

# Islamic Finance *news*

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## JAPAN/MALAYSIA

### CIMB takes the lead now

CIMB is now said to be taking the baton in the race to lead manage the Japanese Sukuk away from its strong competitor, Aseambankers. Following last week's *Islamic Finance news* story of Aseambankers as the preferred bank for the Japanese Bank for International Cooperation (JBIC) to issue Sukuk in Malaysia (see News Briefs, page 1), new developments have occurred.

CIMB has pushed further to convince JBIC and it is now said to have the greater chance of securing the lead manager/arranger mandate. No comments or confirmation from CIMB were available.

According to sources, Aseambankers had been approached by JBIC, despite the Japanese bank having had numerous discussions with CIMB when the idea of issuing Japanese Sukuk cropped up months ago. Aseambank-

ers was also said to have prepared a detailed proposal for the submission to the Malaysian Securities Commission.

In another development, it has been reported that JBIC had earlier signed an agreement with Mitsubishi UFJ Financial Group Inc, Mizuho Corporate Bank and Sumitomo Mitsui Financial Group Inc. JBIC has also been said to have formed a four-person advisory board of Islamic scholars. A local Japanese paper reported that JBIC was considering selling Islamic bonds to attract money from oil producing countries.

The Tokyo-based JBIC is said to have Y2.4 trillion (US\$21 billion) of bonds outstanding, with long-term foreign currency debt rated AAA by Moody's Investors Service and long-term foreign issuer credit rated AA- by Standard & Poor's.

## MALAYSIA

### RHB Islamic offers loans

RHB Islamic has plans to help investors in the area known as the "Southern Corridor" (south of Kuala Lumpur down to Johor Bahru) to strengthen their business. CEO Khalid Manmood Bhaimia said the bank would not discriminate between a listed company and a small or medium scale enterprise when considering loan applications.

The bank is currently in the process of approving over RM100 million (US\$27.19 million) worth of loans under a new package for companies operating in the Southern Corridor.

RHB Islamic Bank chairman Vaseehar Hassan Abdul Razack said the innovative loan package offered by the bank covered various

industries, including food, poultry farming, furniture, construction and manufacturing.

Meanwhile, RHB Islamic contributed a strong 44% year on year growth in income (up to RM93.2 million (US\$25.34 million)) to the financial results of RHB Capital for the six months ending on the 30<sup>th</sup> June 2006. The Islamic banking business accounted for 11% of the RHB Group's profit, before INCPS dividends, taxation and zakat.

RHB Capital Group reported a total profit before INCPS dividends, taxation and zakat of RM460.3 million (US\$125.15 million), a 30% increase on 2005.

## UK/RUSSIA

### CCH/Globex Murabahah

Trade finance group CCH International's wholly owned unit CCH Europe, together with Russia's Globex bank, has approved a US\$20 million Shariah compliant Murabahah deal.

The Murabahah facility has been issued by CCH Europe, acting as the agent for a Middle East based Islamic bank. The repayment of

the facility is guaranteed by Globexbank.

CCH International managing director Eren Nil said: "Given the size of the Russian market and its need for liquidity, we are confident of arranging further Shariah compliant transactions for Russian institutions in the future."

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## Note from the Editor

No one would go out to play the big game or challenge the big fight without first knowing who their opponent was. The Islamic finance industry is no different. In fact, the industry is facing two main opponents – first, players within the same industry, and more importantly, players in its conventional counterpart.

Taking the time to determine who the competitors are will enable the Islamic finance industry to develop the best possible strategy to be in the mainstream of the financial industry.

If the Islamic financial services providers are not aware of their competitors' strengths and weaknesses, developing business strategy will simply be a guessing game. Without knowing which areas to focus on – the areas where they are strong and the competitor is weak – Islamic providers run the risk of playing directly into their competitor's hands, thus creating more obstacles for themselves.

Generally, business management gurus would identify four critical areas that must be addressed when analyzing the competition. These are the strengths of the competitor; the ways that those strengths could be offset; the weaknesses of the competitors; and lastly, their strengths as they correspond to those weaknesses.

As previously mentioned, the Islamic finance industry is not only facing competition within the industry, but also with its conventional counterparts. Interestingly, the competitors themselves have learnt more about the Islamic finance industry and have indeed started to venture into it, thus creating even stiffer competition within the industry. The industry that was once viewed as the domain of a small number of specialized institutions can now be seen to have enticed global players like HSBC and Citibank to jump onto the wagon.

Even countries where Muslims are in the minority, like Singapore and Japan, have indicated their interest in Islamic finance. Singapore moves fast within a year, with several amendments being made to its financial regulations to fit to the Shariah requirements; and Japan has now announced its intention to issue the first Japanese Sukuk this year.

Western countries like France have also been reported to be anxious to win business from wealthy Muslim investors by adapting to conform to financial precepts required by Shariah. French banks BNP Paribas, Calyon and Société Générale have lately raised their profile in Islamic finance, a sector in which bank assets are worth between US\$200 billion and US\$400 billion, according to Standard and Poor's.

In this issue, Arul Kandasamy updates *Islamic Finance news* on the development of Calyon's Bahrain-based Islamic Banking Unit with the latest products in the pipeline, namely the Musharakah securitization packaged for the Saudi AlHamrani Company for Investment and Trade (for the full interview see page 8).

Returning to the analysis of competitors, an important area to examine is the weaknesses of competitors. Areas where the competitors are weak and Islamic finance is strong become the basis for what to sell to customers. Similarly, in order to convince customers of the strength of Islamic finance, it is crucial to be able to draw comparisons with the competitors. An article penned by Fakhah Azahari compares Ijarah against hire purchase, based on the Malaysian Hire Purchase Act 1967 (see full article on page 11).

Last but not least, knowing yourself well is equally important in any competition. As such, Samir Alamad writes about the problems in profit and loss sharing, one of the cardinal rules in Islamic banking (see page 9).

The ancient Chinese warrior Sun Tzu taught his men:

"If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not your enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle. However, to fight and conquer in all your battles is not supreme excellence:

Supreme excellence consists in breaking the enemy's resistance, without fighting."

But as far as Islamic finance is concerned, the enemies have indeed joined us!



Zakariya Othman, Editor

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## NEWS BRIEFS

### PAKISTAN

#### Compilation guide draft discussed

The Islamic Financial Services Board (IFSB) meeting at the State Bank of Pakistan (SBP) in Karachi recently discussed the draft compilation guide on Prudential and Structural Islamic Finance Indicators (PSIFIs).

The aim of the development of a Prudential Islamic Finance Database is to gauge the contribution of Islamic banks to economic growth and financial sector development. It will also serve as a guiding tool to IFSB for the development of macro-prudential analysis and assessing the structure and state of development of the Islamic financial services industry. In addition it will serve as a supplement to the International Monetary Fund's compilation guide of the financial services industry.

IFSB formed the task force on the Prudential Islamic Finance Database to strengthen and streamline statistical information on the Islamic financial services industry worldwide.

The meeting of the task force was attended by representatives of the Islamic Banking Department, SBP, consultants in the field of Islamic banking, Islamic Development Bank (IDB) and IFSB.

### KUWAIT

#### BBK to enter KSE

The Bank of Bahrain and Kuwait (BBK) has been approved for listing on the Kuwait Stock Exchange (KSE), subject to completing pre-listing requirements.

General manager and CEO Dr Farid Al Mulla, commenting on media speculation about a possible buy-out of BBK's other shareholders by Commercial Bank of Kuwait (CBK), said the bank has not been officially advised of this intention.

Earlier this year CBK increased its stake in BBK from 6.75% to its current level of 19.37%.

### SYRIA

#### Two Islamic banks to open

Two Islamic banks will be operational in Syria by the end of this year after the Syrian government awarded licenses to several commercial and financial institutions to establish Islamic banks with a minimum capital of US\$100 million.

The first, with a capital of S£500 million (US\$100 million), is Sham Bank. Several companies and banks contributed to the bank's shares, including Kuwait's Investment Dar, with 12.5%, Commercial Bank of Kuwait with 10%, the Islamic Development Bank with 9%, Al-Muheeb Holding Company with 4.5%, and the United Kuwait Company for Investment in Syria with 3%.

The second bank will be Saudi Dalat Al-Baraka's Al-Baraka Bank, which will also have a capital of US\$100 million. The Bahraini Al Baraka group will hold 43% of the shares, two Jordanian businessmen will have 6% and the rest will be secured from public subscription.

### UAE (Dubai)

#### Al Islami Shipping Fund closed

Dubai Islamic Bank (DIB) has successfully closed the Al Islami Shipping Fund, which opened for subscription on the 3<sup>rd</sup> July 2006.

Saeed Al Qattami, senior vice-president and head of wealth management at DIB, said: "We are delighted by the response to Al Islami Shipping Fund, especially since it was launched during the summer months when the customer response to investment products is historically slow. This success has re-confirmed the interest shown by our retail banking customers for our innovative investment products."

For further details see News Brief in *Islamic Finance news*, Vol 22, page 5.

### MALAYSIA

#### Bank Negara scholarship and grant

With the aim of increasing the knowledge and research capacity in Shariah related fields, such as Islamic banking, Takaful and Islamic capital markets, Bank Negara Malaysia will be offering the Shariah Scholarship Award and the Shariah Research Grant.

The scholarship is open to both local and foreign candidates to pursue post-graduate studies in Shariah related fields in known universities. The grant is offered to local and overseas research organizations and institutions of higher learning to research areas of Shariah relating to Islamic finance.

