

# Islamic Finance news

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## The World's Global Islamic Finance News Provider



### BRUNEI

#### Cut red tape!

The Brunei Times reported this week that there has been a call to cut red tape stalling Brunei's halal industry.

"In business, time is money and we have to speed things up," former Minister of Education Laila Wijaya said when asked what was needed to expedite the country's ambition of realizing its potential as a major player in the global halal market.

"Everything must be well defined. Delegate the powers. We need an established system so we can be a one-stop agency," he said,

referring to issues concerning efforts to set up mechanisms that will help foreign traders work hand in hand with local manufacturers and traders and government regulators and certifying agencies. Laila added that Brunei Darussalam's potential in making a mark in the halal products sector is unlimited.

However he said that to ensure success in this venture, Brunei must be serious and go all out to market its brand, taking into account various factors, such as market, legal issues and Shariah issues. (F)

### UAE

#### NBAD bond

The National Bank of Abu Dhabi will hold a shareholder meeting on the 5<sup>th</sup> September to vote on a bond-sale plan worth as much as US\$1.75 billion. The bank is proposing to

sell as much as Y40 billion (US\$348 million), RM3 billion (US\$861 million) and AED2 billion (US\$545 million) in bonds. The convertible dirham bonds will have a 10 year maturity. (F)

### GLOBAL

#### 3i Infotech new competitor

3i Infotech will release a range of solutions for the Islamic financial sector at Gitex. The solutions and services provider will launch the new line, targeted at financial service providers who operate Shariah compliant services, along with a new business execution outsourcing service.

Hari Padmanabhan, deputy managing director of 3i Infotech is optimistic: "The Middle East and Africa region is growing at an exponential pace and considering the significant increase in IT infrastructure investments. We believe we are in a position to cater the diverse technology needs that come with this growth." (F)

### CHINA/ PAKISTAN

#### FTA concludes

China recently expressed interest in Islamic banking and products in all other sectors during the second round of China-Pakistan negotiations on its Free-Trade Agreement's

Services chapter. Both sides also requested for market access in the services sectors and also agreed on a revised list to be exchanged within a month. (F)

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**BAHRAIN****Splitting shares**

Al Salam Bank has revealed plans to split its shares and list outside Bahrain to boost liquidity.

Chairman Mohamed Alabbar said the move would increase the volume and the value of the traded shares thus helping to boost share prices. The bank said it intends to split each share into 10, and is looking to list in the GCC. [\(3\)](#)

**INDONESIA****Islamic credit card**

Bank Danamon Syariah and the national zakat agency Baznas Dompet Dhuafa have signed an agreement for the allocation of zakat, as well as charity funds generated from the Dirham Card, Indonesia's first Shariah compliant card.

Bank Danamon Syariah will require its Dirham Card holders to maintain a mandatory goodwill investment and channel its penalties from late payment to a charity fund. The Dirham Card uses Ijarah, Kafalah and Qardh, and is introduced based on Fatwa No. 54/DSN-MUI/X/2006 of the Indonesian Ulemas Council's National Syariah Board and Bank Indonesia Letter No. 9/183/DPbS/2007 on the approval for the Danamon Syariah Card. [\(3\)](#)

**KUWAIT****CBK not selling**

The Commercial Bank of Kuwait (CBK) has denied that it is selling its stake in Bank of Bahrain and Kuwait (BBK). The bank issued the statement in response to reports that it had signed a deal to sell its shares.

CBK currently holds a 19.39% stake in BBK. [\(3\)](#)

**SYRIA****Emaar's Sales center**

Emaar Syria has completed the sales centre of its SYP26 billion (US\$500 million) mixed-use development, the Eighth Gate.

The Eighth Gate is set to redefine the property landscape of Syria through its judicious mix of components. It is a joint venture between Emaar and IGO, and is located in Yafour. [\(3\)](#)

**BRUNEI****Ninth successful issuance**

Brunei's ninth issuance of short-term Sukuk Al-Ijarah securities has been closed at BD\$80 million (US\$52.57 million). The Sukuk carries a maturity of 91 days and matures on the 15<sup>th</sup> November 2007 at a rental rate of 2.45%

With this issuance, the Brunei government has thus far issued BD\$925 million (US\$607.93) worth of short-term Sukuk Ijarah securities since the maiden offering on the 6<sup>th</sup> April 2006. [\(3\)](#)

**MALAYSIA****Fast one from INCEIF?**

In May this year, EONCAP Islamic Bank contributed RM400,000 (US\$114,955) in zakat payables to the International Center for Education in Islamic Finance (INCEIF)'s Fisabilillah Trust Fund, to which AmTrustee is the custodian. The sum paid by EONCAP constituted 30% of the bank's total zakat payables, derived from its 2006 shareholders contributions. This is the first and only contribution to the Fisabilillah Fund to date.

The mandated body to collect zakat in Malaysia is Pusat Pungutan Zakat (PPZ), which was established by the Federal Territory Islamic Council. The PPZ will then distribute zakat to those who fall under its eight Asnaf, or deserving recipients which include the poor, converts to Islam, and one which INCEIF has placed itself- Fisabilillah - "one who fights in the name of Allah".

According to INCEIF, proceeds from the collected zakat payables received from organizations and individuals will be disbursed to prospective students who qualify to receive "financial aid" to pursue INCEIF's program – CIPF, Master and PhD. The recipient would be decided solely under the discretion of the management trustee that comprises of five members with two from INCEIF and three external parties. This raises some interesting questions for thought.

INCEIF's flagship program, CIPF, requires a minimum academic requirement of a recognized Bachelor's degree or an equivalent professional qualification. For diploma holders, applicants must at least have five years of working experience in a relevant field. Would that not then place these students as those within a stable, if not middle to high income bracket? What about others that may not even attain this level of stability – don't they better deserve this fund?

INCEIF also revealed to *Islamic Finance news* that no recipients have been identified since the fund's launch in March this year. This then raises another question as to the efficiency of the distribution of these funds. This almost defeats the purpose of zakat as a wealth distribution tool.

INCEIF has recently called for more zakat contributions and donations to its fund. Let's hope that this is not just on the pretext of a just and noble cause. [\(3\)](#)

**UK****Kitty Ussher says**

Kitty Ussher, City Minister of the UK has hosted the first meeting of the Islamic Finance Experts Group that was set up to act as an industry sounding board for HM Treasury and the Financial Services Authority (FSA) on Islamic finance. The focus of the meeting was the government's feasibility study into issuing sovereign Sukuk.

Speaking after the Islamic finance meeting, Kitty Ussher, economic secretary to the city said: "The UK is at the forefront of developments in Islamic finance and London continues to seize new opportunities. It was a very informative meeting and we shall continue to listen to a wide range of views before making a decision on whether to issue the first sterling sovereign Sukuk. [\(3\)](#)

## HONG KONG/ MALAYSIA

### Moving closer to Islamic marts?

Cagamas and the Hong Kong Mortgage Corporation have formed a strategic partnership to develop new mortgage business products for the Malaysian market, as well as to explore mortgage business opportunities in the region.

This partnership is a first for both parties and the region, and aims to establish products that will be primarily beneficial to the financial market system and the mortgage market. [\(3\)](#)

## TURKEY

### Turkiye Finans' financing

Turkiye Finans has secured a US\$100 million syndicated loan accord with international creditors, which will be used to fund SMEs and expansion in the real economy sector.

The bank revealed details on the landmark deal exclusively to *Islamic Finance news*. HSBC Bank acted as the Murabahah financing's mandated lead arranger, while other participants included the Zuercher Kantonalbank (Switzerland), Garantibank International NV (Holland), Raiffeisen Zentralbank Osterreich AG (Austria), UBAF (France), WGZ Bank (Germany), American Express Bank (US), Doha Bank (Qatar), Emirates Islamic Bank (UAE), Gulf International Bank (Bahrain), Mashreq (UAE), Standard Chartered (UK), HSBC (UK), Bank of London and the Middle East as well as the National Commercial Bank. The facility will have a two-year tenure.

Future plans for Turkiye Finans include extending the maturity of such syndications with lower pricing, investing in Sukuk, searching the possibility of launching securitizations, and building infrastructure of any interest-free investment banking activities. [\(3\)](#)

## BAHRAIN

### Sukuk oversubscribed again

The Central Bank of Bahrain (CBB)'s Sukuk Ijarah has been oversubscribed by 280%, with subscriptions worth BHD14 million (US\$37.14 million) for its BHD5 million (US\$13.26 million) issue. The Sukuk carries a maturity of 182 days.

The Sukuk holds an expected return of 5.08% on the issue. [\(3\)](#)

## CHINA / UAE

### Boosting bi-lateral trade

China will host a two-day visit from Dubai in September to boost bi-lateral trade currently worth US\$14.2 billion. UAE's trade with China grew by 31.8% in 2006 from the previous year, jumping six-fold since 2000.

Sheikh Mohammed bin Rashid Al Maktoum, vice president and prime minister of the UAE and ruler of Dubai, will attend a meeting at the World Economic Forum (WEF) in northeast China, which will focus on the new champions of the global economy. Sheikh's visit is the third high-profile visit between the two countries this year, following president Hu Jintao's visit to the UAE in January and UAE minister of economy Sheikha Lubna Al Qassimi's visit to Beijing in April. [\(3\)](#)

## SYRIA

### Control standards, please!

The technical delegation and workgroups of the Islamic Financial Services Council met in the Central Bank of Syria to set control standards for Islamic banks.

