of the largest of its kind, amounts to RM20 billion (US$4.51 billion). The first tranche of the program, worth RM900 million (US$203.14 million), is underpinned by Shariah compliant auto financing of CIMB Islamic Bank.

Separately, RAM Ratings had in May last year affirmed the 'AAA/Stable' rating on Cagamas MBS's RM2.11 billion (US$476.24 million) Sukuk Musharakah Islamic residential mortgage-backed securities (2007/2027) (CMBS 2007-1-i), on the back of CMBS 2007-1-i's available credit support in the form of a 43.91% overcollaterization ratio as at the 31st July 2015. Cagamas MBS is a limited-purpose entity incorporated for the purpose of securitizing the Malaysian government staff housing loans and government staff Islamic home-financing facilities.

Over in Indonesia, it was reported in March last year that state-backed mortgage company Sarana Multigriya Finansial, together with Bank Tabungan Negara, intend to issue IDR200 billion (US$15 million)-worth of Shariah asset-backed securities in 2016, or in early 2017.

Moving over to Pakistan, tax exemptions that were earlier only available to conventional securitization issues are now made available to Sukuk facilities by the Securities and Exchange Commission of Pakistan via amendments to the tax law.

According to a media release, the new changes have brought the cost of Sukuk issuance on par with bonds. Furthermore, on the corporate banking side, the Shariah Supervisory Board of Meezan Bank during its 29th meeting approved a ticket-based financing structure for the airline industry, which will help the bank in providing solutions to the airline industry especially when fixed assets are not available with an airline company.

In September 2016, Sri Lanka-based Lanka Orix Finance (LOFC) successfully issued a three-year LKR500 million (US$3.35 million) Sukuk Ijarah that was fully subscribed by the Bank of Ceylon as the sole investor of the facility. The first-ever domestic Sukuk Ijarah securitization transaction has opened a new window for Islamic institutions in the country to raise funds for their domestic operations.

Middle East

In July last year, the Iranian government launched the new mortgage-backed securities (MBS), a type of asset-backed security that is secured by a mortgage or collection of mortgages — the first for Iran after they were approved as being Shariah compliant by the Exchange and Securities Fiqh Council. CEO of Bank Maskan, Mohammad Hashem Botshekan, noted that the bank will offer IRR100 trillion (US$3.09 billion)-worth of MBS by the end of 2016.

In Saudi Arabia, the National Chemical Carriers Company, a unit of National Shipping Company of Saudi Arabia, entered into a Murabahah financing facility agreement worth SAR181.7 million (US$48.42 million) with Arab Petroleum Investments Corporation. The 10-year facility will be used to finance 85% of the purchase value of two chemical vessels, and is backed by guarantees represented in mortgaged vessels and a waiver of insurance policies.

AFC's Sukuk: The first from an African supranational

The Africa Finance Corporation (AFC) in January 2017 issued its maiden US$150 million Sukuk, also the highest-ever by an African entity. Speaking to the AFC and Emirates NBD Capital, one of the lead managers and bookrunners, DURGAHYENI MOHGANA SELVAM takes a closer look.

The issuance, a Murabahah structure with a three-year tenor, was a privately placed, Reg S Sukuk facility. The structure was selected on the basis of the corporation's needs.

"The structure was best suited for the corporation's funding needs," the AFC said.

> *"We expect this transaction to pave the way for a benchmark Sukuk issuance in the future"*

Though the transaction was issued for general corporate purposes, the underlying aim was to introduce the AFC to global investors and further diversify the corporation's investor base. The Nigeria-based corporation also said: "We expect this transaction to pave the way for a benchmark Sukuk issuance in the future. The AFC intends to continue engaging Sukuk-affinity investors through similar transactions in the future."

With many attractive highlights, the issuance received a healthy dose of response from investors, domestic and international alike. Approximately 63% of the investors hailed from Asia, 23% from the Middle East, 13% from Africa and the other regions making up the remaining 1%. "Strong demand from global investors and a high-quality orderbook enabled the AFC to upsize the transaction from US$100 million to US$150 million," Emirates NBD Capital said. The AFC also said that the issuance's return exceeded their expectations as it was more than twice oversubscribed.

The AFC's pilot Sukuk did not come without challenges of its own. As a newcomer to the market, the AFC had difficulties in ensuring a seamless and Shariah compliant execution. The corporation credits its team for meticulous planning and a successful transaction.

"We were guided by an excellent team of advisors who were diligent in ensuring the AFC understood the transaction structure as well as the operational mechanics involved," the corporation quipped.

The transaction opened doors for the AFC's foray into the Islamic issuance market, and brought with it many unique features that largely contributed to its immense success. It was the debut Sukuk by the AFC, the first and highest rated supranational US dollar Sukuk from the continent and the first Sukuk transaction of 2017.

"This issuance helps the AFC to not only diversify its funding base by enabling it to tap liquidity from Sukuk-affinity investors from the Middle East and Asia but also further raise its profile within these regions," both the AFC and Emirates told IFN.

Africa Finance Corporation

US$150 million

17th January 2017

Issuer	AFC Sukuk Company
Obligor	Africa Finance Corporation
Size of issue	US$150 million
Mode of issue	Private, Reg S
Purpose	General corporate purposes
Tenor	Three years
Issuance price	100%
Profit rate	Six-month USD LIBOR + 200bps
Payment	Semi-annual
Currency	US dollar
Maturity date	24th January 2020
Lead manager(s) and bookrunner(s)	Emirates NBD Capital, MUFG (B&D), Rand Merchant Bank
Governing law	English law
Legal advisor(s)/ counsel	Dentons King & Spalding
Listing	Unlisted
Underlying assets	NASDAQ Dubai certificates
Rating	'A3' by Moody's
Shariah advisor(s)	Emirates NBD
Structure	Murabahah
Tradability	Tradable at par
Investor breakdown	Asia: 63%, Middle East: 23%, Africa: 13%, Others: 1%
Face value/ minimum investment	US$200,000

To receive the latest updates on the global Islamic finance industry, register for the IFN Daily Alerts at **www.islamicfinancenews.com**

The need for more life Takaful

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

Most of us do not like to think about dying. That is probably why so many people fail to make wills. Most of us have dependants: elderly parents, unemployed spouses, young children — all of whom would suffer from the loss of family income if we died unexpectedly.

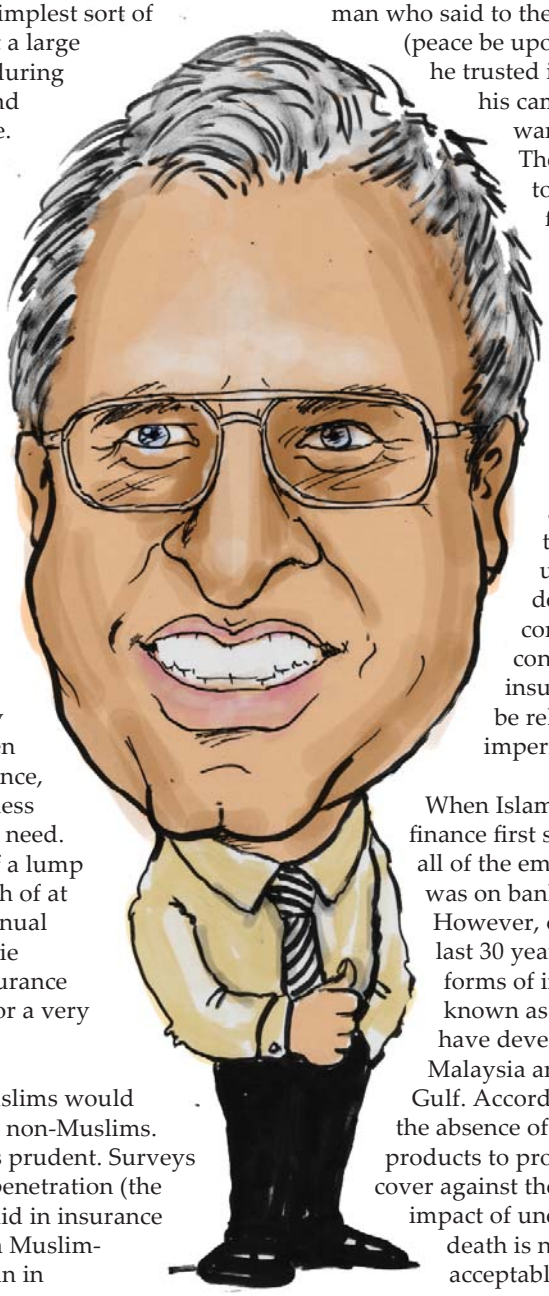
Many non-Muslims fail to buy life insurance term policies to protect against the financial impact of sudden death. These are the simplest sort of life policy, paying out a large lump sum if you die during the insurance term, and nothing if you survive. Structurally, they are just like buying fire insurance on your house, except that the term of the insurance may be 10 or 20 years instead of one year as with most fire policies.

There is a saying in the conventional insurance industry: "Life insurance is sold, not bought." That means customers only take out life policies when persuaded to do so by a salesman. Even when people buy life insurance, they often buy much less cover than they really need. I recommend cover of a lump sum payment on death of at least 20 times your annual income, since if you die unexpectedly, the insurance money needs to last for a very long time.

I would hope that Muslims would be more prudent than non-Muslims. Actually, they are less prudent. Surveys show that insurance penetration (the percentage of GDP paid in insurance premiums) is lower in Muslim-majority countries than in countries where Muslims are a minority, even when allowing for differences in per capita income between countries. (It is well established that richer people spend a higher percentage of their income on insurance than poorer people.)

What accounts for the lower penetration of life insurance among Muslims?

Part of it must be religious attitudes. Undoubtedly, some people will feel that buying life insurance indicates a lack of trust in God to protect them. They should remember the Hadith of the man who said to the Prophet (peace be upon him) that he trusted in God for his camel to not wander away. The Prophet told him to first tie his camel and then trust in God.



Other Muslims appreciate the need to cover against the risk of unexpected death but consider conventional insurance to be religiously impermissible.

When Islamic finance first started, all of the emphasis was on banking. However, over the last 30 years, Islamic forms of insurance, known as Takaful, have developed in Malaysia and the Gulf. Accordingly, the absence of available products to provide cover against the financial impact of unexpected death is no longer an acceptable excuse for Muslims in Malaysia or the Gulf to leave their dependants exposed.

> ***"Over the last 30 years, Islamic forms of insurance, known as Takaful, have developed in Malaysia and the Gulf. Accordingly, the absence of available products to provide cover against the financial impact of unexpected death is no longer an acceptable excuse for Muslims in Malaysia or the Gulf to leave their dependants exposed"***

The situation is worse in countries where Muslims are a minority. For example, in the UK there are several Islamic banks but, as far as I am aware, nobody is currently offering life Takaful. (One company offered Takaful motor policies a few years ago, but it was undercapitalized and unsuccessful in the very competitive motor insurance market.)

In my opinion, this is a market where there is a meaningful customer need which is not presently being met.

Development of sovereign Sukuk in Iran's capital market

IRAN

By Majid Pireh

In accordance with paragraph (A) of Article (1) of the regulations governing the issuance of Sukuk Ijarah, approved on the 25th January 2011, Sukuk Ijarah means the registered and transferable securities where each certificate of Sukuk Ijarah proves the joint ownership of its holder in the underlying assets of the Sukuk Ijarah issuance. With the issuance of these securities, a lessor and lessee relationship would be in place between investors and the originator.

What is important is to provide the opportunity to finance the firms by issuing such securities. Following the approval of the regulations, many private companies benefited from this financing opportunity and due to the public sector demand for financing through the issuance of Sukuk, the Shariah Board of the Securities and Exchange Organization of Iran (SEO) analyzed this matter to see if the stock could be considered as the asset for Sukuk Ijarah.

The model is as follows — the government sells its own stock assets (like the government's assets in the Telecommunication Company of Iran) and signs an Ijarah Bil Tamleek contract, so that an SPV issues the Sukuk Ijarah, pools the investors' funds and pays the stock's price to the government.

Then the government makes an Ijarah Bil Tamleek agreement with certain rentals. So, the ownership of the government's stocks goes to security holders and transfers to the SPV as the security holders' attorney.

The rentals will be paid in certain installments to the investors by the government through the annual budget and then the assets will return to the government.

After discussing the topic, the Shariah Board of the SEO resolved that:

1. As the Islamic jurisprudents unanimously introduce stocks as the joint ownership of the holder in the company's assets, the leasing of stocks is permissible and the rules or legal relation among its different bodies will be in line with the rules ratified by the Shariah Board governing the issuance of Sukuk Ijarah.

2. Assets of Sukuk Ijarah (including physical assets or stocks) should be commonly and legally leasable.

3. The basic conditions of Bai and Ijarah contracts should be explicitly defined in detail in the said contracts, including:

   a) Determining the government's joint share of stocks of the traded company which will be transferred and owned by security holders on a certain date.

   b) Foreseeing the conditions for the termination of an Ijarah Bil Tamleek contract in the case of any default by the government leading to the termination of a leasing contract in which stocks of the leasing contract could be sold and the fund could be paid to security holders.

   c) Determining the rights and benefits to stocks in the period of an Ijarah Bil Tamleek in an Ijarah contract, the whole or a part of which could be owned by the government as a condition stipulated in the contract.

By introducing 'equity-based Sukuk Ijarah', the sovereign Sukuk market finds a wider platform for development to occur in the future.

It is noted that the Iranian government used an adjusted Sukuk Ijarah structure for fundraising for the first time on the 23rd April 2016. The issuance volume reached US$165 million which was wholly subscribed in Iran Farabourse Company. While the Iranian government had previously used a Sukuk Musharakah structure to answer its financing needs, this was its first experience using an Ijarah structure for fundraising.

Majid Pireh is the Islamic finance senior expert at the Securities and Exchange Organization of Iran. He can be contacted at m.pireh@seo.ir.

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

Tentative signs in Oman of restored interest in further sovereign Sukuk issuance

OMAN

By Anthony Coleby

2017 was not three days old when word began to spread that Oman, through its specialist Sukuk issuance vehicle, Oman Sovereign Sukuk, was mulling a further sovereign Sukuk issuance by no later than the end of the second quarter. Since those initial murmurings some three weeks ago, details on the proposed offering have remained very vague but something is clearly afoot.

It is likely that any such issuance will be raised in parallel with a further tapping of the Sultanate's capital market facilities put in place back in late 2015 and the same club of banks has been asked to submit proposals as before. It is likely too that the Ministry of Finance will continue to issue project specific Government Development Bonds, which were widely used last year.

The 2016 Oman budget deficit is likely to be finalized at around OMR5 billion (US$12.94 billion) and the need for such financing remains extremely pressing. Nevertheless one does sense, as noted before, a reluctance to resort to Sukuk as a selected method. And this contrasts significantly with the original expectations widely held at the time of the 2015 debut issue.

Yet the country's credit rating (per Fitch) is now down to 'BBB' (albeit with stable outlook) (compared to 'BBa1' in July 2016) and this together with the US Federal Reserve's moves last month on US dollar interest rates must impact on the cost of utilizing the international option, which should steer the focus back to domestic fundraising.

Further, the State Council sponsored Tanfeedh (action plan) program for diversification and stimulus of the Omani economy under the 2016-20 Economic Plan has identified the introduction of a public-private partnership (PPP) initiative as a means to address the costs of the country's infrastructure commitments.

