

# Islamic Finance *news*

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## MALAYSIA

### SSF are now Shariah compliant

Single Stock Futures (SSF) are now regarded as a Shariah compliant instrument by the Shariah Advisory Council (SAC) of the Securities Commission (SC), provided that the underlying stocks of the SSF are Shariah compliant.

This approval is in line with the SC's plan to offer more competitive and innovative Islamic financial products and services. The five

Shariah compliant SSFs that are currently trading on Bursa Malaysia Derivatives are AirAsia, IOI Corp, Maxis Communications, Scomi Group and Telekom Malaysia.

SSFs were introduced by Bursa Malaysia as a tool for managing share price risk and as a more cost-effective way to gain exposure to the local equity market.

## SAUDI ARABIA

### SABIC to float SR1bn Sukuk

The Saudi Basic Industries Corporation (SABIC) is set to issue its first SR1 billion (US\$266.6 million) Sukuk as part of its initiative for tapping into the non-equity segment of the capital market.

The bond, with HSBC acting as the bookmaker and initial lead arranger, will target institutional investors, insurance companies, bank and government funds. Timothy Gray, chief executive of HSBC Saudi Arabia, commented

that 25%-33% of the Shariah compatible funds in the GCC states were raised through Islamic finance, adding that the reliance on Islamic finance by SABIC is a major initiative for opening up the non-equity segment of the capital market.

(See the last issue of *Islamic Finance news*, page 6 for the full story on SABIC's use of the Shariah compliant tool for financing its subsidiary YANSAB.)

## BRUNEI

### BMB Islamic asset management fund

BMB Capital has introduced possibly the largest and most aggressive private Islamic alternative asset management fund in the world, with an agenda to invest over US\$5 billion in emerging markets over the next two years.

As reported earlier in *Islamic Finance news* (Vol 3, Issue 20, page 4), BMB Capital will invest

nearly US\$1 billion in the GCC and emerging Asian markets. Most of the total assets will be invested in a Shariah compliant manner.

The group and its founders have yet to unveil its development plans, but it is reported that development will continue to be aggressive yet discrete.

## BAHRAIN

### BSE to list Investment Dar Sukuk

The Bahrain Stock Exchange (BSE) has signed an agreement with Investment Dar Sukuk Company to list the company's US\$100 million Musharakah Sukuk on the stock exchange with par value of US\$10,000 each.

Having issued in October 2005, the five-year Sukuk is generating an annual profit of 2% above LIBOR payable to Sukuk-holders biannually.

BSE's director Fouad Rashid said that the listing reflected the importance of the Sukuk as a major financing tool that companies should consider tapping into, adding that it would expand the investment options available for investors in the market.

The listing of this Sukuk will bring the total number of bonds and Sukuk listed on BSE to 19, with a total value of US\$2.8 billion.

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14<sup>th</sup> & 15<sup>th</sup> August 2006

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## Note from the Editor

The basic principle of Islamic finance, which favors profit and loss-sharing over interest, is very similar to the financing methods used by the venture capital industry in the west. Islamic financiers are supposed to act like venture capitalists, financing as partners to individuals who have good ideas but no collateral to get loans from conventional commercial banks.

It is regretful that in practice, Islamic banks invest only a tiny proportion (less than 2%) of their portfolio in Mudarabah and Musharakah transactions, which are based on the concept of profit and loss-sharing. The balance of 98% is put into investments using the Murabahah and Ijarah modes of finance, which, in the view of many, involve interest concealed in Islamic garb. In other words, Islamic banks go to great lengths to avoid risk, something they are supposed to share with their clients.

By contrast, although the USA is not an "Islamic" country by conventional definition, in spirit and in real terms its financial institutions offer more Shariah compliant financing and investment than is provided by all the Islamic banks combined. American venture capital firms provide in excess of US\$25 billion per year in equity financing to help finance the development and growth of thousands of new start-ups in healthcare, information technology and other promising industries.

Indeed, there is no better example of Shariah compliant financing than venture capital financing. Venture capital allows entrepreneurs to build a firm without having to borrow and pay high interest charges before they generate any revenues. It is a process of co-operation between entrepreneurs and venture capitalists, with risk-sharing as an essential element. Entrepreneurs provide the bright ideas and the hard work, while venture capitalists furnish the money, either their own or that of their clients, as partners and not merely as lenders.

In other words, if the business succeeds both parties benefit, and if it fails, the entrepreneur is not obligated to repay the investment. This is the essence and spirit of Islamic finance.

In this issue, we feature the Malaysian International Islamic University's Professor Dr Mohd Ma'sum Billah's paper, which elaborates on the operational mechanisms of an Islamic venture capital firm (see page 9). He points out that Musharakah is one the most common concepts used in venture capital financing.

To further understand the concept of Musharakah, prominent scholar Mufti Taqi Usmani, who is also the vice-president of the Karachi-based Darul-Uloom, shares his views on this financing mode from the Shariah perspective (see page 11).

In the Takaful section this week, we look at the juristic rules for determining and allocating surplus or deficit in Islamic insurance companies, contributed by the Bahrain-based Accounting and Auditing Organization for Islamic Finance Institutions (AAOIFI).

Much has been said and talked about the "hub" for Islamic finance. While Kuala Lumpur, Bahrain and London all claim to be such a hub, some of the valid points raised by our Forum respondents should be the yardstick for such a claim. The factors to be considered are:

1. What features are required to make a city into a hub?
2. What benefits/advantages does a hub bring?
3. What are the prevailing trends in the conventional financial market?

Having attended numerous conferences and participated in seminars discussing this issue, the above questions have never, in my hearing, been perfectly answered. Whether a particular city is a hub or not, the most critical issue that should be addressed first is whether the industry is serving the ummah in accordance with the real spirit of Islamic finance, and is not just a mere crown that symbolizes authority!



Zakariya Othman, Editor

### Islamic Finance news

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## NEWS BRIEFS

### UAE (Dubai)

#### IDB funds for Awqaf and orphans

Islamic Development Bank (IDB) has embarked on a partnership agreement with the Dubai Establishment for Awqaf and Minors' Affairs in the investment and development of funds and properties of Awqaf and minor orphans. The funds will be established in accordance with Islamic rules.

### MALAYSIA/BAHRAIN

#### JV Islamic investment in Middle East

CIMB Group (CIMBG), a wholly owned subsidiary of Bumiputra-Commerce Holdings, has partnered Yusuf Bin Ahmed Kanoo Holdings in the establishment of a joint venture entity in Bahrain. Both CIMBG and Kanoo Group will have a 50% equity interest each in the CIMB-KANOO Islamic Investment Company.

The new company will provide Shariah compliant merchant or investment banking services, including corporate and investment advisory services and capital and fundraising activities.

CIMB-KANOO Islamic Investment Company has an initial issued and paid-up capital of US\$20 million, comprising 20 million ordinary shares of US\$1 each. As a subsidiary of CIMBG, the group will appoint the CEO and will have direct management control of all operational matters pertaining to finance and human resources.

The partnership will allow CIMBG and the Kanoo Group to participate effectively in the growing Middle Eastern Islamic capital market.

### UAE (Dubai)

#### Dubai Bank in IPO talks

Dubai Bank revealed that it might consider running an IPO to help raise an additional Dh500 million (US\$136 million), bringing the bank's total capital to over Dh1 billion (US\$272 million).

The bank remains committed to converting into an Islamic bank, but will reposition its efforts on expanding its retail presence in the local market. It will launch 10 new branches in the country before the year-end, and these new units will offer Islamic products immediately.

In addition, Dubai Bank is designing a covered Islamic credit card, which offers customers a low equivalent interest rate similar to Abu Dhabi Islamic Bank's credit card, which offers an annual 10% rate.

### SWITZERLAND

#### Zurich named as next IIFF venue

Zurich is set to be the venue for the International Islamic Finance Forum (IIFF) Europe, to be held on the 13<sup>th</sup>-16<sup>th</sup> November 2006. A conference program has already been designed to address issues relating to the growing European Islamic finance market.

Organized by the Institute for International Research (IIR), the conference will emphasize the increasing demand for Shariah compliant wealth management and private banking services. Similarly to the 10<sup>th</sup> IIF, which concluded last month in Singapore, the IIFF Europe will bring in over 40 speakers worldwide to discuss the key issues relevant to the European market.

Christianna Tsiteou, forum director, said that the immense Arab capital deposited in Swiss banks and the escalating demand for Shariah compliance has made the country a logical destination for the next IIFF.

### UAE (Dubai)

#### DIFC aims high

The Dubai International Financial Centre (DIFC) has a target of hosting 20% of the world's investment funds.

It has enacted a collective investment law to provide a legal framework to cover mutual funds, property funds, Islamic funds, hedge funds, and private equity funds.

DIFC's head of asset management said that this would put the DIFC on the same level of other leading onshore fund centers like London, New York and Hong Kong, further adding that it would fit the fund industry from a wholesale perspective.

### BAHRAIN

#### BMA licenses first Islamic ladies bank

Bahrain Monetary Agency (BMA) has granted an initial license to set up the first Islamic investment bank for women in Bahrain, with a capital of US\$1 billion and a paid-up capital of US\$500 million. The new bank, known as Masrafy, will be based in the Bahrain Financial Harbor and will be operated by female banking experts.

Rashad Yousef Janahi, CEO of ADIH, said that Masrafy targets female investors who tend to shy away from investments due to the lack of privacy, further adding that the bank would serve as a credible investment avenue to maximize returns of investment funds in a professional manner. Mr Janahi said that regional statistics suggested that women in the area have funds worth US\$38 billion, but there was no way for them to maximize returns on investing these funds.

Masrafy will tie up with different international banks for asset management and banking services, in addition to collaborating with institutions for risk management and deploying corporate governance practices.

### BAHRAIN

#### BMA reforms licensing framework

The Bahrain Monetary Agency (BMA) has announced regulatory reforms to modernize and strengthen the licensing framework for banks in the Kingdom.

The new banking regulations, which come into effect on the 1<sup>st</sup> July, will clearly define all banking activities, giving clarity and legal certainty for banking licensees and their customers.

The five license categories – conventional bank, Islamic bank, insurance, investment business and specialized licensees – are defined by regulated activity, making the new framework flexible and inclusive and able to respond to market changes. The framework will also simplify existing categories of onshore and offshore banking licenses, enabling offshore banks to undertake onshore business in a controlled manner.

Commenting on the new framework, Rasheed Mohammed Al Maraj, governor of the BMA, said that the clarity and consistency of the new framework would provide a more competitive environment for banking in the Kingdom.

"By enabling international banks to offer onshore banking to Bahraini residents," he added, "we anticipate further growth and investment in the sector, as well as the advent of greater customer choice in banking services."