Both will be funded from revenue generated by the RM200 million (US\$54.34 million) endowment fund for Shariah scholars in Islamic finance, established by the Central Bank.

### BAHRAIN

#### ABG lists on DIFX & BSE, issues Sukuk

Al Baraka Banking Group (ABG) will list almost US\$600 million in shares on the Bahrain Stock Exchange (BSE) and the Dubai International Finance Exchange (DIFX) as from the 4<sup>th</sup> September 2006.

This listing will increase the number of listed companies on the BSE to 50 – 43 Bahraini and seven non-Bahraini. The paid up capital of ABG amounts to US\$630 million and shareholders' equity about US\$900 million, making it one of the biggest Islamic financial institutions listed on BSE in terms of capital and the number of subsidiary banking units, branches and geographical presence.

Al Baraka is the first organization from Bahrain and the first regional Islamic banking group to list on the DIFX.

These listings follow Al Baraka's fully subscribed IPO, which successfully closed on the 15<sup>th</sup> June 2006. The proceeds of the IPO will be used to finance a number of expansion projects into new markets – in the UAE, Saudi Arabia, Syria, Malaysia and India.

ABG also has plans to raise US\$200 million from Sukuk by the end of the year. CEO Adnan Yousif said that Al Baraka was in talks with Emirates Islamic Bank and an international bank in Dubai to arrange the issuance.

## NEWS BRIEFS

### UAE

#### UAE banks profits to decrease

Investment bank Shuaa Capital has said that profits of listed UAE banks will be down 6% this year, after record earnings in 2005.

This fall will be thanks to a drop in stock market related income and tightening interest rate spreads, opined an investment report from the UAE's biggest investment bank.

The report stated that banks with large investments in stocks experienced losses in the first half of 2006, as local share prices fell 37% between January and June.

Fewer IPOs in the upcoming half of 2006 will also slow earnings, huge profits were earned in 2005 and the first quarter of 2006 by UAE banks from lending for IPOs. The bank estimated that UAE companies will clean up Dh8.5 billion (US\$2.3 billion) through IPOs in 2006, of which Dh5.2 billion (US\$1.4 billion) had already been raised.

The UAE's banking sector had one of its best years in 2005, helped by real GDP growth of over 7% and a booming stock market. Profits of listed commercial banks jumped 115% in 2005 and assets by 48%.

National Bank of Abu Dhabi, Abu Dhabi Commercial Bank, RAK Bank and Emirates Bank are all expected to report above average returns on equity, but returns for listed banks will fall to 21% from 29%, it is believed. (See issue 29 of Islamic Finance news, News Briefs, page 7.)

### MALAYSIA

#### Maybank achieves 15.3% profit

Maybank has posted a 15.3% rise in its pre-tax profit from RM3.49 billion (US\$1 billion) for the first half of last year, to RM4.03 billion (US\$1.1 billion) for the same period in 2006.

Maybank president and CEO Amirsham Aziz said this positive growth was due to the bank's strategy of sustainable growth and diversification of income streams, including non-banking sectors, improved revenue from overseas operations and non-interest income.

Islamic banking operations showed substantial growth, with income growing by 24.8% from RM711.1 million (US\$193.37 million) to RM887.4 million (US\$241.3 million) this year.

The banking and finance sector continued to show strong performance with revenue growing by 13.5% from RM10.4 billion (US\$2.83 billion) to RM11.8 billion (US\$3.2 billion). The consumer segment, amounting to 40.1%, and business banking segments at 28.7% were the main drivers to maintain its dividend payout policy of 60%. Revenue from overseas operations comprised 20.5% of total group revenue, up from 14.8% last year.

### UAE

#### Amlak construction scheme launched

Amlak Finance has launched a construction scheme which will tailor finance options for customers wishing to construct and own their own home called Amlak-Bayti.

The Istisnah product is an improvised version of Amlak's existing construction scheme, designed to meet demand from the region for attractive construction products.

Managing Director and CEO of Amlak, Mohammed Ali Al Hashimi, said that with Amlak BAYTI, "Customers can select from a variety of finance options. They can apply for a combination of land and construction, construction on already owned or gifted land or finance for home construction extensions."

### UAE

#### Tabreed and GIB sign deal

Oasis International Leasing, National Central Cooling Company (Tabreed), and Gulf International Bank (GIB) have signed a Dh55 million (US\$15 million) Islamic Ijarah facility to finance six portable cooling plants.

CEO of Oasis Leasing, Gordon Dixon, said "We are delighted to have concluded this transaction which represents a further strengthening of the partnership between two leading UAE companies. We are particularly pleased to have been able to use an Ijarah facility through GIB. This is the second transaction we have concluded with Tabreed and we hope there will be many more to follow," adding that the deal is a natural extension of the use of leasing to develop the economic infrastructure of the UAE.

The portable cooling plants, which were delivered to Tabreed in July 2006, can be used in new developments as interim cooling solutions, temporary cooling plants during maintenance periods, or in smaller applications with limited demand for air conditioning.

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## NEWS BRIEFS

### KUWAIT

#### AREF Murabahah facility

AREF Investment Group has appointed ABC Islamic Bank and Standard Chartered to arrange and underwrite a US\$100 million, 3-year revolving Murabahah financing facility.

Established in 1975, AREF is a Kuwaiti closed shareholding company, listed on the Kuwait Stock Exchange (KSE) with a paid up capital of KWD39.87 million (US\$137 million).

AREF is a Shariah compliant finance and investment company regulated by the Central Bank of Kuwait, KSE and the Ministry of Commerce. The company's principal activities are investment in local and international markets, Murabahahs and real estate and financial services.

In 2005, AREF reported a strong financial performance with net income of KWD33.9 million (US\$117.2 million), a 112% improvement over previous year. Total assets stood at KWD165 million (US\$570.6 million) (up 18%). Shareholders' equity grew 43.5% at KWD83.5million (US\$288.71 million). As at the end of June 2006, AREF posted a 27% growth in net income at KWD1.17 million (US\$4.04 million); a 26% growth in total assets at KWD208 million (US\$719.3 million); and a 2.6% increase in shareholders' equity to KWD85.6 million (US\$296 million).

### MALAYSIA/INDONESIA

#### Aseambankers join workshop

Aseambankers shared its views and experiences of the Islamic financing of infrastructure projects in a workshop in Jakarta this week, which was officiated by Indonesia's finance minister Dr Sri Mulyani Indrawati.

The workshop on the Financing of Infrastructure Projects Using Islamic Instruments, a collaboration with Indonesia's National Committee for the Acceleration of Infrastructure Provision (KKPPI) and Malaysia's largest law firm, Zaid Ibrahim & Co, took place on the 29th August 2006.

In the light of Malaysia's success story in Islamic financing, the workshop aimed to stimulate Indonesia's infrastructure development. Notable case studies of projects in the power and transport sectors using Islamic principles were discussed by Aseambankers. The bank also participated in an interactive panel discussion to share knowledge and discuss issues and challenges from the different stakeholders' perspectives.

In its 2007 budget, Indonesia will commit IR66.1 trillion (US\$7.26 billion) – or an increase of 4.9% – on infrastructure spending.

### OMAN

#### Oman urged to tap Islamic finance

Oman should jump on the Islamic finance bandwagon, according to a senior financial analyst from the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

Syed Alwi bin Mohamed Sultan commented: "It would be important for a Muslim country like Oman to move into the Islamic banking industry because it is the right time as there are lots of investors keen on setting up Islamic banks and in Oman itself there may be lots of project financing opportunities available."

Syed suggested that a retail Islamic bank would be a good starting point for Oman, as 50% of the population is below 20 years old. Islamic finance would bring foreign direct investment into the Oman economy and create more jobs.

The recent rapid growth of the Islamic banking sector means there are huge opportunities for Islamic subsidiaries, and for new products to be developed to tap an estimated US\$1.3 trillion of Islamic investor funds.

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## NEWS BRIEFS

### RETAIL NEWS

#### UAE

##### EIB installs ATMs

Emirates Islamic Bank (EIB) has signed an agreement to purchase 64 ATMs from NCR Corporation.

The ATMs, which consist of both cash withdrawal and cash/check deposit machines, will be installed at the bank's new branches, as well as in prominent locations across the Emirates.

Ahmad Qawasmeh, managing director of NCR Corporation Gulf, said: "EIB's vision of reaching out to the maximum number of people augers well for the people as well as for the banking industry in the UAE. We are happy to play our part in making this vision a reality by being their strategic partners in fulfilling this vision."

EIB plans to open several branches throughout the UAE before the end of 2006 and more next year.

#### QATAR

##### QIIB takes car park

Qatar International Islamic Bank (QIIB) has leased part of a new multi-story car park from the Qatari Public Works Authority, 65% of which will be allocated to bank employees to ease traffic congestion in Doha.

QIIB has signed an annual lease to operate the first section of the now-completed car park. Qatar Islamic Bank, Commercial-bank, Qatar National Bank and HSBC also signed up for the use of the facilities.

#### LIBYA

##### QNB opens office in Libya

Qatar National Bank (QNB) has received approval to set up a representative office in the Libyan capital Tripoli, its first office in North Africa, making it the first Qatari bank to operate in Libya.

The new office is expected to promote operations with Europe by liaising with QNB branches in Paris and London, as well as serving as an efficient link with QNB headquarters in Doha, and promoting the Libyan market.