PPP, just like Sukuk structures, involve an alienation of concerned national assets for the investment or concession term as the trade-off for relief on capital costs and it may be this that in respect of Sukuk at least is staying the Government's hand; the approach taken on the PPP initiative remains to be seen, but in the current climate Oman may be left with no choice but to consider and implement quickly both of these options for funding.

Anthony Coleby is the head of the Corporate Commercial Department at Said Al Shahry Law Office. He can be contacted at ajc@saslo.com.

Islamic non-profit organization now benefiting from Cayman Islands Sukuk structures

OFFSHORE CENTERS

By Manuela Belmontes

The continued development and growth of Islamic finance has resulted in a further benefit for the Islamic world. MaplesFS, a Cayman Islands licensed trust company, and corporate administrator and share trustee to hundreds of Cayman Islands Islamic financing structures, has recently begun distributing trust proceeds from Sukuk transactions to an Islamic non-profit organization.

In a typical Sukuk structure, the issuing SPV is incorporated in an offshore jurisdiction, such as the Cayman Islands, and set up as an orphan entity, which means that its ownership and management are independent from the sponsor or obligor of the transaction. This is achieved by having the shares of the issuer SPV held by a licensed trust company (the share trustee) on trust either for charitable purposes (though the use of a charitable trust) or for the purpose of the transaction itself (through the use of a special purpose trust).

The charitable trust is the most common trust structure used to orphan SPVs in Sukuk transactions. Where this structure is implemented, mechanics are put in place to ensure that all funds and profits arising from the transaction flow to the Sukukholders and other relevant transaction parties. A small profit is retained by the issuer SPV to demonstrate corporate benefit accruing to it for entering into the transaction. At the end of the Sukuk transaction, when it is time to wind up the SPV, the profit retained by the issuer, together with the proceeds of issue of its shares, are paid out by the share trustee to beneficiaries of the charitable trust. The beneficiaries are a class of 'Qualified Charities', as defined in the declaration of trust created over the issuer's shares. At the time of distribution, the share trustee will select one or more charitable organizations falling within this class to receive the trust proceeds.

MaplesFS, share trustee to the large majority of Sukuk issuers established in the Cayman Islands, has recently recognized the Islamic Society of the Cayman Islands (ISCI) as an ultimate beneficiary of proceeds distributed under such charitable trusts. The ISCI was established to unite, organize and provide assistance to the Muslim community in the Cayman Islands. MaplesFS has arranged for payments of trust proceeds to be made to the ISCI from a number of Sukuk transactions that have recently wound up.

It is welcoming to see the benefits of Islamic finance trickling down to Islamic charitable and non-profit institutions. These distributions promote Shariah principles and offer further encouragement to those desiring financing from Islamic sources. Sukuk structures are but one example. Orphan SPVs used in other Islamic financing and/or funding structures can also benefit Islamic charities and philanthropic organisations in a similar way. This may just form one additional reason why the Cayman Islands will continue to remain a preferred domicile for SPVs in Islamic finance transactions.

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

Dis-interest free financing in Australia?

AUSTRALIA

By Christopher Aylward

Australia has a well-developed legal system, a stable banking system which has withstood the challenges facing global markets in the past decade and a financially literate and engaged population. With almost 500,000 Australian Muslims and the world's most populous Muslim nation on our doorstep, the opportunity to be a regional Islamic financing powerhouse seems a realistic goal.

This is how most articles on Islamic finance in Australia start. Essentially it is a SWOT analysis that focuses on the Strengths and Opportunities without given proper weight to the Weaknesses and Threats. My last article highlighted the causes for optimism. This article highlights what needs to be overcome.

There are some clear weaknesses that impact the growth of Islamic finance in Australia. First and possibly foremost, the Australian tax regime. As has been discussed previously, the imposition of stamp duty on transfers of property makes a number of recognized Islamic financing structures untenable with the possibility of double or triple taxation. There is also the uncertainty of the application of GST (goods and services tax) and the interplay with income tax.

However, it could be argued that a greater weakness than the tax man is apathy. Good old Australian dis-interestedness. As much as we would like to blame an unsupportive regulatory regime, the fact is, there is no obvious seething unmet demand for Shariah compliant financing or investment in Australia.

The Board of Taxation (BOT)'s report on Islamic financing invited public submissions. It is difficult to know whether we should categorize the 13 submissions received as evidence of disinterest. Board of Taxation discussion papers may not be a finger on the pulse of Australian sentiment and there have certainly been BOT reviews conducted which had elicited fewer submissions. But not many.

A further weakness is a lack of human capital. Much is written about the development of practitioners in more developed Islamic financing jurisdictions through education, training and jobs. In a neophyte jurisdiction such as Australia, Islamic finance expertise is largely imported. An internet search for a Masters degree in Islamic finance or Islamic finance law offered by an Australian university returns nothing. Not of itself a troubling phenomenon, but the fact that previously such degrees were offered (La Trobe University still has one but is not accepting new enrolments) indicates a downward trend line.

In terms of the threats to the development of Islamic finance in Australia, the nearby Muslim populations of Indonesia and Malaysia are often put in the Opportunity column. But in reality the fact they have larger demand, more supportive regulatory regimes and more practitioners means that as jurisdictions, they are a threat to Australia's regional powerhouse aspirations.

But it should not be considered all doom and gloom. While the Australian Islamic finance market is not presently booming, it is developing. Innovation is occurring. Transactions are taking place. New structures are being investigated. Market needs are being met. There may be a pervasive dis-interestedness, but if there is enough interest by those with a stake in the market, then there is growth potential. Garnering that interest and giving it strategic direction is the challenge.

Christopher Aylward is a partner of Madison Marcus Law Firm based in Sydney and head of the banking and finance division. He can be contacted on christopher.aylward@madisonmarcus.co.

Strong wave of change needed to propel Islamic finance in India

INDIA

By H Jayesh

Prior to Urjit Patel taking office as the governor of the Reserve Bank of India (RBI), former RBI governor Dr Raghuram Rajan had proposed working with the government of India (GOI) to encourage the introduction of Islamic banking (interest-free banking) in India and made some recommendations in this regard. This was primarily to tackle the financial exclusion of a vast Muslim population in India, who for religious reasons do not engage in traditional banking.

Before the RBI recommendations could even be deliberated by the GOI, the Union Finance Ministry recently stated that Islamic banking was not germane any more in attaining the objective of financial inclusion. In a written reply to the Lok Sabha, Minister of State for Finance Santosh Kumar Gangwar expressed his hesitation in this regard. He stated that the GOI has already introduced numerous programs such as the Pradhan Mantri Jan Dhan Yojna, Pradhan Mantri Suraksha Bima Yojna, Pradhan Mantri Jeevan Jyoti Bima Yojna, Pradhan Mantri Mudra Yojna and others which are open to all citizens (and not just a limited group) and successfully paved the way for financial inclusion. Further, he said that numerous legal and regulatory changes would need to be effected even if limited products were to be introduced under Islamic banking, which were not feasible.

Historically, there has been traction to enable Islamic banking and finance in India at several points in time. The Deepak Mohanty Committee, constituted by the RBI, had in its report in December 2015 suggested that banks open a separate window to offer interest-free Shariah compliant deposits and advances to address financial inclusion. It is safe to assume that the committee made this suggestion being fully aware of the GOI initiatives and programs. Further, the Sachar Committee in its report in 2005 had said that Muslims had a 7.4% share in saving deposit amounts with scheduled commercial banks against a 4.7% share in priority sector advances outstanding amounts. As per the report, besides other factors, the main reason for this loss was that Muslims were not able to access interest-free finance from banks, which in turn was putting them behind other communities from an economic standpoint.

It is estimated, as per news reports, that to date, almost 180 million Muslims in India are unable to access banking channels due to the non-availability of interest-free banking in India. While the introduction of Islamic banking in India would be a huge benefit for the Muslim community, Islamic banking and finance also has the potential to be extremely beneficial to all, irrespective of their religious beliefs, to avail of the banking facilities in India.

The advantages of Islamic banking and finance in India have been acknowledged by one and all; however, a strong wave of change is needed to propel its implementation.

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

Islamic capital markets as a source for financing needs

DEBTCAPITALMARKETS

By Imran Mufti

African Finance Corporation (AFC) has issued its maiden Sukuk: a privately placed US$150 million Sukuk Murabahah which will mature on the 24th January 2020.

Moody's awarded the Sukuk an 'A3' senior unsecured rating, making it the highest rated Sukuk ever issued by an African institution. The Sukuk generated high levels of investor interest and the initial US$100 million was more than twice oversubscribed, resulting in its eventual upsizing.

AFC has previously explored other Islamic finance options, having accepted US$50 million from the IDB in 2015 to finance Shariah compliant projects in African IDB member countries. CEO Andrew Alli highlighted the attraction of Islamic finance's particular combination of ethical and economic benefits in his comments on the transaction, stating that "the need to invest ethically in assets that have a tangible positive social impact… made a Sukuk issuance a natural choice for us".

The ongoing challenges of a depressed oil price have seen GCC entities turn to the capital markets as an alternative source of funds. Saudi Arabia's record-breaking debut conventional bond issuance has prompted intense speculation about its promised Sukuk issuance this year, with some sources reporting that a Shariah compliant issuance could reach the market as early as February. A Sukuk issuance from Bahrain is expected in the first quarter of 2017.

GCC corporates are also looking to Islamic capital markets. Investment Corporation of Dubai (ICD) issued a 10-year Sukuk Ijarah worth US$1 billion this month, with an orderbook that reportedly exceeded US$3.1 billion. ICD had initially planned to divide the issuance equally between conventional bonds and Sukuk, but strong investor interest led it to choose a purely Shariah compliant issuance.

In addition, Dubai Islamic Bank has reportedly asked banks to submit their proposals for a US dollar denominated Sukuk which is expected to exceed US$500 million. In Qatar, Masraf Al Rayan recently mandated banks for a similar US$500 million issuance, and Jabal Omar, the Saudi real estate development company, has indicated that it will tap the Sukuk market this year.

Indonesia has also reiterated its commitment to Islamic financing. Not only is it planning a possible global Sukuk sale in March of this year, but the Indonesian National Development Board is considering establishing a Shariah economic zone in Jakarta. This would service an Islamic finance client base that now exceeds 40 million people.

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

Fintech and Shariah governance

SHARIAH & CORPORATE GOVERNANCE

By Prof Dr Mohamad Akram Laldin

Financial technology (fintech) is a new way of applying technology within the financial industry in a more responsive and efficient manner. The widespread adoption of fintech in the finance industry covers a wide range of activities including financing, payments, operational risk management, data security and monetization, and customer interface.

The emergence of fintech and its widespread application in various financial services has triggered the following concerns: Are there issues of Shariah compliance in fintech application? How can fintech be regulated continuously to ensure Shariah compliance (and consistency of legal opinions), especially when the technology keeps changing coupled with the challenges in the current application of Islamic financial structures and contracts?

In order to address these concerns, it is important to note that, in general, Shariah principle with regards to a business transaction (Muamalat) is govern by the notion that every transaction is permissible (Ibādah), except when there is a clear text which prohibits it. The permissible principle provides flexibility in innovation and new practices in business and financial transactions. All innovations in Muamalat, are considered as permissible and welcomed. In this regard, innovations in fintech become impermissible only if there is clear evidence that they are in conflict (against) the basic rules of the Shariah.

Therefore, fintech application and practices, as in traditional Islamic finance, should follow the principles of the Shariah by avoiding the prohibited elements in the transactions such as interest (Riba), gambling (Maysir), uncertainty (Gharar), harms (Darar), cheating (Tadlis), etc. It must be transparent with no hidden cost, irresponsible or unethical financing.

Likewise, the practice of transactions in fintech application should follow the rules of contract (Aqd) used in the transaction by observing the pillars (Rukn) and conditions (Shart) in the contract. In addition, fintech application should aim at achieving the objectives of the Shariah (Maqāsid Al Shariah), namely to realize the benefits (Maslahah) and to avoid the harms and difficulties (Mafsadah and Mashaqqah).

Nevertheless, the existing Shariah governance framework does not address fintech and how to supervise its Shariah compliance. Moving forward, the issue of Shariah compliance in fintech operations and practices should be taken into consideration by the regulators or authorities so that Muslim consumers are not sceptical and have confidence in the services provided.

IFN Sector Correspondents

CROWDFUNDING: Craig Moore
CEO, Beehive

DEBT CAPITAL MARKETS: Imran Mufti
Partner, Hogan Lovells

FAMILY OFFICES: Stephen Cutts
Head of family office, ADIB private office

FINANCIAL INSTITUTION & CORPORATE SUKUK: Rizwan H Kanji
Partner, King & Spalding

LAW (EUROPE): Shakeel Adli
Partner, head of Islamic finance, CMS

LEGAL FRAMEWORKS: Dr Hurriyah El Islamy
Islamic finance expert, IMF

MERGERS & ACQUISITIONS: Burak Gencoglu
Senior attorney, GSG Attorneys at Law

MICROFINANCE: Mohammed R Kroessin
Head of Islamic microfinance, Islamic Relief

PRIVATE EQUITY & VENTURE CAPITAL: Osama Audi
Member, King & Spalding's Middle East & Islamic Finance and Investments practice group

REAL ESTATE: Philip Churchill
Founder partner, 90 North Real Estate Partners

RISK MANAGEMENT: Ken Baldwin
Lecturer in finance, Coventry University

SHARIAH & CORPORATE GOVERNANCE: Prof Dr Mohamad Akram Laldin
Executive director, International Shariah Research Academy for Islamic Finance

SOVEREIGN SUKUK: Hamed Afzal
Partner, King & Spalding

TAKAFUL & RE-TAKAFUL (ASIA): Marcel Omar Papp
Head of Retakaful, Swiss Re Retakaful

TAKAFUL & RE-TAKAFUL (EUROPE): Ezzedine Ghlamallah
Director, Solutions Insurance and Islamic Finance (SAAFI)

TAKAFUL & RE-TAKAFUL (MIDDLE EAST): Dr Sutan Emir Hidayat
Assistant professor, head of Business Administration and Humanities Department, University College of Bahrain

TREASURY PRODUCTS: Aadil Nastar
Treasurer, Qinvest

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

Therefore, the regulatory framework in addressing consumer protection and market conduct issues as well as the technological impact on the orderly functioning of financial markets that promotes Maşlahah to the general public as desired by the Shariah must be there. A firm that operates within the framework must also commit to observing reasonable standards of service, transparency to customers, appropriate funding and reporting requirements.

A proper Shariah governance framework would also ensure the operations of fintech are in total compliance with the Shariah to minimize Shariah non-compliance risk to firms who utilize fintech and reduce dispute and conflict.

Prof Dr Mohamad Akram Laldin is the executive director of the International Shariah Research Academy for Islamic Finance. He can be contacted at akram@isra.my.

Formalizing finance from friends and family

CROWDFUNDING

By Craig Moore

It's well documented that SMEs can encounter challenges when it comes to finding finance to grow their business. Clearly there is the conventional finance route, such as a bank, or potentially less advisable routes such as credit card finance or even remortgaging. In many cases, business owners have turned to sources closer to home, namely, their friends, colleagues and family.

There are numerous reasons why borrowing from friends and family is a popular and accessible means of obtaining business finance. One of the biggest advantages is that the business owner is borrowing from people they know, who have a vested interest in your business, and who they are likely to negotiate a good deal, with agreeable profit rates and favorable repayment terms.