Since allowing the set up of Islamic banks, the governor of Central Bank of Syria Adib Mayala has sealed the country's commitment to providing comprehensive solutions to Syrians, by affirming the central bank's role in supervising standards. [\(3\)](#)

## UAE

### Conflicting sub-prime views

Nasser Al Sheikh, chairman of Amlak Finance believes that the US sub-prime mortgage crisis will escalate securitization costs to an average of 10 basis points. He also opined that Sukuk in the region could be badly hit due to investor withdrawals from the market.

However, Nasser projects that there will not be any direct impact on home finance in the UAE, which has had a real estate boom since the opening of home ownership to foreigners. According to Nasser: "The UAE market is based on prime lending rather than sub-prime."

Speaking exclusively to the *Islamic Finance news*, Philipp Lotter, vice president and senior credit officer of Moody's Middle East however remains optimistic: "At this stage, the exposure of the region to the sub-prime market looks limited, but the contagion of the global market is of course also affecting local markets. Some companies have postponed or reduced their issuances. The fundamentals here remain strong and local liquidity remains substantial, but some European and US investors are currently unavailable." [\(3\)](#)

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**UAE****Emaar shocker**

Shares of Emaar Properties sank to a new 28-month low on Wednesday after the company warned that its US John Laing Homes unit would be hit by the sub-prime crisis this coming third quarter. Emaar's stocks fell by 7.8% over the past week with foreign investors bailing out.

Shares of Emaar, the largest Arab real estate developer by market value, tumbled 3.26% to AED9.77 (US\$2.66), dropping below AED10 for the first time since the 13<sup>th</sup> April 2005. [\(2\)](#)

**MIDDLE EAST****Credit Suisse eyes money**

Credit Suisse has announced plans to hire a team of dedicated private banking relationship managers to service the Middle Eastern market. The decision marks the latest move by an international bank to take advantage of the thriving private banking industry in the region.

In the Middle East, total high net worth individual wealth grew by 11.7% in 2006, with total populations reaching 11.9%.

However, despite an increasing number of banks moving into the region with private banking services, there is still room for growth in the industry according to private bankers already resident in the Middle East.

According to Bruno Daher, Credit Suisse's head of private banking in the Middle East/Indian sub-continent and co-CEO of the Middle East, the new team will further strengthen the bank's Gulf presence.

(See Moves page 23 for more details). [\(3\)](#)

**BAHRAIN****Sakana - Saraya JV**

Sakana Holistic Housing Solutions and Al Saraya properties have signed an agreement to boost sales in its Amwaj Islands development, by offering property buyers ready access to mortgage advice and finance. The deal will build on Al Saraya's strong sales record to date across its wide property portfolio, backed by Sakana's financial expertise and innovative range of mortgage products.

Under the agreement, Sakana will provide convenient and rapid finance approval for potential buyers, including the recently completed Al Marsa Floating City in Amwaj Islands. In addition, Sakana will offer up to 90% financing over a maximum 30-years repayment term. [\(3\)](#)

**THAILAND****First Islamic banking conference**

Thailand is set to host two major Islamic finance events next month. This will mark a first for the country. The conferences are expected to boost trade, transportation and tourism links between Thailand and the Muslim world, and also become part of the multi-faceted efforts to address the problems in south Thailand.

A conference on Islamic finance will be held on the 6<sup>th</sup> September, followed by the "World of Muslim 2007" trade show and conference from the 7<sup>th</sup> to 9<sup>th</sup> September.

The Islamic finance conference will be organized by Dataconsulting cooperation with the Thai ministry of finance, Islamic Bank of Thailand and Bank Negara Malaysia along with UK Trade & Investment, Zaid Ibrahim Law Office and Aseambankers. [\(3\)](#)

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## AUSTRALIA

### Islamic finance scholarship

Australia will now provide Islamic finance scholarships for doctorate students at Monash University. The Australian Postgraduate Award Industry (APAI) scholarship, funded by ARC Linkage Projects will provide support for three years of full time study for a PhD research project in the general area of Islamic finance. Areas of research are to encompass the application of finance theory to Islamic banks, insurance companies, fund managers, markets or instruments.

To be eligible for the scholarship, applicants must hold Australian or New Zealand citizenship or be an Australian permanent resident, have or be eligible for an offer of entry into the PhD program of Monash University, have an appropriate Honours 1 or high 2A (equivalent) undergraduate degree, not receiving similar funding or stipend from a commonwealth government program, not have already completed a degree at a similar level, and not have previously held an Australian Postgraduate Award or APAI unless it was terminated within its first six months.

The scholarship stipend will amount to US\$25,118 a year. [\(3\)](#)

## PAKISTAN

### UBL fund launched

UBL Fund Managers have launched the Islamic Income Fund (UIIF), with its initial public offering (IPO) slated for the end of August.

Unlike the majority of Pakistani funds which are either fully or partially invested in equities, UIIF is set to offer higher stability by eliminating volatility and risk from returns. UIIF investors will also have the flexibility to choose between periodic income or long term capital appreciation.

UIIF marks the fifth open-ended fund to be launched by UBL Fund Managers. [\(3\)](#)

## MALAYSIA

### The new Bank Islam

Bank Islam has revamped its entire corporate identity in a bid to boost its position amid growing competition in the industry. The re-branding is part of a transformation program prescribed under a turnaround plan implemented in September 2006, following two years of financial difficulties. All the banks branches will be remodeled in phases in the coming year.

Bank Islam has also revealed plans to enter into a strategic alliance with a yet-to-be disclosed European investment bank for product development purposes. Via the collaboration, Bank Islam expects increased ease in the placement of its products in the European market.

Bank Islam saw a shift in its shareholding structure last year with a 40% acquisition by the Dubai Islamic Investment Group. [\(3\)](#)

## SAUDI ARABIA

### Tadawul drops

Tadawul's stocks closed on a lower note at 7,900, a slight drop of 28.81 points from last week. Malath Insurance saw the biggest gain, rising 7.77% to 100.50 riyals, while SABB Takaful dropped 4.6% to 197 riyals. [\(3\)](#)

## BAHRAIN/ GERMANY

### Arcapita the window-maker

Arcapita will acquire a German maker of windows and PVC door fittings from US-based private equity companies Carlyle Group and Advent International. The Bahrain-based bank has agreed to pay an approximate US\$1.04 billion for Profine, formerly known as HT Troplast.

Profine was acquired by Carlyle Group and Advent International in January 2005 and generated revenue of EUR848 million (US\$1.14 billion) last year - of which more than 50% originated from central and eastern Europe - a region that Arcapita is keen to expand into.

This marks Arcapita's third major investment in the building materials industry. [\(3\)](#)

## KUWAIT

### Landmark Sukuk

Kuwait has seen its first Sukuk at US\$1.5 billion by the National Industries Group (NIG).

Law firm Allen & Overy acted as the Sukuk's advisor, joined by Kuwaiti firm Al Sarraf, BNP Paribas, the National Bank of Kuwait, Standard Chartered Bank and WestLB.

Lead partner on the deal was Roger Wedderburn-Day, assisted by consultant Anzal Mohammed in Dubai. Anzal commented: "Kuwait is certainly hotting up at the moment. We have not seen much activity on the conventional market in the jurisdiction but Shariah compliant issuances have really taken off." [\(3\)](#)

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## CANADA

### All 'about' Shariah

FrontierAlt Oasis Funds Management will launch a Shariah compliant Canadian income fund, focusing on well-performing companies within the Dow Jones Islamic Market Index. The FrontierAlt Oasis Global Income Fund will also invest in Sukuk.

Asif Khan, president and CEO of Toronto-based FrontierAlt Oasis is optimistic: "As Canada's first Shariah compliant income fund and the first to invest in Sukuk, this is a unique investment product in the Canadian market."

The fund will be managed by Zaigham Shah, chief investment strategist at MAK, Allen & Day, and will pay a monthly distribution with excess income diverted to annual capital gains. [\(3\)](#)

## KUWAIT

### Noor resumes trading

Shares of Kuwait's Noor Financial Investment have resumed trading after clarifying details of its Pakistani stake to the Kuwait bourse.

Noor has also agreed to buy the additional stake - equivalent to 71.8 million shares, from Shamil Bank, causing Shamil's stake to decrease to 7%.

Noor's shares were halted last Friday because the firm had yet to inform the stock exchange that it had boosted its stake in Meezan Bank from 16% to 35%. [\(3\)](#)

## INDONESIA / QATAR

### QIB Indonesia

Qatar Islamic Bank (QIB) has revealed plans to establish a bank in Indonesia, in line with the country's plans to boost trade with Qatar. QIB's CEO had previously visited Indonesia on several occasions, and had expressed plans to invest. The bank is currently in talks with the Central Bank of Indonesia to set up a representative office.

Up to a 50% increase in export commodities to Qatar is expected this year, especially in the construction sector. Indonesia's 2006 trade surplus with Qatar stood at US\$57.47 million, with exports at US\$69.8 million, and imports at US\$11.6 million. Indo-Qatar ties have also improved, in light of the increased investments including Qatar's Midline Engineering Contracting and Trading's US\$3 million investment in Indonesia to develop its coal mining industry. Indonesia had also signed the "Investment Guarantee Agreement" and "Agreement of the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to taxes on Income" with Qatar. However Jakarta is yet to ratify the agreements. [\(3\)](#)

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## KUWAIT/ SYRIA

### NBK Syria?

The National Bank of Kuwait (NBK) has revealed plans to set up a US\$106.3 million banking affiliate in Syria. The establishment will see NBK holding the maximum of 49% of the new commercial bank. NBK expects to get a banking license in the next two months.