## NEWS BRIEFS

### UAE (Dubai)

#### DIB expands through Emiratization

Dubai Islamic Bank (DIB) has declared that five top students of the 180 UAE nationals who undergo the fifth Iktasib will be awarded scholarships in the bank-sponsored Emirates Banking Institution.

The two-month Emiratization training program is designed to shape students' careers, enhance their understanding of banking and enlighten them about developments in Islamic banking, while preparing them to face the challenges ahead.

Obaid Khalifah Al Shamsi, assistant vice-president and head of Emiratization at DIB, said that trainees would be divided into two groups, enabling adequate attention to be paid to each individual, further adding that the successful candidates would be given priority employment in future recruitment exercises.

The Emiratization exercise forms part of DIB's expansion plan. The bank will open 23 new branches in the UAE and another 70 across Pakistan over the next 18 months, in addition to aiming for a domestic branch network of 53 by the end of 2007. It will also double its ladies Johara branches to eight by next year.

### LIECHTENSTEIN

#### LL to launch Islamic funds

Liechtensteinische Landesbank (LL) will launch two investment funds to raise US\$2 billion to be invested in the GCC and MENA region through the Middle East Growth Sector Certificate (MEGSC).

The Shariah compliant certificate, which offers direct 1:1 performance participation without maturity limitation, will be invested in companies such as Al Khaleej Development Company, Amlak Finance, Dubai Islamic Bank, Union Properties, Qatar National Bank, Qatar Islamic Bank and Emaar.

The MENA Capital Guaranteed Note (MCGN) will be invested in the MENA Index Composition. It will comprise of 30 shares selected on the basis of market capitalization weightage, with 57% of the fund going into banking and investments, 23% into telecom, 7% into shopping and real estate and 3% into the industrial and construction sectors.

The Capital Guaranteed Note, which has a maturity period of three-five years, has been rated Aa3 by Moody's and AA- by S&P. The capital is guaranteed upon maturity and the maximum exposure is 150%.

### SRI LANKA

#### Amana adopts iMal

Amana Investments has collaborated with Kuwaiti company PATH Solutions to acquire the latter's Islamic banking software - iMal - to help Amana in its planned market repositioning strategy.

Chandralal Wickremaphirana, Amana's head of IT and service excellence, was satisfied with the choice of provider in terms of product functionality, product support capability, pricing and long-term development capabilities, further adding that the product also has the capacity to meet the Basel II requirements.

### KUWAIT

#### KFH on the up

Kuwait Finance House (KFH) has declared an increase of 52% in net profit for the first quarter of 2006, amounting to US\$274.2 million, with the shareholders' stake being US\$127.2 million.

KFH also posted a 40% increase (US\$4.8 billion) in assets, which now amount to US\$16.9 billion. Deposits increased US\$2.5 billion (27%) to US\$11.7 billion and profit per share rose to US\$1.03 for the first quarter, compared to US\$0.86 for the same period last year (an increase of 20%).

Bader Abdul Mohsen Al-Mukhaizeem, chairman and managing director of KFH, commented that KFH's recent opening in Malaysia marked the organization's continuous efforts to expand abroad and open new markets, adding that the step would "serve KFH's customers and its policy by introducing investments with limited risk, opening the door for areas of co-operation, exchanging experience, and developing service delivery techniques via new investment opportunities of high return to customers." (See Ratings News, page 8.)

### BAHRAIN

#### BMA leasing Sukuk oversubscribed

The Bahrain Monetary Agency (BMA) has announced that the monthly issue of No. 10 short-term Sukuk Al Ijarah Islamic leasing Sukuk has been oversubscribed by 165%.

Issued on behalf of the Government of the Kingdom of Bahrain, the BD10 million (US\$26.5 million) issue received BD16.5 million (US\$43.7 million) worth of subscriptions. The expected return on the 182-day issue is 5.69%.

### BAHRAIN

#### Arcapita share issue oversubscribed

Arcapita Bank experienced an oversubscription of 150% for its new share issue, doubling its capital base from approximately US\$400 million to over US\$800 million. The capital increase comprised a US\$200 million rights issue to existing shareholders and another US\$200 million issue to strategic investors.

Commenting on the capital increase, CEO Atif A. Abdulmalik said that it would facilitate further diversification of the products and services offered the bank, as well as a global expansion into Asia, which will include establishing an office in Singapore or Hong Kong.

Vice-chairman Abdulaziz Aljomaih added that the equity increase would support Arcapita's net income growth, while allowing the bank to maintain prudent financial ratios.

### MALAYSIA

#### Zakat payment via credit card

Bank Islam Malaysia (BIMB) has launched a zakat payment plan, enabling its Shariah credit cardholders to pay zakat via their credit cards.

The bank aimed to increase its current Visa and MasterCard Shariah credit card customer base from 140,000 to 200,000 by June 2007. The bank is confident of reaching its target, considering the growing awareness of the use of Islamic banking system to pay zakat.

## NEWS BRIEFS

### BAHRAIN

#### Ithmaar to acquire stake in Shamil

Ithmaar Bank is to acquire a 60% stake in its sister company, Shamil Bank, from Dar Al-Maal Al-Islami (DMI) Trust.

In return, DMI Trust will take over Ithmaar's Islamic Investment Company of the Gulf (IICG) Bahamas. Both transactions have been approved by the board of directors of Ithmaar Bank and the board of supervisors of DMI Trust.

The acquisition of Shamil Bank will see Ithmaar offering a comprehensive range of Islamic banking and finance services, including commercial banking, private and corporate banking, investment banking, Takaful and leasing. Its flagship companies include Solidarity, Faisal Finance and Faysal Bank.

Ithmaar Bank will also increase its stake in Faysal Bank to 65% (from 28%) and in Faisal Finance to 100% (from 49%), as well as acquiring Shamil Bank's 25% shareholding in Meezan Bank. Ithmaar Bank will additionally acquire Shamil Bank's 25% shareholding in Meezan Bank, an Islamic investment and commercial bank in Pakistan.

### MALAYSIA

#### ARB joins Johawaki in property project

Amanah Raya (ARB) has partnered Johawaki Development in its first attempt at property development.

ARB, via its wholly-owned subsidiary, ARB Hartanah, and Johawaki will jointly develop 31.5 acres of wakaf land in Taman Kepong Indah into houses, condominiums, offices and a training institute for the council.

The project, estimated at a total RM166 million (US\$45 million), forms part of ARB's host of new ventures, including Islamic property financing like Sukuk Musharakah, wakaf land development and franchising of estate management.

ARB managing director Ahmad Rodzi Pawanteh commented that property development would not only ensure a diversified source of income, but also a very stable income for the future, adding that such development would account for 15%-20% of ARB's income over the next three years.

### MALAYSIA

#### Pilgrims to bank overseas

Bank Islam Malaysia has announced its intention to tap into the huge membership of Tabung Haji, which is also its majority shareholder, in order to boost the growth of its consumer banking arm, the revenue of which it expects to rise by 25% in 2007.

Zukri Samat, managing director of Bank Islam, said that the existing collaboration had allowed the bank to further customize services for pilgrims, adding that the bank would provide Tabung Haji's depositors with the benefits of Shariah compliant banking products.

Both organizations were looking at offering pilgrims banking overseas and would jointly explore the possibility of pilgrims utilizing Bank Islam's ATMs in places like Mecca and Medina.

### UAE (Dubai)

#### QFH makes progress

Gulf Finance House (GFH) has appointed PricewaterhouseCoopers (PwC) to advise on the development of Qatar Finance House (QFH). Communication specialists have also been assigned to advise on the name, branding and communication strategy of the new bank.

The first Islamic investment bank to be established in Qatar is expected to be launched with an authorized capital of US\$1 billion and a paid-up capital of US\$500 million. Both GFH and Qatar Islamic Bank will own 15% each, while the remaining 70% will be offered to investors.

Commenting on the involvement of PwC in the project, Mr Esam Janahi, CEO and board member of GFH, said that the specialists would add great value to the new venture.

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## NEWS BRIEFS

### MALAYSIA

#### SIDC Islamic markets workshop

The Securities Industry Development Centre (SIDC) will conduct a workshop entitled "Islamic Markets Program" from the 10<sup>th</sup>-14<sup>th</sup> July, with the aim of promoting the transfer of knowledge and sharing of expertise by Islamic financial professionals.

The workshop will also enable experts and participants to be updated with the latest trends and developments, in addition to enhancing their knowledge of new products and services in the wide range of international Islamic business applications and innovations.

Dr Mohd Daud Bakar, member of the SC Shariah Advisory Council and president of the International Institute of Islamic Finance Inc (IIIF), will be the program principal.

### UAE (Dubai)

#### Dubai Bank new investment certificate

Dubai Bank has launched a Shariah compliant investment certificate – Muhafez – to answer the growing demand for Shariah compliant investment products in the region.

Al Muhafez is uniquely structured to offer investors two investment options: Al Muhafez 100 with a five-year maturity and 100% principal protection and Al Muhafez 80 with a 2.5-year maturity and 80% principal protection. Investors for both products are allowed an early exit option after only one year.

Abdulaziz Al Muhairi, CEO of Dubai Bank, said that the certificate was designed to enable investors to benefit from the potential growth in the UAE stock markets, while protecting their investments against the volatile market.

The new certificate will take advantage of the current attractive valuations in the equity markets, with a view to achieving medium to long-term growth.

The investment, which requires a minimum investment of only Dh50,000 (US\$13,613), will be open for investment by all nationalities.

### MALAYSIA

#### Bursa/FTSE new index series

Bursa Malaysia, in association with the FTSE Group, has launched the first phase of the new FTSE Bursa Malaysia Index Series.

The series, comprising six new indices, will cover all Malaysian markets and segments by size, focusing on investability and transparency, which allow the creation of new investment products, such as Exchange Traded Funds as well as new derivatives and over-the-counter products.

Yusli Mohamed Yusoff, CEO of Bursa Malaysia, said that the phase 1 index series, consisting of Bursa Malaysia EMAS Index, Large 30 Index, Mid 70 Index, 100 Index, Small Cap Index and Fledgling Index, would provide a new perspective of the Malaysian capital market, bring it a step closer to achieving a developed market status.

"It raises the bar by which our market must now perform, by measuring our success using developed market benchmarks. By introducing tools such as the FTSE Bursa Malaysia Index Series, we can show clearly the transparency and investibility in our market."

### UAE (Dubai)

#### Aabar raises Sukuk to US\$460m

The strong demand for Aabar Petroleum's recently launched convertible Sukuk in the Middle East and Europe has resulted in the company increasing the bond to US\$460 million, from US\$350 million.

The Sukuk is scheduled to mature on the 28<sup>th</sup> June 2010 at a fixed profit rate of 6.894%.

The bond may be redeemable by delivery of its ordinary shares priced at US\$1.0895, and the issuance of additional capital would be subjected to the approval of the shareholders.