QNB, which offers a complete range of banking services, recently received approval to establish a fully fledged branch in Yemen. As well as its London and Paris branches, QNB also has a representative office in Iran.

#### MALAYSIA

##### Zakat payments via credit card

Bank Islam Malaysia and Tabung Baitulmal Sarawak (TBS) have now extended their zakat payment via Bank Islam Mastercard and Visa card service to apply outside peninsular Malaysia.

This allows cardholders to pay their zakat dues through Bank Islam's card and internet banking facility (bankislam.biz). The service will be provided by Bank Islam, TBS and Majlis Islam Sarawak, the zakat collection center.

Bank Islam will provide credit card acceptance terminals at selected TBS branches, which have undergone a system enhancement exercise so that they will be able to process Bank Islam's card payments.

## THIS TIME LAST YEAR

**Maybank** opened its first fully fledged Islamic banking branch in Sarawak, its 10<sup>th</sup> Islamic branch nationwide; It was reported that Pakistan's **Water and Power Development Authority** would issue the country's first local currency Sukuk, worth US\$134.1 million; The Indian Ministry of Finance gave the **Reserve Bank of India** the go-ahead to launch Islamic banking in the country; It was announced that **Doha Bank's** fully fledged Islamic banking division would be officially launched within two months - **Doha Islamic** would design and offer Shariah compliant products based on **Qatar Central Bank** regulations; **Amlak Finance** announced that its net profits rose 268% to US\$19.63 million for the first half of 2005; **Saudi British Bank** announced it had come up with a new Islamic product for protecting corporate borrowers against market price fluctuations; **Dubai Islamic Bank** signed an agreement with the Government of Sudan to acquire 60% of its

99% stake in **Al Khartoum Bank**; **Kuwait Real Estate Bank** stated it was ready to be converted into an Islamic bank, having successfully completed several measures required for the change; **Dubai Financial Services Authority** announced seven new appointments to the regulatory agency; Simon Israel and Goh Yew Lin were invited to join the board of **Temasek**; **Qatar Islamic Insurance Company** announced that it had settled 30 claims to date in 2005 for loans provided by Islamic banks and financial institutions due to the death of borrowers; The tourist/residential project **Durrat Al Bahrain** signed an agreement with **Takaful International** and **Solidarity** to offer US\$464.18 million insurance coverage for a period of 49 months starting from December 2005. The agreement was believed to be one of the biggest insurance covers offered in the Bahrain construction sector.

## NEWS BRIEFS

## RATINGS NEWS

## MALAYSIA

## Diversified Venue's Sukuk rated

Malaysian Rating Corporation (MARC) has given a rating of AA-IS to Diversified Venue's RM200 million (US\$54.4 million) Sukuk Al Ijarah Master Program.

This rating reflects the quality of the assets and the strength of the liquidity support provider and purchase undertaking provider, United Engineers (Malaysia), which is a well diversified conglomerate involved in construction, expressway operation, engineering and services, healthcare and cement manufacturing. United Engineers (Malaysia) is a wholly owned subsidiary of Khazanah Nasional, the investment arm of the Government of Malaysia, which is mirrored in this rating.

## MALAYSIA

## First Global ratings affirmed

Malaysian Rating Corporation (MARC) International reaffirmed the rating of A-IS to First Global Sukuk Inc's Serial Islamic Lease Sukuk Issuance of up to US\$368 million, with outstanding balance of Sukuk facility at US\$100 million maturing in December 2006.

The affirmation reflects the strengths of the lease paymaster – Kumpulan Guthrie – which can be read in the story below: "MARC affirms rating on Guthrie."

## MALAYSIA

## MARC rates Viable Chip BaIDS

Malaysian Rating Corporation (MARC) has rated Viable Chip's RM50 million (US\$13.59 million) nominal value bank guaranteed Bai Bithaman Ajil Islamic Debt Securities (BaIDS) AAAID(bg). Concurrently it has awarded an A-ID rating to the company's RM150 million (US\$40.77 million) nominal value of Bai Bithaman Ajil Islamic Debt Securities (BaIDS).

The rating mirrors the financial capability and strong cash flow of Syarikat Pengeluar Air Sungai Selangor (SPLASH), which will form the repayment source of the BaIDS facility. Credit enhancements are provided via a bank guarantee from Public Bank for the BaIDS.

Viable Chip was established in January 2006 with the aim of raising funds worth RM200 million (US\$54.36 million) through BaIDS issue.

## SOUTH AFRICA

## S&amp;P upgrades Oasis Global

Oasis Global Funds rating has been upgraded to AA by Standard & Poor's, in recognition of the fund's excellent performance. The returns provided by Oasis are about 75% greater than those of the average fund.

Since they were launched, the Shariah compliant Crescent Global Equity Fund and the conventional Oasis Global Equity Fund have both consistently outperformed their respective benchmarks, which has been reflected in this new rating.

Adam Ebrahim, CEO of Oasis Group Holdings said: "Oasis seeks to identify securities that have an undervalued sustainable cash flow and a diversified exposure to various asset classes to eliminate the inclusion of securities that erode investor capital."

## MALAYSIA

## RAM rates Bank Muamalat

Rating Agency Malaysia (RAM) has assigned a long-term rating of A3 to Bank Muamalat Malaysia's proposed Islamic Subordinated Bonds of up to RM250 million (US\$67.98 million), with a stable outlook.

RAM has also reaffirmed the long and short-term general bank ratings of A2 and P1 respectively for Bank Muamalat.

## MALAYSIA

## MARC affirms rating on Guthrie

Malaysian Rating Corporation (MARC) has affirmed the short-term rating of Kumpulan Guthrie's RM150 million (US\$40.78 million) underwritten Murabahah commercial papers at MARC-ID.

This rating reflects the group's position as the country's leading plantation player/property developer. Factors moderating this rating include the cyclical nature of the group's main businesses – palm oil and property development – as well as the cross-border implications, particularly the operating environment of its plantations in Indonesia.

Guthrie's current paid-up capital stands at around RM1 billion (US\$271.89 million), with 72.9% of its shareholding held by the Permodalan Nasional Group. Total shareholders' funds stood at RM4.6 billion (US\$1.25 billion) as at the 31<sup>st</sup> March 2006.

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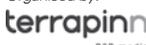
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# Islamic Finance news talks exclusively to Arul Kandasamy of Calyon Corporate and Investment Bank

By Zakariya Othman

**Calyon Corporate and Investment Bank (Calyon) has been making significant progress around the globe in the past few years. One of its key strengths is the Islamic finance center of expertise that was first established in Bahrain in November 2004. Calyon's head of Islamic banking, Arul Kandasamy, talks about the latest developments at Calyon with Islamic Finance news before he leaves the company for Barclays.**

Calyon has a long-standing base in the Arabian Peninsula which is deeply rooted in the local economic fabric. Its presence in the region dates back to 1948, when the French-based company set up an office in Saudi Arabia at a time when that country was not well known.

Development in the Saudi and Middle Eastern market, sparked by the upturn in oil prices as from 1973, induced Calyon to set up offices in Yemen, Bahrain, Dubai, and Abu Dhabi. Bahrain is also the headquarters for Calyon's Islamic Banking Unit (IBU), its world Islamic finance center.

The IBU specialists help all of the bank's business lines to arrange Islamic or partially Islamic transactions in the Middle East and elsewhere in the world. It applies its skills at all stages of a transaction, from origination to distribution and structuring. It also works with private banking to develop products such as structured Islamic deposits and Islamic funds for high net worth clients.

Calyon topped the book runner league tables for Middle Eastern and African loans (excluding project finance) in 2005, having arranged 13 deals worth a total of US\$5.2 billion. It is the only French bank to have a foothold in the Islamic retail banking sector in the Middle East and North Africa (MENA) region when the sector, according to a credit analyst at Standard and Poor's, is largely out of reach for foreign institutions. Calyon holds a third of Banque Saudi Fransi.

**"The Musharakah securitization represents the direct pro rata ownership of the holder in the assets of the project"**

In sharing these success stories, Kandasamy noted that the best achievement so far for Calyon's IBU was when it was given the mandate to act as financial advisor, lead arranger and book runner in the US\$500 million 3-year Murabahah Financing Facility for Al-Rajhi Bank, which was successfully closed and signed in April this year.

The facility was substantially oversubscribed, allowing Al-Rajhi to increase the size of the facility to US\$500 million, from a launch size of US\$300 million. A total of 19 financial institutions from the MENA region, Asia, Europe and the Americas participated in this first ever syndicated financing for the world's largest Islamic bank.

Kandasamy, who has been trusted to head the IBU since its inception, said his team of Islamic financial experts always move on to develop new products, having completed the existing ones. Latest in the pipeline, he said, was the Musharakah securitization financing facility for AlHamrani Company for Investment and Trade (ACIT) in Saudi Arabia.

The Jeddah-based ACIT is an independent leasing and installment credit provider, which supports the AlHamrani Group's marketing of commercial and passenger vehicles, heavy machinery and other consumer durables. The group is Nissan's sole distributor in Saudi Arabia.

Claiming to be the first of its kind, Kandasamy pointed out that the US\$135 million Musharakah securitization financing facility provided financing for the vehicles that were to be sold by ACIT. The repayment of principal, together with the profit based on the agreed profit-sharing ratio, would then be settled by the customers. ACIT, on the other hand, would receive its returns in terms of deal incentives and management fees.