Qatar National Bank and The Albaraka Banking Group also gained approval to expand to Syria earlier this month. [\(3\)](#)

## GCC

### Moody's predicts Sukuk surge

It was reported earlier this week that Moody's Investors Service predicts a Sukuk surge in the Gulf, with the passing of new regulations and growing assets to mobilize Islamic debt. "Conventional and Islamic securitized debt is likely to grow significantly," affirmed Moody's Middle East and Islamic Finance analyst Faisal Hijazi.

Faisal added: "Islamic finance is particularly suited to securitization, where you always have recourse to assets, and this is one of the key points in Islamic finance."

Bankers have also attributed the Sukuk boom to higher Gulf loans and real estate success, increasing the number of assets to provide steady securitization. "There is a significant increase in securitizable assets, real estate and loans. They have reached a critical mass which you can securitize," Ehsun Zaidi of Dubai Islamic Bank elucidated.

Growing demand from Muslims for financial products, such as Shariah compliant mortgages will also create a high demand and supply pool for assets. New property and foreign investment laws, have also given securitization further impetus.

Although Moody's did not provide exact figures in its forecast for future Gulf securitizations, industry experts including the Dubai International Financial Center predict Sukuk reaching US\$250 billion by 2010. [\(3\)](#)

## MALAYSIA

### First from Pru

Prudential Fund Management (PFMB) has launched its first Islamic structured fund, dubbed the PRUShariah FX fund at RM300 million (US\$86.22 million), with plans to launch two more by the end of the year. The products are pending regulatory approval.

The fund will provide investors 100% capital protection, while investing in ringgit-denominated Shariah products, linked to Latin America, Eastern Europe and Asia.

At the end of its three-year tenure, the best performing basket will be used to calculate the final payout, with a potential of 21% for a performance exceeding 4%.

Benchmarked against the Maybank Mudharabah rate, a total of 600 million units or of PRUShariah FX fund will be available for sale at 50 cent per unit, with a minimum investment of RM5,000 (US\$1,436) and subsequent investments at RM1,000 (US\$287.37).

The initial offer period is from the 15<sup>th</sup> August to the 13<sup>th</sup> September 2007. [\(3\)](#)

**BRUNEI/ MALAYSIA****Halal co-operation**

Country leaders of Brunei and Malaysia are seeking means to increase co-operation between the two nations by boosting the halal products industries, Islamic banking and tourism, as well as trade facilitation.

Malaysian Prime Minister Abdullah Ahmad Badawi and the Sultan of Brunei, Sultan Hassanal Bolkiah recognized the importance of continuing co-operation in the air services sector, and agreed that an increase in flight frequencies and operations between the two countries could further promote tourism. Both leaders also put forth the long-standing issue of maritime delimitation, along with new proposals to provide a quick resolution. ☉

**BAHRAIN****Ithmaar's profits soar**

Ithmaar Bank saw its half-year net profits leap by 130% to US\$65.9 million, up from US\$28.7 million in 2006. Operating profits tripled from US\$23.7 million to US\$71.1 million. ☉

**BAHRAIN****Shamil does well**

Shamil Bank has announced a record net profit of US\$53.2 million for the first half of 2007, marking a 62% leap from last year. Total income also rose by US\$21.9 million over the same period last year, while earnings per share rose to 5.8 US cents from 3.6 US cents.

Consolidated total assets rose by US\$355.8 million from US\$1.7 billion as of end December 2006, to US\$2 billion this year. The bank's unrestricted investment accounts rose by US\$129.5 million at 15.5% from US\$838 million to US\$967.6 million, reflecting increased investor confidence.

Shamil credits its progress to the newly implemented I-Flex core banking system, as well as its 100% capital protected Shamil Navigator Mudarabah fund, which was well received by the market. ☉

**IRAQ/ QATAR****Sukuk for Asiacell?**

Asiacell is looking to raise up to US\$300 million a year via Sukuk or conventional bonds to expand its Iraqi operations, having recently purchased assets of Iraq-based Asiacell Cayman Islands.

The company, an affiliate of Qatar Telecommunications (QTel) paid US\$1.25 billion last week for one of the three mobile licenses up on offer. The other two licenses were snagged by Kuwait's MTC and Kurdish company Korek.

Basil Rahim, managing partner of UK investment bank Merchant Bridge revealed: "We're looking to keep the facility as simple as possible. Perhaps a long-term loan or a bond or Sukuk. Rahim, who holds a 19% stake in Asiacell Communications however did not comment on how the debt will affect its major shareholder, QTel, which recently bought into National Mobile (Wataniya) at US\$3.7 billion.

Asiacell is also considering buying Orsatcom's Iraqlan subsidiary, which covers 90% of central and south Iran network. ☉

**SAUDI ARABIA****Alahli shareholders happy**

Shares in Alahli Takaful Company (ATC) skyrocketed 997.50% on its debut on the Saudi stock market (Tadawul) this week. The SAR10 (US\$2.66) Alahli Takaful shares opened at SAR109.75 (US\$29.26) and maintained til closing. Other new insurance companies also made solid starts on Tadawul, including the Malath Cooperative Insurance and Reinsurance Company and Sanad Insurance & Reinsurance Cooperative Company.

Alahli Takaful is the 10<sup>th</sup> company to be traded in the insurance sector which was previously dominated by the National Company for Cooperative Insurance (NCCI), which also saw a 10% climb this week. ☉

**SAUDI ARABIA****Islamic payroll**

The National Commercial Bank (NCB) has launched its Islamic Payroll Solutions program for employees at professional and executive level transferring their salary to NCB.

The AlAhli Professionals Payroll Solution is for employees earning between SAR2,000 (US\$533) and SAR10,000 (US\$2,666) per month, and requires no minimum account balance. NCB will also provide a free international ATM card with a daily limit of SAR5,000 (US\$1,333).

Participants in the AlAhli Professionals Payroll Solutions will also qualify for Tayseer AlAhli credit cards, personal and car financing as well as a withdrawal limit of SAR20,000 (US\$5,332) for those earning more than SAR10,000 (US\$2,666). ☉

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## MALAYSIA

### Ratings unaffected

Permodalan National's (PNB) recent conditional voluntary take-over offer for the remaining shares in Malaysian Industrial Development Finance (MIDF) has no immediate impact on MIDF's ratings. MIDF is currently rated A2/P1 by RAM Ratings, while the first and second tranches of its RM300 million (US\$86.32 million) Income Securities carry respective ratings of A1(bg) and A2.

At the same time, the company's RM150 million (US\$43.16 million) commercial papers and medium-term notes (CP/MTN) and RM50 million (US\$14.38 million) Murabahah CP/MTNs are also rated A2/P1 by RAM Ratings. All the long-term ratings have a stable outlook.

PNB currently holds a 20.02% stake in MIDF; its offer to acquire the remaining 78.98% interest for approximately RM1.48 billion (US\$425.71 million) cash could however lead to MIDF being de-listed from the main board of Bursa Malaysia. ☎

## MALAYSIA

### MARC bails on Petronas

Malaysian Rating Corporation (MARC) has withdrawn its MARC-1 ID/AAA ID ratings assigned to Petronas Assets RM500 million (US\$143.83 million) Murabahah commercial papers/medium-term notes (CP/MTN) programs.

MARC received written confirmation from Aseambankers that the facility was cancelled on the 17<sup>th</sup> August following Petronas' full repayment of outstanding notes. ☎

## MALAYSIA

### MARC withdraws

Malaysian Rating Corporation (MARC) has lowered its rating on Sistem Lingkaran-Lebuhraya Kajang (SILK)'s notional amount of RM2.1 billion (US\$602.95 million) Bai Bithaman Ajil Islamic debt issuance facility (ABBA) from 'B- ID' to 'D'. The rating has also been removed from MARCWatch negative where it had been initially placed in May 2007. The lowered rating reflects SILK's inability to meet the August 2007 scheduled redemption of RM150 million (US\$43.16 million) due on the facility.

Following the downgrade, MARC has withdrawn the rating and no longer has any rating obligations to the ABBA issue. ☎

## MALAYSIA

### Goodway affirmed

Goodway Integrated Industries' long and short-term ratings of its RM80 million (US\$22.97 million) partially underwritten Murabahah notes issuance facility/ Islamic medium term notes program has been affirmed at AID/Marc-2ID with a stable outlook,

The rating is backed by Goodway's improved profitability, the company's market position as one of the leading domestic manufacturers and distributors of hot and cold-cure processed rubber and retread related products with an approximate 30% market share. The ratings are constrained by Goodway's substantial leverage, its negative free-cash flow for the past three years, and exposure to a competitive pricing environment and volatile raw material costs. ☎

## THIS TIME LAST YEAR

- **Dubai Islamic Bank** launched the Al Islamic Shipping Fund investing in shipping assets via Musharakah.
- **Bank Sohar** planned to float a US\$52 million initial public offering.
- **Shuaa Capital**'s proposed buy-back of up to 10% of its shares was approved by the Emirates Securities and Commodities Authority.
- Kuwait donated US\$300 million to the **Islamic Development Bank**'s poverty fund.
- **Shamil Bank** posted a net income increase of 80.3% from its US\$21.21 million earned in June.
- The **DFSA** granted a license to **Goldman Sachs International** to operate from the **DIFC**.
- **Emirates Islamic Bank** charted a net profit of US\$11.7 million.
- **Al Salam Bank Bahrain** posted a net profit of US\$11.1 million.
- **GFI Group** opened a new Islamic banking and finance broking desk in London.
- The **Bahrain Monetary Agency** authorized an Islamic equity fund sponsored by **Global Investment House**.
- **Kenya Commercial Bank** launched Shariah compliant **KCB Amana Account**.
- **Dubai Islamic Bank** donated US\$1.3 billion in aid to the Lebanese people.
- **Hong Leong Islamic Bank** began marketing Amanah Raya's Will Writing Service-I.
- **Gulf Finance House** signed an agreement with the Egyptian government to develop infrastructure in the country.