But one of the biggest challenges of relying on friends and family is the risk of straining or even losing those relationships, either through disagreement, lack of clarity or if things don't work out as planned. Close friends and family may feel awkward having difficult discussions or asking probing questions regarding the status of their investment, or seeking recompense if monies are not repaid on time. Issues may also arise if a party who has provided finance suddenly requires their money to be paid back for personal reasons. Very often such agreements are not created with contingency planning in mind and therefore can create tensions should such a need arise. Other issues that can occur include the right of the finance provider to input into business decisions as part of their finance agreement, which could leave a business owner frustrated by unwanted interference.

While there are advantages, there can also be considerable challenges that reduce the attractiveness of using friends and family as a financial source. But thanks to new forms of alternative finance, a structured framework can be used to alleviate many potential issues. Islamic crowdfunding and peer-to-peer (P2P) finance platforms formalize the borrowing agreement between the two parties and enable business owners and family/friends or even colleagues to enjoy a mutually beneficial agreement, without the challenges it may entail.

Islamic crowdfunding provides a way for friends or family of business owners to invest their capital into businesses they care about, that adhere to their personal investment principles, while at the same time receiving a good return on their money. They can also be confident that the business has been credit checked, the appropriate due diligence has been undertaken and the agreement is based on official terms. Altogether it can ensure the finance provision process is cleaner, faster and simplified, with payments transferred directly to investors without hassle or personal confrontations.

Islamic crowdfunding can be a great way to harness the financial power of friends, family and wider network to support your business growth, while keeping your personal relationships fully intact.

Craig Moore is the founder and CEO of Beehive. He can be contacted at craig@beehive.ae.

Fundamental issues in family offices

FAMILY OFFICES

By Stephen Cutts

An issue that Islamic family offices are attempting to manage is what exactly does it take to become an Islamic family office. Each family makes its own decision on what the answer should be and ultimately, there are no externally imposed standards.

However, there are some fundamental issues that the family will need to consider. The first issue is the structure of the succession and asset-holding entities. This is perhaps the easiest matter to decide. The holding entity may be a foundation, trust or limited liability company depending on the location of the assets or operations. It is relatively straightforward to ensure that the corporate structure is signed off by the Shariah board and that documents and beneficiaries are in accordance with best Islamic practice.

The second matter concerns the assets held in the family structures. Islamic assets are a growing but still small percentage of conventional assets globally. The dilemma is that increased diversity, both geographically and in asset classes, can only really be obtained by investing in conventional assets.

> ***"The dilemma is that increased diversity can only really be obtained by investing in conventional assets"***

Another major issue is the conduct of the operations and management of the structures. Islamic family offices will attempt to obtain financing, for example, on a Shariah basis. But this is not always possible especially in jurisdictions where tax laws do not yet put Shariah financing on an equal tax footing.

The answer is often to acknowledge that issues exist and agree on the parameters of investment and activities that the family group is prepared to undertake. As Islamic structures, assets and financing become more prevalent, so this task will inevitably become easier to manage.

Stephen F Cutts is a family office advisor advising on the setup, management and administration of conventional and Islamic private family offices. He is a UK qualified accountant and tax consultant. He can be contacted at stephen.cutts@consultant.com.

Islamic finance: More inroads into Canada and the latest technology

It might sound hard to believe, but there are some other things going on in the US beyond the change of administration that are grabbing the attention of Islamic finance professionals. It's been an interesting year and there have been some excellent trends that bode well for the future of Ijarah and Shariah compliant residential and commercial financings in North America and beyond so far. SHOEB SHARIEFF writes.

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

One of the more noteworthy moves came recently with the announcement of a residential partnership that's offering Islamic financing in Morocco. Of course, this is more than just an isolated incident and if you're still questioning that, consider this fact – according to Islamic finance.com, the market size for Islamic financing will be worth approximately US$3.4 trillion by the end of next year.

What's important here is the fact that the growth that started back in 2007 at US$600 billion is now rapidly moving beyond Muslim-majority countries.

Muslim immigration

The recent move involves the Guidance financial group with the end result being an Islamic bank in the Kingdom of Morocco; it's another trend that's developing in addition to the western world's financial institutions that are catching up to years of Muslim immigration and the desire to have Shariah compliant banking available. It is also worth noting that there are other financial institutions interested in the spread of Islamic financing in the Morocco deal. In fact, several subsidiaries of French banks have expressed interest as well as Emirates NBD, Dubai's largest bank and Masraf Al Rayan, the second-largest lender in Qatar.

Here are some further concrete examples of how this trend is developing in North America. As recently as last year, the Toronto Financial Services Alliance released a report on Islamic financing in Canada.

Arif Z Lalani is Canada's special envoy to the Organization of Islamic Cooperation and he is very clear about how Islamic financing has become part of the fabric of Canada's financial industry toolbox. For example, the Toronto Stock Exchange launched the Shariah Index back in 2009. According to reports from Statistics Canada, the Muslim population is the fastest-growing in that country, exceeding other religions and even those North Americans living in Canada who say they have no religion.

> ***"What's important here is the fact that the growth that started back in 2007 at US$600 billion is now rapidly moving beyond Muslim-majority countries"***

Understanding trends

Understanding these trends is one of the keys to success in Islamic financing. Understanding the opportunity in Canada means considering this country is ranked 41st in the State of the Global Islamic Economy report for 2015/2016 and was actually ahead of other countries like Germany at 47th and even the US that ranked 48th.

Turning our attention back to the US, it's impossible to ignore the expanding influence of Shariah financing when one considers the numbers and trends of research and reports from some of the biggest US accounting/consulting companies like PwC.

When one considers a recent title, 'Islamic Finance Creating Value', it's easy to see how Shariah financing has dug a permanent place for itself in the US financial landscape. The research paper projects global Islamic finance assets at US$2.67 trillion by this year and duly notes that the Dow Jones Islamic Market Indices were launched in 1999.

New technology

Of course, any discussion on the spread of Islamic financing, whether it's in more traditional markets or the western world, should involve the use of new technology.

Because the nature of Shariah law prohibits interest and speculation, many of the available banking technologies could not be used by those looking for any kind of Shariah compliant product. Now, innovative products in the Islamic sector are breaking down the technological barrier that existed between Islamic and more conventional banks and providing a direct pipeline to new clients in the west and more traditional markets.

A cloud-based platform

There are quite a few entities worth mentioning here including the Malaysian banking consortium that's actually gone to the innovative heights of putting together an online investment account platform. Temenos is another name that warrants attention because they have fashioned a cloud-based tool that works within the boundaries of Shariah compliance. Recent innovations in the US corporate and banking sector have started to adopt the same technology in a widespread manner.

Once again, IjaraCDC.com has taken up the mantle in the technology sector. After careful consideration and research, IjaraCDC.com has adopted a mobile application that's free and is available in a variety of different languages including English, French and Arabic.

Islamic finance in Spain – facts and perspectives

In Spain, no relevant transactions have been carried out under Shariah yet. However, there are clear indications that the situation will change in a not-too-distant future. JOSE ANTONIO RODRÍGUEZ explores.

Jose Antonio Rodríguez is a partner at Marimon Abogados. He can be contacted at jarodriguez@marimon-abogados.com.

Several reasons explain the reluctance of the Spanish market to structure transactions under Shariah compliant conditions. Some have been temporary, such as the impact of the crisis and the reduction in the number and size of transactions. The Spanish economy is now in a clear recovery, with a GDP growth higher than 3% in 2016. Other reasons that make it difficult for the construction of certain schemes, mainly in Sukuk issuances, are structural, such as double taxation problems (partly solved in other European jurisdictions – the UK and Luxembourg), or the lack of a figure similar to a trust.

However, there is an undeniable interest in the market for the structuring of operations through Islamic finance. This interest has resulted in multiple initiatives of different kinds. In May 2016, the Bank of Spain and the IFSB sponsored a meeting in Madrid, in which the governor of the national bank declared the necessity of working to develop a legal environment to make possible competitive Shariah compliant transactions in Spain. On the other hand, a number of forums have been set up to study and discuss the possibility of adapting traditional Shariah compliant schemes to Spanish law, avoiding, as much as possible, the higher tax, registration and other costs that may arise from this.

As a lawyer specialized in finance and private equity, I have been working in recent years on this adaptation task. The conclusion is that at present it is possible to structure various types of transactions in Spain as Shariah compliant without incurring higher costs than the commonly used structures. Examples could be the investment in real estate, or the participation in companies through special private equity vehicles (venture capital funds/venture capital companies). Different elements, such as the flexibility of the Spanish Corporate Law or the existence of contractual schemes similar to those of Islamic finance (for example, the Participative Accounts Agreement – Contrato de Cuentas en Participacion and Mudarabah), make possible such adaptations.

In this sense, Spain is shown as a particularly attractive market for the investor outside the EU, considering that it is one of the countries with a high number of double taxation treaties signed (more than 90), among them with the majority of countries of the Gulf area. Together with this, the existence of entities with an advantageous special tax regime, such as foreign securities holding companies (ETVEs) or listed corporations for real estate investments (the Spanish REITs), makes Spain a highly tax-efficient market, both for investments in the country and to serve as a bridge in investments in third countries (especially the EU and Latin America).

One of the economic sectors most likely to give way in the short/medium term to Shariah compliant transactions is that of renewable energy. In December 2016, the Spanish Ministry of Energy announced an upcoming tender for the construction of new renewable energy-generation facilities for a total of 3,000 MW. These facilities will receive, in addition to the price for selling the electricity in the market (which at present is one of the highest in the last three years, with record consumption figures), a premium that will be determined in the tender process. This contest has aroused much interest in funds from the Gulf area, which in some cases are hoped to seek to finance construction under Shariah compliant structures. In this sense, as previously said, Spanish law could allow the adaption of different formulas of Islamic finance to this type of investment.

Other circumstances of diverse nature are opening the way in Spain for the implementation of Shariah compliant structures, thus leading to the increasing Muslim population with a rising awareness of Islamic finance: for example, very recently an association that mainly groups immigrants from Maghreb has executed an agreement with a Spanish insurer to offer to its associates insurance of death with a Takaful structure behind it. Another case is that of those Spanish companies working in infrastructure projects in the Gulf area within recent years which, because of this, have had a first contact with Islamic finance, or the Spanish banks looking to joint syndicated financings in such projects, which are facing for the first time Shariah compliant structures. Another example is a lawsuit which has been filed recently based – for the first time in Spain – on the violation of the express will of the plaintiff to be submitted to Shariah.

For all of the aforementioned cases, I am convinced that Islamic finance will cease to be the object of a mere theoretical approach in Spain, and will be applied soon in practice.

Securitization – the Shirkat Ul Adq-based equity participation product

One of the main objectives of introducing Islamic banking and finance in the current global economic system is to fill the gaps in the capitalism economic model. In this article, ASIM HAMEED aims to identify how to structure our products in the existing economic environment to produce a positive impact on the development of society and discusses the Shirkat Ul Adq-based equity participation product to give food for thought to global Islamic financial institutions that this product can be offered to customers from most financial windows.

***Asim Hameed** is the manager of Shariah compliance and secretary to the Shariah board at Summit Bank's Islamic Banking Division. The mentioned structure may raise certain questions during implementation in Islamic financial institutions, therefore he can be contacted for further clarification on the structure at asim.hameedkhan@gmail.com.*

There are two main targets of the capitalism model:

1) **Setting standards for the economic system, ie social economic objectives like growth, employment, stability of economy, distribution of wealth and such.**
2) **The analytical study of theoretical standards like the distribution of scarce resources and the realization of efficiency and equity allocation.**

In spite of theoretical development, the economic goals have not been achieved perhaps because of disharmony between the goals and the mechanism. Globally, economists, bankers, policymakers, educationalists and such are taking an interest in reviewing the flaws in the economic model, like during the annual meeting of the World Economic Forum in 2010. Globally, it is recognized by economists that the Islamic economic system is capable of filling the current gaps because this system recognizes the human values and humanitarian goals and is cohesive with economic objectives.

The setting-up of Islamic financial institutions is the first drive toward attaining the broad mission. What is expected from current Islamic banks is more than what Islamic banks are capable of and we need to keep in mind that current Islamic banks are working under the same capitalism economy model.

> ***"Ideally, Sukuk can also be structured based on this Shirkat Ul Adq contract where the facility will help Islamic banks manage their liquidity issues"***

Most of the products introduced by Islamic banks such as Murabahah, Musawwamah, Istisnah, diminishing Musharakah, etc, are actually not equity-based products which ultimately create debt on the customer. Debt-based products for financing facilities may not develop the economic cycle. There is a need to work on equity-based products that encourage people to work more and more to generate economic activities by sharing pure risks and rewards.

One of the equity-based products introduced recently by Islamic banks, particularly in Pakistan, is the Shirkat Ul Adq-based product.

Product concept

The literal meaning of Shirkat is partnership. And Shirkat has two common types: Shirkat Ul Milk (joint ownership in specific asset(s) without the intention of gaining profits from it) and Shirkat Adq (joint ownership in specific business with the intention of the generation of profits). Shirkat Ul Aqd essentially is a joint enterprise formed for conducting some business in which all partners share profits according to the specific ratio while losses are shared according to the ratio of the contribution.

In Shirkat Ul Aqd, there is another type of contract known as Shirkat Ul Inan that is a partnership between two or more parties whereby each partner contributes a specific amount of money in a manner where each has a right to deal in the assets of the company. This Shariah contract can be applied as an alternative to conventional overdraft financing facilities, term financing, project financing, crowd financing and such. We will discuss how this product can be applied in the operation of a finance facility for corporate entities.

Case study

The JJ Company (JJ Co) is a manufacturer of stylish clothing and an exporter of denim fabric. JJ Co has a separate line of operations for denim and delaine fabric and uses segment reporting to prepare accounts. JJ Co has working capital requirements to meet day-to-day operations and requires funds to purchase raw materials, make payments to vendors and suppliers, pay wages to labor and make payments for utility bills and to other contractors, as and when they are due.

The CFO of JJ Co assessed that US$2.5 million is required in each quarter meaning a total of US$10 million per annum. The company is the prime owner of all factories (not on rent) across the country worth US$1 billion, excluding illiquid assets worth US$600 million with a mix of charges over them from different financial institutions but the company can obtain a no-objection certificate from charge holders up to US$400 million. The total debt to equity ratio is 50% which means that the company has reasonable security to offer in obtaining a new financing facility.

The CFO of JJ Co has ACCA and Islamic finance professional qualifications in addition to attending seminars and conferences on Islamic banking and

Continued

finance. As such, the CFO requests for a product which should not be debt-based so that Islamic banks can be a partner in the profit and loss of the company. Accordingly, the CFO approached Pakistan Islamic Bank (PIB) to assist in the working capital financing facility through Shariah compliant equity participation contracts.

However, products like Murabahah, Istisnah and Musawwamah introduced by PIB were not in line with the CFO's requirements as he needed flexibility in the fund's disbursement process and utilization. Murabahah can be used for the purchase of raw material while the Istisnah contract fits certain needs but has limitations. After further deliberation with PIB, finally the Shirkat Ul Inan-based contract appeared and the CFO was excited to adopt this product.

> ***"Sukuk can be a marketable security; however, for trading purposes, such Sukuk can only be tradable if it can be ensured that the illiquid assets will not be less than 20% of the total Musharakah assets, for Shariah compliance purposes"***

Product structure

1. PIB will participate with funds in the one dedicated line of business operations that will be delaine fabric. PIB will not be a partner in the overall balance sheet of JJ Co.