Explaining further, he said that Musharakah was a mode of financing that could be securitized easily, especially in the case of big projects where huge amounts are required, highlighting that subscribing to Musharakah was different from advancing a loan.

Kandasamy stressed that a bond issued to evidence a loan had nothing to do with the actual business undertaken with the borrowed money. The bonds stand for a loan repayable to the holder in any case, and mostly with interest.

"The Musharakah securitization, on the contrary, represents the direct pro rata ownership of the holder in the assets of the project," he said, noting that with such a method, Calyon was not taking any corporate credit risks, but the actual profit-sharing exercise.

According to Kandasamy, using the Musharakah securitization "technology," Calyon managed to create a deal that acted as protection for the lender, whereby certain requirements were to be fulfilled, including reserve accounts creation, eligibility criteria – including what could be finance or otherwise – monitoring and audit criteria.

On another development, it has been reported that Calyon is planning to offer deposit services in Singapore (see last week's issue of *Islamic Finance news*, News Briefs, page 7). Confirming this report, Kandasamy said the investment banking arm of Crédit Agricole planned to accept Murabahah commodity-backed deposits, as approved by the city-state's Monetary Authority of Singapore (MAS). At the inaugural International Islamic Finance Forum Asia held last June, MAS had announced that banks are now allowed to offer investment products through Murabahah deposits.

In Murabahah deals, costs and profit margins are agreed upon before a transaction, using mark-ups on asset prices in place of interest payments. He added that Calyon expected to collect US\$500 million within three to six months from this new project.

Kandasamy also revealed that Calyon planned to expand a similar Murabahah deal program to Brunei, Indonesia and Malaysia after Singapore. When asked about the plan to open a branch in Malaysia, he said: "We are just waiting for the operating license from the Central Bank and we really hope the plan will soon be materialized!"



Calyon is the corporate and investment banking subsidiary of Crédit Agricole. It was formed from the merger of Crédit Agricole Indosuez and Crédit Lyonnais' Corporate and Investment Banking division. Calyon is now a leading player in financial markets and its international network enables it to serve its major corporate clients throughout the world.

With 12,000 staff in 55 countries, Calyon specializes in capital markets, investment banking and financing.

# Profit/Loss Sharing Problems in Islamic Banking

By Samir Alamad

*This is the first installment in a two-part study investigating the Islamic concept of profit and loss sharing. The article will conclude next week.*

## Introduction

The framework of Islamic economics, in particular Islamic financing modes, relies on the alternative principle of a pre-determined rate of interest. This article attempts to conduct an analytical study of Islamic banking and finance modes, focusing on the problems of profit/loss sharing (PLS) contracts in Islamic banks and investigating the major practical modes of finance in Islamic banking: basically Musharakah (partnership) PLS, and Mudarabah (profit sharing) contracts. These two types of finance provide alternatives to lending on interest, which is prohibited in Islam.

The aim of this article is to show the impact of agency problems on the operations, transactions and contracts of Islamic modes of finance. Some solutions will be suggested to alleviate the problems of principal agent.

Islamic modes of finance are the cornerstone of an Islamic bank's transactions, despite some problems that affect the operation of these transactions – mainly Musharakah and Mudarabah – such as asymmetric information, moral hazard problems and adverse selection. This study came into existence in order to tackle these problems.

## The definition of Islamic banking

Islamic banking is banking without riba (interest). The economic rationale for Islamic banking cannot be understood without understanding first the rationale of the prohibition of usury in Islam, which results in the following:

- An alternative approach to pricing the element of production and time value of resources.
- An alternative approach to the institution of interest lending.

## Islamic banking operations (profit/loss sharing)

Islamic banks operate on the basis of profit, which they obtain from the investors to whom they advance money. Whatever profit is earned should be shared with the banks' depositors. Thus the conditions for profit earning will have to be fulfilled, namely bearing the risk of loss. As a result, any instrument that guarantees profit without carrying a risk of loss is not an Islamic instrument, regardless of what it is. Khan has stated that profit is only the reward for risk bearing. Moreover, interest in Islam does not have this meaning, and cannot be profit, thus it is prohibited in Islam.

## The alternatives to lending on interest

Alternatives to lending on interest under an Islamic economic system are PLS modes, or loans without any charge on the principal amount. However, in view of the difficulties faced in the empirical application of a PLS system, a number of alternatives have been put forward.

Ul-Haque has commented that the need to remove usurious practises in society will push PLS modes to operate successfully. Nevertheless, the situation has deteriorated, and modes other than PLS may have to be applied by banks, according to Shariah principles.

Ayub has explained that the alternatives to interest could be divided into three main categories:

1. Zero interest loans (qard hasan), or with a service charge.
2. PLS.
3. Debt set up on trading, and leasing modes involving banks and financial institutions.

The object of this study is to shed some light on the modes of PLS, their application, and the problems involved. It will also attempt to make some suggestions that might help to alleviate the problems.

## The major Islamic banking modes of finance

The PLS modes in Islamic banking are:

- Musharakah (partnership financing).
- Murabahah (cost-plus financing).
- Mudarabah (profit sharing).
- Salam (sale).
- Ijarah (leasing contract).
- Istisnah (commissioned manufacture).

Mudarabah and Musharakah possess the common quality of risk-sharing.

- **Musharakah** is defined as an equity-based financial mode which derived from the term Sharika (partnership). Thus it is related to Shariah rules in Islamic jurisprudence.
- **Murabahah** is the most common mode of Islamic finance, and relates to the re-selling of goods already purchased to the order of a client at a defined profit or mark-up. Murabahah relies on the concept of trust (amanah), hence the seller must be entrusted to reveal the price at which he has originally acquired the goods in question.
- **Mudarabah** is a special kind of partnership contract between two parties – a capital provider and a provider of work for the economic activity to be undertaken.
- **Salam** is a sale whereby the seller undertakes to supply specific goods to the buyer at a future date in exchange for an advance price, to be paid on spot. The actual practise of Salam in Islamic banks is used essentially to finance agricultural production. It has proved to be a highly risky mode of financing in practice.
- **Ijarah** is a mode of finance which meets the needs of clients who want to avoid large capital expenditure for the purchase of expensive real estate.
- **Istisnah** can be used for financing certain transactions such as housing. It is the second kind of sale, where a commodity is transacted before it comes into existence. It meets the needs of clients seeking finance for an industrial product, adopting the fixed return mode of Islamic banks.

*continued...*

## Profit/Loss Sharing Problems in Islamic Banking (continued...)

### Stability of the PLS system

It has been said that the adoption of a PLS system will lead to an overall increase in the efficiency of the financial markets, revealing that there is growing awareness of the problems associated with the debt-based system. The only viable solution to the debt problem is either a write-off or a conversion into some kind of equity-based investment.

The PLS mode would alleviate this problem: it is gaining increasing popularity; it has been said that a change to a profit-sharing system would contribute to locative efficiency and stability; and it can also serve as a viable rule for the international flow of funds.

### PLS transactions and contemporary Islamic banking practise

There are two kinds of contract: the first is between the provider of funds and the bank, and the second is between the bank and investors. The bank receives deposits of various kinds from the publication. The profit of Mudarabah and Musharakah will be shared on the principle of certain mutually agreed terms. The bank will be part of a Mudarabah partnership contract with money providers according to the nature of their deposits. The bank will give the money providers certificates of partnership, or treat them as current account holders. The bank will use these funds as advance loans and give them to businessmen or firms on the same basis of profit/loss sharing.

Analyzing the contemporary practises and transactions of some Islamic banks, it can be seen that these are somewhat different from the theory and principle of Islamic banks. This finding reveals the confusion of Islamic concepts of pricing capital and time value of resources, resulting in minimal difference from the concept of interest. As a result, the contemporary practise of Islamic banks has not been able to meet the true spirit of Islamic banking, which is that banks may neither receive nor pay any return earned without bearing the economic risks affiliated with the return. Certain institutions have presented innovations which would reduce for them the possibility of earning a return below a specific, predetermined rate.

### Application of agent problem in PLS

Some banks have reached an agreement with their clients in which the agent declares a profit that ensures the bank at least a certain predetermined rate, in which case the agent will be asked no questions and the bank will not check the agent's accounts to verify the declared profit. If the agent declares a profit less than the predetermined rate, or declares a loss, the bank will then check all the agent's accounts, its assessment being final. With such an agreement, the agent may prefer to declare a predetermined rate (say 15%), whether they actually make more or less profit. In this way banks end up taking a fixed predetermined rate of return, regardless of the outcome of the investment in which their funds have been used.

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References are available on request from the author.

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# Contract of Ijarah – Practical Implementations:

## A Comparative Analysis with the Malaysian Hire Purchase Act 1967

By *Fakihah Azahari*

**The contract of Ijarah is a widely used concept primarily based on the premise that the jumhur ulama' (majority jurists) are unanimous in their opinion of its acceptability as a form of Islamic financial instrument, as opposed to other Islamic instruments such as Bai Bithaman Ajil, Bai Dayn, Salam and the controversial Bai Inah (to name a few), which are more controversial.**

The basis of Ijarah's acceptability lies in the fact that certain issues are ascertained outright. In other contracts of exchange, such as those mentioned above, jurists are divided in their views as to whether discounting is allowed and whether the deferred payment basis is free from elements of riba (unlawful income). An Ijarah contract, on the other hand, is an exchange between mal (property/asset) and manafaah (usufruct/benefit), whereby a person can avail himself of the services of another via the benefit of utilizing a property for a certain rental rate and for a fixed duration. As such, the contract of Ijarah can be defined in various ways and according to its suitability of the usage of mal (property/asset) to derive its benefit.