## The Future of Islamic Funds in America

While demand for Islamic financial instruments in the global marketplace is burgeoning at the seams, the relatively miniature market in the United States is progressing at a much different pace. Let's start by putting things in perspective. Shariah compliant mutual funds, the most readily accessible financial instrument to Muslim-American investors, have combined assets under management of less than one billion dollars. This figure is all but insignificant considering that the US equity market has a capitalization of around 15 trillion dollars. In recent years, the niche for Islamic finance in the United States has begun to find more solid ground to stand on, but it remains small and inconsistent relative to the careening growth spurts that this industry is experiencing around much of the rest of the world.

When examining the market for Shariah compliant funds in the US, one should start by asking how many Muslims are there in America. The gamut of estimates varies significantly, with most falling between one and seven million. It is illegal for the US government to inquire into its citizens' religious beliefs and scarce are the studies that can boast of a nationwide effort to count the number of Muslim-Americans in the US. In May this year, the Pew Research Center conducted a study that included nearly 60,000 participants from all over the nation. Pew attempted to take a profound look into the American Muslim community: from its size to its demographic, beliefs and personality. The title of the study is fairly indicative itself, Muslim Americans: Middle Class and Mostly Mainstream.

Pew estimates that there are 1.4 million Muslim adults in the US, or 0.6% of the general population. The Muslims in America are notably diverse, with immigrants coming from 68 different countries and domestically born converts from various backgrounds. The Immigration Act of 1965 encouraged a wave of well-educated Muslims to move to the US. The doctors and PhDs that came as part of this first wave of Muslim immigrants are responsible for a substantial portion of American investors interested in Shariah compliance today. Many of

these Muslims were able to solidly establish themselves financially, raise children who have worked to reach similar economic positions, and are now the Muslim-American baby boomers who are ready to retire and are searching for Shariah compliant means of saving and investing for their retirement.

The first Islamic mutual fund in the US began as a Shariah compliant investment club primarily composed of Muslim immigrants that had arrived since 1965. As the club grew, they realized that they were becoming large enough to consider establishing a registered fund. They recruited Nicholas Kaiser, a money manager with a proven record of success, to manage their halal portfolio. In 1986 Kaiser knew little of Islamic finance and the club knew little about managing an investment company, but together they came up with Amana Trust Income. This fund was the first and only Islamic fund until 1994 when Amana Trust Growth was created to satisfy the Amana board's demands for a more aggressive mutual fund. For nearly 17 years, these funds grew very slowly, primarily by word of mouth between friends and relatives. It was not until 2001, when the Amana board voted to start paying US\$12 billion fees to brokers in order for the Amana funds to be sold on much larger platforms, that the funds began to see impressive increases in assets under management.

Total Returns (as of 7/31/2007)

	1 Year	3 Year	5 Year	10 Year
IMANX	18.16%	10.80%	10.47%	N/A
ADJEX	10.84%	11.76%	9.30%	N/A
AEIFX	10.23%	8.07%	8.29%	N/A
AMAGX	22.05%	22.25%	19.87%	12.02%
AMANX	20.29%	20.35%	17.61%	8.66%
Russell 2000	12.12%	13.40%	16.02%	7.80%
S&P 500	16.13%	11.75%	11.81%	5.97%

Managing Company	Fund Name	Symbol	Inception	Objective	Overall Morningstar Rating	Morningstar Category	Min. Initial Investment	Expense Ratio/Annual Fees	Total Net Assets (mil as of 7/31/07)	Asset Allocation
Allied Asset Advisors	DJ Islamic	IMANX	6/30/200	Capital Growth	***	Large Growth	\$250	1.57%	34.69	Cash: 0.88% Stocks: 98.18%
Azzad Asset Management	Ethical Mid Cap	ADJEX	12/22/2000	Long Term Capital Appreciation	*	Mid-Cap Growth	\$1,000	2.25%	6.28	Cash: 56.88% Stocks: 43.11%
	Ethical Income	AEIFX	7/11/2000	1) Current Income 2) Capital Preservation	**	Large Growth	\$1,000	2.25%	3.06	Cash: 44.57% Stocks: 55.44%
Saturna Capital Corporation	Growth	AMAGX	2/3/1994	Capital Growth	*****	Large Growth	\$250	1.41%	562.83	Cash 6.29% Stocks: 93.71%
	Income	AMANX	6/23/1986	Current Income/ Capital Preservation	*****	Large Value	\$250	1.49%	257.25	Cash: 5.62% Stocks: 93.33%

continued...

## The Future of Islamic Funds in America (*continued...*)

Those 17 years of snail-like progress are the primary reason that there are only five Shariah compliant mutual funds to date in the US. To be successful, much patience is required and not many companies are willing to squander on such a temperate market. Shariah compliant mortgages have proven to be popular, there are now several companies that provide them around the country. The University Bank in Michigan offers savings depository accounts that are FDIC insured. Though these companies have managed to establish themselves, there have been others that lacked the same fortitude. Muslim Savings and Investment, Malaysia Al-Abrar, and Bayt Al-Mal Incorporated are all companies that attempted to launch Islamic financial institutions in the United States, but each one failed. One result of these collapsed efforts has been extremely high levels of skepticism regarding Islamic financial companies. The vast number of investment options available to Muslims in the US can seem like a jungle of Amazonian proportions. Weeding out and cultivating a market for such narrowly focused products is an arduous task.

Two more management companies made available Shariah compliant mutual funds to US investors in the last decade. Chicago's Allied Asset Advisors created the Dow Jones Islamic Fund and Azzad Asset Managers introduced both the Ethical Mid Cap and Ethical Income Funds. Nicholas Kaiser's company, Saturna Capital, continues to manage the Amana Mutual Trust. All of these companies offer a number of tax-benefiting products, such as retirement and health savings accounts, alongside conventional investment accounts in order to entice clients. These Islamic funds also have minimum initial investments much lower than the vast majority of mutual funds available in the US. The Azzad funds were initiated with a load, but had to drop it when they were not able to build their assets. Whether this was because Muslim American investors are shrewd or frugal is impossible to say, either way, companies learned that loaded Islamic mutual funds with high initial investment minimums are not going to survive. It is imperative to remember that although there has been at least one Shariah compliant fund available to Muslim investors for more than twenty years, the total assets under management in all five Islamic funds combined today still has not yet reached even one billion dollars.

With three money management companies and five Shariah compliant funds now available to investors in the United States, there is a healthy spirit of competition. However small, the market for Islamic mutual funds could still continue to benefit from more funds being offered. What would be detrimental to the market for Shariah compliant funds, though, would be companies who entered the arena and then backed out again because they were not able to immediately meet the success that they had planned on. This would increase already present hesitancy and concerns of instability toward Islamic finance and could cast a damaging shadow over the outlook for Shariah compliant funds.

It is fairly frequently asserted that the Muslims are financially better off than the rest of the American public. The Pew study, however, reports that Muslims are more or less on equal ground with their fellow Americans. Among the Muslim Americans, 26% earn US\$75,000 or more, 39% earn US\$30,000-74,999, and 35% earn less than US\$30,000. The corresponding percentages for the general population are 28%, 39%, and 33%. Despite income levels comparable to the public at large, Muslim Americans who are ready to invest seem to be

more financially savvy than the average American. Muslim investors tend to invest for the long term. Many make regular investments, and those who do not, often know to buy when the markets are down and sell when they are high (unlike many American investors who frantically act on the contrary).

Far from all, Muslim-Americans are primed with the knowledge and assets to invest. Many of America's new Muslims, those who have arrived since 1990 and have contributed to surging immigration numbers, are refugees. Learning English is more of a priority than learning to invest. Immigrants from the 1980s were not fleeing their countries to the extent that they are now, but they also did not arrive with the same levels of education and prosperity as did the first generation of Muslims. African-Americans make up more than half of the Muslims who were born in the US and have converted to Islam. They represent another group of Muslim-Americans that often have neither the money nor the know-how to invest.

The most effective strategy for Shariah compliant mutual funds is undoubtedly to educate their potential investors. Muslim-Americans need to learn not only what mutual funds are, but also about saving for children's education and for retirement, about setting aside money for haj, about establishing trusts and writing wills. Though these Muslim-Americans who have not yet had the time or opportunity to learn about investing represents an enormous potential market for Islamic mutual funds, the most probable pool of new investors are likely to continue to be the Muslim baby-boomers and their children. One noteworthy observation from the Pew study says that Muslim-Americans younger than the age of thirty are more pious than their older counterparts; they pray more often and go to mosques more regularly. It seems quite plausible that this generation of devout Muslims will seek more avidly savings and investment vehicles that abide by their faith and may find Islamic mutual funds a very convenient tool.