### UAE (Abu Dhabi)

#### UNB launches Islamic finance arm

Union National Bank (UNB)'s new Islamic finance subsidiary, Al Wifaq Finance Co, will initially target the UAE, but will move on to tap the growing Islamic finance segment in the GCC.

Shaikh Nahyan Mubarak Al Nahyan, chairman of Al Wifaq, said that the stable and buoyant economic growth of the country has propelled the bank to establish a strong Islamic finance company to meet the growing demands of the segment.

Al Wifaq has a capital of Dh500 million (US\$136 million) and is nearly 80% owned by UNB, with the remaining held by 27 shareholders, comprising individuals and institutions. It will serve as an individual entity with its own management team and directors.

### BAHRAIN

#### Increased capital enhances ABG growth

Albaraka Banking Group (ABG), in its biggest IPO in the Middle East, has successfully raised the 100% capital allocated by the bank for the fundraising, helping the bank to achieve its targeted increase in the new paid-up capital.

ABG revealed that the total amount received in subscription was 1.36 times the capital sought. The IPO offered for public subscription 188.9 million shares, 120 million of which were new shares for its capital increase at a price of US\$3.08 per share.

Sheikh Saleh Abdullah Kamel, chairman of the board of directors of ABG, said that the most distinguishing feature of the capital increase was that it had attracted well-established institutions in the financial, investment, real estate and leasing sectors.

"This would give a further strategic depth to ABG's growth and provide it with many advantages, in terms of the Group's ability to participate in development projects and in terms of introducing innovative new products and services as well as expanding into new markets all over the world," he added.

The group is in the process of listing on the Bahrain Stock Exchange and the Dubai International Financial Exchange, which is expected to have a positive impact on all companies in ABG, including Albaraka Bank.

Albaraka Bank is also expected to receive a R50 million (US\$13.3 million) cash injection this year from its international investors to position the bank for further asset growth.

## NEWS BRIEFS

### BAHRAIN

#### IIB oversubscription

International Investment Bank (IIB) announced that its latest commercial real estate investment offering – the West Bay Tower – which was developed in partnership with SNASCO, has been over-subscribed by 65%.

The 27-storey X-shaped tower will bear a total development cost of US\$87.84 million. The tower, which is IIB's second investment in the Business Bay development, is expected to earn an IRR of 21.6% per annum over an investment horizon of 36 months.

"We are delighted with the response to the West Bay Tower investment offering, which has been highly successful. We have seen strong demand from both institutional and private investors from across the GCC region, and we are gratified to be able to continue to bring exciting new opportunities to the market," said Aabed Al Zeera, CEO of IIB.

### UAE (Dubai)

#### Yasaar to debut at DIFC

London-based Yasaar's recent approval to operate in the Dubai International Finance Centre (DIFC) has made it the first Shariah compliant financial advisory company to be based at the center.

Chief executive Majid Dawood said that the decision to open up a unit in DIFC was based on market growth in the Middle East and the strategic location of Dubai, equidistant from London and Singapore/Malaysia.

Dawood revealed that Yasaar is developing a number of complex products for the Islamic market, such as credit and equity derivatives.

### UAE (Abu Dhabi)

#### ADIB goes online

Abu Dhabi Islamic Bank (ADIB) has recently launched e-ADIB, a new online banking service to provide customers with the flexibility of performing banking transactions at their convenience.

The banking portal offers customers the option of freezing payments made on specified accounts, denying ambiguous checks drawn against their bank accounts, and terminating lost or stolen ATM cards. Other facilities available through e-ADIB include accessing and monitoring bank accounts, reviewing detailed account statements, transferring funds between accounts and requesting new check books.

### UK

#### Islamic finance in Britain boost

London's position as a financial capital and the hub for the flow of Islamic funds into Europe will be reiterated at the upcoming conference on "Islamic Finance and Investment in Britain," scheduled to be held next month in London.

Anas Altikriti, director of Islam Expo, the organizer of the conference, said that the event would be an opportunity to build bridges between Britain and the Muslim world.

The conference, he said, "is an important part of IslamExpo program and will be a highlight of British Muslims' commitment towards the prosperity of our nation."

The conference, which is open exclusively to invited financial delegates, is anticipated to draw a list of distinguished speakers from the financial sector as well as the Muslim world.

## THIS TIME LAST YEAR

**Bank Negara Malaysia** stated that the international Sukuk market was growing and this year more than US\$5 billion was estimated to be in the pipeline globally; **QNB Al Islami**, the first Islamic banking operation established by a Qatar-based commercial bank, was formally inaugurated; **Shamil Bank** of Bahrain officially launched its first Pan-GCC Islamic equity fund – the Al Aseel Islamic Equity Fund; an agreement was signed between the Bahrain Stock Exchange and **The Commercial Real Estate Sukuk Co** to list its US\$100 million five-year Ijarah Sukuk issue on the exchange; **Dubai Islamic Bank** opened a new branch in Dubai Internet City, bringing its total number of branches to 23; **Emirates Bank International** opened two new branches in Qusais and Jebel Ali; **Emirates Financial Services** announced its feeder portfolio into a Shariah compliant GCC Real Estate Fund, which was incorporated by **Global Investment House** in Bahrain; the **International Finance Corporation** signed its maiden Murabahah facility with

**Saudi British Bank**. The US\$49.99 million investment was aimed at supporting the growth of the bank's Islamic home financing portfolio; **Bank Islam Malaysia** revealed it expected to record another US\$789.47 million in deposits by its financial year ending June 2006, from the current US\$3.29 million, following its recent tie-up with **Bank Pembangunan & Infrastruktur Malaysia**; **Abu Dhabi Islamic Bank** officially launched its latest product Tadawol – considered to be the first service of its kind to offer Islamic share financing; the board of directors of **Dubai Islamic Bank** recommended splitting the bank's stock and opening the door for 15% foreign ownership in the bank; **Orhan Osmansoy** was appointed MD of the merchant banking division for The National Investor; **Framroze Pochara** was appointed as the new CEO of the Dubai Gold and Commodities Exchange; Bahrain's **Takaful International** expanded the coverage of its healthcare and medical services to Jordan.

## NEWS BRIEFS

### RATINGS NEWS

#### MALAYSIA

##### ZTC BaIDS rated

Malaysian Rating Corporation (MARC) has rated Zecon Toll Concessionaire (ZTC)'s proposed RM60 million (US\$16.4 million) Bai Bithaman Ajil Islamic Debt Securities A+ID.

ZTC is the holder of a 33-year toll concession for the Tun Salahuddin Bridge over the Sarawak river, connecting the northern and southern parts of Kuching. The rating reflects the strategic importance of the bridge as an integral part of the Sarawak Government's infrastructure development program to provide more routes for the increasing traffic in the city and to mitigate congestion on existing roads.

#### KUWAIT

##### KFH on the rise

Kuwait Finance House (KFH) has received an upgraded rating from stable to positive from Moody's Investor's House for its long and short-term foreign currency deposits.

Bader Abdul Mohsen Al-Mukhaizeem, chairman and managing director of KFH, commented that the ratings reflected KFH's financial adequacy, as they are based on the company's growing profit record and its position on both regional and global levels. (See News Briefs, page 4, for story on KFH's financial results.)

#### SAUDI ARABIA

##### S&P rates NCB portfolios

Standard & Poor's (S&P) has rated the National Commercial Bank's AlManarah High Growth and AlManarah Medium Growth Portfolios at A after a qualitative evaluation of their performance, stock selection and management policy.

The funds demonstrated the ability to provide above-average returns over a long-term period, in addition to adhering to a consistent investment process.

Launched in 2003, the portfolios are open-ended funds-of-funds offering investors Shariah compliant asset allocation.

#### MALAYSIA

##### DCL facility earns AA3

The proposed 10-year RM100 million (US\$27 million) Islamic Medium-Term Note Facility of Dynamic Communication Link (DCL) was assigned a long-term rating of AA3 with a stable outlook by Rating Agency Malaysia (RAM).

DCL is the project manager for Melaka ICT Holdings in constructing and leasing telecommunication towers to the cellular operators in the state of Melaka.

This rating reflects the operators' ability to honor all their rental payments to DCL, as well as taking into account the company's sturdy business fundamentals and financial muscle.

#### MALAYSIA

##### Takaful Malaysia earns AAA3

The proven quality of Syarikat Takaful Malaysia's portfolio and profitability has earned the company's claims-paying ability a rating of AAA3 and a stable outlook from Rating Agency Malaysia (RAM).

Takaful Malaysia's underwriting performance has remained strong and consistent, despite the continuous market rebalancing due to new market entrants.

The company's claims experience in both the general and family Takaful businesses is better than those of their respective industries.

#### MALAYSIA

##### RAM rates RHB Islamic

RHB Islamic's good asset quality, favorable liquidity position and adequate capitalization has earned it a long-term general bank rating of AA3 and short-term of P1 from Rating Agency Malaysia (RAM). The long-term rating carries a stable outlook.

The ratings are also based on the continuous support given by its parent, RHB Bank, currently rated AA3/P1 by RAM.

RHB Islamic, Malaysia's first fully fledged Islamic bank of a commercial banking group, offers a broad range of Shariah compliant Islamic banking products and services.

#### MALAYSIA

##### MARC rates Kesturi Sukuk

The RM780 million (US\$213 million) issuance of redeemable secured serial Sukuk bonds of Konsortium Lebuhraya Utara-Timur (Kesturi) was given a rating of A+ID by Malaysian Rating Corporation (MARC).

Kesturi is the concession company appointed by the Malaysian government to design, construct, operate, manage and maintain a highway in the country. Construction is slightly behind schedule, but is expected to be completed by October 2008.

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# Islamic Venture Capital: An Operational Mechanism

By Professor Dr Mohd Ma'sum Billah

## Introduction

In finance, there are two main ways that a company or organization can raise funds to finance projects. One of these methods is equity financing, through the issuance of shares to the public, especially for listed companies. The second method is debt financing, through the issue of bonds in the stock market or loans from a bank.

As far as Islam is concerned, not all these modes of financing are Shariah compliant, or at least there are some restrictions in using the mode of financing, specifically in the case of debt financing, as far as it involves riba or any other haram elements such as gharar and gambling. Almost all Muslim scholars are of the opinion that buying, selling or holding shares is lawful if the company's main business is compliant with Islamic law.

Islamic venture capital is a type of equity financing that uses Musharakah. In fact, venture capital is not a new concept, but has a long history. Sami Al Suwailem (2000) said: "although the concept [venture capital] as such is not new, a formal market for venture capital in the USA started only after World War II. Venture capital institutions currently manage over US\$30 billion in the USA and another US\$30 billion in Western Europe."