2. The valuation of business assets of the delaine fabric segment of JJ Co will be made and it will be the participation money from JJ Co. As per Shariah, the valuation may determine a reasonable value of the assets on the following basis: (a) by the book value of assets as reported in the last audited balance sheet, (b) by the market value of the assets as assessed by the approved evaluator and (c) by the mutual consent of PIB.

3. PIB and JJ Co will enter into a Musharakah agreement and PIB will assign the Musharakah limit where JJ Co will be able to draw funds up to the approved maximum limit. JJ Co will utilize the funds as per the day-to-day requirement of the business. The drawdown from time to time under the facility will be PIB's investment in Musharakah. JJ Co's investment will be calculated through an agreed formula as elaborated in the following.

4. Each Musharakah period will begin upon the first disbursement and end at the calendar quarter date.

5. A desired profit rate will be determined at the start.

6. The profit-sharing will be on a pro rata basis up to the profit ceiling amount and above the profit ceiling, the profit will be shared in the nominal ratio. These shares will be determined prior to disbursement.

7. The provisional profit during the Musharakah period will be booked into the system of PIB.

8. On the completion of every quarter, JJ Co will provide audited financials and based on the audited financials, the actual profit/loss will be distributed. In the case of a profit, the same will be distributed as per the agreed ratio and in the case of a loss, the same will be borne as per the ratio of investment.

9. For the calculation of the gross profit for distribution, the following expenses shall be excluded from the gross profit amount before profit disbursement such as salaries and allowances, labor wages, transportation expenses, depreciation and bad debts.

10. At the start of every quarter, the principal outstanding will be considered PIB's equity in the Musharakah business.

11. The same procedure will be followed every quarter until the end of the facility's tenor.

Note: There are certain formulas for calculating the adjusted cost of goods sold, the actual total average Musharakah investment, PIB's share in Musharakah investment, the actual profit ceiling and the actual profit.

If one Islamic bank cannot fund the company due to the financing size, a syndicated financing facility can be offered by pooling together a few Islamic financial institutions.

Ideally, Sukuk can also be structured based on this Shirkat Ul Adq contract where the facility will help Islamic banks manage their liquidity issues. The funds can also be raised through a public offering as well where it will assist the public to earn Halal returns while avoiding conventional interest-bearing instruments; moreover, offering such Sukuk to the public will ultimately generate awareness among the masses of Shariah compliance structuring which is highly desirable in order to eliminate Riba from the economy.

Sukuk can be a marketable security; however, for trading purposes, such Sukuk can only be tradable if it can be ensured that the illiquid assets will not be less than 20% of the total Musharakah assets, for Shariah compliance purposes.

Increasing the domestic market of securitization products through retail Sukuk

The value of global Sukuk issuance in 2015 reached US$60.7 billion, where 34.4% or the equivalent of US$20.9 billion comes from the issuance of international Sukuk. The remaining 65.6% or the equivalent of US$39.8 billion was supported by the domestic Sukuk market. IRWAN ABDALLOH delves further.

Irwan Abdalloh is the head of Islamic capital market development at the Indonesia Stock Exchange. He can be contacted at irwan.abdalloh@idx.co.id.

According to the International Islamic Finance Market (IIFM) Sukuk Report (5th edition), the global Sukuk market decreased significantly for the last three years. The climax of it was in 2015 where the global Sukuk market had a negative growth of 43%, the worst since the financial crisis in 2008. The major reason was because of the growth of the domestic Sukuk market which was negative 51% while the international Sukuk market decreased 21% from the previous year.

When the issuance value of international and domestic Sukuk decreased, Indonesia steadily increased in both. In fact, the government of Indonesia issued the biggest value of domestic Sukuk in the global Sukuk market, US$2 billion, in 2015.

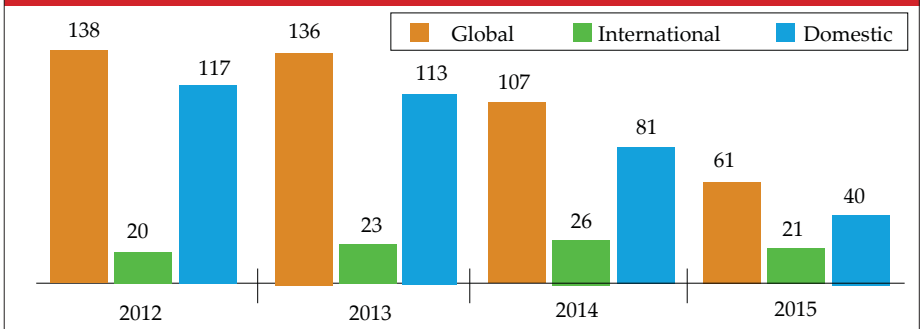
What are the key success factors in increasing the Sukuk market in Indonesia?

A brief of Indonesia's Sukuk market

The Sukuk market of Indonesia is dominated by government Sukuk. In terms of outstanding value, the market share of government Sukuk is almost 97% on average. In 2016, the value of Sukuk issuance by the government of Indonesia was US$7.4 billion.

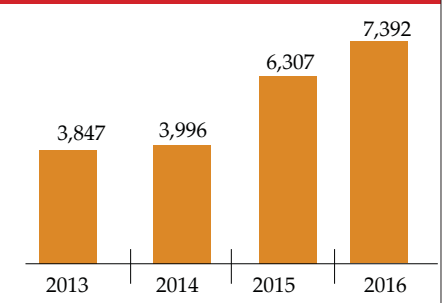
For the last three years, the Indonesian Sukuk market increased consistently both in terms of outstanding and new issuances. The positive growth of the Indonesian Sukuk market is driven by the government as it commits to financing infrastructure development using Sukuk. All schemes used by the government of Indonesia are almost always project-based Sukuk (Ijarah asset(s) to be leased).

Chart 1: Global Sukuk market issuance



Source: IIFM Sukuk report, 5th edition (US$ billion)

Chart 2: Government Sukuk issuance of Indonesia (in US$ million)



Source: Indonesia's Ministry of Finance

In 2015, the value of Indonesia's government Sukuk issuance was US$6.3 billion which increased significantly about 58% compared with the previous year's US$4 billion. And the increase continued into 2016, where the value of Sukuk issuance in 2016 was US$7.4 billion or an increase of 17% compared with 2015.

New regulations for Islamic-based securitization

Besides increasing Sukuk as the tool of financing for infrastructure development, the government of Indonesia issued new regulations for the Islamic capital market to support domestic Islamic-based asset securitization. All new regulations were issued in 2015 and tailored to market needs, namely Finance Services Authority rule (POJK) no. 18/2015 about Sukuk issuance by corporations; POJK no. 19/2015 regarding Islamic mutual funds; and POJK no. 20/2015 about the issuance of Islamic asset-based securities. All regulations help to stimulate the market to increase the use of asset securitization products as an alternative scheme for corporate financing.

One of the biggest obstacles in issuing Sukuk is the value per unit which is unreachable by retail investors. It becomes a main problem in developing the Sukuk market because Indonesia has one of the biggest populations in the world.

Retail Sukuk: Increasing the retail investors

Indonesia, with the biggest Muslim population in the world, has a huge potential market for Islamic-based securitization products, not only on the demand side, but also on the supply side. Besides the huge number of potential retail investors, Indonesia is currently aggressively developing various sectors, including infrastructure and property. It means Indonesia needs a lot funds to finance the projects.

On the other hand, Indonesia is geographically challenged in expanding the Sukuk market. The population is spread out in many islands. In addition, according to the World Bank, Indonesia is categorized as a lower-middle income country with a GDP per capita of about

Continued

US$3,475.25. To help remove the barriers, Indonesia has created some investment products for retail investors, namely retail Sukuk, Sukuk-based mutual funds and savings Sukuk.

The government of Indonesia has issued eight series of retail Sukuk with a total value of US$8.55 billion. The first series (SR-001) was issued in 2009 and the latest (SR-008) in 2016. The market demand has always exceeded the issuance value.

The main characteristic of retail Sukuk is the small amount per unit. The minimum amount that can be bought by investors is IDR5 million (US$375) per unit and the maximum is IDR5 billion (US$375,001). Investors cannot sell the Sukuk unit for a certain period. On the average, the maturity period of retail Sukuk is three years with a return of about 1% above the deposit interest rate.

In 2016, the government of Indonesia launched savings Sukuk (ST-001), a new product of retail Sukuk. The issuance value was US$182.55 million with a two-year tenor. Unlike retail Sukuk, the minimum amount of savings Sukuk per unit is only IDR2 million (US$150). Investors must hold the unit until maturity because this product is non-tradable.

Although retail Sukuk and savings Sukuk are for retail investors, both have different Aqd. Retail Sukuk use Aqd Ijarah to be leased while savings Sukuk use Aqd Wakalah.

Conclusion

What has been done by the Indonesian government to issue retail Sukuk as investment products for retail investors is a brilliant breakthrough to increase the market share of Sukuk. Besides expanding the product affordability to increase the market share, it can decrease the systemic risk of the Sukuk market in Indonesia. The retail Sukuk can increase public participation in financing infrastructure development.

While the market share of Malaysia in the global Sukuk market continues to decline about 50% in 2015, the market share of Indonesia increased significantly. In 2014, the market share of Indonesia in the global market was 6% which then increased sharply to 13.2% in 2015.

REDmoney seminars

www.REDmoneyevents.com

REDMONEY SEMINAR CALENDAR 2017

REDmoney seminars offer high-level, practitioner-led events on technical and strategic aspects of international finance to regulators, issuers, consultants and intermediaries. Leveraging on our highly regarded forums and training courses, REDmoney seminars provide a forum for quality discussion and information gathering in a small group setting, allowing delegates to interact with our experienced industry speakers in a format that will provide comprehensive knowledge on the very latest issues and trends.

Legal, Documentation & Risk Issues for Islamic Treasury & Hedging Products
22nd February, Kuala Lumpur

Latest Developments in Risk Management, Basel III & Capital Adequacy for Banks
23rd February, Kuala Lumpur

Islamic Real Estate Finance & Investment
24th March, London

Shariah Requirements for Islamic Financial Products: Ijarah, Istisnah & Waad
27th March, Kuala Lumpur

Social, Ethical & Impact Investing & Islamic Finance
12th April, Kuala Lumpur

Legal, Documentation & Shariah Risk in Islamic Banking & Finance
13th April, Kuala Lumpur

Financial Technology for Islamic Banks
26th April, Kuala Lumpur

Latest Issues in Regulation for Islamic Financial Institutions
8th May, Kuala Lumpur

Updates on Asset & Liability Management for Islamic Financial Institutions
9th May, Kuala Lumpur

Latest Developments and Structures in Sukuk & Islamic Capital Markets
10th May, Kuala Lumpur

Shariah Requirements for Islamic Financial Products: Hibah, Wadiah, Qard, Wakalah & Kafalah
17th May, Kuala Lumpur

Shariah Audit & Shariah Non-Compliance Reporting for Islamic Financial Institutions
19th July, Kuala Lumpur

Financial Technology & Innovation for Islamic Financial Institutions
26th July, Kuala Lumpur

Issues in Financial Technology for Islamic Financial Institutions
26th July, Jakarta

Zakat & Waqf Based Financial Products & Innovations
9th August, Kuala Lumpur

Shariah Governance Framework for Islamic Financial Institutions: Review 2017
16th August, Kuala Lumpur

Tel: **+603 2162 7800**
Email: **seminars@redmoneygroup.com**

DEALS

Indonesia auctions Sukuk

INDONESIA: The government of Indonesia has conducted an auction of sovereign Sukuk (SPN-S 08082017 and four project-based Sukuk series) on the 7th February to finance the 2017 State Budget, according to an official announcement. The indicative target for the auction was set at IDR6 trillion (US$450 million).

STSSB issues ICPs

MALAYSIA: Sunway Treasury Sukuk (STSSB) has issued RM150 million (US$33.84 million)-worth of Islamic commercial papers (ICPs) on the 3rd February 2017, according to an announcement on Bank Negara Malaysia's website. The 'MARC-1IS'-rated facility, which matures on the 6th March 2017, is STSSB's 180th ICP series.

In a separate announcement, STSSB will also issue RM100 million (US$22.57 million)-worth of ICPs on the 10th February. The 'MARC-1IS'-rated facility, which matures on the 13th March 2017, is STSSB's 182nd ICP series.

Brunei issues Sukuk Ijarah

BRUNEI: Autoriti Monetari Brunei Darussalam has, on behalf of the government of Brunei, issued its 142nd series of short-term Sukuk Ijarah for the total amount of BN$100 million (US$69.9 million), according to a statement. The 91-day facility was priced at 0.63% and will mature on the 4th May 2017.

With this issuance, the Bruneian government has thus issued over BN$10.63 billion (US$7.43 billion)-worth of short-term Sukuk Ijarah securities since the maiden offering on the 6th April 2006, and the total holdings of Sukuk outstanding of the Bruneian government until the 2nd February 2017 stood at BN$513.2 million (US$358.71 million).

EQUATE to issue Sukuk

KUWAIT: EQUATE Petrochemical is all set to issue a US$750 million seven-year Sukuk facility early in the week of the 13th February 2017, according to Reuters quoting unnamed sources. The issuance, part of a US$2 billion Sukuk program, will have Citibank, HSBC, JPMorgan, KFH Capital and NBK Capital as global coordinators and bookrunners; and Mizuho, MUFG, National Bank of Abu Dhabi and SMBC Nikko joining as joint bookrunners.

The proceeds from the transaction, which would possibly be about 180bps over midswaps, will be channeled to refinance existing debt. Roadshow meetings in various places started on the 5th February and are expected to conclude on the 12th February.

Aktif Bank gets green light for Sukuk sale

TURKEY: Turkey's Aktif Bank has received regulatory approval to sell up to US$120 million in Sukuk in the international market, Reuters reported. The Sukuk facility will be sold to foreign investors via its asset leasing company, Aktif Bank Sukuk Varlik Kiralama.

Aeon Credit Service to make Sukuk distribution

MALAYSIA: Aeon Credit Service will make the periodic distribution for its Series 2 perpetual Sukuk Musharakah and Musawwamah facility of up to RM400 million (US$90.26 million) in nominal value on the 16th February, according to an official announcement.

DIB picks banks for Sukuk

UAE: Dubai Islamic Bank (DIB) has mandated banks for a potential US dollar Sukuk sale, according to Reuters quoting unnamed sources. The Sukuk, likely to be a benchmark-sized five-year tenor and possibly issued in the week of 6th February, will be arranged by Bank ABC, Boubyan Bank, Emirates NBD, HSBC, Maybank, National Bank of Abu Dhabi, Sharjah Islamic Bank and Standard Chartered.

Malaysia's MITB oversubscribed

MALAYSIA: The government of Malaysia's RM500 million (US$112.9 million)-worth of Malaysian Islamic treasury bills (MITB) issued on the 3rd February 2017 received 28 bids amounting to RM1.03 billion (US$232.42 million), according to an announcement on Bank Negara Malaysia's website. The MITB will mature on the 2nd February 2018.

ICD lists Sukuk

UAE: The Investment Corporation of Dubai (ICD) has listed its US$1 billion Sukuk on NASDAQ Dubai, bringing the value of total Sukuk listings on the exchange to US$47.21 billion as at the 2nd February 2017, the highest in the world. The ICD previously listed a US$700 million Sukuk facility in 2014 as well as a US$300 million bond.