In Malaysia, the contract of Ijarah has been applied to vehicle financing and certain trade financing instruments. For the purposes of this discussion, we are limiting our scope to Ijarah for vehicle financing. In Ijarah vehicle financing, the general principles of Islamic contracts are applicable, and specifically the principles of Ijarah. It has been the usual practise of financial institutions to assume that Ijarah falls within the ambit of the Hire Purchase Act 1967, due to the familiarity of the Act, which is applicable to all hire purchase agreements, and the convenience of adopting the standard clauses provided in the Act.

Is it necessary for this situation to occur, or is it possible for the Ijarah contract to find its own sovereignty within the context of Malaysian law?

### Does Ijarah fall within the ambit of the Hire Purchase Act 1967?

#### Definition

The contract of Ijarah is a contract of hiring. With some semantic additions, Ijarah can further include Ijarah Thumma Bai. This is a form of contract of hiring with the added feature of "option to purchase" by the customer upon the expiration of the Ijarah contract.

The definition according to Al Mejlle Al Ahkam is as follows:

"in letting the subject matter of the contract is the benefit of the thing (menafaat)"

The abbreviation "Ijarah" means "letting, hiring or leasing." The sighah (words) "thumma al bai" means "to purchase thereafter." "Thumma" means "after" and "al bai" means "the sale."

Malaysian jurists have included "thumma bai" to protect consumers (customers) against unscrupulous dealers/sellers, as in the past there have been instances where the ownership of the goods was not passed to the customer, despite the customer having fully paid the hire purchase installments. This is also to regulate procedures for repossessing the vehicle, to ensure this is not done in a manner prejudicial to the interests of the customer, and due notice has been given.

In an Ijarah contract, the subject matter is the ability of the customer to utilize the goods in order to derive benefit from them. The key factor in an Ijarah contract is the benefit (manafaah) of the goods. Therefore the Ijarah contract is wider in scope than a hire purchase contract, as it may be applied to movable and immovable goods, as well as to the services of man, as long as the benefit can be ascertained and forms the subject matter of the contract.

For a better perspective, from the owner's point of view, the owner provides goods for hire in order to gain profit by way of rental installments. From the hirer's point of view, he hires the goods in order to derive the benefit from their usage.

As illustrated above, the Ijarah contract differs from the Hire Purchase Act in terms of definition. It is necessary, however, in order to avoid possible future contention, for us to weed out other similarities under the Ijarah scheme with the Hire Purchase Act, and propose other features consistent with the Shariah to further distinguish the differences between Ijarah and the hire purchase agreement.

### Hire Purchase Act 1967

The relevant sections under the Hire Purchase Act include section 1(2):

"This Act shall apply ... in respect only of Hire Purchase agreements relating to the goods specified in the First Schedule."

Section 2 defines consumer goods to mean "goods purchased for personal, family or household purposes."

The Hire Purchase Act attempts to regulate the form and content of the hire purchase agreements. It applies to (as per the First Schedule):

- i. all consumer goods;
- ii. motor vehicles.

Section 2 defines a hire purchase agreement to mean the letting of goods with an option to purchase and an agreement for the purchase of goods by installment (whether the agreement described the installment as rent or hire or otherwise), but does not include "any agreement."

- section 2(a), whereby the property in the goods comprised therein passes at the time of the agreement or at any time before delivery of the goods; or
- section 2(b), under which the person by whom the goods are being hired or purchased is a person engaged in the trade or business of selling goods of the same nature or description as the goods comprised in the agreement. Option to purchase is automatic upon the expiry of the hiring period.

"Property in the goods" here refers to rights to the goods, which includes rights to sell and/or to repossess the goods by the financier.

In examining sections 2, 2(a) and 2(b) above, for a transaction to satisfy the requirements of a hire purchase agreement, the agreement must be: (i) for a letting of goods with an option to purchase; (ii) the option to purchase is by installment in the form of rent or otherwise; and (iii) the "property in the goods" shall pass at the following instances:

*continued...*

## Contract of Ijarah – Practical Implementations (*continued...*)

Hire Purchase Act 1967	Ijarah
1. Applicable to goods described in the First Schedule of the Hire Purchase Act.	1. Applicable to: <ul style="list-style-type: none"> <li>(i) movable (including merchandise and animals) and immovable goods (including land and buildings);</li> <li>(ii) services of man (eg the hiring of artisans or people who have special skills in certain areas); and</li> <li>(iii) leasing contracts for manufacturing, trade finance, etc.</li> </ul>
2. The terms and conditions in the hire purchase agreement shall fully comply with the Hire Purchase Act, e.g. relating to technical requirements.	2. As the terms and conditions in Ijarah are not bound by the technical requirements of the Hire Purchase Act, parties may vary the terms and conditions accordingly, in accordance with the Shariah.
3. The hire purchase agreement shall be effected in writing.	3. The Ijarah contract may be effected in writing, through correspondence, given that possession and silence is regarded as consent and acceptance.
4. The option to purchase the goods is automatic upon the expiration of the hire purchase.	4. An option to purchase may be stipulated in the Ijarah contract, with a time period for the hirer to exercise his option.

- after the delivery of the goods;
- upon the expiry of the hire purchase agreement;
- upon exercising the option to purchase by the customer.

To summarize, where the “property in the goods” passes at the execution of the hire purchase agreement and at any time before the delivery of the goods, the transaction does not fall under a hire purchase agreement and consequently, the Hire Purchase Act. It is submitted that the Ijarah contract comprises and encompasses all of the above, and more. As such, the scope of the law that governs it may be beyond the Hire Purchase Act.

### The objectives of the Hire Purchase Act

The objectives of the Hire Purchase Act 1967 can be outlined as follows:

“The Act (besides the protection afforded to the consumer by way of a notice system ensuring that goods bought by way of hire purchase are not repossessed without affording the consumer proper notice of his default and the intention of the owner to repossess) attempts to regulate the form and contents of the hire purchase agreements and the rights and duties of parties to such agreements.”  
(*excerpt from the Malayan Law Journal (1968) 1 MLJ*)

Thus, the Hire Purchase Act came into being to afford consumers protection when dealing with financial institutions offering such services. Currently the Hire Purchase Act does not specifically state that the Ijarah facility falls within the purview of the Hire Purchase Act. Furthermore, the Hire Purchase Act was formulated and came into effect prior the advent of Islamic banking in Malaysia.

Whether Ijarah falls under the Hire Purchase Act or otherwise may be argued both ways. Transactions or instances or situations that satisfy the requirements of a hire purchase agreement may fall under the Hire Purchase Act. Where the Ijarah contract is able to define and distinguish itself from the Hire Purchase Act, it may also fall under the purview of the Contracts Act and the Sales of Goods Act. The courts would most likely refer to the Hire Purchase Act as the subject matter of an Ijarah contract primarily concerning motor vehicles.

Having considered the primary objectives of the Hire Purchase Act, it is submitted here that the applicability of the hire purchase provisions

are relevant insofar as ensuring that the objectives of the formulation of the Hire Purchase Act by Parliament are met.

A brief comparison between the Hire Purchase Act and Ijarah can be seen in the table above, which illustrates that the Ijarah contract covers a wider scope which may include, for example, a contract for hiring consultants in certain industries and leasing for manufacturing and its related trade industries.

### What recourse is possible in the event of default by the customer?

The main concern for the adoption of the terms and conditions of the Hire Purchase Act is to enable the owner – in this case, the financier – to take repossession of the goods in the event of the hirer defaulting on his monthly installment. According to the Hire Purchase Act, the owner may repossess the goods by complying with the provisions specified in the Hire Purchase Act.

Similarly, under Ijarah contracts it is permissible to include terms and conditions with regards to the operations of the Ijarah contract, including provisions on events of default, whereby the owner may specify that failure to pay one of the monthly installments constitutes a default on the hirer’s part, and consequently action available to the owner may be taken. Upon default the owner may send a notice to demand the arrears, terminate the Ijarah contract and take repossession of the goods.

We may look to the existing clauses of the Hire Purchase Act for applicability, as the main contention is that the clauses in an Ijarah contract should afford the same, if not better, protection to the customer than a hire purchase agreement. Therefore the Ijarah contract can be structured to be consistent with the main objectives of the Hire Purchase Act in terms of ensuring adequate protection to the customer.

### NIK HISHAM, FAKIHAH & Co

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## Meet the Head

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



**Name:** Jamal Abbas Zaidi  
**Position:** Chief Executive Officer  
**Company:** Islamic International Rating Agency  
**Based:** Bahrain  
**Nationality:** Pakistani

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

Prior to joining Islamic International Rating Agency (IIRA), I was with JCR-VIS, a joint venture credit rating agency with Japan Credit Agency in Pakistan for six years. Before that I was the chief executive of Modaraba, an investment company in Pakistan. I hold a Bachelor of Commerce and I am a full member of the UK-based Institute of Chartered Management Accountants (CIMA).

#### What does your role involve?

As the chief executive officer, I play some important roles, apart from overseeing the day-to-day running of the company.

The first important role that I have is to develop IIRA's very own rating system and methodology. The development of this is based on the nature of Islamic financial institutions (IFIs), how the IFIs respond to changes and how they manage their mitigating factors, for instance.