People use venture capital to finance projects that may require a large amount of capital, which may not be available to the project's owner. Nowadays, business uses venture capital to fully or partially finance technology-based projects. From this point of view, it is strongly advisable for Muslim countries to forge mutual contracts, or form a win-win strategy to help each other in this era of globalization, in which the stronger will eat the poorer people. Most Muslim nations have enough recourse, but they suffer from a lack of skills and expert management teams (as is the case in the Gulf countries), although some Muslim countries seem to have highly skilled people, such as Malaysia. Therefore, it would be of great advantage for Muslim countries to work together. As an example, the UAE and Malaysia built a Technological City together in Dubai last year. We need to take each others' hands in order to live in this new era of globalization.

In the next section, we will explain the concept of Musharakah, as this is the base for the use of Islamic venture capital.

## Musharakah

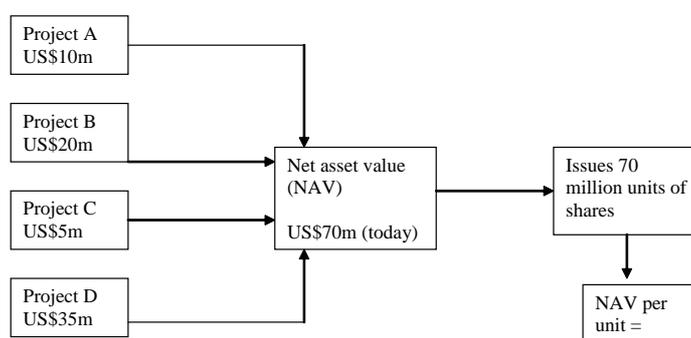
Musharakah literally means sharing. In the context of business and trade it refers to a joint enterprise in which all of the partners share in the profit or loss of the joint venture. It is a contract based on mutual consent, the validity of which does not depend on conditions of a valid contract. Instead, the most important aspects in Musharakah are that the parties should be capable of entering into a contract of their free will, and the contract should be free from duress, fraud or misrepresentation.

## Modern operation of Musharakah model

In the Musharakah model, the bank identifies prospective companies with approval subject to due diligence. Companies can issue Musharakah preference shares to the bank at a discount, if the bank wants to buy the paper through wadiah or discounted sale. If the bank does not intend to buy, then the companies can sell directly to the investors via Musharakah deposits.

For example, the bank may require US\$70 million to finance four short and medium-term investment projects. The bank will issue US\$70 million worth of Musharakah shares to investors at US\$1 each. In this case the bank acts as agent for both investors and the company, and charges fees for the services rendered. When a project makes gains of US\$90 million, the net asset value per unit will increase to US\$1.50. In this case the investors will enjoy capital gains. However, if the project does not succeed, the investors will lose their capital (Saiful Azhar, 2001).

The identification of projects with potential returns and raising medium-term Musharakah capital.



Source: Saiful Azhar

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continued...

## Islamic Venture Capital: An Operational Mechanism (continued...)

### The practical scenario

In reality, venture capital is a real business deal in which both parties – the venture capital company and the finance company – work together sharing the efforts and returns, because there is no gain without pain, and from here we could start fighting the concept of riba. It could also be asked: how about if we minimize the use of banking services, especially loan services, and we establish investment companies based on Musharakah.

Identified below are some of the steps used in venture capital:

- The company – “the ummah” – is in pharmaceuticals and has the relevant skills to develop a new type of product. However, it does not have enough capital to finance the project.
- The company founds a venture capital company, which will finance approximately 90% of the total cost, based on a Musharakah contract. Later on the profit or loss will be divided according to the principle of Musharakah.
- After the establishment of the venture capital company, and the identification of investment opportunities, the venture capitalist has the right to monitor the investment and analyze it step by step to ensure that the project will be successful and able to benefit both parties.
- The contribution of the venture capital company can be converted into common stock, although it is not Islamic to be converted into preference stock, where normally the holder receives a fixed dividend.
- The full amount of capital will not be provided at once; rather each stage of the project will have its own budget.
- The board of directors comprises representatives from the recipient company and the venture capitalists.
- To minimize risk, the venture capital firm can build a portfolio investment by investing in other companies (diversification).
- After the project materializes, the recipient company has the chance to go public.
- The profit earned from the project will be shared between the parties based on pre-determined ratios.

### Conclusion

To survive as a Muslim ummah in this era of globalization, does the Islamic financial sector need to innovate? Innovation and positive thinking from the viewpoint of the Islamic scholars (Fiqh scholars) are the means of being a civilized ummah in order for us to lead the current corrupted world. Otherwise we will be dreaming of leading the world, when in fact we will be part of the problem.

There is nothing wrong with using others' ideas if they are in line with Islamic law. We do not need even to specify “Islamic venture capital;” we use venture capital as a mechanism to finance our project using equity financing. Muslims, especially businesspeople, should know what is wrong and what is right, what is haram and what is halal, and thus should invest using the right mechanisms. The names of things should not be our concern.

In conclusion, venture capital is a very important mechanism for fundraising through the use of the Islamically accepted concept of

Musharakah. It could help in developing Muslim countries to exchange skills and remedies and go further in developing our ummah.

The author is Islamic Corporate Advisor on Shariah Compliance of Banking, Finance, Investment, Takaful, re-Takaful, Business, Wealth, Asset and Property Management, Capital Market, Bond (Sukuk) Market, Money Market and e-Commerce. He is a Professor of Islamic Finance at the Faculty of Islamic Finance, University of Camden, USA (Malaysian Center). He can be contacted by email on: [masum2001@yahoo.com](mailto:masum2001@yahoo.com); website: <http://www.applied-islamicfinance.com>.

References are available on request from the author.

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# The Concept of Musharakah

By Mufti Taqi Usmani

*This is the initial installment of a two-part article examining the concept of Musharakah. This week we will look at the definitions and basic rules of Musharakah and Shirkah, moving on to analyze more closely the operating details of Musharakah in the next issue of Islamic Finance news.*

**“Musharakah” is a term frequently referred to in the context of Islamic modes of financing. The connotations of this term are a little more limited than the term “Shirkah,” more commonly used in Islamic jurisprudence. For the purpose of clarity in the basic concepts, it will be pertinent at the outset to explain the meaning of each term. Shirkah means “sharing” and in the terminology of Islamic Fiqh, it has been divided into two kinds, outlined below.**

#### *Shirkat-ul-milk*

This means joint ownership by two or more persons of a particular property. This kind of Shirkah may come into existence in two different ways. Sometimes it is the choice of the parties – for example, if two or more persons purchase equipment, it will be owned jointly by both of them and the relationship between them with regard to that property will be called “Shirkat-ul-milk.” So this relationship has come into existence through their own volition, as they themselves elected to purchase the equipment jointly. However, there are cases where this kind of Shirkah comes to operate automatically, without the need for any action to be taken by the parties. For example, after a person’s death, all his heirs inherit his property, which comes into their joint ownership as an automatic consequence of the death of that person.

#### *Shirkat-ul-‘aqd*

This is the second type of Shirkah, which means “a partnership effected by a mutual contract.” For the purpose of brevity it may also be translated as a “joint commercial enterprise.” Shirkat-ul-‘aqd is divided further into three types:

- “Shirkat-ul-amwal” is where all the partners invest capital into a commercial enterprise.
- “Shirkat-ul-a’mal” is where all the partners jointly undertake to provide services for their customers, and the fee charged is distributed among them according to an agreed ratio. For example, if two persons agree to undertake tailoring services for their customers on the condition that the wages earned will go into a joint pool that shall be distributed between them, irrespective of the size of the work each partner has actually done, this partnership will be a Shirkat-ul-a’mal, which is also

called “Shirkat-ul-taqabbul” or “Shirkat-ul-sana’i” or “Shirkatul-abdaan.”

- The third kind of Shirkat-ul-‘aqd is “Shirkat-ul-wujooh.” Here the partners have no investment at all. All they do is purchase commodities at a deferred price and sell them. The profit so earned is distributed between them at an agreed ratio.

All these modes of sharing or partnership are termed as “Shirkah” in the terminology of the Islamic Fiqh, while the term “Musharakah” is not found in the books of Fiqh. Musharakah has been introduced recently by those who have written on the subject of Islamic modes of financing, and it is normally restricted to a particular type of Shirkah, namely Shirkat-ul-amwal, where two or more persons invest capital in a joint commercial venture. However, sometimes it also includes Shirkat-ul-a’mal, where partnership takes place in providing a service. It is evident from this article that the term “Shirkah” has a much wider sense than the term “Musharakah”, as it is being used today. The latter is limited to Shirkat-ul-amwal only, while the former includes all types of joint ownership and partnership.

Since Musharakah is more relevant for the purposes of this discussion, and is virtually analogous to Shirkat-ul-amwal, we shall now focus on this area, first explaining the traditional concept of this type of Shirkah, and then giving a brief account of its application to the concept of financing in the modern context.

### The basic rules of Musharakah

Musharakah (or Shirkat-ul-amwal) refers to a relationship established by the parties through a mutual contract. Therefore it goes without saying that all the necessary ingredients of a valid contract must be present here. For example, the parties should be capable of entering into a contract; and the contract must take place with the free consent of the parties, without any duress, fraud or misrepresentation. In addition there are certain ingredients which are peculiar to the contract of Musharakah. These are summarized below.

#### **Distribution of profit**

The proportion of profit to be distributed between the partners must be agreed upon at the time of making the contract. If no such proportion has been determined, the contract is not valid under Shariah law. The ratio the profit for each of the partners must be determined in proportion to the actual profit accrued to the business, and not in

*continued...*

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## The Concept of Musharakah (continued...)

proportion to the capital invested by him. It is not permitted to fix a lump sum amount for any one of the partners, or any rate of profit tied up with his investment.

Therefore if A and B enter into a partnership and it is agreed between them that A shall be given US\$10,000 per month as his share of the profit, and the rest will go to B, the partnership is invalid. Similarly, if it is agreed between them that A will get 15% of his investment, the contract is invalid. The correct basis for distribution would be an agreed percentage of the actual profit accrued to the business. If a lump sum amount or a certain percentage of the investment has been agreed for any one of the partners, it must be expressly mentioned in the agreement that it will be subject to the final settlement at the end of the term, meaning that any amount so drawn by any partner shall be treated as "on account payment" and will be adjusted to the actual profit that he may deserve at the end of the term. If no profit is actually earned or it is less than anticipated, the amount drawn by the partner will have to be returned.

### Ratio of profit

Is it necessary that the ratio of the profit of each partner complies with the ratio of the capital invested by him? There is a difference of opinion among Muslim jurists about this question. In the view of Imam Malik and Imam Shafi'i, it is necessary for the validity of Musharakah that each partner receives profit exactly in the proportion of his investment. Therefore, if A has invested 40% of the total capital, he must get 40% of the profit. Any agreement to the contrary which makes him entitled to more or less than 40% will render the Musharakah invalid in Shariah law.

On the contrary, the view of Imam Ahmed is that the ratio of profit may differ from the ratio of investment if it is agreed between the partners with their free consent. Therefore, it is permissible that a partner investing 40% receives 60% or 70% of the profit, while the other partner - who has made 60% of the investment - gets only 40% or 30%.