In conclusion, the market for Shariah compliant mutual funds in the United States is petite, skeptical and in need of pampering. Though potential investors are plentiful, finding them, educating them and earning their trust is a process costly both in time and patience. ☺

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## Interview with Farhan Mahmood, CIO & Head of Asset Management at FALCOM Financial Services

By Eurekahedge

Driven by the capital market reforms, the booming Saudi and regional economies, increasing liquidity and depth of the capital markets and strong future outlook, a group of prominent businessmen and leading investors in Saudi Arabia have come together to form FALCOM Financial Services. FALCOM is a full-service investment bank licensed by the Capital Market Authority (CMA) for dealing, advising, managing, arranging and performing a custodial role in the capital market.

As head of asset management, Farhan Mahmood, CFA, is responsible for developing the asset management business of the company. As the CIO, he is responsible for developing investment policies and objectives, strategic asset allocation and portfolio guidelines, performance benchmarks and risk management controls for the firm's proprietary capital investments.

Prior to this, he was the director of asset management at UBS in Toronto, where he was responsible for identifying investment opportunities in fixed income, equities and alternative investments for UBS' Canadian and international clients on a global basis.

Mahmood's 14 years in the investment and securities business span a wide area of experience in global institutions where he has serviced both institutional and private clients across Asia, Europe, Middle East and North America. He has worked on both sell - and buy- sides across Asia and North America.

Mahmood received his CFA charter in 1997. Since then, he has been involved with the CFA Institute in many capacities including serving on the global financial reporting advocacy committee, the standards of practice council, GIPS investment manager sub-committee, the CFA curriculum committee and the editorial board of CFA Magazine. He has also served on the CFA institute's recommended practices task force.

Mahmood has also been a member of the company affairs, rules and regulations and derivatives trading committees of the KSE. In addition, he has also advised financial institutions in Pakistan on Islamic finance, portfolio management and trading policies and practices. He has authored several articles and papers and has been a regular columnist for two of Pakistan's largest English daily newspapers, *Dawn* and *The News*.

**With regards to the FALCOM Saudi Equity Fund and fund manager, how is the approach different from others and what is the overall proposition for investors?**

The value proposition for investors is risk-adjusted returns. We aim to achieve benchmark or better-than-benchmark returns at a lower volatility. This is a proposition we feel is absent for investors in this market and we want to be the pioneers.

When choosing equity investments, we apply a bottom-up, value-oriented and long-term approach, focusing on the market price of a company's securities relative to our team's evaluation of the

company's potential long-term (typically five years) earnings, asset value and cash-flow potential. The fund should be thought of as a long-term investment, invested through a complete market cycle of 3-5 years. We also consider a company's price to earnings ratio, profit margins and liquidation value.

In choosing our investments, we strongly believe in on-site visits to issuers of prospective investments to assess critical factors such as management strength and local conditions. In addition, if we believe market or economic conditions are unfavorable for investors, we may invest up to 100% of the fund's assets in a temporary defensive manner by holding all or a substantial portion of its assets in cash, cash equivalents or other high quality short - and medium-term investments.

**What are the key industries of focus for the fund and what proportions do they comprise in the overall portfolio? How are these weights determined and how often are they reviewed?**

We are constantly monitoring our investments and reviewing the allocations. The process is very dynamic in nature for us. We have a strategic asset allocation plan and the tactical bets are built around those long-term allocations. We feel that investment management is all about acting swiftly and quickly to take advantage of market or asset price anomalies and our fund is positioned for this. We use a proprietary capital allocation model that uses both quantitative as well as qualitative inputs and accommodates varying levels of risk that we feel are appropriate for the fund, depending on our market forecasts.

**What are the key challenges and opportunities associated with investing in the Saudi market? How does your fund manage these risks and uncover fresh opportunities?**

Saudi Arabia is an emerging market and it presents the same challenges that other emerging markets present. With a GDP of SR1.296 trillion (US\$346 billion), Saudi Arabia is the largest economy in the GCC region and has the largest stock market in terms of market capitalization. As of the 30<sup>th</sup> June 2007, the Kingdom's stock market had 95 listed companies with an aggregate capitalization of SR1.112 trillion (US\$296 billion), or 36% of the GCC's total capitalization.

After hitting a record high of 20,634.86 points in early 2006, the Tadawul All-Share Index (TASI) has lost more than SR1.96 trillion (US\$523 billion) in market capitalization over the last 16 months. This is a decline of 64% in market capitalization from SR3.075 trillion (US\$820 billion) in February 2006 to SR1.112 trillion (US\$296 billion) in June 2007. In 2006, the TASI declined 53.26%, making it the worst performer in the region.

From the perspective of value investing, the decline in TASI and market valuations since the first quarter of 2006 indicate that the sell-off was warranted. We are in the second year of the bear market and valuations are once again at reasonable levels. The current earnings

*continued...*

## Interview with Farhan Mahmood (*continued...*)

yield stands at 7.03%. Given the Saudi equity market's risk profile, current market valuations of a price-earnings ratio of 14.85 times and a dividend yield of 3.62% (2006) appear sustainable over the long term. We appreciate that an oil-exporting emerging market like Saudi Arabia has historically traded at a premium compared to emerging markets. Opportunities are plenty in the equity market and one has to take a patient, 3-year view.

We manage risk through diversification and investing in companies with good fundamentals.

**How are the recent policies from the Saudi Arabian government and its regulatory body (the CMA) impacting the fund's investible universe and overall potential?**

The continuous efforts of the government to diversify the national economy and increase the contribution from the non-oil sector are paying off. Despite high oil prices and increased revenue, the share of the oil sector has been averaging around 40% of Saudi Arabia's GDP. This diversification has reduced Saudi Arabia's investment risk and has been confirmed by Standard & Poor's recent revision of the country's sovereign rating. On the 16<sup>th</sup> July, Standard & Poor's raised its foreign and local currency long-term sovereign credit ratings on the Kingdom of Saudi Arabia to AA- from A+. The country's outlook is stable.

There is much to look forward to. Initiatives are being undertaken to improve investor confidence and market microstructure. The securities market regulator, CMA, is striving to bring new products to the financial market, improve transparency, enhance disclosure and corporate governance standards. Tadawul, the stock exchange, is working on launching a new trading platform and introducing new trading products to the market.

**Given that the fund follows a bottom-up approach and seeks long-term appreciation, how frequently are allocations revised? How liquid is the portfolio and what is the typical holding period of an investment?**

Our allocations are very regularly reviewed. We are aware that the equity market is going through a tough period and it is important to identify value investments. We have a strategic asset allocation plan and the tactical bets are built around those long-term allocations. We feel that investment management is all about acting swiftly and quickly to take advantage of market or asset price anomalies and our fund is positioned for this. The fund has good liquidity and investors can redeem twice a week.

**The fund retains the ability to reposition the portfolio into liquid securities during adverse market conditions. Has this mechanism been back-tested to determine its efficacy (i.e. during recent market downturns)?**

Yes, indeed. As I mentioned, if we believe market or economic conditions are unfavorable for investors, we may invest up to 100% of the fund's assets in a temporary defensive manner by holding all or a substantial portion of its assets in cash, cash equivalents or other high quality short- and medium-term investments.

**How do you benchmark your fund's performance? Is this done from a perspective of absolute returns or risk-adjusted returns?**

Although ours is a Shariah compliant fund, in the absence of a neutral Islamic index for the Saudi market that is available freely and widely accepted, we benchmark against the Tadawul All-Share Index (TASI). We strive to produce better-than-market risk-adjusted returns.

**How is the fund structured to comply with Shariah principles? How often is this reviewed? And by whom – the Shariah board, the investment team or both?**

We have a Shariah advisory board comprised of the following:

- Shaikh Abdallah Ibn Sulaiman Almanie
- Dr Mohammed Ibn Ali Al Garie
- Dr Hamad Ibn Abd Al Rahman Al Junaidil

All the activities and transactions of the fund and its assets are reviewed by the Shariah board on a quarterly basis.

**How would you rate the Shariah compliant process (i.e. in terms of set-up cost, time to market, etc...) whilst developing this fund? Are economies of scale achievable when developing a second or third offering?**

As you know, we are a Shariah compliant institution. I would rate our Shariah compliant process as very efficient and progressive. Surely, as we have a Shariah board in place, economies of scale do apply.

**How would you describe your investors (retail clients, private HNW clients, institutions)? What are they most interested in (growth/performance, Shariah compliance, risk management/safety, etc...)?**

Our investors came to us because they feel we can add value to their investments. They are interested in investing in a Shariah compliant manner and ensuring that their capital is preserved.