DEAL TRACKER Full Deal Tracker on page 35

EXPECTEDDATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENTDATE
TBA	EQUATE Petrochemical Co	US$750 million	Sukuk	6th February 2017
2017	Aktif Bank	US$120 million	Sukuk	31st January 2017
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

ASIA

CGC inks deal with BSN

MALAYSIA: Credit Guarantee Malaysia (CGC) has signed a portfolio guarantee agreement with Bank Simpanan Nasional (BSN) worth up to RM50 million (US$11.28 million) to finance micro enterprises.

According to Bernama quoting CGC CEO Mohd Zamree Mohd Ishak, the agreement is the first of its kind to aid micro enterprises in Malaysia. Under the scheme, businesses can apply for conventional or Islamic financing facilities from RM5,000 (US$1,127.69) to RM50,000 (US$11,276.9) at a fixed tenor of five years.

Amana Bank discusses new shares with ICD

SRI LANKA: Amana Bank is in discussions with the Islamic Corporation for the Development of the Private Sector (ICD) to sell new shares to increase its capital, according a bourse filing.

The Islamic bank has extended its time to increase capital to LKR7.5 billion (US$49.42 million) from the 1st January 2017 to the 30th June 2017. It is also required to raise its capital further to LKR10 billion (US$65.89 million) by the 1st January 2018. The ICD will conduct a due diligence on the bank.

Pakistan to fund infrastructure Islamically

PAKISTAN: The government of Pakistan is looking into ways to fund its infrastructure projects and one method is by increasing the involvement of Islamic finance and capital markets among others, according to the Business Recorder.

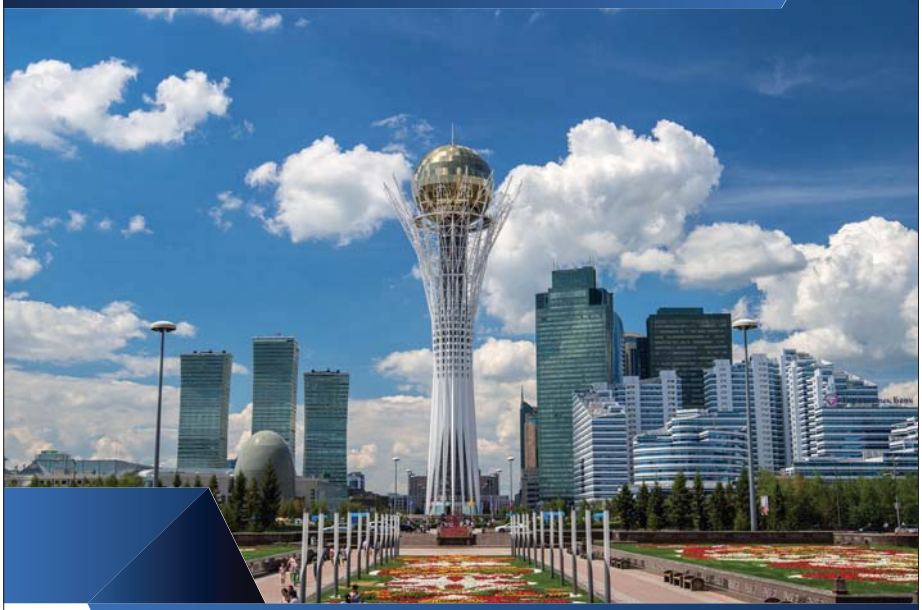
The government has also proposed to partner with international financial institutions to establish an infrastructure finance bank with the aim of funding the country's mega infrastructure initiatives in the private sector.

NSS mulling Islamic banking services

PAKISTAN: The National Savings Scheme (NSS) is considering Islamic banking services to aid depositors to invest in Sukuk Ijarah, according to Khaleej Times quoting an NSS spokesman.

IFN FORUM CIS 2017

In partnership with AIFC Astana International Financial Centre



14th March 2017
Astana, Kazakhstan

The Commonwealth of Independent States (CIS) in recent years has seen encouraging activity including new issuance, regulations and a growing number of local and foreign institutions starting to offer Shariah compliant services – while the global market is also paying attention to the region as investors seek to diversify and tap new markets. Kazakhstan and Russia continue to make inroads in bringing Shariah compliant financing and banking to their respective markets with the Republic of Tatarstan being viewed as the main entry point for the sector to flourish in the latter. An increasingly important region for the industry and with vocalized support from multiple stakeholders, 2017 will see the second installment of IFN CIS Forum, this time in Astana, the capital of Kazakhstan, and the event is expected to draw market players and regulators from key Islamic finance markets globally and all of the CIS and Russia.

MULTILATERAL STRATEGIC PARTNERS

EXECUTIVE PARTNERS

LEAD MEDIA PARTNER

MEDIA PARTNERS

REGISTER FREE NOW
www.REDmoneyevents.com

W: www.redmoneyevents.com | E: Lorelie.Panaligan@redmoneygroup.com | T: 603 2162 7800 ext. 43 | Twitter : #IFNCIS17

The government organization is currently working on the details of the potential Sukuk issuance which is expected to increase the number of new accounts opened, bringing in medium and small investors into the market. Conventional savers are also expected to shift to Islamic once the plan gets underway.

JAKIM recognizes Maldivian Halal certification

MALDIVES: The Halal certificate issued by the Ministry of Islamic Affairs of the Maldives has been given recognition by Jabatan Kemajuan Islam Malaysia (JAKIM), the Malaysian Department of Islamic Development.

According to IFN Correspondent Dr Aishath Muneeza, who is also the deputy minister of Islamic affairs of the Maldives, the certificate of recognition was given in a ceremony held in Kuala Lumpur on the 2nd February 2017. In 2014, Singaporean Islamic authority MUIS also recognized Halal certificates issued in the Maldives.

GLOBAL

IDB discusses Sukuk Law with IRTI and BCEAO

GLOBAL: IDB has met with the Central Bank of West Africa (BCEAO) and the Islamic Research and Training Institute (IRTI) to discuss a consultation on the Sukuk Model Law. The meeting, the first of four regional consultations to discuss and create a model Sukuk law and guidelines to introduce best practices in IDB countries, will be organized subsequently in Southeast Asia, Central Asia and the MENA regions.

Norton Rose Fulbright in potential merger deal

GLOBAL: Norton Rose Fulbright is reportedly in advanced stages of a potential merger with US-based Chadbourne & Parke. If the amalgamation takes place, it would create a firm of about 4,000 lawyers globally; Norton Rose's turnover in 2016 reached GBP1.1 billion (US$1.38 billion) while Chadbourne & Parke's turnover was GBP198 million (US$249.55 million).

IDB approves financing for development projects

GLOBAL: The IDB has approved US$790 million-worth of financing for development projects across sectors such as food security, education, health and infrastructure, as well as professional training for Muslim communities in non-member countries, according to a statement. The projects include US$488 million of financing for two development projects in Indonesia comprising US$250 million for the development of the Trans South-South Java Road and US$238 million for six Islamic higher education institutions in the country.

The IDB also allocated US$96 million to the Sahel Sustainable Pastoralism Development Program in Burkina Faso, Senegal and Mali, while the rest of the amount will go to various projects across Bangladesh, Cameroon, Togo, Belgium, Brazil and the US.

GCC VAT a test for Islamic finance

GLOBAL: The plan to introduce value-added tax (VAT) in the GCC countries could be a key test for the region's Islamic finance industry regarding tax parity between Islamic and conventional finance transactions, according to Fitch in a statement. The implementation could affect all the main pillars of the industry, including Islamic banks, Sukuk, Takaful and Shariah compliant corporates and fund managers.(see IFN report page 5)

BCE appoints REDmoney as ambassador

GLOBAL: REDmoney Group has been appointed as BlockChain Embassy Asia(BCE)'s exclusive media ambassador, a testament to its commitment in developing the fintech sector. BlockChain Embassy Asia is a non-profit digitally distributed organization utilizing and promoting blockchain governance as a method for collaboration between various business entities and existing community efforts across Asia.

MIDDLE EAST

DIEDC's revises Islamic economy strategy

UAE: The Dubai Islamic Economy Development Center (DIEDC) has launched its refreshed Islamic economy strategy for 2017-21, according to a press release. The new strategy, which aims to increase Islamic economy's contribution to the Emirates's GDP, consists of two approaches, namely the development of the Islamic economy system with new key performance indicators; and sealing Dubai's status as a global reference for Islamic finance. Three pillars are created to ensure the strategy's success: Islamic finance, Islamic lifestyle and the Halal sector.

ITFC signs MoU with IZU

SAUDI ARABIA: International Islamic Finance Corporation (ITFC) has signed an MoU with Istanbul Zaim University(IZU) to create a general framework on collaboration between both parties to increase awareness of Islamic trade finance solutions and to provide joint research and study opportunities on Islamic financial products, according to the Saudi Gazette.

Mobily secures Islamic refinancing facility

SAUDI ARABIA: Etihad Etisalat (Mobily) has secured a SAR7.9 billion (US$2.1 billion) Murabahah refinancing facility from a group of Saudi banks: National Commercial Bank, Banque Saudi Fransi, Samba Financial Group, Saudi British Bank, Riyad Bank and Al Rajhi Bank. According to a bourse filing, the facility has a seven-year maturity with a two-year grace period and a five-year repayment period, and will allow Mobily to re-profile its debt in a manner more consistent with its cash flow generation and release any refinancing risk over the medium and long term.

IDB to aid Saudi's Vision 2030 and NTP 2020

SAUDI ARABIA: Saudi's Labor Ministry is looking to expand its partnership with the IDB to contribute to the Kingdom's Vision 2030 and National Transformation Program 2020, according to a press release. Among the areas being considered for partnership are promoting the role of non-governmental associations, implementing poverty

alleviation programs, providing support for Waqf to secure financing resources and applying policies for entrepreneurship programs.

The IDB and Saudi Arabia's Ministry of Education have also agreed to strengthen its partnership to achieve the education-related targets of the National Vision of the Kingdom 2030 and the National Transformation Program 2020. This will be done via a number of programs, most notably the Education for Employment, Capacity-Building for Teachers and Exchange of Experience and Expertise with the IDB's member countries. The IDB will provide the Kingdom with advisory services and knowledge in the field of Islamic finance, in cooperation with internationally known institutions in this area.

NBAD offers blockchain payments

UAE: National Bank of Abu Dhabi (NBAD), which offers Islamic financial products, has partnered with US-based Ripple to introduce real-time, cross-border payments on blockchain, the first for a bank in the MENA region. NBAD said in a statement that its latest offering would allow customers to cut the cost and speed of payments.

Islamic car financings grow in the UAE

UAE: 2016 witnessed a significant increase in the applications for Islamic car financings, according to CPI Financial quoting financial comparison site compareit4me.com, with three of the top five spots on the year's most-applied-for car loans occupied by Islamic auto financing products. The number of applications for Islamic car financings also increased by 64.79% from 2015 to 2016, making up 45.09% of the total car loan applications in 2016. The top five banks were Emirates NBD, HSBC, Emirates Islamic, Noor Bank and Ajman Bank.

Al-Arabiya to adapt ICSFS's system

IRAQ: Al-Arabiya Islamic Bank has selected the ICS Banks Islamic System by ICS Financial Systems (ICSFS), according to a press release. The system includes the ICS Banks Islamic Core Banking and Credit Facilities and Risk Groups system; trade finance, remittances; investment accounts and profit distribution; time deposit; ICS Banks Delivery Channels; ICS Banks Internet Banking System; and the Credit Cards and ATMs Management System.

QNB to expand to Saudi and India

QATAR: Qatar National Bank (QNB), which provides Islamic banking services, has announced its plan to expand to Saudi Arabia and India, according to Argaam citing QNB's chairman and Qatar's finance minister, Ali Sherif Al Emadi. Last year, the bank received regulatory approvals from the Saudi Arabian Monetary Authority and the Reserve Bank of India to open branches in the two countries.

Separately, QNB has dismissed the IMF's recent economic growth forecasts as "over-optimistic", according to Arabian Business. The bank said that it disagreed with the IMF's forecasts of a 3.4% global growth for 2017 and the figure is likely to be revised downwards in the future. QNB attributed its opinion to the IMF's recent history of consistent downward revisions to global growth projections.

BIBF to train Ibdar's board of directors

BAHRAIN: Ibdar Bank has appointed the Bahrain Institute of Banking and Finance (BIBF) to provide corporate governance training to its board of directors. According to a press release, the training, a part of the Islamic wholesale bank's Continued Development Program, will focus on Shariah fundamentals and governance, risk management and strategy in Islamic financial institutions. The 15-hour executive course is aimed at ensuring the board members are well versed in the latest practices in Shariah and corporate governance, in order to meet the requirements of the Central Bank of Bahrain.

ASSET MANAGEMENT

Waqf Fund approves 2017 budget

BAHRAIN: The Waqf Fund set up by the Central Bank of Bahrain (CBB) is allocating approximately US$1 million to various Islamic finance human capital development initiatives in 2017.

The CBB said in a statement that its budget included a number of new projects such as the next phase of the Leadership Grooming Program and AAOIFI's CSAA qualification revamp.

Strategic review for Sabana REIT

SINGAPORE: Sabana Real Estate Investment Management and Vibrant Group as the manager and sponsor of Sabana Shariah Compliant Industrial Real Estate Investment Trust (Sabana REIT) respectively, have confirmed in a bourse filing that they are undertaking a strategic review of Sabana REIT which includes the current shareholding structure and management of the manager as well as Sabana REIT's strategic direction and business.

LTH to invest in the UK and Australia

MALAYSIA: Lembaga Tabung Haji (LTH) has announced that it will allocate RM2 billion (US$451.42 million) for real estate investments in the UK and Australia for the next three years, according to Bernama.

Although no final decisions have been announced yet, Johan Abdullah, CEO of Tabung Haji, has said that the group has identified a building that would provide an 8% return on a yearly basis. The group is also involved in Shariah compliant hotels, including Tabung Haji's hotel and complex in Sepang which is expected to be completed soon.

LTH, which saw earnings tumble in 2016, announced a distribution of RM2.88 billion (US$650.04 million) in Hibah to depositors, which included a 4.25% annual Hibah and an additional 1.5% for those who have not performed their Hajj for the 2016 financial year.

The collective depositors savings fund for the 12 months of 2016 increased 4% to RM64.8 billion (US$14.63 billion), before Hibah distribution.

RESULTS

Kuwait Finance House

KUWAIT: For the financial year of 2016, Kuwait Finance House generated a net profit of KWD165.2 million (US$540.45 million) for its shareholders, up 13.3% year-on-year, confirmed Chairman Hamad Abdulmohsen Al Marzouq in a statement.

Operating expenses fell 11% over the same period, or KWD35.5 million (US$116.14 million) while total assets reached KWD16.5 billion (US$54 billion). The board of directors has recommended a 17% cash distribution to shareholders and 10% in bonus shares subject to necessary approvals.

First Gulf Bank

UAE: First Gulf Bank, which operates Islamic banking services, reported a net interest income and income from Islamic financing of AED6.39 billion (US$1.74 billion) for the year ended the 31st December 2016, slightly lower compared with AED6.43 billion (US$1.75 billion) from the previous year, according to the bank's consolidated income statement. The bank reported a profit of AED6.07 billion (US$1.65 billion) for the period, almost flat as compared with AED6.02 billion (US$1.64 billion) recorded in 2015.