A third view is presented by Imam Abu Hanifah, which can be taken as a *via media* between the two opinions mentioned above. He says that the ratio of profit may differ from the ratio of investment in normal conditions. However, if a partner has put an express condition into the agreement that he will never work for the Musharakah and will remain a sleeping partner throughout the term of Musharakah, then his share of profit cannot be more than a ratio of his investment.

### Sharing of loss

In the case of loss, all the Muslim jurists are unanimous on the point that each partner shall suffer the loss exactly according to the ratio of his investment. Therefore, if a partner has invested 40% of the capital, he must suffer 40% of the loss, not more, not less, and any condition to the contrary shall render the contract invalid. There is a complete consensus of the jurists on this principle. Therefore, according to Imam Shafi'i, the ratio of the share of a partner in profit and loss both must conform to the ratio of his investment. But according to the Imam Abu Hanifa and Imam Ahmad, the ratio of the profit may differ from the ratio of investment according to the agreement of the partners, but the loss must be divided between them exactly in accordance with the ratio of capital invested by each one of them. It is this principle that has been mentioned in the famous maxim:

*"Profit is based on the agreement of the parties, but loss is always subject to the ratio of investment."*

The author is the vice-president of Darul-Uloom, Karachi, Pakistan, where he teaches Sahih Bukhari, Fiqh and Islamic economics. He can be contacted at darulolumkhi@wtmeca.net.

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# Islamic Finance forum

## Who is the Islamic finance hub of the world? How would you define an Islamic finance hub? Is it necessary to have an Islamic finance hub?



The three claimants to the title of leading Islamic financial hub of the world are Bahrain, Kuala Lumpur and London. I would nominate Bahrain, as it has more Islamic banks than the two other centers and hosts important international institutions such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Islamic Liquidity Center. Kuala Lumpur of course hosts the Islamic Financial Services Board (IFSB), but most Islamic finance in Malaysia is denominated in local currency, much of the business is retail, and even the Islamic investment banking

and securities issuance is primarily domestic. Bahrain, in contrast, plays more of an international role, vis-à-vis not only other Gulf states, but also Europe and South Asia, notably Pakistan.

London has long played an international role, and is certainly the pre-eminent center for Islamic finance in the west. Initially its role was in managing liquidity for Islamic banks from the Gulf in a Shariah compliant manner, but its role has extended to fund management, Shariah compliant investment in commercial property and more recently retail finance for the Muslim community in the UK.

In the future all three hubs might be expected to develop further, with Dubai perhaps challenging Bahrain, but not London or Kuala Lumpur because of geography, although Singapore could grow to rival Kuala Lumpur. Hubs are needed for investment banking business and securities trading, whether conventional or Islamic, and as this grows, so business in the hubs will further strengthen. There is enough business worldwide for three hubs in different time zones, but probably not more. Competition will ensure which are the long-term winners and losers.

**PROFESSOR RODNEY WILSON:** VP – Director of Postgraduate Studies, Durham University



In answering these questions we need to consider three factors:

1. What features are required to make a city into a hub?
2. What benefits/advantages does a hub bring?
3. What are the prevailing trends in the conventional financial markets?

A hub is created where there is a natural draw of the necessary framework to facilitate an industry's growth and development. This framework includes a complementary legal and regulatory environment, a pool of qualified and skilled professionals and a critical mass of participants. As a hub is the focal point of activity in an industry or industry segment, it facilitates the establishment of a critical mass of transactions. As a result, participants can take advantage of market efficiencies and economies of scale. Additionally, the emergence of hubs is a sign of the continuing maturity of an industry.

Within the conventional financial markets a number of cities have valid claims to be international or regional hubs – New York, London, Hong Kong and Tokyo to name a few. Each of these has the necessary framework to support their claim.

A number of cities have emerged as Islamic finance hubs. In the Middle East, Bahrain has taken the lead with the highest number of Islamic financial institutions and quasi-regulatory bodies (AAOIFI, IIFM, ICRA). Similarly, Malaysia has taken on the role of the Islamic finance hub for Asia. These hubs cannot be established spontaneously and require active legal and regulatory support. Clearly this needs to be enhanced in the GCC where specific enabling infrastructure needs to be put into place to support Islamic financial institutions.

Looking to the future, Pakistan is showing signs of emerging as a regional hub for Islamic finance. The demand for Islamic financial products is robust across both the retail and corporate levels. Additionally, there is a plethora of Islamic finance professionals with links to Pakistan, many working in the GCC. Finally, the State Bank of Pakistan is supportive and proactive in promoting the growth of this industry.

**YAVAR MOINI:** Investment Banking, Dubai Bank

**The views expressed in Islamic finance forum are those of our panelists, and not necessarily those of Islamic Finance news.**

continued...

# Islamic Finance forum

 The world financial hub, whether of Islamic or conventional finance, is Basel in Switzerland – the home of the Bank of International Settlements, whose Basel Accord sets the capital requirements underpinning our “deficit-based” global monetary system configured around Central Banks.

There is as yet no acknowledged “center of excellence” – as good a phrase as any for “hub” in this context – for Islamic financial and economic thinking. Achieving the acknowledged pre-eminent status as the leading such center is the Holy Grail for which most of the Middle Eastern financial centers compete. However, London, although a late starter in this race, and despite being in large part an “ethics-free zone,” has the advantages of a flexible legal and regulatory system, immense depths of human resources of expertise and ingenuity and the presence of virtually every serious financial institution on the planet.

While in a networked world it is not strictly necessary for such a hub to have a physical presence, I believe that we will see two or perhaps three centers which will become acknowledged as hubs in terms of the presence of expertise: London, Dubai and perhaps Kuala Lumpur.

All of this is irrelevant, however, unless the deficit-based financial hub of Basel is superseded by an “asset-based” alternative. One cannot “make a silk purse out of a sow’s ear” and Islamic finance is perched unsteadily on the global pyramid of debt-based money. The GCC, in its efforts to create a single currency analogous to the Euro, and the Asian states, similarly examining an Asian single currency, can and should forsake all thought of a deficit-based system analogous to the European Central Bank. They should instead create a “clearing union” – as advocated by JM Keynes at Bretton Woods in 1944 – as a platform for a common currency – a “Petrodollar” – based upon an agreed unit of energy. Then, and only then, would a true Islamic finance “hub” come into being.

*CHRIS COOK: Principal, Partnership Consulting LLP*

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A hub is a place where all meet (money and know how) and from where all is dispersed again like through the spokes of a wheel. The aviation world is talking about “focus cities,” “hubs,” and “fortress hubs” to distinguish importance of the different centers.

Islamic finance is talking too much about the standardization of products and the creation of hubs, instead of guided, organic growth. “Hub” is “hype.” Everyone wants to be a hub, even whilst the industry is just learning to walk – as a figure of speech. “Hypes” tend to end in over-rated expectation and “bursting bubbles.” Since centralization can work like a facilitator and enhancer, it makes sense to have the existing “focus cities” (most of them still in early stages) develop some more. Competition creates growth. If there is one “hub,” it can be found in Malaysia.

*PAUL WOUTERS: Of Counsel, Bener Law Office*

**DOW JONES**  
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The jury is not in yet as to the world Islamic hub, and may not be in for a while. Recent announcements from Riyadh, looking to establish Riyadh Financial Center, and statements from Gordon Brown about London being the gateway of/to Islamic finance are exciting developments, and will add heft to Islamic finance.

I do not believe we can speak about a world Islamic hub for industry that is only 40 years old, with the tripartite of Islamic finance – Islamic banking, Islamic insurance, and Islamic capital markets – still emerging. If comparison is to be made to conventional banking, there is no world banking hub – there is New York, London and Tokyo.

However, the consensus for the Islamic hub in Asia is Malaysia, its efforts and results speak for themselves. Singapore has made an initial aggressive effort to become an Islamic hub (asset management), but it is a long journey. It would be interesting to see a Singapore Sukuk, as the other Islamic hub jurisdictions, Dubai, Bahrain, Qatar and Malaysia, have issued Sukuk that are in the DJ-Citi Sukuk Index. I believe there will be regional centers of excellence in Islamic finance going forward, and they will co-ordinate efforts to bring value for producers and users of Islamic products and services.

*RUSHDI SIDDIQUI: Dow Jones Indexes*

## Next Forum Question

**Is the growing percentage of non-Muslims buying Islamic financial services a deterrent to product development?**

If you would like to air your views on the next Islamic Finance Forum Question, please email your response of between 50 and 300 words to Zakariya Othman, Islamic Finance news Editor, at: Zakariya.Othman@islamicfinancenews.com before Wednesday 12<sup>th</sup> July.

## Meet the Head

### Islamic Finance news talks to leading players in the industry



**Name:** Dr U. Saefudin Noer  
**Position:** Executive director  
**Company:** Bank Muamalat Indonesia  
**Based:** Jakarta, Indonesia  
**Age:** 41  
**Nationality:** Indonesian

#### Could you provide a brief journey of how you arrived where you are today?

My career in banking started from 1996–1999 when I served as assistant to the president director and corporate secretary of Bank Duta. Then from 1999–2000 I was head of the communications team of the merger of eight banks to Bank Danamon.

Thereafter, between 2000 and 2002, I served as the corporate secretary/divisional head at Bank Syariah Mandiri.

I joined Bank Muamalat in 2003 as special staff to the president director and was appointed as director in 2005.

#### What does your role involve?

As one of the directors of Bank Muamalat Indonesia, my roles are to oversee the bank's operations while participating in conferences and seminars to further improve the service of the bank.

#### What is your greatest achievement to date?

I was involved in the production of a new product, namely Shar-ε, that has been awarded the most innovative product in customer modes of entry in Indonesia.

#### Which of your products/services deliver the best results?

Shar-ε provides online access through the Post Office network in every province of Indonesia, allowing cardholders to deposit money in any designated Post Office that bears the Shar-ε signage. The card can also be used as a debit card at more than 20,000 merchant debits in Indonesia.

#### What are the strengths of your business?

As the first Islamic bank, the pioneer and the guardian of the Islamic banking industry in Indonesia, we have a very strong brand, we are sound and healthy, have widespread networks and a grass roots customer base all over Indonesia.

Our bank has also a very strong bottom line where our net profit for 2005, after zakat, increased more than 110% from the result achieved in 2004.

#### What are the factors contributing to the success of your company?

- Strong corporate values and culture: all crew (I don't call them employees) have been producing their best efforts with a positive attitude and ethics.
- Godly corporate governance is in place, incorporating also the spiritual aspect of corporate governance.
- Increased capital.
- Increased networks of branches, including Post Office online in Indonesia.
- Loyal customers and business partners in both deposits and financings.
- Never-ending innovation and improvement process, and the sharing of Power, Information, Knowledge and Reward (PIKR). This concept is one the most influential concepts in our management to build teamwork.