The bear market has disenchanted many investors and we are working towards restoring investor confidence in the mutual fund industry in Saudi Arabia. Risk management is a critical ingredient of our portfolio management process as we believe that if we can isolate the risk prevailing in the market, our investors can benefit from the returns that are available. ☺

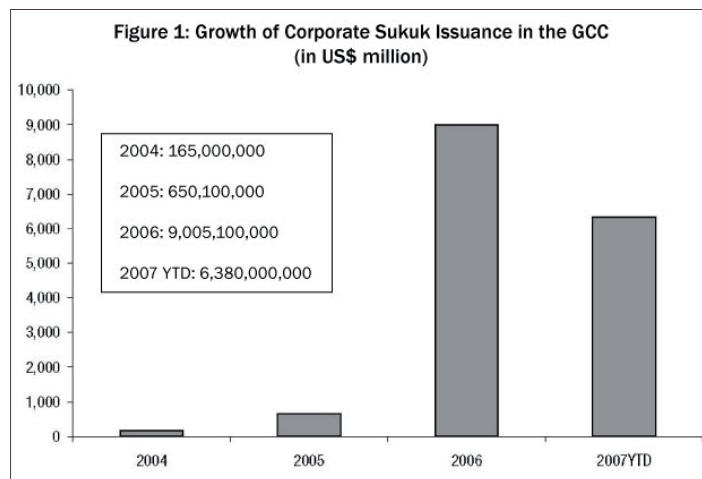


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# Understanding Moody's Approach to Unsecured Corporate Sukuk

**The unsecured Sukuk is emerging as the most common form of Islamic bond financing.**

As seen in Figure 1 below, Sukuk issuance in the territory of the Gulf Co-operation Council (GCC) has grown exponentially in recent years, with 2006 volumes approaching US\$10 billion from under US\$1.0 billion in 2005. Year-to-date issuance in 2007 has exceeded US\$6.3 billion, with new record issuance likely to be reached by the end of the year. Although we have seen early signs of the emergence of a Shariah compliant securitization market (where the Sukuk investors have legal claim to the assets and their associated cashflows), these are not shown below, and are not covered in this report although Moody's expects that such issuance is likely to grow substantially over the near-term. Most Sukuk to date have been on an unsecured basis and - where rated - have obtained the same ratings as the issuer ratings of the originator. Some have come in the form of mostly unrated equity-linked Sukuk (e.g. Aldar Properties, Nakheel etc...), whilst others have been in the form of increasingly rated senior unsecured and unsubordinated Sukuk (e.g. DP World, DIFCI etc...), thus mirroring a conventional bond or EMTN program. It is these that this report focuses on.



## Moody's common approach: Asset-backed or asset-based?

The key distinction Moody's makes when looking at Sukuk transactions is whether they are asset-backed or asset-based via a repurchase undertaking. In other words, do noteholders rely on the assets themselves, or on the ultimate originator for repayment. While the term asset-based may imply some security or claim over the assets, this is usually not the case.

Due to the nature of Sukuk, all transactions are likely to involve a set of assets – either physical in the form of land in an Ijarah transaction, or legal through creation of a trust in an Al Mudarabah transaction, both constituting the most common types of corporate Sukuk transactions. Both parties – the issuer and the investors – share their risks in the transaction.

Where investors enjoy asset-backing, they benefit over some form of security or lien over the assets, and are therefore in a preferential position over other, unsecured creditors. In other words, in the event the issuer were to default or become insolvent, the noteholders would be able to recover their exposure by taking control of and ultimately realizing the value from the asset(s). In this event, the transaction may achieve ratings that are higher than the unsecured issuer rating of the originator, subject to certain conditions described in our Moody's primer.

Where the transaction is asset-based, the originator undertakes to repurchase the assets from the issuer at maturity of the Sukuk, or upon a pre-defined early termination event, for an amount equal to the principle repayment. In such a repurchase undertaking, the true market value of the underlying asset (or asset portfolio) is irrelevant to the Sukuk noteholders, as the amount is defined to be equivalent to the notes. In this case, noteholders have no special rights over the asset(s) and rely wholly on the originator's creditworthiness for repayment, either from internal sources or from its ability to refinance. Thus, if the originator is unable to honor its obligation to repurchase the assets, the noteholders are in no preferential position to any other creditors, or indeed in no weaker position to any other unsecured creditor, stressing the importance that the purchase undertaking ranks *pari passu* with any other of the originator's senior unsecured obligations.

While most Sukuk will have assets in the structure, Moody's will only consider them to be asset-backed, if the key securitization elements are in place to ensure that Sukuk holders have beneficial title and realisable security over the assets. These elements essentially include bankruptcy remoteness, a set of legally water-tight covenants and generation of independent cash flows destined solely to service the transaction (more details are provided in our primer). If this is not the case, then our rating is likely to be governed more by the borrower or originator and our conventional corporate finance analysis applies.

**"The analysis involved in assigning a rating to the Sukuk transaction follows the same principles as it would in any other unsecured transaction"**

## Additional considerations

Where Moody's has established that the transaction is asset-based and there is a credit linkage between the originator and the asset pool, the analysis involved in assigning a rating to the Sukuk transaction follows the same principles as it would in any other unsecured transaction. Where the issuer already has a senior unsecured credit rating, the rating of the transaction would most likely equal the existing issuer rating. Otherwise, a bond rating can also be assigned without an issuer rating, though this would follow the same analytical approach.

*continued...*

## Understanding Moody's Approach to Unsecured Corporate Sukuk (*continued...*)

However, Moody's analysis extends to a number of additional areas that need to be covered that are unique to Sukuk structures.

### Shariah compliance

Moody's analysis does not extend to forming an opinion on whether or not a transaction is indeed in compliance with Shariah law, and defers such judgments to the scholars best equipped for such an endeavour. However, due to its relative importance in deriving a sound structure, Moody's would expect an endorsement by a recognized Shariah board that the structure is indeed Shariah compliant, particularly where non-compliance constitutes an event of default or acceleration event (which it has not in any recent Sukuk transactions). In such circumstances, Moody's would perform some type of liquidity analysis to ensure that the originator would have the ability to redeem the Sukuk earlier than anticipated, if such event were to occur, similar to an acceleration event in a conventional bond transaction. The limited precedents and the lack of a formal universally agreed validation criteria may add a further element of legal complexity to Sukuk transactions, given that Shariah is widely regarded as a matter of expert and consensual opinion than objective fact.

### Enforceability of the purchase undertaking and other related documents

Moody's will examine the strength of the underlying purchase obligation, as this constitutes the backbone of the Sukuk's principle repayment. Accordingly, Moody's prefers to see the undertaking agreed under types of law that have precedents in enforcing such undertakings. This does not entirely eliminate the risk of a local court over-ruling any applied law in the event of dispute, but such risk is commonly factored into any underlying rating of the company. As a Sukuk transaction will involve not only the offering circular, but a variety of underlying agreements, Moody's requires draft versions of all these agreements at an early stage in order to determine the instrument rating.

**"In the case of a Mudarabah transaction, the lack of trust law in some jurisdictions underline the importance of strong legal governance for such transactions"**

Given the importance of enforceability and jurisdiction of a number of related legal documents that make up a Sukuk transaction, Moody's would normally ask for legal opinions on the legal, valid and enforceable nature underlying contracts of a Sukuk transaction. In particular in the case of a Mudarabah transaction, the lack of trust law (or lack

of precedent of its application) in some jurisdictions underline the importance of strong legal governance for such transactions. Moody's therefore places strong emphasis on the applicable law of such transactions, the most common and widely recognized are English or New York law, due to their creditor-friendly nature and we would expect opinions to address enforceability of such contracts under local law.

Moody's will normally assign provisional ratings of Sukuk transactions, where the final offering circular remains outstanding (as would also be done for a conventional bond transaction). Provisional ratings carry an additional (P) reference and can be used as fully valid ratings, though indicating to the market that not all final documentation has been received. Assignment of ratings however would imply that Moody's has obtained sufficient comfort, that any final documentation will not fundamentally change to the draft documents reviewed.

### Does greater complexity imply greater risks?

Complexity itself is not a negative rating factor, provided that the complexity is known, and the layers of complexity have been examined and deemed to be watertight. Most structured transactions for instance are legally far more complex than a plain unsecured EMTN program, as their aim is the achievement of a higher rating via some isolated asset security. Indeed we have already noticed a degree of standardization amongst Sukuk documentation, which suggests that a small handful of structures are fast emerging as industry standard.

In essence, it is the presence of the purchase undertaking, and the definition, source of and ultimate liability for the profit (or rental) payments that affect the credit risk dynamics of the Sukuk structure, which is why these factors in particular are worthy of most of our attention as regards legal enforceability and strength in the event of dispute.

Furthermore, there is very little, if no existing precedent of dispute or default of a Sukuk transaction due to the current high liquidity and benign credit environment. We note that such structures are only likely to be tested in times of stress and our analysis looks ahead and considers the full economic cycle. However, Moody's performs its analysis first and foremost on a company's ability to service and repay its obligations, which is the focal point of our analysis for a Sukuk transaction.

Whilst investors need to be aware of the various contractual layers that ultimately make up the final instrument, it is Moody's conclusion that all of the risks associated with a Sukuk are ultimately also found in conventional bond transactions, as they ultimately revolve around the enforceability of creditor rights in the unlikely even of a default. A local court may ultimately over-rule these in any event, be it on a Shariah compliant, or a conventional debt obligation. Our analysis therefore includes an assessment of the country's inherent domestic risks, legal uncertainties and the efficiency of the local financial markets. All of these factors should ultimately be incorporated in the underlying rating of the company. ☺

### Next Forum Question

**With the continuing increase in the number of Islamic banks, how do these new players differentiate themselves in order to gain a foothold in their chosen markets?**

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 Christina Morgan, Forum Editor, at: Christina.Morgan@RedMoneyGroup.com before Wednesday 29<sup>th</sup> August 2007.

# Exclusive interview with Tadashi Maeda Director General, Planning & Coordination Division, Energy & Natural Finances Department, Japan Bank for International Cooperation



The Japan Bank for International Cooperation(JBIC)wasestablished on the 1<sup>st</sup> October 1999 via the merger of Export-Import Bank of Japan (JEXIM) and the Overseas Economic Cooperation Fund, Japan (OECF) to promote economical cooperation between Japan and oversea countries, by providing resources to foreign investments and by fostering international commerce. It also has a major role in promoting Japanese exports and imports, and the country's activities overseas. However it does not

compete with the ordinary financial institutions. The following is an exclusive interview with Tadashi Maeda who shares updates on the JBIC Sukuk.