Sharjah Islamic Bank

UAE: Sharjah Islamic Bank recorded a net profit of AED462.89 million (US$126 million) in 2016, a 12.9% rise year-on-year from AED409.93 million (US$111.58 million) in the previous year, while total assets also grew to AED33.54 billion (US$9.13 billion) during the period, compared with AED29.88 billion (US$8.13 billion) at the end of 2015, according to a bourse filing.

Abu Dhabi Commercial Bank

UAE: Abu Dhabi Commercial bank, which offers Islamic finance services, experienced a 16% decrease in its net profit for the fourth quarter of 2016 to AED1 billion (US$272.2 million) from AED1.19 billion (US$323.91 million) during the same period in 2015, according to the bank's annual financial statement.

The decrease is attributed to impairments caused by doubtful loans last year. The bank's total assets increased from AED228.27 million (US$62.13 million) in the fourth quarter of 2015 to AED258.29 million (US$70.21 million) during the same period in 2016. Total equity also rose to AED30.35 million (US$8.26 million) in the final quarter of 2016 from AED28.73 million (US$7.82 million) in 2015.

NBAD

UAE: National Bank of Abu Dhabi (NBAD) reported a flat net profit of AED5.3 billion (US$1.44 billion) for the year ended the 31st December 2016, compared with AED5.23 billion (US$1.42 billion) in the previous year, according to the bank's consolidated financial statement.

The bank's net interest and Islamic financing income stood at AED7.3 billion (US$1.99 billion) during the period, in line with AED7.31 billion (US$1.99 billion) posted in 2015.

Bank ABC

BAHRAIN: Bank ABC, the parent of Bank ABC Islamic, reported a consolidated group net profit for 2016 attributable to shareholders of US$183 million, up 2% against 2015 figures.

The bank confirmed in a statement that it has recommended a 3% cash dividend distribution of the issued share capital (3 US cents per share), or about half of the yearly net profit attributable to shareholders totaling US$93.3 million.

GFH Financial Group

BAHRAIN: GFH Financial Group made a consolidated net profit of US$233.05 million in 2016, an increase from US$12.03 million realized in the previous year. The Islamic financial group noted in a statement that net profit attributable to shareholders swung from a loss of US$9.6 million in the last quarter of 2015 to a profit of US$213.18 million in the corresponding period of 2016. Total assets grew to US$3.3 billion from US$2.65 billion.

The board has recommended a distribution of 20% profits to shareholders to comprise equally of cash dividends and bonus shares, subject to approvals. A new strategy for 2017-19 focusing on acquisition, infrastructure investments and strategic assets to drive growth, was also approved and recommended.

Dubai Financial Market

UAE: Shariah compliant stock exchange Dubai Financial Market (DFM) reported a net profit of AED253.5 million (US$69 million) for the financial year ending the 31st December 2016, a 3% decline year-on-year compared with AED261 million (US$71.04 million), while total revenue reached AED439.3 million (US$119.57 million) during the period, also lower compared to AED451 million (US$122.75 million) in 2015.

Faisal Islamic Bank

EGYPT: Egypt's Faisal Islamic Bank's net profit before tax in 2016 increased by 2.57 times to EGP3.63 billion (US$194.22 million) from EGP1.41 billion (US$75.44 million) in the previous year, while the bank's revenue rose by EGP1.56 billion (US$83.46 million) due to the country's central bank's decision in November 2016 to float the local currency, Amwal Al Ghad reported.

TAKAFUL

ACR Capital completes acquisitions

MALAYSIA: ACR Capital Holdings (ACR) has completed the full acquisition of Asia Capital Reinsurance Malaysia (ACR Malaysia) and ACR ReTakaful Holdings (ACR ReTakaful) via its wholly-owned subsidiary, Asia Capital Reinsurance Group, according to a press statement. ACR previously held 30% and 20% of ACR Malaysia and ACR ReTakaful respectively.

KFH Takaful distributes surplus

KUWAIT: Kuwait Finance House Takaful (KFH Takaful) has announced an insurance surplus distribution to its policyholders. Barrak Al Khamis, the general manager of KFH Takaful, said in a statement that 2013 policyholders will receive their share of the surplus amounting to 5%. The process, completed with the consent of the Shariah board, has already seen 60% of insurance surplus value distributed. The operator is in process of issuing the 2017 policies and will announce the details later.

RATINGS

Albaraka Turk's ratings downgraded

TURKEY: Capital Intelligence has downgraded Albaraka Turk Katilim Bankasi's long-term foreign currency rating and also its financial strength rating to 'BB' from 'BB+', while at the same time revising the bank's outlook to stable, according to a statement.

UEM Group's IMTN reaffirmed

MALAYSIA: RAM has reaffirmed its 'AA2/Stable' rating on UEM Group's Islamic medium-term note program (IMTN) worth up to RM2.2 billion (US$496.18 million), according to a statement. The program, with a maturity of 30 years, is issued through United Growth, a funding vehicle. The rating is attributed to the group's role in the country's tolled roads and ownership of land in the government's economy corridor, Iskandar Malaysia.

TNB Western Energy's Sukuk rating affirmed

MALAYSIA: MARC has affirmed the rating of 'AAAIS' on TNB Western Energy's Sukuk facility of up to RM4 billion (US$902.47 million) with a stable outlook, according to a statement. The affirmed rating and outlook are equalized to Tenaga Nasional (TNB)'s ratings of 'AAA/Stable' based on the unconditional and irrevocable project completion support guarantee and a rolling guarantee in favor of the Sukukholders provided by TNB.

Qatar's sovereign ratings affirmed

QATAR: Capital Intelligence has affirmed Qatar's long-term foreign currency and local currency ratings of 'AA-' and its short-term foreign and local currency ratings of 'A1+', according to a statement. The rating agency also revised Qatar's outlook to stable from negative.

CBJ recognizes IIRA as ECAI

JORDAN: The Central Bank of Jordan (CBJ) has recognized the Islamic International Rating Agency (IIRA) as an external credit assessment institution (ECAI) under the Basel regime, according to a statement. The IIRA intends to significantly enhance its presence in Jordan as well as the wider Gulf area, to maximize the benefit of alternative opinions made available to Islamic banks in the region. This follows similar recognition by the Turkish regulator.

Negative outlook for WCT Holdings

MALAYSIA: The ratings on WCT Holdings's RM1.5 billion (US$338.46 million) Sukuk Murabahah program and RM1 billion (US$225.64 million) have been removed from MARCWatch Developing. The ratings were under review following a major change in shareholders which may impact the company's business plan and credit metrics. The ratings have been maintained at 'AA-IS' and 'AA-' respectively with a negative outlook.

Sime Darby's ratings on downgrade review

MALAYSIA: Following Sime Darby's decision to create three stand-alone businesses by listing its plantation and property divisions on Bursa Malaysia while retaining its motors and industrial division under the existing structure, Moody's has placed on review for downgrade the 'Baa1' senior unsecured debt rating on the Sukuk issued by Sime Darby Global as well as the 'Baa1' issuer rating on Sime Darby. The firm is currently reviewing the implementation measures and the time needed to carry out the plan.

Jacinta Poh, a Moody's vice-president and senior analyst, explained in a statement that: "While there is no clarity on how the plan will be implemented, we believe the listing of Sime Darby's plantation and property businesses will lead to reduced diversification, scale and cash flows, and therefore a weaker credit profile."

ADIB's ratings reaffirmed

UAE: Abu Dhabi Islamic Bank (ADIB)'s 'AAA/Stable/P1' financial institution ratings have been reaffirmed by RAM which noted in a statement that the reaffirmation is based on its expectation of ready support from the Abu Dhabi government as well as the UAE federal government. Concurrently, the bank's preliminary 'AAA(s)' and 'AA1(s)' ratings on its senior and subordinated Sukuk, to be issued under ADIB Sukuk Company II's proposed Islamic medium-term note program, have also been reaffirmed.

QIIC's ratings affirmed

QATAR: AM Best has affirmed Qatar Islamic Insurance Company (QIIC)'s financial strength rating at 'B++' and long-term issuer credit rating at 'bbb+' with a 'stable' outlook, according to a press release. The ratings are attributable to excellent operating performance, adequate combined risk-adjusted capitalization and its ability to accumulate surpluses to support the sustainability of the company's combined Takaful model.

UCB Sudan's fiduciary ratings reaffirmed

SUDAN: The Islamic International Rating Agency (IIRA) has reaffirmed the national scale ratings of United Capital Bank (UCB) Sudan at 'BBB(sd)/A3(sd)' with a stable outlook, according to a statement. The fiduciary score has been maintained within the range of '66-70', reflecting adequate protection of rights of various stakeholders. The rating of UCB incorporates the presence of strong institutional investors such as Aref Investment Group, Boubyan Bank and Fransabank (Lebanon).

MOVES

Alliance Bank

MALAYSIA: The board chairman of Zurich Takaful and Zurich Insurance Malaysia, **Ahmad Mohd Don**, has been appointed as the chairman and independent non-executive director of Alliance Bank effective the 1st February, according to an official announcement. Alliance Islamic is a subsidiary of Alliance Bank.

Franklin Templeton Investments

GLOBAL: Franklin Templeton Investments has named **Sandeep Singh** as a senior director and the regional head for its Central Eastern Europe, Middle East and Africa business, replacing **Adam Quaife** who will be moving to another role within the firm. IFN understands that Singh, previously the firm's country head for Malaysia, will be based in Dubai and will continue his role as the group's head of Islamic business.

IBCF

BANGLADESH: Islamic Banks Consultative Forum (IBCF) has welcomed **Arastoo Khan**, the chairman of the board of directors of Islami Bank Bangladesh, as its chairman, according to The Financial Express. EXIM Bank's managing director

and CEO, Dr **Mohammed Haider Ali Miah**; and First Security Islami Bank's managing director and CEO, **Sayed Waseque Md Ali** were made as co-chairmen of the task committee. According to The Independent, IBCF's newly elected vice-chairmen are **AKM Nurul Fazal Bulbul**, the founder director of EXIM Bank; and **Alhajj Abdus Samad**, the chairman of the board of directors of Al-Arafah Islami Bank.

NBAD-FGB

UAE: National Bank of Abu Dhabi (NBAD) and First Gulf Bank (FGB) have announced the second-level management team ahead of their merger, as reported by Reuters quoting sources. **Abhijit Choudhury**, currently acting CEO of NBAD, is the new head of risk; **Samer Abdelhaq**, the head of legal in NBAD, has been appointed to the same position in the merged entity; and **Sofia el Boury** will be the head of investor relations, a position she held at FGB. **Mohamed Yasin and Mahmoud al-Aradi**, NBAD's head of securities and head of global markets respectively, will retain their positions in the merged entity. **Rola Abu Manneh**, who was the senior general manager for corporate and investment banking at NBAD, will hold a similar role in the combined entity. Around 70 senior positions have been filled at what the bank calls the N-2 level, with another new level of management to be announced in due time. The NBAD-FGB merger is expected to finalize in the first quarter of 2017, which would result in the largest bank in MENA by assets.

Securities Commission Malaysia

MALAYSIA: Securities Commission Malaysia has announced the appointment of **Alex Ooi Thiam Poh** as the director of its Audit Oversight Board (AOB), effective from the 18th January 2017. With over 25 years of experience in finance advisory and assurance in various industries, Ooi has previously worked at global firms such as Deloitte and BDO Malaysia in senior management positions.

MUFG

GLOBAL: Mitsubishi UFJ Financial Group (MUFG) has appointed **Anne Gebuhrer** as the head of its European Financial Institutions Debt Capital Markets (DCM) to be based in London, Reuters reported. Gebuhrer, who joins MUFG Securities EMEA as an executive director, will report to **Anthony Barklam**, the head of DCM.

CHINA OIC FORUM 2017

Brought to you by

22nd March 2017
Grand Hyatt Beijing, China

Islamic finance is increasingly gaining traction in China, as the world's second-largest economy attempts to boost its ties with Muslim-majority countries. The country's ambitious 'One Belt, One Road' strategy to rebuild Silk Road trade ties with Asia and Europe has gotten Chinese state-owned enterprises and private companies exploring opportunities within Islamic capital markets. With a Muslim population of its own of approximately 20 million, Islamic finance is increasingly becoming an attractive proposition for the sleeping giant.

Infrastructure development, energy, finance, trade and security cooperation are some of the avenues that market participants believe both China and OIC countries could leverage on, to develop long-term strategic alliances. For Islamic investors, China presents further potential to diversify investment portfolios and capacity development opportunities, as there are many unexplored transactions in the Chinese markets waiting to be unraveled.

The renminbi's recent inclusion into the IMF's special drawing rights reflects the growing prominence of the country's currency in international trade, investment and financing. With a lot more infrastructure projects needed in Asia, China will no doubt be playing a key role in the number of major transactions, including deals involving Islamic financing.

MULTILATERAL STRATEGIC PARTNERS
itfc

EXECUTIVE PARTNER
大成 DENTONS

LEAD MEDIA PARTNER
IFN Islamic Finance news

INFORMATION PARTNER
ASIA FIRST

MEDIA PARTNERS
BUSINESS
ChinaGoAbroad
EUREKAHEDGE

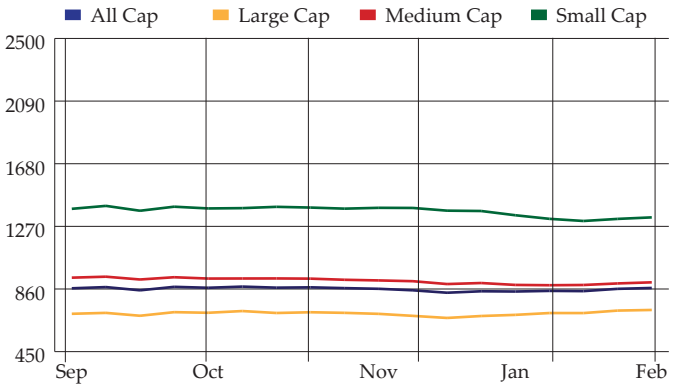
REGISTER FREE NOW
www.REDmoneyevents.com

W: www.redmoneyevents.com | E: Lorelie.Panaligan@redmoneygroup.com | T: 603 2162 7800 ext. 43 | Twitter : #CHINAOIC17

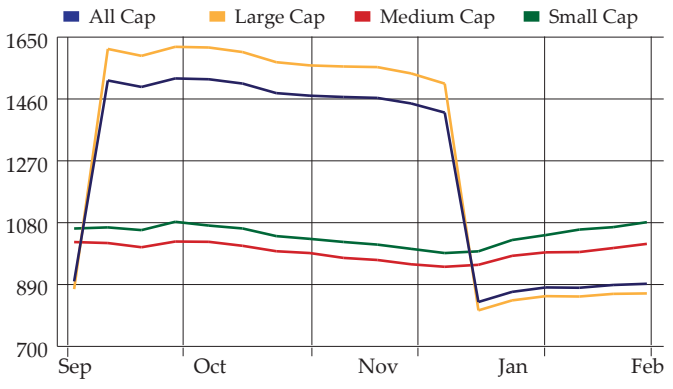
Expected date	Company's name	Size	Structure	Announcement Date
TBA	EQUATE Petrochemical Co	US$750 million	Sukuk	6th February 2017
2017	Aktif Bank	US$120 million	Sukuk	31st January 2017
2017	The Government of Tunisia	US$500 million	Sukuk	31st January 2017
TBA	Pakistan's National Savings Organization	TBA	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
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