The second important role is to train people, to provide the necessary facilities and to expose the staff to the different areas of operations in Islamic finance so that they better understand the rating exercise.

My third important role is to add credibility to IIRA by participating in international seminars to present the different methodologies adopted by IIRA, present the importance of rating exercises of business organizations and to explain how rating exercises can add value to businesses.

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

I see my greatest achievement to date as moving IIRA to where it is now. When IIRA started in 2002, it was dormant, with no activity. When I was entrusted to head the agency, I started aggressively to lay the groundwork and we have now started rating four companies, and we are confident of securing at least 10 companies by the end of this year. In fact, we are now able to offer rating services similar to what has been offered by other international rating agencies like Standard and Poor's or Moody's.

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

Broadly speaking, IIRA provides the following services:

- Credit ratings.
- Corporate governance ratings.
- Shariah ratings.
- Sovereign ratings.

Different services are required for different objectives, and thus all the products and services deliver the best results for different requirements.

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

The strength of IIRA comes from the sponsors, namely the Islamic Development Bank (IDB) and other institutions such as rating agencies Capital Intelligence and JCR-VIS, as well as established banks like Bahrain Islamic Bank, Arcapita Bank and Al Baraka Banking Group. The decision to establish an Islamic rating agency was made as the sponsors believed that rating agencies should also play an important role in developing the Islamic finance industry.

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

I look at the human factor as a contributing factor to the success of IIRA. IIRA gets people with strong academic backgrounds like MBA holders or professionally qualified personnel, and exposes them to new rating methodologies, new regulations and different standards worldwide.

I personally believe that in any good organization, the human factor is the most important element, provided that they are given vast opportunity and exposure to different environments. Once they have familiarized themselves with the macro issues of finance, then they will have no problems handling issues on the micro level.

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

I see obstacles as challenges and the biggest challenge that I face in running a credit rating agency is to convince the market of the importance of rating. I have to instil the rating culture into organizations, especially those in the GCC region, where rating is considered to be merely an additional frill to a company by some.

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

By then, the industry will have a self-improvised improvement mechanism, which will include rating. The industry has started to appreciate rating exercises, which helps to firm up their internal practises. While the economy is good, institutions should enhance their internal procedures and when difficult times come, they will have all in place.

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

An institution that sets a standard that can be used by every organization to make all players comparable, thus allowing the free flow of funds from the surplus areas to the parts of the world where it is much-needed.



The Islamic International Rating Agency (IIRA) assists the Islamic financial services industry to gain recognition locally and internationally as strong and capable Shariah compliant financing institutions, adhering to greater standards of disclosure and transparency. It provides maximum insight and clarity into the credit rating, corporate governance and Shariah compliance, in an effort to support the capital market and improve its functioning.



## GAMBIA

### Takaful in Gambia

Takaful may become permitted in the Gambia, after the first Bill of Islamic Insurance in Gambia has been listed before the National Assembly of Members for possible ratification.

The Bill, which was listed by Dr Aja Isatou Njie-Saidy, Vice-President and Secretary of State for Women's Affairs, seeks to amend the Insurance Act 2003 to allow for the operation of Takaful.

Under the Bill, provisions provide for the interpretation and definition of technical terms so as to include Takaful and re-Takaful, in addition to conventional insurance.

Dr Aja Isatou Njie-Saidy commented that Takaful would attract Gambian Muslims to insurance, thus enhancing the sector's role as an important vehicle for economic development. She added that a successful Takaful market would support savings, particularly through life insurance policies, which have been shunned in the past by reluctant consumers, who had only been exposed to conventional insurance policies.

Takaful would also supplement the steadily growing Islamic banking movement in the country.

## MALAYSIA

### Bank Negara focuses on risk

Bank Negara Malaysia has again stressed the need to move towards a more risk-focused approach in the insurance and Takaful industry.

To achieve this, the regulatory framework will move towards providing a more flexible regime for stronger and well-managed institutions, while addressing problems with weaker institutions through supervisory intervention.

The Central Bank has reviewed preparations for the implementation of a risk-based capital framework for insurance companies, targeted for implementation in 2008, to ensure a smooth transition. A parallel run of the new framework will start next year.

Bank Negara is aiming for a more participative, self-regulatory framework, to create a regime where the collective efforts of industry players to develop and effectively enforce professional codes of practise achieve the desired institutional outcomes.

## SAUDI ARABIA

### Insurance licenses issued soon

In the last issue of *Islamic Finance news* it was reported that Saudi Arabia was expected to issue 13 operating licenses to insurance companies from over the globe. The Saudi Council of Ministers has now returned its files to the Saudi Arabian Monetary Agency (SAMA), and so legal procedures should very soon be completed.

Mousa Al-Rubaiaan, chairman of the National Insurance Committee, commented: "Owners of insurance companies that have applied for the license are awaiting a Cabinet decision on the matter within a short period."

The companies that will be licensed by the Cabinet have still not been named. The government introduced a compulsory co-operative health insurance scheme for expatriates from the 1<sup>st</sup> June 2005, making this licensing of insurance companies highly significant.

## MALAYSIA

### IFSB adds Takaful members

The council of the Islamic Financial Services Board (IFSB) has announced six new members, bringing the total number of members to 94.

The newly added members include Malaysia Deposit Insurance Corporation as an associate member. New observer members are: Ahli United Bank, Bahrain; Perbadanan Tabung Amanah Islam Brunei, Brunei; the Islamic Insurance Co, Jordan; Osoul Leasing and Finance Company, Kuwait; and Al Baraka Bank, Lebanon.

With its recently amended Articles of Agreement, the Council of IFSB now permits full membership to supervisory authorities responsible for the supervision of banking, securities and insurance or Takaful industries of each sovereign that recognizes Islamic financial services, and also to inter-governmental organizations that have an explicit mandate for promoting Islamic finance markets.

The inclusion of the securities and Takaful industry players to the IFSB's scope has broadened the focus of IFSB – allowing it to initiate the development of industry standards encompassing the whole spectrum of Islamic financial services. The IFSB is expected to issue its Guiding Principles of Corporate Governance in November 2006. It has recently established a working group to develop standards for Corporate Governance in Takaful Operations.

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# BMA Capital Rules for Takaful

By Bahrain Monetary Agency

**The Bahrain Monetary Agency (BMA) is ready to support the country's insurance and Takaful industry in its efforts to meet the new BMA regulatory requirements.**

The BMA is firmly committed to the further growth and advancement of the insurance industry and equally committed to a partnership with the industry in the development of rules and regulations governing insurance.

The agency has fully engaged the industry in the development of the *Insurance Rulebook*, which came into effect in 2005. The *BMA Insurance Rulebook* contains many new requirements for insurance firms operating in and from Bahrain, and the BMA stands ready to provide guidance to the industry. Although the *Rulebook* represents a change for the supervision of insurance firms, the BMA firmly believes that everyone stands to benefit from better supervision.

The unique structure of Takaful companies and Shariah rules has resulted in many challenges for supervisory authorities, particularly in terms of the regulation and supervision of investments and capital and solvency requirements.

The BMA took up these challenges by putting in place rules tailored to the specific needs of this industry. At the same time, the BMA has aligned the regulation for Islamic insurance, as far as is reasonably possible, with the regulations for conventional insurance, to ensure even-handedness.

“As has happened in other emerging markets, the insurance sector has the potential to double or treble penetration rates, with the sale of investment and pension products”

However, the BMA regime takes into consideration the unique characteristics of Takaful and re-Takaful business, such as high level controls; segregation of shareholder and participant funds; capital adequacy and solvency; valuation of assets and liabilities; and business conduct.

The *Insurance Rulebook*, which comprises Volume 3 of the *BMA Rulebook*, is a comprehensive document setting out BMA requirements for the insurance, reinsurance, Takaful and re-Takaful industries. The requirements cover such issues as high level standards, business standards, reporting requirements and enforcement and redress.

For the Takaful industry, BMA aims to allow Takaful firms to operate in Bahrain within BMA's insurance regulatory regime, on a basis consistent with that imposed on conventional insurers. The BMA's regulatory regime has been designed not to favor one form of insurance over another, but allows both types of structures, Takaful and conventional, to operate in a competitive environment.

A highlight of the Takaful regime is that the capital rules, specifically designed to meet the unique structures of Takaful and re-Takaful, were issued as part of the consultation process towards the completion of the *Insurance Rulebook*.

The capital framework maintains that all Takaful funds are subject to capital available and solvency requirements, as outlined in the *Rulebook's* Module CA (Capital Adequacy). Each Takaful fund, specifically general and family funds, must maintain and calculate its solvency requirements as if each Takaful fund were a separate licensed insurance firm. The capital available to meet the required solvency requirements is defined as the participants' equity (surplus of revenues over expenses) in respect of each fund.

In instances where the Takaful fund's available capital fails to meet the required solvency requirements, the shareholder fund must provide a loan to the Takaful fund in order for the deficient fund to meet its solvency requirements. Where a loan is made available to the Takaful fund, the capital available requirements must also be applied to the shareholder funds, ensuring that the loan represents capital meeting the permanency and quality requirements outlined in Module CA. In addition, BMA rules allow for separate treatments where the shortfall in solvency requirements involves a family Takaful fund. In these cases, the loan to meet the solvency requirements may originate from the surplus of another separate family Takaful fund. Such loan must not result in the lending family Takaful fund failing to meet its own solvency requirements.