#### What are the obstacles faced in running your business today?

There are no fundamental obstacles. What we need for the future is a capital increase. Indonesia is a promising country for the Islamic banking industry.

#### Where do you see the Islamic finance industry, maybe in the next five years?

The growth in assets will be more than 60% per annum. More Sukuk issuance and an active Islamic insurance or Takaful market.

#### Name one thing you would like to see change in the world of Islamic finance

As Islamic finance is a very prospective industry, it is time for market players, investors, regulators and governments to take action.



Bank Muamalat Indonesia's mission is to become a role model among the world's Shariah financial institutions,

emphasizing entrepreneurial spirit, managerial excellence, and innovative investment orientation to maximize value to stakeholders.

Bank Muamalat Indonesia was established in 1991, endorsed by the Indonesian Council of Ulemas (MUI) and the Government of Indonesia, and commenced operations in May 1992. The bank is the first and leading Islamic bank in Indonesia, with a growing array of products and services.



## UAE (Dubai)

### Swiss Re offers Family re-Takaful solution

Swiss Re has recently launched a fully Shariah compliant Family re-Takaful solution to meet strong market demand.

The company has opted to use a Wakalah model, instead of the cost-effective Mudarabah model, due to the fact that it is universally accepted as being fully Shariah compliant. The Shariah scholar, Sheikh Muhammad Taqi Usmani, will be the chairman of Swiss Re's Shariah board.

In the Family re-Takaful solution, Swiss Re will pool the risk and administer the business, in addition to providing full support to underwriting and claims management.

Speaking at the launch, Chris Singleton, Swiss Re's Head of Life and Health for the Middle East, Turkey and South Asia, described the new product as a "ethically, technically and financially perfect solution for Family re-Takaful companies," adding that it would replace the formerly practised conventional commercial reinsurance in the Family Takaful industry.

## MALAYSIA

### Allianz moves into re-Takaful

Allianz General Insurance Malaysia is currently in talks with one of the nine Malaysian Takaful operators to venture into the re-Takaful business.

Allianz CEO Alexander Ankel, who hopes to establish an offshore re-Takaful unit in Labuan, was tight-lipped about the selected operator, but commented that the Takaful company needs to represent Allianz's standards, which includes possessing good claims handlings, solid financial performance and the ability to develop new products quickly. Allianz has yet to apply for a license to underwrite and reinsure Takaful policies in Malaysia.

Ankel also revealed that the Allianz restructuring exercise is scheduled to be completed in September or October 2006, whereby the company would transfer its general insurance business in a four-phase restructuring to a newco. This would include a share placement, incorporation of the newco and a name change. This would lead to Allianz placing a 24% stake, in compliance with the public shareholding spread and get the company quoted on Bursa Malaysia (see Vol 3, Issue 20, page 16).

## QATAR

### New insurance laws in Qatar

The Qatar government is in the final stages of issuing a comprehensive set of new insurance laws.

Commenting on the new laws, Qatar Islamic Insurance Company (QIIC) general manager Izzat M. al-Rashid said that the revised laws would boost insurance activity in Qatar over the coming few years. Currently, there are five national insurance companies, all listed on the Doha Securities

Market – Qatar Insurance, Qatar General Insurance, Qatar Islamic Insurance, Doha Insurance and Al Khaleej Insurance.

He added that the continued demand for Islamic insurance and the success of QIIC's efforts in making its products and services available to everyone helped QIIC in particular to achieve excellent results in all sectors last year.

Al-Rashid rated 2005 as the best year so far for the domestic insurance market, with gross written premium increasing from QR1.15 billion (US\$315.9 million) in 2004 to QR1.35 billion (US\$370.8 million), an increase of 17%.

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# Juristic Rules for Disclosure of Bases for Determining and Allocating Surplus or Deficit in Islamic Insurance Companies

*By the Accounting and Auditing Organization for Islamic Financial Institutions*

**Insurance or underwriting surplus is the excess of the total premium contributions paid by policyholders during the financial period over the total indemnities paid in respect of claims incurred during the period, net of reinsurance and after deducting expenses and changes in technical provisions.**

The Shariah ruling on surplus is derived from the ruling made on the origin of that surplus, i.e. the premium contributions. The ruling states that these contributions are amounts wholly or partially donated in accordance with the Islamic insurance system, in which participation is considered to be an implicit acceptance of the conditions set out in the insurance policies, or the by-laws relating to the disposition of the insurance surplus in various cases, the most important of which are mentioned below.

These conditions do not conflict with Shariah provisions and Muslims are bound by their agreements, except when such agreements render the impermissible lawful or render the lawful unlawful, according to a hadith.

Shariah allows that donations may be restricted by conditions and allocated for a specific purpose. They may also be made contingent upon certain conditions, according to some Fuqaha. Gharar in Islamic insurance is forgiven in the case of donations, because according to the Maliki school of thought, gharar does not invalidate the contracts of donation.

The shareholders in an insurance company may invest the insurance surplus on behalf of the policyholders, if there is an express provision to this effect in the insurance policy or in the by-laws, provided that the Shariah provisions regulating such investments are observed. The

**“The Shariah ruling on surplus is derived from the ruling made on the origin of that surplus, i.e. the premium contributions”**

consideration payable to the party undertaking such investment (i.e. a percentage of investment profit in the case of Mudarabah, or amount of the fee in the case of agency) should be specified in the insurance policy, by-laws or in the notices sent to policyholders. The policy should also specify a deadline for policyholders to express any objection they may have regarding the consideration payable. Otherwise, the company will assume that policyholders have no objections.

Several fatwas and Shariah rulings have been issued confirming that policyholders have an exclusive right to the insurance surplus. (See resolution of AlBaraka Symposium (12/2 T), fatwa issued by the Shariah supervisory board of Faisal Islamic Bank of Sudan (3/3), page 22; the common Shariah supervisory board of Dalah Al Barakah (514); and the fatwas of Shaikh Mustafa Al Zarqa (page 420).) Shareholders do not share in this surplus, because it belongs to the policyholders collectively, as defined by the insurance agreement. The party undertaking the investment is entitled only to the consideration specified for this purpose, and should not appropriate any amount from the insurance surplus, which is residual from the premium contributions and as such should be returned only to policyholders. However, there are some fatwas issued by Shariah boards that permit shareholders to share in the underwriting surplus with the policyholders.

## Methods of allocating the insurance surplus

There are number of methods of allocating insurance surplus. These include:

1. Allocation of surplus to all policyholders, regardless of whether or not they have made claims on the policy during the financial period.
2. Allocation of surplus only among policyholders who have not made any claims during the financial period.
3. Allocation of surplus to those who have not made any claims and to those who have made claims of amounts less than their insurance contributions, provided that the latter category of policyholders only receive the difference between their insurance contributions and their claims during the financial period.
4. Allocation of surplus between policyholders and shareholders.
5. Allocation of surplus by using another method.

Method 1 should be followed when the insurance policy or by-laws are silent on the specification of allocations (based on fatwa of the Shariah supervisory board of the Islamic Arabic Insurance Company).

If a different method is used, the insurance company should state this in the insurance policy or by-laws.

After liquidation, the insurance surplus and any remaining reserves related to it should be donated to charitable causes. This is based on the ruling that if it is not possible to return something to its original owners, then it should be given to charity. Such a provision should preferably be provided for in the insurance policy or the by-laws. However, in case of life insurance, these funds may also be distributed among the remaining policyholders.

## Juristic Rules for Disclosure of Bases for Determining and Allocating Surplus or Deficit in Islamic Insurance Companies (continued...)

Policyholders should pay zakat on the insurance surplus which is allocated to them. This is achieved by including their share of surplus in their zakat fund. If there is a statute, policy or by-law saying so, then the company must pay zakat on the surplus. However, if there is no provision to this effect, the company should pay zakat on behalf of the policyholders who authorize it to do so. (This is based on the resolution of International Islamic Fiqh Academy No. 28(3/4); Financial Accounting Standard No. 9: Zakat issued by AAOIFI.)

### Methods of covering an insurance deficit

There are a number of methods of covering an insurance deficit. These include:

1. settling the deficit from the reserves of policyholders, if any;
2. borrowing from the shareholders' funds, or from others, the amount of deficit, which should be paid back from future surpluses;
3. asking the policyholders to meet the deficit pro rata; or
4. increasing the future premium contributions of policyholders on a pro rata basis.

### Reasons for such rules

The reasons for these rules include, among others, the following:

1. The importance of determining the relationship between policyholders and shareholders, and the consequences of the full segregation of the assets, obligations and results of operations of policyholders and shareholders in order to determine the rights and obligations of each party.
2. The importance of the issue of determining and allocating the insurance surplus among policyholders, which is a matter of fairness between the various parties involved in an Islamic insurance company.
3. Differences in the bases applied by companies in allocating the insurance surplus and the different degrees of disclosure of such bases from one company to another. This does not help in comparing the performance of companies.
4. The importance of disclosing information that assists users of financial statements of the companies in their economic decision-making. Disclosure of such information helps in determining the rights of the concerned parties and the concept of fairness between the policyholders and shareholders on the one hand, and among the policyholders themselves on the other hand.

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)'s website is [www.aaofi.com](http://www.aaofi.com).

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## MOVES

### DEUTSCHE ASSET MANAGEMENT – Hong Kong

Deutsche Asset Management (DeAM), the global investment management business of Deutsche Bank, has appointed Ayaz Ebrahim as the chief investment officer (CIO) for Asia-Pacific and the Middle East.

Mr Ebrahim's previous posts include CEO of HSBC Halbis Partners, and CIO of Credit Agricole Asset Management.

As a consequence of this appointment, Andrew Fay, who has held responsibility for both Australia and the Asia-Pacific for DeAM, will now focus exclusively on Australia as both the country head and Australian CIO.

### QATAR ISLAMIC BANK – Qatar

Jean Marc Regal, currently the chief of Islamic banking services at Banque Paribas (BNP), has been appointed as the new chief of the investment and development group at Qatar Islamic Bank. The group is one of the main units added during the bank's restructure.

### BUMIPUTRA-COMMERCE HOLDINGS – Malaysia

Bumiputra-Commerce Holdings (BCHB) has appointed the former Securities Commission chairman Md Nor Yusof as its new chairman, replacing Mohd Desa Pachi, who retired after a 24-year tenure.

BCHB announced that Md Nor would be appointed as director and chairman for CIMB Group on the 1<sup>st</sup> July and 31<sup>st</sup> July respectively.

Md Nor, who is presently the director of Khazanah Nasional, has spent more than 20 years with the Commerce group, as a director of BCHB and as president and CEO of Bank of Commerce. He was also the managing director of Malaysia Airlines Systems, as well as advisor to the Finance Ministry.