REDMONEY SHARIAH INDEXES

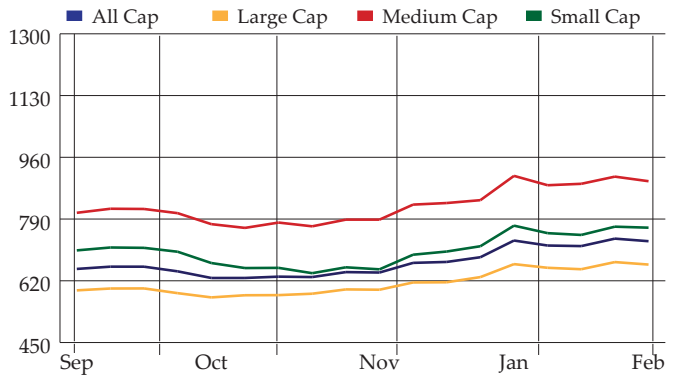
REDmoney Asia ex. Japan *6 Months*



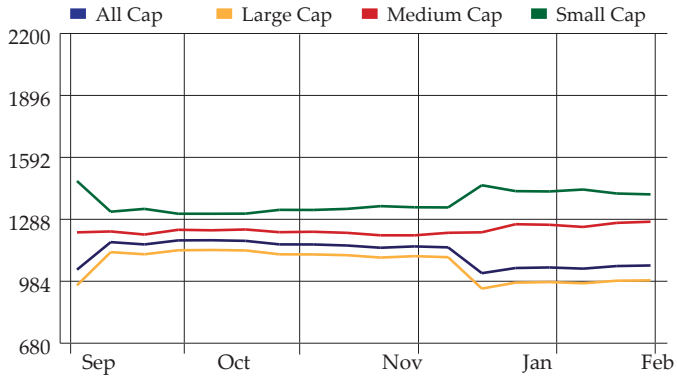
REDmoney Europe *6 Months*



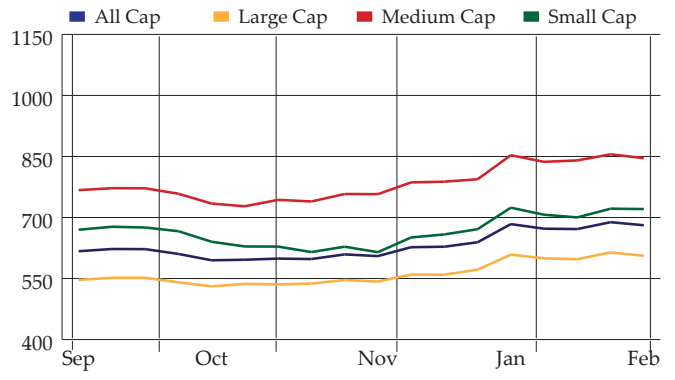
REDmoney GCC *6 Months*



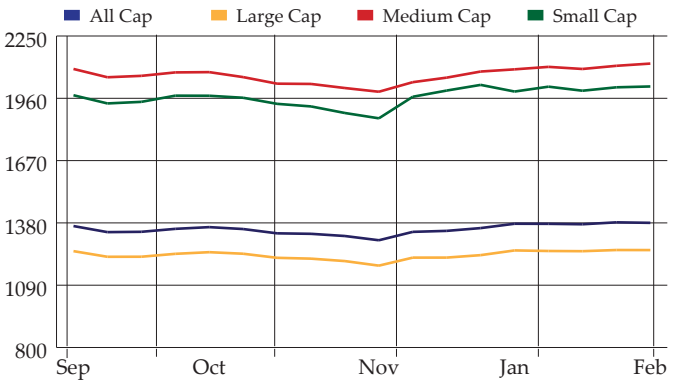
REDmoney Global *6 Months*



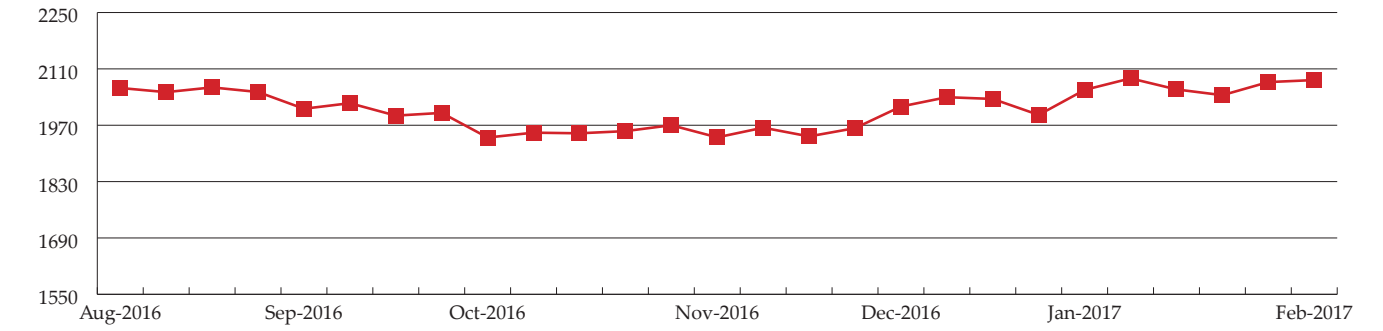
REDmoney MENA *6 Months*



REDmoney US *6 Months*

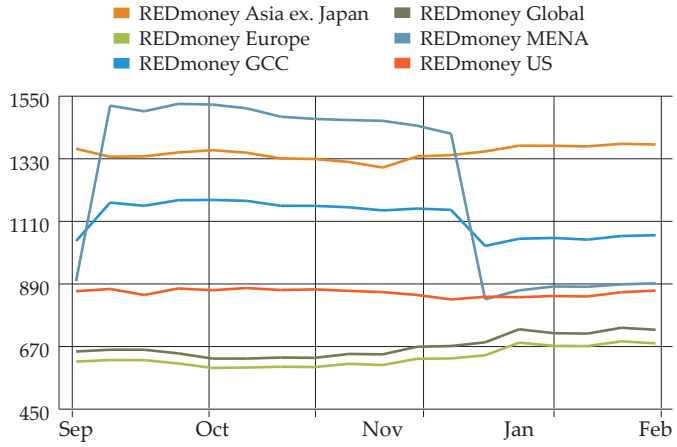


SAMI Halal Food Participation (All Cap) *6 months*

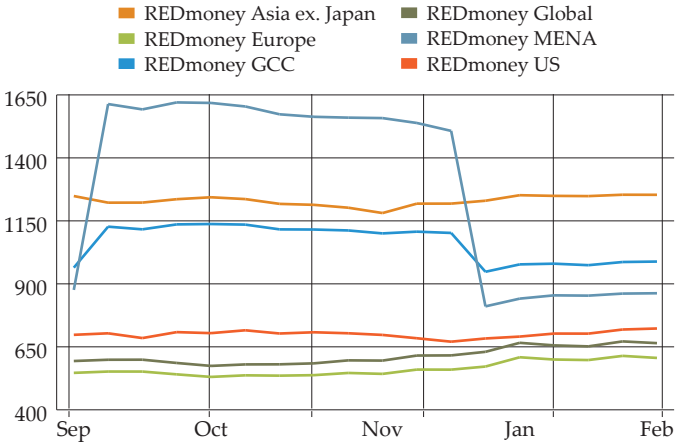


REDMONEY SHARIAH INDEXES

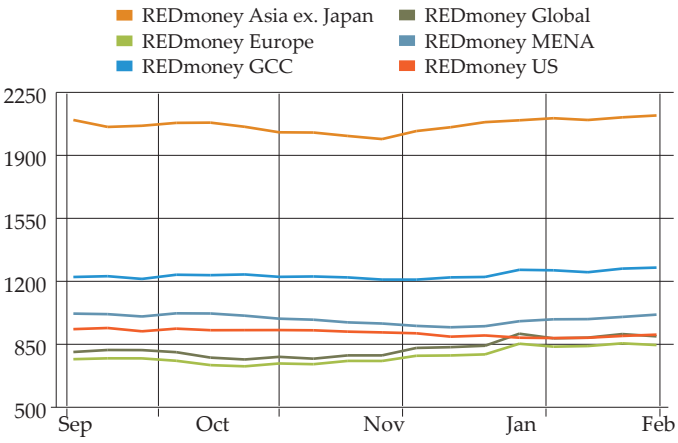
REDmoney Global Shariah Index Series (All Cap) *6 Months*



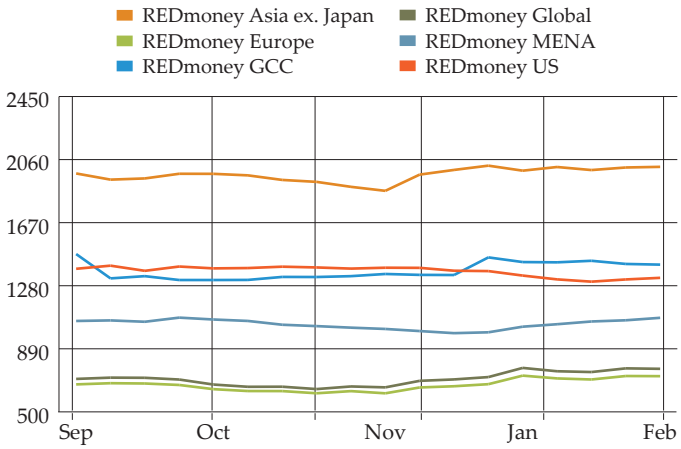
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



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



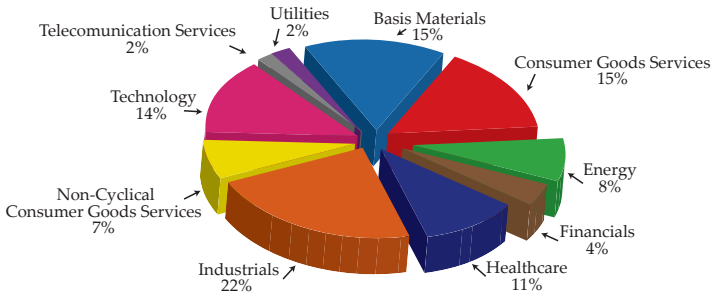
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



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®

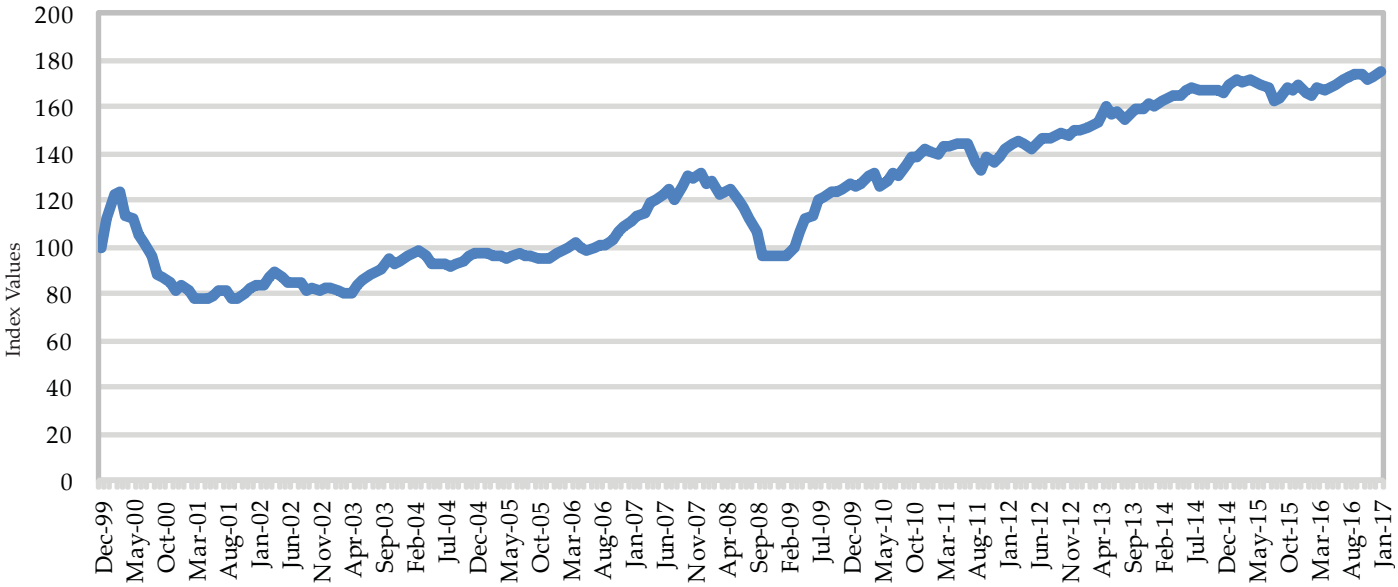
For further information regarding REDmoney Indexes contact:

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 Yield-to-Date Returns for ALL Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Deutsche Noor Precious Metals Securities - Class A	DWS Noor Islamic Funds	8.12	Ireland
2	Al Baraka	Hermes Fund Management	6.76	Egypt
3	Faisal Islamic Bank of Egypt Mutual	Hermes Fund Management	6.48	Egypt
4	iShares MSCI Emerging Markets Islamic UCITS ETF	BlackRock Advisors (UK)	5.84	Ireland
5	CIMB Islamic Greater China Equity	UOB Asset Management	5.81	Malaysia
6	WSF Asian Pacific - USD I	Cogent Asset Management	5.24	Guernsey
7	CIMB Islamic Small Cap	CIMB-Principal Asset Management	4.74	Malaysia
8	BIMB i-Growth	BIMB UNIT Trust Management (BUTM)	3.84	Malaysia
9	Affin Hwang Aiiman Equity	Asian Islamic Investment Management	3.62	Malaysia
10	Azzad Ethical	Azzad Asset Management	3.62	US
	Eurekahedge Islamic Fund Index		**1.78**	

Based on 24.73% of funds which have reported January 2017 returns as at the 6th February 2017

Top 10 Sharpe Ratio for ALL Funds

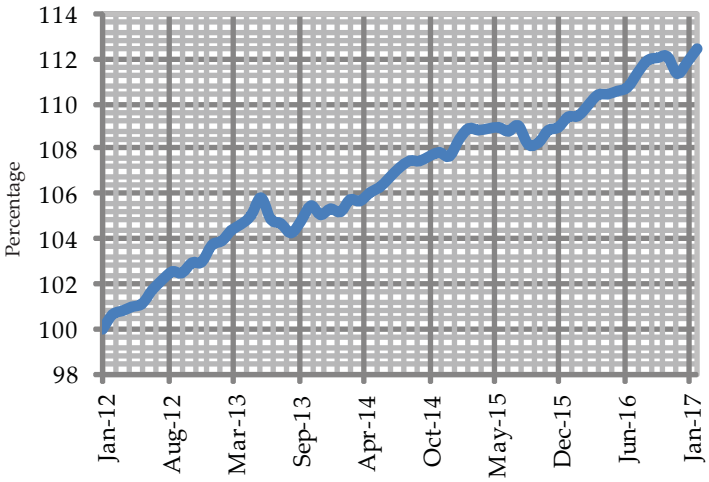
	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Meezan Tahaffuz Pension - Money Market Sub	Al Meezan Investment Management	9.44	Pakistan
2	Al Rajhi Commodity Mudarabah - USD	Al Rajhi Bank	6.36	Saudi Arabia
3	Atlas Pension Islamic - Debt Sub	Atlas Asset Management	6.33	Pakistan
4	Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	6.32	Pakistan
5	CIMB Islamic Money Market	UOB Asset Management	4.70	Malaysia
6	Emirates Islamic Money Market Limited Institutional Share Class I USD	Emirates NBD Asset Management	4.51	Jersey
7	Atlas Pension Islamic - Money Market Sub	Atlas Asset Management	1.94	Pakistan
8	Emirates Global Sukuk Limited USD Institutional Share Class (Acc)	Emirates NBD Asset Management	1.38	Jersey
9	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	1.03	Pakistan
10	Al-Mubarak USD Trade	Arab National Bank	0.94	Saudi Arabia
	Eurekahedge Islamic Fund Index		**0.13**	