Module CA makes clear that the provision of such loans requires prior written consent from the BMA and the Takaful firm must, as a minimum, include a specific note in its financial statements explaining the arrangements and implications for all shareholders and participants of the Takaful fund. Furthermore, disclosure requirements are also imposed so that Takaful fund participants are fully aware of the wakala fee and Mudarabah profit share rate that are to be paid out from the Takaful fund(s) to the shareholder fund.

Bahrain is the first country to standardize the practice of Takaful and regulate Takaful companies through a regulatory framework that takes into consideration the nature of the Takaful model and its relationship with participants, as well as shareholders. The new regulations also require all companies to enhance the transparency of their contract with the participants.

BMA's governor Rasheed Mohammed Al Maraj has been quoted as saying that BMA's key development priorities for the next 18 months include an important project to upgrade in a number of areas, including those governing collective investment schemes and capital markets generally.

The insurance industry is particularly promising, as insurance penetration in Bahrain and the Middle East region is far below international levels.

“As has happened in other emerging markets, the insurance sector has the potential to double or treble penetration rates, with the sale of investment and pension products,” Al Maraj was quoted as saying, adding that the insurance industry, as a key segment of the overall financial services industry, stands to gain much in the coming years, as the general outlook for Bahrain's financial services sector is positive, with sustainable growth and strong prospects for the continued development of our local financial markets.



The BMA was established under Amiri Decree No. 23 in 1973 as the Central Bank and the bank regulator for Bahrain. As such its mandate was to implement monetary policy, supervise and regulate

the banking sector, and act as the government's fiscal agent. The BMA also, from the start, had responsibility for encouraging the growth of Bahrain as a major international financial center. The BMA also has responsibility for managing the foreign currency cash reserves of the Kingdom.

## MOVES

### ABN AMRO – Asia

ABN AMRO has appointed Puneet Bahl to a newly created role as head of cards, Asia. Mr Bahl will be responsible for the development of ABN AMRO's credit card business in Asia.

With 22 years of related experience, Mr Bahl was formerly regional head of secured and unsecured lending at Standard Chartered, where he has also held the role of global marketing head, credit cards and personal loans from Singapore.

### MEEZAN BANK – Pakistan

Mufti Taqi Usmani has been appointed by Meezan Bank to head the supervision team for its Islamic Banking and Finance Training Center, established in association with PDSC, the research and development wing of the bank.

Usmani will be assisted by another Shariah advisor Dr Imran Usmani. Their roles are to advise in the area of curriculum development for Islamic banking and finance courses.

### DEUTSCHE BANK – India

Pavan Sukhdev has moved from London to India to take on the position of head of global markets for Deutsche Bank, India.

Mr Sukhdev will be responsible for Deutsche's onshore sales and trading businesses, and for providing global markets product and service functions through local vendors and through Deutsche Bank's global market center in Mumbai.

Mr Sukhdev's most recent position was chief operating officer for emerging markets, based in Singapore.

### STANDARD CHARTERED – UAE (Abu Dhabi)

Standard Chartered has appointed Hisham Malek as the new branch manager for its Istiqlal Street branch in the Emirate of Abu Dhabi.

Prior to moving to this newly re-opened branch, Malik was one of the managers at the bank headquarters in Dubai.

### Next Forum Question

In recent issues we have announced that China, Japan and Zambia are entering the world of Islamic capital markets. Which other newcomers do you expect to see following suit?

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 6<sup>th</sup> September.

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Data as of the 29<sup>th</sup> August, 2006



**DESCRIPTIVE STATISTICS**

Index	Component number	Market Capitalization (US\$ billions)						Component Weight (%)	
		Full	Float adjusted	Mean	Median	Largest	Smallest	Largest	Smallest
DJIM World	1972	14134.12	12236.65	6.21	1.47	423.84	0.01	3.46	0
DJIM Asia/Pacific	729	2263.92	1643.48	2.25	0.63	73.73	0.02	4.49	0
DJIM Europe	277	3492.53	2865.96	10.35	2.52	225.11	0.25	7.85	0.01
DJIM US	696	7330.27	6981.18	10.03	2.6	423.84	0.11	6.07	0
DJIM Titans 100	100	7052.26	6464.82	64.65	45.71	423.84	9.48	6.56	0.15
DJIM Asia/Pacific Titans 25	25	777.59	557.28	22.29	15.81	56.18	9.48	10.08	1.7

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 29<sup>th</sup> August 2006

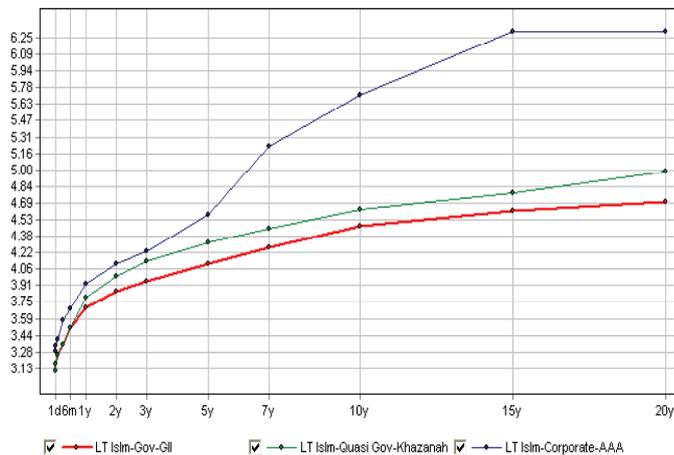
Key Benchmarks Trend (by volume)	Rating	This week close (RM)	22 August 06 (RM)	15 August 06 (RM)	8 August 06 (RM)
<b>Private Debt Securities</b>					
RANTAU IMTN 0% 14.08.2013 – MTN 2	AAA (RAM)	101.35	101.24	100.41	n/a
KEV BAIDS SERIES 4 08.01.2007	AA+ ID (MARC)	100.13	100.2	100.14	100.13
PRAIPOWER PRIMARY IBONDS 10YRS 28.02.2011	AA3 (MARC)	113.38	111.94	111.43	111.47
SSHMC RM50M 5-YR 18.09.2009	AAA ID (MARC)	99.74	100.39	100.04	100.07
PLUS 0.00000% 20.12.2013	AAA (RAM)	69.98	69.05	68.49	68.13
<b>Government Investment Instruments</b>					
PROFIT-BASED GII 1/2006 14.04.2009	n/a	99.86	99.72	99.38	99.48
PROFIT-BASED GII 2/2006 14.07.2011	n/a	102.4	101.98	101.44	101.42
<b>Quasi Government</b>					
CAGABAIS 13/2006 0% 10.08.2009	AAA (RAM)	100.68	100.04	99.87	n/a
KHA2/03 1B 0-CP 5Y 18.9.2008	n/a	92.22	91.93	91.65	91.69

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

	TENURE					
	1Y	2Y	3Y	5Y	7Y	10Y
GII	3.7	3.85	3.95	4.12	4.27	4.47
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	0.22	0.27	0.28	0.46	0.95	1.24
AA1	0.32	0.42	0.49	0.67	1.14	1.48
A1	1.15	1.33	1.51	1.99	2.64	3.12