### NATIONAL BANK OF DUBAI – UAE (Dubai)

National Bank of Dubai (NBD) has appointed Shahzad Shahbaz as chief executive to lead a new investment banking unit and develop asset management and private equity operations.

Shahbaz joins NBD from Bank of America, where he served as the investment banking regional head for Europe, Middle East and Africa.

### BARCLAYS – UK

Barclays bank has hired Soha Nashaat to be head of private banking in the Middle East.

The appointment of Nashaat – who has worked for Merrill Lynch's international private client division for six years – comes as the bank is seeking a bigger client base in the region.

### ABRAAJ CAPITAL – UAE (Dubai)

Mustafa Abdel-Wadood has been appointed as managing director and member of the board of directors of Abraaj Capital.

Mr Abdel-Wadood was previously the managing director of investment banking at EFG Hermes Egypt and CEO for the UAE. He also served as the director of business development investment for Orascom Group for eight years.

### ITHMAR CAPITAL – UAE (Dubai)

Private equity firm Ithmar Capital has announced the appointment of Khaled Wasfi Jaouni as a new partner.

Khaled Wasfi Jaouni has been with Ithmar Capital for one year.

### AL SALAM – Bahrain

Al Salam has appointed Marco Dondi as senior vice-president and head of treasury and asset management. Mr Dondi has extensive experience in the financial field, having served at BNP Paribas as head of asset liquidity management and fixed income market activities since 1999.

Abdul Karim Turki was appointed as senior vice president – head of operations. Mr Turki was involved in the launch of Citi Islamic Investment Banking, where he was in charge of formulating all operational procedures, devising the chart of accounts and products accounting.

### QATAR FINANCE HOUSE – Qatar

Gulf Finance House has appointed the first board of directors for new Islamic investment house, Qatar Finance House. The board will be responsible for completing the infrastructure of the new bank before the first general meeting of the shareholders.

The members of the board of directors are:

From Gulf Finance House – Esam Janahi, CEO and board member; Hamad Al-Shaya, board member; Abdulrahman Al Jasmi, deputy CEO; and Peter Panayiotou, Deputy CEO.

From Qatar Islamic Bank – Sheikh Jassim bin Hamad bin Jassim bin Jabor Al Thani, chairman; Salah Jaidah, CEO; Abdullatif Al Meer, assistant general manager; and Jean-Marc Regal, assistant general manager

### ALLEN & OVERY – China

Allen & Overy has appointed Thomas Jones as partner in its China Group. He will work alongside Beijing's managing partner Peter Thorp and some 70 members of the China Group in Hong Kong, Shanghai, Beijing and New York.

Mr Jones was previously at Freshfields Bruckhaus Deringer, where he headed their China practice for 10 years and most recently was head of their China anti-trust, trade and competition practice, based in Beijing.

### EIIB – UK

European Islamic Investment Bank (EIIB) has appointed Atif Raza as its COO and finance director, and Jeremy Beswick as the head of asset management.

Mr Raza, whose extensive banking experience spans 20 years, has filled senior managerial posts in various organizations, including CFO for Unicorn Investment Bank, Citicards and Saudi American Bank, and director for UIB Capital, Malaysia.

Mr Beswick joins EIIB from a three-year tenure as head of business development for RMB MultiManagers where he was recruited specifically to establish the group's international institutional business.

Data as of the 28<sup>th</sup> June, 2006



Index	Component number	Market Capitalization (US\$ billions)						Component Weight (%)	
		Full	Float adjusted	Mean	Median	Largest	Smallest	Largest	Smallest
DJIM World	1980	13424.36	11636.51	5.88	1.42	373.22	0.01	3.21	0
DJIM Asia/Pacific	729	2134.38	1560.79	2.14	0.59	69.56	0.03	4.46	0
DJIM Europe	279	3297.47	2694.61	9.66	2.28	225.31	0.24	8.36	0.01
DJIM US	701	7031.51	6692.74	9.55	2.52	373.22	0.14	5.58	0
DJIM Titans 100	100	6615.58	6067.11	60.67	45.47	373.22	10.74	6.15	0.18
DJIM Asia/Pacific Titans 25	25	712.8	518.05	20.72	16.4	53.61	10.74	10.35	2.07

Mean, median, largest, smallest and component weights are based on float adjusted market capitalization, not full market capitalization.

**Learn more about the Dow Jones Islamic Market Indexes**

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**RINGGIT ISLAMIC DEBT MARKET: FORTNIGHTLY SNAPSHOT**

AS AT 23<sup>rd</sup> June 2006

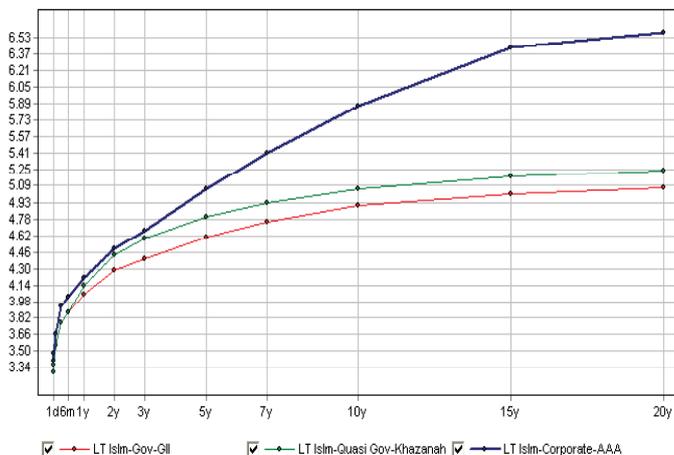
Key Benchmarks Trend (by volume)	Rating	This week close (RM)	16 June 06 (RM)	9 June 06 (RM)	2 June 06 (RM)
<b>Private Debt Securities</b>					
PLUS PRIMARY BONDS SERIES 6 – 30.05.2008	AAA (RAM)	101.95	102.08	102.16	102.28
RANTAU IMTN 15.03.2011 – MTN 1	AAA (RAM)	97.58	97.24	96.9	96.94
PLUS 0.00000% 15.06.2018 – SERIES 3	AAA (RAM)	48.15	47.22	46.29	46.72
PLUS 0.00000% 17.06.2019 – SERIES 4	AAA (RAM)	43.35	43.46	42.92	43.29
INSTACOM SPV IMTN 0% 30.04.2009	AA-ID (MARC)	101.3	100.70	100.73	100.70
<b>Government Investment Instruments</b>					
PROFIT-BASED GII 1/2006 14.04.2009	n/a	98.77	98.66	98.50	98.62
GII 1/2003 0.00000% 31.03.2008	n/a	92.8	92.8	92.77	92.76
<b>Quasi Government</b>					
IBRD 0.00000% 12.05.2010	n/a	96.23	96.22	96.20	96.14
CAGABAIS 10/2005 0% 10.10.2007	AAA (RAM)	98.78	98.89	98.89	98.94
CAGABAIS 7/2006 0% 24.02.2009	AAA (RAM)	98.32	98.59	98.62	98.81
CAGABAIS 191/2005 02.03.2007	AAA (RAM)	99.46	99.36	99.35	99.37
SAC 1302/2004 05.10.2006	AAA (RAM)	99.79	99.77	99.77	99.76

**SPREAD VS GII (in b.p)**

	TENURE						
	1Y	2Y	3Y	5Y	7Y	10Y	
GII	4.05	4.28	4.4	4.6	4.75	4.9	
Cagamas	0.22	0.2	0.2	0.25	0.35	0.44	
Khazanah	0.09	0.15	0.19	0.2	0.18	0.16	
AAA	0.16	0.21	0.26	0.46	0.66	0.96	
AA1	0.26	0.36	0.46	0.66	0.85	1.17	
A1	1.05	1.23	1.45	1.96	2.41	2.92	

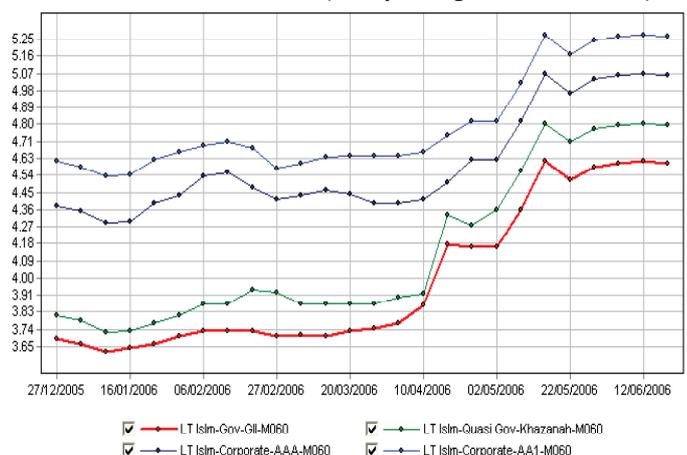
**MYR ISLAMIC DEBT YIELD CURVES**

YTM Curves



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5 YEAR YTM Historical Charts (weekly closing, over last 6 months)



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## ISLAMIC LEAGUE TABLES

TOP ISSUERS OF ISLAMIC DEBT							June 2005 – June 2006
Issuer or Group	Nationality	Instrument	Amt US\$ m	Iss.	%	Manager	
1 PCFC Development	UAE	Convertible Sukuk	3,500	2	32.0	Barclays Capital, Dubai Islamic Bank	
2 Malaysia	Malaysia	Islamic Sukuk	953	1	8.7	Malaysian Government bond	
3 Cagamas	Malaysia	Bithaman Ajil Islamic Securities	863	12	7.9	Cagamas/AmMerchant	
4 Maybank	Malaysia	Bai Bithaman Ajil Subordinated Bonds	681	2	6.2	Aseambankers	
5 Rantau Abang Capital	Malaysia	Musharakah MTN	594	1	5.4	CIMB, AmMerchant	
6 Cagamas MBS	Malaysia	Sukuk Musharakah Islamic Bond	542	6	5.0	CIMB, HSBC, ABN AMRO, AmMerchant	
7 Syarikat Bekalan Air Selangor	Malaysia	Bai Bithaman Ajil MTN	273	4	2.5	CIMB, Bank Islam Malaysia, HSBC	
8 Segari Energy Ventures	Malaysia	Sukuk Ijarah	258	6	2.4	Aseambankers	
9 Senai Desaru Expressway	Malaysia	Bai Bithaman Ajil CP/MTN	249	26	2.3		
10 Putrajaya Holdings	Malaysia	Sukuk Ijarah	235	4	2.2	Aseambankers	
11 DRB HICOM	Malaysia	Bai Bithaman Ajil Islamic Debt Securities	209	11	1.9	Aseambankers, Standard Chartered	
12 Konsortium Lebuhraya Utara Timur (KL)	Malaysia	Murabahah MTN	207	9	1.9	Alliance, CIMB, RHB Sakura Merchant	
13 Sistem Penyuraian Trafik KL Barat	Malaysia	Bai Bithaman Ajil Notes Issuance Facility	136	5	1.2	United Overseas Bank (Malaysia)	
14 WAPDA First Sukuk Co	Pakistan	Sukuk Al Ijarah	134	1	1.2	Citibank NA (Pakistan), Jahangir Siddiqui & Co, MCB	
15 Antara Steel Mill	Malaysia	Bai Bithaman Ajil Islamic Debt Securities	133	6	1.2	AmMerchant	
16 Sime Darby	Malaysia	Murabahah CP/MTN Program	133	1	1.2	CIMB	
17 Konsortium Lapangan Terjaya	Malaysia	Bai Bithaman Ajil/ Murabahah MTN	121	12	1.1	Alliance, United Overseas Bank (Malaysia)	
18 Golden Crop Returns	Malaysia	Sukuk Al Ijarah	117	15	1.1	Affin	
19 Special Power Vehicle	Malaysia	Bai Inah Islamic MTN	110	10	1.0	Malaysian International Merchant Bankers, AmMerchant, RHB Sakura, Bank Muamalat Malaysia	
20 Bank Pembangunan Malaysia	Malaysia	Murabahah MTN	109	1	1.0	CIMB, HSBC	
<b>Total of issues used in the table</b>			<b>10,925</b>	<b>310</b>	<b>100.0</b>		