## Would you first explain about the Asian Bond Market Initiative?

The Japanese government developed the idea of the Asian Bond Market Initiative (ABMI) immediately after the Asian financial crisis. The financial crisis occurred because Asia was hit by hot money and arbitrage in the matured financial market. In order to protect the Asian financial market, we need to channel funds into investments within the region. Currently, discussions are underway among the governments of ASEAN+3 (China, Japan and Korea) countries on ways to develop and invigorate bond markets in Asian countries.

## Why is Japan interested in the Islamic financial market?

First and foremost, the Islamic financial system is an indispensable market. Secondly, this relates to my personal leadership. I have been working on energy and natural resources and I observed that Japan's presence in Muslim country's are only as a buyer of oil and gas. In order to create a real partnership, we will need two way traffic on capital and cultural flow. In my opinion, Islamic finance is the right instrument to create this linkage.

## Will the Japanese banking environment allow participation of Japanese banks in Islamic finance?

There's a big obstacle in terms of regulatory framework in the banking sector in Japan. Our banking act prohibits commercial banks registered in Tokyo from entering into asset trading and we do not have investment banks to do it either. We only have either commercial banks or security trading companies. We have securities trading companies like Nomura and Daiwa that have similarities to investment banks

however it is not an investment bank. Some of the banking groups are looking into investment banking activities but this still has a long way to go. This is one of the reasons why JBIC has taken a spearheading role in this initiative. JBIC does not fall under the ambit of the banking act and this gives us more flexibility to participate in Islamic finance.

**“JBIC does not fall under the ambit of the banking act and this gives us more flexibility to participate in Islamic finance”**

## Do you have an update on the JBIC Sukuk?

We (JBIC) have decided to issue Sukuk in Malaysia initially and later in other places like Singapore, Dubai and Bahrain. Our aim however is not only to issue Sukuk, we would like to contribute to diversify asset classes in Islamic finance.

Our target investors are the Malaysian institutional investors' and some GCC countries like the UAE and Kuwait etc... The Sukuk will have a maturity of about five to seven years. As for the issuance size, I do not think it will be smaller than US\$200 million considering our AAA sovereign rating. We may utilize either the Musharakah or the commodity Murabahah structure.

## How will JBIC utilize the proceeds from the Sukuk issuance?

The Malaysian authority requires that the use of the proceeds must be Shariah compliant. We have a few alternatives in mind – if we issue the Sukuk in Malaysian Ringgit, then the proceeds will be used in the domestic market in Malaysia, maybe towards the biochemical/bio-fuel project. Besides that, the proceeds of the Sukuk could be swapped and utilized in the cross border market. We have acknowledged a few projects that could benefit from this like the financing of LNG vessels in Brunei. In this case, we can now issue the Sukuk in Malaysian Ringgit, convert it into US\$ and use it to finance the Brunei project.

## When are you expecting to issue the Sukuk?

We have set up the datelines. We are going to convene another big Islamic finance conference in January or February next year. Nikkei paper (the largest business paper in Japan) is going to sponsor the event. The governor of the Bank of Japan, Toshihiko Fukui, will deliver a keynote address here. We therefore expect to issue the Sukuk before this event. We have chosen our financial advisors – CIMB Islamic and Citibank. The Sukuk will be rated by Fitch and Standard & Poor's.

*continued...*

Exclusive interview with Tadashi Maeda (*continued...*)

**"We would like to play a critical role in the Asian financial market and at the same token play a bigger role in the Islamic financial market."**

**You said at MIF 2007 (MIF Issuers & Investors Forum) that Japanese companies are having a growing appetite for Sukuk issuance.**

This is very preliminary. We hosted the first Islamic finance conference in January this year in Tokyo. Since then we have observed a lot of interest. I appear regularly on TV and in newspapers promoting Islamic finance in Japan. Currently, Japanese utilities companies buy oil and gas from GCC. These companies are more engaged in the Islamic world. They have been studying the possibility of issuing Sukuk. We will provide many services to facilitate this move in future if it crystallizes. For example, currently JBIC has retained three Shariah scholars, including Dr Mohd Daud Bakar. Any interested Japanese companies that would like to issue Sukuk can share this service at no additional cost.



Tadashi Maeda speaking recently at the MIF2007 Forum

**What would be your last note to our readers?**

My message is, Japan is changing. The Japanese government launched the Asia gateway initiative to ensure Japan will become a hub of international markets. The government used to focus too narrowly on Tokyo. Now there is a shift of focus towards Asia. We would like to play a critical role in the Asian financial market and at the same token play a bigger role in the Islamic financial market. ☺



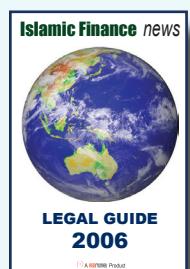
JAPAN BANK FOR  
INTERNATIONAL COOPERATION

Tadashi Maeda

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



**Name:** **Vince Cook**  
**Position:** **Chief Executive Officer**  
**Company:** **The Islamic Bank of Asia**  
**Based:** **Singapore**  
**Age:** **46**  
**Nationality:** **British**

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

My first exposure to the field was in 1987 heading an Islamic banking project for Barclays Bank - where I stayed for 20 years. It has since been a significant feature of nearly all of my subsequent roles.

Throughout my 20 years in Barclays from 1979 to 1998, I was responsible for the bank's Islamic clients. Within Barclays, I held a variety of positions such as director of large corporate banking (1995 to 1998), associate director of the Middle East group, London (1991 to 1995) and the business development manager, UAE (1988 to 1991).

Prior to my current appointment, I served as the general manager of corporate banking and capital markets of Qatar National Bank (QNB). I was also the chairman of Qatar Capital Partners (when it was under formation), and director for both QNB International Holdings and Ansabcher Group Holding. During this I was responsible - among other things, for the bank's Islamic business before spinning it out into a new business unit QNB Al Islami. Last year I led QNB's first corporate Sukuk transaction in the country.

### What does your role involve?

As the CEO of The Islamic Bank of Asia (IB Asia), my job is to build a leading Islamic bank instrumental in intermediating capital flows between Asia and the Middle East. In particular, I want IB Asia to be known for originating and distributing innovative wealth management and capital market solutions that suit the needs of our clients in both regions, and for the quality and professionalism of its people.

### What is your greatest achievement to date?

First and foremost would have to be my five children. On the business front - being profitable at the operating level in our very first month of operations. Although I have to say that I couldn't have done either alone!

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

It's still too early to say. Nonetheless, we now have a comprehensive suite of investment and commercial banking products and services, ranging from capital markets and treasury, advisory, underwriting/arranging and distributing services for Sukuk to wealth management structures. We also have plans to launch a series of investment products over the next 12 months.

Most importantly, we are able to deliver tailored solutions that address our wholesale clients' specific needs.

### What are the strengths of your business?

Our unique shareholding structure for one, which allows us to tap into DBS' product-creation and distribution capabilities in Asia, as well as our pre-eminent Middle Eastern investors and their significant network of GCC contacts. Having a world-renowned Shariah board and headquarters in a well-regulated financial hub help to complete a very strong proposition.

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

We're just starting out, but are very much encouraged by the positive response and interest from the market. This can be seen as an endorsement of the bank's solid Shariah credentials and its ingenious shareholder structure, which I believe is the first of its kind. Last but not least, Singapore took pains to ease regulations in favour of Islamic finance so as to realize its vision of being an Islamic banking hub, and the local authorities have been very supportive of our efforts.

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

To prioritize and meet as many of the business opportunities that have come knocking! Of course, challenges like the dearth of Islamic banking talent pertain to the industry as a whole and this will be a feature for some time. Having the first-mover advantage in a nascent industry also has a price and as such, we have to constantly innovate and work closely with the Monetary Authority of Singapore (MAS) to build a robust Islamic banking framework.

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

I think we will see continued improvement in the governance and regulatory compliance areas and further development of sophisticated products. I also believe there will be the creation of more new Islamic banks that will increase competition and help open up the markets in developing countries with large Muslim populations such as India and Indonesia. Finally, the structure of the industry will further polarize around wholesale/investment banks - where regulations allow large scale proprietary investment operations - and commercial banks.

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

There is presently a wave of money seeking out profitable opportunities. Much of this would be funneled into Shariah compliant products if there were greater choices and depth of supply provided by large credible institutions with international stature. Right now, the industry is still the domain of relatively small banks with limited resources and track records, and a few large players from a single domestic market. There are a few exceptions to this, but not sufficient enough to really take advantage of the current opportunity.

I would like to see a few pure Islamic banking international players evolving over the next few years to fill this gap and to provide market leadership. Of course, I would like my institution to be in this group. 



THE ISLAMIC BANK OF ASIA  
البنك الإسلامي الآسيوي

IB Asia, headquartered in Singapore, focuses on commercial banking, corporate finance, capital market and private banking services. Its emphasis is on the provision of Shariah compliant wholesale banking services, and the origination and distribution of wealth management and capital market instruments. Log on to [www.islamicbankasia.com](http://www.islamicbankasia.com) for more information.