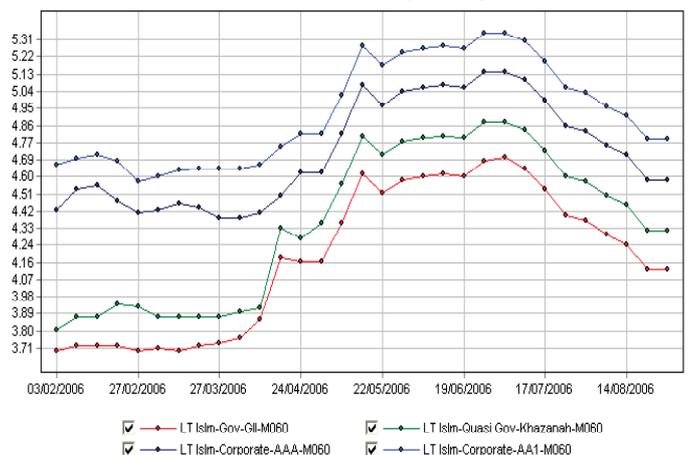
**MYR ISLAMIC DEBT YIELD CURVES**

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							AUGUST 2005 – AUGUST 2006
Issuer or Group	Nationality	Instrument	Amt US\$ m	Iss.	%	Manager	
1 PCFC Development	UAE	Convertible Sukuk	3,500	2	27.8	Barclays Capital, Dubai Islamic Bank	
2 Malaysia	Malaysia	Islamic Sukuk	1,771	2	14.1	Malaysian Government bond	
3 Cagamas	Malaysia	Bithaman Ajil Islamic Securities	1,135	15	9.0	Cagamas, AmMerchant, Aseambankers	
4 Rantau Abang Capital	Malaysia	Sukuk Musharakah MTN	999	2	7.9	CIMB, AmMerchant	
5 Maybank	Malaysia	Bai Bithaman Ajil Subordinated Bonds	681	2	5.4	Aseambankers	
6 Aabar Sukuk	UAE	Exchangeable Sukuk Mudarabah	460	1	3.7	Deutsche	
7 Putrajaya Holdings	Malaysia	Murabahah MTN	456	9	3.6	Alliance, CIMB, RHB Sakura	
8 Syarikat Bekalan Air Selangor	Malaysia	Bai Bithaman Ajil MTN	273	4	2.2	CIMB, Bank Islam Malaysia, HSBC	
9 Segari Energy Ventures	Malaysia	Sukuk Ijarah	258	6	2.1	Aseambankers	
10 Senai Desaru Expressway	Malaysia	Bai Bithaman Ajil Islamic Debt Facilities	249	26	2.0	Aseambankers	
11 Konsortium Lebuhraya Utara Timur (KL)	Malaysia	Redeemable Secured Serial Sukuk Istisnah	207	9	1.6	CIMB	
12 Tabreed 06 Financing Corp	UAE	Sukuk Istisnah	200	1	1.6	CIMB, HSBC, Dreer Kleinwort Wasserstein	
13 Sistem Penyuraian Trafik KL Barat	Malaysia	Bai Bithaman Ajil Notes Issuance Facility	136	5	1.1	United Overseas Bank (Malaysia)	
14 WAPDA First Sukuk Co	Pakistan	Sukuk Ijarah	134	1	1.1	Citibank NA (Pakistan), Jahangir Siddiqui & Co, MCB	
15 Antara Steel Mill	Malaysia	Bai Bithaman Ajil Islamic Debt Securities	133	6	1.1	AmMerchant	
16 Sime Darby	Malaysia	Murabahah MTN	133	1	1.1	CIMB	
17 Golden Crop Returns	Malaysia	Sukuk Ijarah	117	15	0.9	Affin	
18 Special Power Vehicle	Malaysia	Bai Inah Islamic MTN	110	10	0.9	AmMerchant, Bank Muamalat Malaysia, Malaysian International Merchant Bankers	
19 Bank Pembangunan Malaysia	Malaysia	Murabahah MTN	109	1	0.9	CIMB, HSBC	
20 BNM Sukuk	Malaysia	Sukuk Al Ijarah	107	1	0.9	Malaysian Government bond	
<b>Total of issues used in the table</b>			<b>12,568</b>	<b>286</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	1,771	2	25.5	Malaysian Government bond	
2 Cagamas	Malaysia	Bithaman Ajil Islamic Securities	1,003	14	14.5	Cagamas, AmMerchant, Aseambankers	
3 Rantau Abang Capital	Malaysia	Sukuk Musharakah MTN	999	2	14.4	CIMB, AmMerchant	
4 Aabar Sukuk	UAE	Exchangeable Sukuk Mudarabah	460	1	6.6	Deutsche	
5 Putrajaya Holdings	Malaysia	Murabahah MTN	456	9	6.6	Alliance, CIMB, RHB Sakura	
6 Maybank	Malaysia	Bai Bithaman Ajil Subordinated Bonds	416	1	6.0	Aseambankers	
7 Segari Energy Ventures	Malaysia	Sukuk Ijarah	258	6	3.7	Aseambankers	
8 Tabreed O6 Financing Corp	UAE	Sukuk Istisnah	200	1	2.9	CIMB, HSBC, Dreer Kleinwort Wasserstein	
9 WAPDA First Sukuk Co	Pakistan	Sukuk Ijarah	134	1	1.9	Citibank (Pakistan), Jahangir Siddiqui & Co, MCB Bank	
10 Special Power Vehicle	Malaysia	Bai Inah Islamic MTN	110	10	1.6	AmMerchant, Bank Muamalat Malaysia, Malaysian International Merchant Bankers	
11 Bank Pembangunan Malaysia	Malaysia	Murabahah MTN	109	1	1.6	CIMB, HSBC	
12 BNM Sukuk	Malaysia	Sukuk Ijarah	107	1	1.5	Malaysian Government bond	
13 Jimah Energy Ventures	Malaysia	Istisnah Islamic MTN	100	10	1.4	RHB Sakura, Malaysian International Merchant Bankers, Bank Muamalat Malaysia, AmMerchant	
14 Penang Bridge	Malaysia	Redeemable Secured Serial Sukuk Istisnah	96	6	1.4	CIMB	
15 Dura Palms	Malaysia	Sukuk Ijarah	77	4	1.1	Avenue Securities	
16 Bank Muamalat Malaysia	Malaysia	Subordinated Bond	68	1	1.0	HSBC, Standard Chartered	
17 Bayu Padu	Malaysia	Istisnah Serial Bonds	66	8	1.0	United Overseas Bank (Malaysia)	
18 Viable Chip (M)	Malaysia	Bai Bithaman Ajil Islamic Debt Securities	54	4	0.8	AmMerchant	
19 Kwantas SPV	Malaysia	Sukuk Ijarah	43	9	0.6	Aseambankers, OCBC Bank (Malaysia)	
20 Instacom SPV	Malaysia	Murabahah MTN	42	9	0.6	Utama Merchant	
<b>Total of issues used in the table</b>			<b>6,936</b>	<b>162</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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If you don't release the information on the deals you have advised on then you can't expect to have the information included!

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## ISLAMIC LEAGUE TABLES

ISLAMIC DEBT		AUGUST 2005 – AUGUST 2006		
Manager or Group	Amt US\$ m	Iss.	%	
1	Malaysian Government bond	1,878	3	14.9
2	Barclays Capital	1,750	2	13.9
3	Dubai Islamic Bank	1,750	2	13.9
4	AmMerchant	1,406	41	11.2
5	Aseambankers	1,239	49	9.9
6	CIMB	1,144	53	9.1
7	Cagamas	592	8	4.7
8	Deutsche	485	3	3.9
9	HSBC	402	13	3.2
10	RHB	273	41	2.2
11	United Overseas Bank	237	19	1.9
12	Standard Chartered	177	28	1.4
13	Alliance	162	12	1.3
14	Affin	152	28	1.2
15	Avenue Securities	129	7	1.0
16	OCBC	115	28	0.9
17	Bank Islam Malaysia	91	4	0.7
18	Bank Muamalat Malaysia	82	22	0.7
19	MIDF-Sisma Securities	77	17	0.6
20	Dresdner Kleinwort	67	1	0.5
<b>Total of issues used in the table</b>		<b>12,568</b>	<b>286</b>	<b>100.0</b>

ISLAMIC DEBT		YEAR-TO-DATE		
Manager or Group	Amt US\$ m	Iss.	%	
1	Malaysian Government bond	1,878	3	27.1
2	AmMerchant	1,117	30	16.1
3	Aseambankers	839	21	12.1
4	CIMB	706	23	10.2
5	Cagamas	592	8	8.5
6	Deutsche	460	1	6.6
7	RHB	213	27	3.1
8	HSBC	182	4	2.6
9	Alliance	162	12	2.3
10	United Overseas Bank	90	13	1.3
11	MIDF-Sisma Securities	77	17	1.1
12	Avenue Securities	77	4	1.1
13	Bank Muamalat Malaysia	71	21	1.0
14	Dresdner Kleinwort	67	1	1.0
15	EON	62	20	0.9
16	Standard Chartered	52	2	0.8
17	Citigroup	45	1	0.6
18	Jahangir Siddiqui & Co	45	1	0.6
19	MCB	45	1	0.6
20	Amanah Short Deposits	34	10	0.5
<b>Total of issues used in the table</b>		<b>6,936</b>	<b>162</b>	<b>100.0</b>

ISLAMIC DEBT BY COUNTRY		AUGUST 2005 – AUGUST 2006		
	Amt US\$ m	Iss.	%	
Malaysia	8,217	278	65.4	
UAE	4,160	4	33.1	
Pakistan	152	2	1.2	
Indonesia	21	1	0.2	
Saudi Arabia	18	1	0.1	
<b>Total</b>	<b>12,568</b>	<b>286</b>	<b>100.0</b>	

ISLAMIC DEBT BY COUNTRY		YEAR-TO-DATE		
	Amt US\$ m	Iss.	%	
Malaysia	6,085	156	87.7	
UAE	660	2	9.5	
Pakistan	152	2	2.2	
Indonesia	21	1	0.3	
Saudi Arabia	18	1	0.3	
<b>Total</b>	<b>6,936</b>	<b>162</b>	<b>100.0</b>	

ISLAMIC DEBT BY CURRENCY		AUGUST 2005 – AUGUST 2006		
	Amt US\$ m	Iss.	%	
Malaysian ringgit	8,217	278	65.4	
US dollar	4,178	5	33.2	
Pakistan rupee	152	2	1.2	
Indonesian rupiah	21	1	0.2	
<b>Total</b>	<b>12,568</b>	<b>286</b>	<b>100.0</b>	

ISLAMIC DEBT BY CURRENCY		YEAR-TO-DATE		
	Amt US\$ m	Iss.	%	
Malaysian ringgit	6,085	156	87.7	
US dollar	678	3	9.8	
Pakistan rupee	152	2	2.2	
Indonesian rupiah	21	1	0.3	
<b>Total</b>	<b>6,936</b>	<b>162</b>	<b>100.0</b>	

## EVENTS DIARY

DATE	EVENT	VENUE	ORGANIZER
<b>September</b>			
3 <sup>rd</sup> – 6 <sup>th</sup>	The 4 <sup>th</sup> Annual Islamic Funds World 2006	Dubai	Terrapinn
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
11 <sup>th</sup> – 12 <sup>th</sup>	The International Conference on Islamic Banking, Capital & Financial Market	Jakarta	IIFM
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
25 <sup>th</sup> – 29 <sup>th</sup>	Kuala Lumpur International Islamic Finance Expo	Kuala Lumpur	CERT
<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
19 <sup>th</sup> – 21 <sup>st</sup>	Trade Finance MENA	Dubai	Terrapinn

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