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## ISLAMIC LEAGUE TABLES



TOP ISSUERS OF ISLAMIC DEBT							YEAR-TO-DATE
Issuer or Group	Nationality	Instrument	Amt US\$ m	Iss.	%	Manager	
1 Malaysia	Malaysia	Islamic Sukuk	953	1	22.5	Malaysian Government bond	
2 Cagamas	Malaysia	Bithaman Ajil Islamic Securities	731	11	17.2	Cagamas/AmMerchant	
3 Rantau Abang Capital	Malaysia	Musharakah MTN	594	1	14.0	CIMB, AmMerchant	
4 Maybank	Malaysia	Bai Bithaman Ajil Subordinated Bonds	416	1	9.8	Aseambankers	
5 Segari Energy Ventures	Malaysia	Sukuk Ijarah	258	6	6.1	Aseambankers	
6 Putrajaya Holdings	Malaysia	Murabahah MTN	235	4	5.5	Alliance, CIMB, RHB Sakura	
7 WAPDA First Sukuk Co	Pakistan	Sukuk Al Ijarah	134	1	3.2	Citibank (Pakistan), Jahangir Siddiqui & Co, MCB	
8 Special Power Vehicle	Malaysia	Bai Inah Islamic MTN	110	10	2.6	AmMerchant, Bank Muamalat, Malaysian International Merchant Bankers	
9 Bank Pembangunan Malaysia	Malaysia	Murabahah MTN	109	1	2.6	CIMB, HSBC	
10 BNM Sukuk	Malaysia	Sukuk Al Ijarah	107	1	2.5	Malaysian Government bond	
11 Jimah Energy Ventures	Malaysia	Istisnah Islamic MTN	100	10	2.4	RHB Sakura, Malaysian International Merchant Bankers, Bank Muamalat Malaysia, AmMerchant	
12 Penang Bridge	Malaysia	Redeemable Secured Serial Sukuk Istisnah	96	6	2.3	CIMB	
13 Dura Palms	Malaysia	Sukuk Al Ijarah	77	4	1.8	Avenue Securities	
14 Kwantas SPV	Malaysia	Sukuk Ijarah	43	9	1.0	Aseambankers, OCBC	
15 FEC Cables (Malaysia)	Malaysia	Murabahah Islamic MTN	35	8	0.8	Utama Merchant	
16 Medi Innovation	Malaysia	Murabahah MTN	27	6	0.6	Amanah Short Deposits	
17 IJN Capital	Malaysia	Sukuk Musharakah	27	5	0.6	RHB Sakura	
18 Harum Intisari	Malaysia	Murabahah CP/MTN Program	27	1	0.6	HSBC	
19 UEM Builders	Malaysia	Murabahah CP/MTN Program	27	1	0.6	AmMerchant	
20 Maxtral Industry	Malaysia	Bai Bithaman Ajil Islamic Debt Securities	22	4	0.5	OSK Securities	
<b>Total of issues used in the table</b>			<b>4,235</b>	<b>116</b>	<b>100.0</b>		

### Islamic Finance news LEAGUE TABLE DATA – IS IT CORRECT???

If you feel that the information within the league tables is incorrect then please contact the following:



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## ISLAMIC LEAGUE TABLES

ISLAMIC DEBT		JUNE 2005 - JUNE 2006		
Manager or Group	Amt US\$ m	Iss.	%	
1	Barclays Capital	1,750	2	16.0
2	Dubai Islamic Bank	1,750	2	16.0
3	CIMB	1,261	50	11.5
4	Aseambankers	1,234	47	11.3
5	Malaysian Government bond	1,061	2	9.7
6	AmMerchant	779	44	7.1
7	Cagamas	592	8	5.4
8	HSBC	572	17	5.2
9	United Overseas Bank	288	28	2.6
10	RHB	239	44	2.2
11	EON	166	31	1.5
12	Bank Muamalat	148	47	1.4
13	Alliance	141	17	1.3
14	Affin	136	17	1.2
15	Avenue Securities	129	7	1.2
16	Standard Chartered	125	26	1.1
17	OCBC	108	27	1.0
18	Bank Islam Malaysia	91	4	0.8
19	MIDF-Sisma Securities	50	15	0.5
20	Citigroup	45	1	0.4
21	Jahangir Siddiqui & Co	45	1	0.4
22	MCB	45	1	0.4
<b>Total of issues used in the table</b>		<b>10,925</b>	<b>310</b>	<b>100.0</b>

ISLAMIC DEBT BY COUNTRY		JUNE 2005 - JUNE 2006		
	Amt US\$ m	Iss.	%	
Malaysia	7,264	305	66.5	
UAE	3,500	2	32.0	
Pakistan	134	1	1.2	
Indonesia	27	2	0.3	
<b>Total</b>	<b>10,925</b>	<b>310</b>	<b>100.0</b>	

ISLAMIC DEBT BY CURRENCY		JUNE 2005 - JUNE 2006		
	Amt US\$ m	Iss.	%	
Malaysian ringgit	7,264	305	66.5	
US dollar	3,500	2	32.0	
Pakistan rupee	134	1	1.2	
Indonesian rupiah	27	2	0.3	
<b>Total</b>	<b>10,925</b>	<b>310</b>	<b>100.0</b>	

ISLAMIC DEBT		YEAR-TO-DATE		
Manager or Group	Amt US\$ m	Iss.	%	
1	Malaysian Government bond	1,061	2	25.0
2	Aseambankers	834	19	19.7
3	Cagamas	592	8	14.0
4	CIMB	525	12	12.4
5	AmMerchant	385	22	9.1
6	RHB	140	22	3.3
7	Alliance	91	8	2.1
8	HSBC	81	2	1.9
9	Avenue Securities	77	4	1.8
10	Bank Muamalat	71	21	1.7
11	EON	62	20	1.5
12	MIDF-Sisma Securities	50	15	1.2
13	Citigroup	45	1	1.1
14	Jahangir Siddiqui & Co	45	1	1.1
15	MCB	45	1	1.1
16	Amanah Short Deposits	34	10	0.8
17	United Overseas	23	5	0.6
18	OSK Asia Securities	22	4	0.5
19	OCBC	22	9	0.5
20	Hwang-DBS Securities	8	2	0.2
<b>Total of issues used in the table</b>		<b>4,235</b>	<b>116</b>	<b>100.0</b>

ISLAMIC DEBT BY COUNTRY		YEAR-TO-DATE		
	Amt US\$ m	Iss.	%	
Malaysia	4,081	114	96.3	
Pakistan	134	1	3.2	
Indonesia	21	1	0.5	
<b>Total</b>	<b>4,235</b>	<b>116</b>	<b>100.0</b>	

ISLAMIC DEBT BY CURRENCY		YEAR-TO-DATE		
	Amt US\$ m	Iss.	%	
Malaysian ringgit	4,081	114	96.3	
Pakistan rupee	134	1	3.2	
Indonesian rupiah	21	1	0.5	
<b>Total</b>	<b>4,235</b>	<b>116</b>	<b>100.0</b>	

## EVENTS DIARY

DATE	EVENT	VENUE	ORGANIZER
<b>July</b>			
10 <sup>th</sup> – 14 <sup>th</sup>	Islamic Markets Program	Kuala Lumpur	Securities Industries Development Centre
24 <sup>th</sup> – 28 <sup>th</sup>	Islamic Finance Summer School Durham University Program	UK	Durham University
<b>August</b>			
14 <sup>th</sup> – 15 <sup>th</sup>	Malaysian Islamic Finance Issuers & Investors Forum 2006	Kuala Lumpur	Islamic Finance events
21 <sup>st</sup> – 22 <sup>nd</sup>	Islamic Banking & Finance Conference	Singapore	ABF
<b>September</b>			
5 <sup>th</sup> – 6 <sup>th</sup>	3 <sup>rd</sup> Annual Asian Islamic Banking & Finance Summit	Kuala Lumpur	Euromoney Seminars
11 <sup>th</sup> – 12 <sup>th</sup>	Islamic Real Estate Asia 2006	Singapore	IQPC Worldwide
15 <sup>th</sup> – 16 <sup>th</sup>	Brunei Islamic Financial Services Forum hosted by the Ministry of Finance Brunei	Brunei	IFSB
17 <sup>th</sup> – 18 <sup>th</sup>	World Islamic Real Estate Investment Conference	Dubai	Mega Events
17 <sup>th</sup> – 20 <sup>th</sup>	Private Equity World Middle East	Dubai	Terrapinn
26 <sup>th</sup> – 28 <sup>th</sup>	Islamic Funds World	Dubai	Terrapinn
<b>November</b>			
5 <sup>th</sup> – 6 <sup>th</sup>	The World Islamic Infrastructure Finance Conference	Doha	Mega Events
13 <sup>th</sup> – 14 <sup>th</sup>	4 <sup>th</sup> International Islamic Banking & Finance Conference 2006	Kuala Lumpur	Monash University (KL)
13 <sup>th</sup> – 16 <sup>th</sup>	The International Islamic Finance Forum Europe	Zurich	IIR Middle East
19 <sup>th</sup> – 20 <sup>th</sup>	International Banking & Finance Forum	Libya	IBC Gulf Conferences
20 <sup>th</sup> – 21 <sup>st</sup>	Middle East Capital Markets	Dubai	MEED Conferences
<b>December</b>			
7 <sup>th</sup> – 8 <sup>th</sup>	International Leadership Summit in Islamic Finance	Kuala Lumpur	IFSB
9 <sup>th</sup> – 11 <sup>th</sup>	The World Islamic Banking Conference & Exhibition	Manama	Mega Events

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