Based on 24.73% of funds which have reported January 2017 returns as at the 6th February 2017

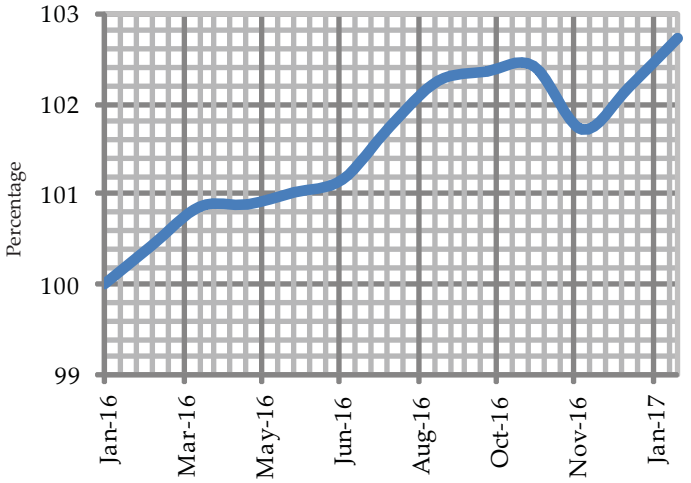
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity,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



Eurekahedge Islamic Fund Fixed Income 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	52.70	Egypt
2	Faisal Islamic Bank of Egypt Mutual	Hermes Fund Management	41.50	Egypt
3	Al Rajhi Petrochemical and Cement Equity	Al Rajhi Bank	23.22	Saudi Arabia
4	Al Meezan Mutual	Al Meezan Investment Management	22.53	Pakistan
5	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	22.53	Pakistan
6	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	22.41	Pakistan
7	Atlas Islamic Stock	Atlas Asset Management	22.32	Pakistan
8	Meezan Islamic	Al Meezan Investment Management	22.02	Pakistan
9	Al Rajhi Saudi Equity	Al Rajhi Bank	18.43	Saudi Arabia
10	Al Rajhi GCC Equity	Al Rajhi Bank	15.68	Saudi Arabia
	Eurekahedge Islamic Fund Index		**6.60**	

Based on 25.98% of funds which have reported January 2017 returns as at the 6th February 2017

Top 10 Sortino Ratio for ALL Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Atlas Pension Islamic - Debt Sub	Atlas Asset Management	26.19	Pakistan
2	Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	25.10	Pakistan
3	CIMB Islamic Money Market	UOB Asset Management	12.20	Malaysia
4	Atlas Pension Islamic - Money Market Sub	Atlas Asset Management	3.34	Pakistan
5	Al-Mubarak SAR Trade	Arab National Bank	2.25	Saudi Arabia
6	Emirates Global Sukuk Limited USD Institutional Share Class (Acc)	Emirates NBD Asset Management	2.25	Jersey
7	Al-Mubarak USD Trade	Arab National Bank	2.01	Saudi Arabia
8	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	1.75	Pakistan
9	Crescent Balanced Progressive Fund of Funds	Oasis Crescent Management Company	1.45	South Africa
10	Al Rajhi Multi Asset Balanced	Al Rajhi Bank	1.44	Saudi Arabia
	Eurekahedge Islamic Fund Index		**0.34**	

Based on 24.73% of funds which have reported January 2017 returns as at the 6th February 2017

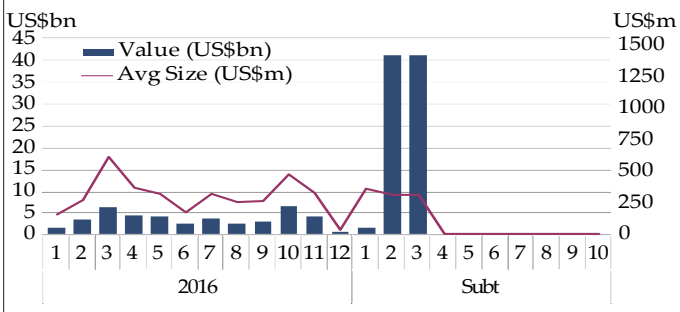
Contact Eurekahedge
To list your fund or update your fund information: islamicfunds@eurekahedge.com
For further details on Eurekahedge: information@eurekahedge.com Tel: +65 6212 0900

Disclaimer
Copyright Eurekahedge 2016, All Rights Reserved. You, the user, may freely use the data for internal purposes and may reproduce the index data provided that reference to Eurekahedge is provided in your dissemination and/or reproduction. The information is provided on an "as is" basis and you assume and will bear all risk or associated costs in its use, and neither Islamic Finance *news*, Eurekahedge nor its affiliates provide any express or implied warranty or representations as to originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for any purpose.

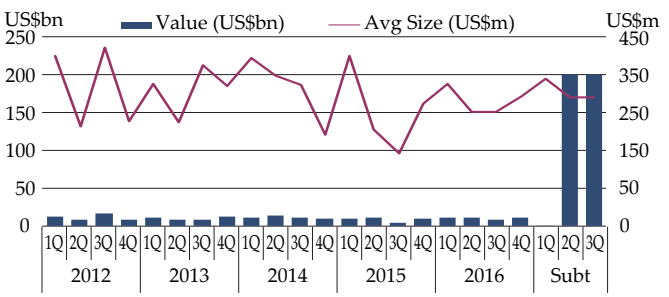
Most Recent Global Sukuk

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
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*

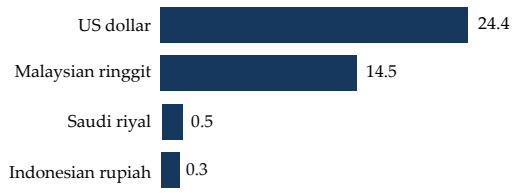
	Issuer	Nationality	Instrument	Market	US$ (mln)	Iss (%)	Managers
1	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	2,850	7.1	Standard Chartered Bank, JPMorgan, National Bank of Kuwait, Gulf International Bank, Natixis, CIMB Group, Emirates NBD, Mizuho, National Bank of Abu Dhabi, RHB Capital, Credit Agricole
2	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	2,500	6.3	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, CIMB Group, Citigroup
3	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	2,242	5.6	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
4	Kingdom of Bahrain	Bahrain	Sukuk	Euro market public issue	2,000	5.0	Standard Chartered Bank, JPMorgan, BNP Paribas, Arab Banking, Credit Suisse
5	Malaysia Sukuk Global	Malaysia	Sukuk	Euro market public issue	1,500	3.8	JPMorgan, HSBC, Maybank, CIMB Group
5	Etihad Airways	UAE	Sukuk	Euro market public issue	1,500	3.8	JPMorgan, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Dubai Islamic Bank, Abu Dhabi Islamic Bank
7	Sarawak Hidro	Malaysia	Sukuk	Domestic market public issue	1,365	3.4	RHB Capital, Maybank
8	DP World	UAE	Sukuk	Euro market public issue	1,200	3.0	JPMorgan, Deutsche Bank, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Barclays, Dubai Islamic Bank, SG Corporate & Investment Banking, Citigroup, Emirates NBD
9	Danga Capital	Malaysia	Sukuk	Domestic market public issue	1,110	2.8	RHB Capital, AmInvestment Bank, Standard Chartered Bank, DBS, CIMB Group
10	EI Sukuk	UAE	Sukuk	Euro market public issue	1,007	2.5	Standard Chartered Bank, HSBC, Arab Banking, Maybank, Dubai Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank
11	Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	2.5	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup, Noor Bank
11	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	2.5	Standard Chartered Bank, HSBC, Emirates NBD
13	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	1.3	Standard Chartered Bank
27	SIB Sukuk III	UAE	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank, HSBC, Kuwait Finance House, Arab Banking, Maybank, Dubai Islamic Bank, Emirates NBD, QNB Capital, Noor Bank
27	Noor Bank	UAE	Sukuk	Euro market public issue	500	1.3	Standard Chartered Bank, First Gulf Bank, Dubai Islamic Bank, Sharjah Islamic Bank, Citigroup, Emirates NBD, Noor Bank
27	Axiata SPV2	Malaysia	Sukuk	Euro market public issue	500	1.3	Deutsche Bank, HSBC, CIMB Group
	Total				**40,025**	**100**	

DEALOGIC LEAGUE TABLES

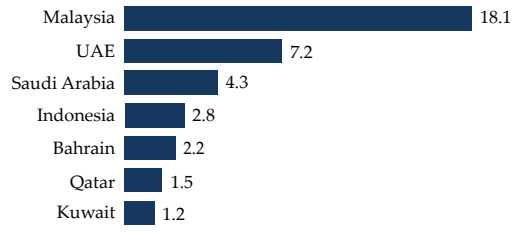
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	CIMB Group	5,371	37	13.4
2	Standard Chartered Bank	4,337	24	10.8
3	Maybank	3,700	27	9.3
4	HSBC	3,038	19	7.6
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	4.4
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	**40,025**	**128**	**100**

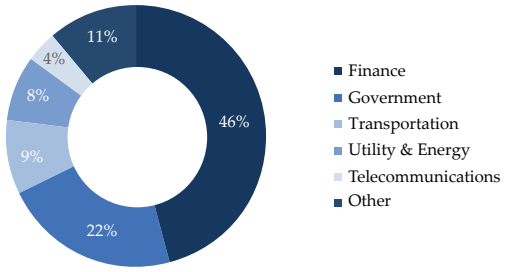
Sukuk Volume by Currency US$ (billion) *12 Months*



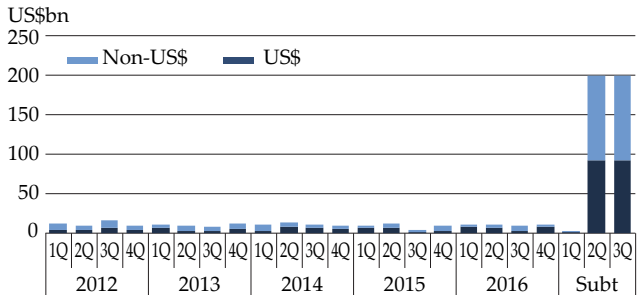
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



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	32.247
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	915.006	1	6.895
6	White & Case	758.149	1	5.713

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	7.7
2	Samba Capital	969	5	7.3
3	Banque Saudi Fransi	939	4	7.1
4	Saudi National Commercial Bank	933	4	7.0
5	Noor Bank	815	12	6.1
6	Emirates NBD	643	8	4.8
7	SABB	604	6	4.5
8	Abu Dhabi Islamic Bank	588	6	4.4
9	Standard Chartered Bank	525	8	3.9
10	Abu Dhabi Commercial Bank	385	4	2.9
11	Al Rajhi Capital	366	2	2.8
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	2.0
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	1.9
20	First Gulf Bank	243	6	1.8
21	Bank Albilad	229	1	1.7
22	National Bank of Abu Dhabi	207	3	1.6
23	Gulf International Bank	193	3	1.5
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	806	5	10.9
2	Noor Bank	746	7	10.1
3	Dubai Islamic Bank	642	5	8.6
4	Standard Chartered Bank	570	5	7.7
5	Emirates NBD	474	3	6.4
6	Mashreqbank	428	2	5.8
7	SABB	312	2	4.2
8	Abu Dhabi Commercial Bank	283	1	3.8
9	Arab Banking Corporation	275	4	3.7
10	Saudi National Commercial Bank	267	1	3.6

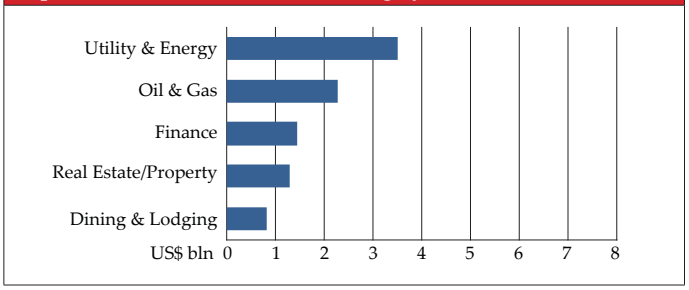
Top Islamic Finance Related Financing Deal List *12 Months*

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

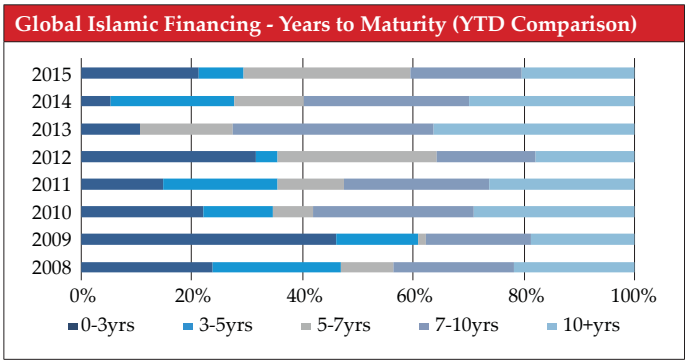
Top Islamic Finance Related Financing by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	Saudi Arabia	5,756	7	43.2
2	UAE	4,181	19	31.4
3	Bahrain	1,188	2	8.9
4	Qatar	460	1	3.5
5	Turkey	384	3	2.9
6	India	368	1	2.8
7	Malaysia	283	1	2.1
8	Jordan	275	1	2.1
9	Pakistan	200	1	1.5
10	Egypt	105	1	0.8

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, Nigeria
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*

How to subscribe: Subs@REDmoneygroup.com

INDIVIDUAL SUBSCRIPTION
- 1 Year at US$1,250 nett
- 2 Years at US$2,250 nett

COMPANY-WIDE SUBSCRIPTION
- 1 Year at US$5,250 nett
- 2 Years at US$9,450 nett

(Max: 10 Individual Subscriptions)

GROUP-WIDE SUBSCRIPTION
- 1 Year: US$12,500
- 2 Years: US$22,500

Each subscription will receive:
- 50 issues of Islamic Finance *news*
- Daily news alerts
- Exclusive login details for each subscriber
- Unlimited access to entire archived library
- All additional supplements, guides and reports

Deputy Publisher & Director
Geraldine Chan (Dubai office)
geraldine.chan@REDmoneygroup.com
Tel: +971 4 427 3623

Subscriptions Development Manager
Jaya Chitra Kunchiraman
chitra.kunchiraman@redmoneygroup.com
Tel: +603 2162 7800 ext 59

Subscriptions Director & Head of Educational Institutions
Faizan Haider
faizan.haider@REDmoneygroup.com
Tel: +603 2162 7800 x 24

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

DISCLAIMER
All rights reserved. No part of this publication may be reproduced, duplicated or copied by any means without the prior consent of the holder of the copyright, requests for which should be addressed to the publisher. While every care is taken in the preparation of this publication, no responsibility can be accepted for any errors, however caused.

NE-IFN14/06