## QREIC Sukuk

INSTRUMENT	Sukuk
ISSUER	Qatar Alaqaria Sukuk Company (incorporated in the Cayman Islands)
OBLIGOR	Qatar Real Estate Investment Company
PURPOSE OF ISSUE	Proceeds from the Sukuk will be transferred by Qatar Alaqaria Sukuk Company to the investment manager to be invested in accordance with the investment plan and the terms of the investment management agreement.
DATE OF LISTING	2 <sup>nd</sup> August 2007 on the London Stock Exchange
ISSUE SIZE	US\$300 million
DATE OF ISSUE	2 <sup>nd</sup> August 2007
MATURITY	Five year deal due 2012
COUPON	3 month Libor plus 73 basis points
PROFIT DISTRIBUTION	Qatar Alaqaria Sukuk Company at 90% and Investment Manager at 10%. In the event that there is insufficient cash to pay the relevant profit distributions by Qatar Alaqaria Sukuk Company, the investment manager will, in the absence of sufficient excess profit provide Shariah compliant liquidity funding to ensure that Qatar Alaqaria Sukuk Company receives the payment expected under the investment plan.
LEAD ARRANGER	HSBC Bank, with Denton Wilde Sapte as legal counsel
LEAD MANAGERS	Masraf Al Rayan, Qatar International Islamic Bank, Qatar Islamic Bank as senior co-lead managers
CO-LEAD MANAGERS	Emirates Bank International, Gulf International Bank, Mashreq, National Bank of Abu Dhabi, Landsbanki Islands
LISTING/ LAW	ALAQARIA is organized under the laws of the State of Qatar.
FINANCIAL ADVISOR	HSBC Bank
TRUSTEE	Qatar Alaqaria Sukuk Company, with HSBC Bank acting as the Trustee's delegate.
SHARIAH ADVISOR	HSBC Central Shariah Committee
RATINGS	A2 by Moody's and BBB+ by Fitch

For more term sheets visit [www.islamicfinancenews.com](http://www.islamicfinancenews.com)



## BRUNEI

### Retire with Takaful IBB

Takaful IBB has launched the Takaful Retirement Plan under its Family Takaful Plan. The retirement scheme aims to promote saving habits among Brunei consumers and provide a systematic savings fund aimed at those aged 18 to 55 year-olds. The scheme will cover death and permanent total disablement.

Minimum monthly deposits are as low as US\$15 a month, with the duration of savings being between five and 40 years. Upon maturity, participants will receive the accumulated amount from their monthly contributions in their Takaful Retirement Plan account, including profits from individual savings accounts and Mudarabah special accounts. [\(3\)](#)

## PAKISTAN

### Pak-Qatar gets the go-head

Pak-Qatar Group has become the first Pakistan-based operator to gain a Family Takaful license from the Securities Exchange Commission of Pakistan (SECP). The company is also the first to offer Family and General Takaful in the country.

Pak-Qatar General Takaful will offer products covering property, auto, marine, engineering and other areas, while Pak-Qatar Family will offer financial protection for families in the case of death or disability, health benefits, education plans, retirement income plans, and other savings schemes.

The company is backed by the Qatar Islamic Insurance Company, Qatar Islamic Bank, Qatar International Islamic Bank, Qatar National Bank and The Amwal Group. It holds a paid-up capital of PKR 500 million (US\$8.25 million) and PKR 300 million (US\$4.59 million) for its General and Family operations respectively. [\(3\)](#)

## SAUDI ARABIA

### No more restrictions!

Saudi Arabia has announced that it will lift restrictions on nationals of fellow Gulf Arab states in the insurance, transport and real estate sectors.

The country is one of the world's most under-insured areas, despite having awarded licenses to 26 insurance firms, with 10 more pending in a bid to open up its insurance sector. [\(3\)](#)

## SAUDI ARABIA

### ACE joint venture

Arab Commercial Enterprises (ACE) and Jardine Lloyd Thompson (JLT) have established a joint venture company in Saudi Arabia to support an exclusive trading agreement for the Kingdom.

The JV also underlines both companies' commitment to align their Middle East interests. [\(3\)](#)

## GCC

### Legislation revamp

Abdul Rahim Hassan Al Naqi, secretary general of the Federation of GCC Chambers has called for a revision of the current insurance legislation. He believes that it is imperative to implement insurance laws that will further boost the current investment environment.

Abdul Rahim was also firm about the need to guarantee transparency and unify insurance regulations within the GCC, provide a minimum capital boost to insurers, as well as the creation of a major re-insurance firm to reduce dependency on the global re-insurance markets.

The insurance market currently stands at US\$1.5 billion, and is expected to reach US\$1.7 billion in 2010. [\(3\)](#)

## SAUDI ARABIA

### GGI to float

Gulf General Insurance (GGI) will put US\$21.33 million worth of shares up for sale next year. The company has appointed Saudi Hollandi Bank to arrange and advise on the share sale of eight million, or 40% of GGI's share capital.

The new insurer, GGI, is set to be established under the new insurance law by the Saudi Arabian Monetary Agency (SAMA), and will take over the portfolios of Gulf Cooperative Insurance and Saudi General Insurance from its two sponsoring companies - Dabbagh Group and the Abdul Aziz Al Sulaiman Group.

GGI's IPO is pending regulatory approval. [\(3\)](#)

## MALAYSIA

### TI's Royal expectations

Takaful Ikhlas has submitted an application to Bank Negara Malaysia and Permodalan Nasional (PNB) to expand its operations to Saudi Arabia.

Takaful Ikhlas chief executive officer Syed Moheeb Syed Kamarulzaman said it was also looking to other countries with a large Muslim population and those with mature financial markets for further expansion. "We are currently seeking approval from Bank Negara and PNB to expand abroad and we are eyeing countries with high net-worth value and large Muslim population. We see Saudi Arabia as one of the possibilities but do not discount India, China and the UK as possible markets to expand into," Syed Moheeb affirmed.

PNB holds a direct 11.75% stake in the Malaysian National Reinsurance Berhad (MNRB), while its fund Skim Amanah Saham Bumiputera has a 48.68% stake in the company. Takaful Ikhlas plans to fund its expansion by tapping into the group's cash reserves of RM1.9 billion (US\$546.48 million) in assets.

The company also revealed its target of more than 50% revenue growth in its financial year ending 31<sup>st</sup> March 2008. [\(3\)](#)

**MALAYSIA****More loans from MARA**

Majlis Amanah Rakyat (Mara) expects to overshoot its initial target of RM200 million (US\$57.43 million) worth of loans to Bumiputera entrepreneurs this year. This was revealed during a memorandum of understanding signing between Takaful Ikhlas and Mara.

The memorandum of understanding entailed Takaful Ikhlas providing financial protection in the form of Islamic insurance to Mara and its borrowers in the event of death or permanent disablement. [\(2\)](#)

**GLOBAL****Commercial insurance allowed?**

Dr Ali Al Quradaghi, a Qatar-based Islamic scholar recently announced that Muslims are permitted to subscribe to commercial insurance if it is made mandatory by the law of their country and no Islamic alternatives are available.

Dr Ali also added that health insurance, pensions and retirement systems are concepts permitted by Islam since they are a necessity. On life insurance, he said certain types are permitted provided they are taken from an Islamic insurance provider, Dr Ali concluded. [\(3\)](#)

**BRUNEI****Carrying out responsibility**

BIBD AITamwil and Takaful BIBD have paid up their zakat. Takaful BIBD handed over BD\$227,275.00 (US\$149,220), while BIBD AITamwil paid up BD\$67,943.23 (US\$44,613) to the ministry of religious affairs.

Brunei's ministry of religious affairs has received BD\$784,560.96 (US\$515,110.18) in zakat as at 31<sup>st</sup> July 2007. [\(4\)](#)

**MALAYSIA****HSBC on a roll**

THE commercial banking arm of HSBC Bank Malaysia and HSBC Amanah Takaful Malaysia are targeting RM11 million (US\$3.15 million) in premiums within three years for its new SME Flexi-Cover Plus package.

SME Flexi-Cover Plus is designed to be a simple and cost-effective business package for SME customers, with fire, crime, asset and liability protection.

HSBC Amanah Takaful's chief executive officer Keith Driver revealed that the product's target market are small businesses that are too busy to source for insurance. It aims to cover a broad spectrum of SME occupations, ranging from professionals such as doctors and dentists to food and beverage outlets to retail shops. [\(5\)](#)

# **Islamic Finance training**

## **Train the Trainer Program: Takaful and re-Takaful Products**

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We are pleased to announce the introduction of a specialized education program to promote the understanding of global Takaful and re-Takaful products and markets.

The program consists of two parts:

Part one is a comprehensive training manual detailing Takaful products and markets. This will be a unique reference and teaching resource for all those involved in this growing market.

Part two is a Train the Trainer course, to be conducted in Kuala Lumpur in November (and in GCC in 2008) over 3 days. This course will teach participants about key aspects of the Takaful market, but more importantly how to train their own staff using the manual.

**Please contact andrew.tebbutt@redmoneygroup.com for more details  
or call +603 2141 6022.**

# Bancassurance : A Strategic Pact for Takaful

By Sohail Jaffer

The Takaful industry has been successful in distributing products through its agency sales force, direct channels, e-commerce and to a limited extent, via certain retail banks. Product customization for the different bank channels (retail, mass affluent, private banking), customer referrals and gaining brand loyalty are important critical success factors. Product packaging, customer convenience, customer care and transparency of product terms, conditions and pricing are also important catalysts to increase the share of the Takaful business across multiple distribution channels.

Several enterprising banks have included bancassurance in their product offerings, and some of the new Takaful operators are offering certain general Takaful products online. The distribution of Takaful life and savings products through bank channels is relatively new. Nonetheless, the advent of web-based point of sale and online administration systems has allowed the sales process through branch banking network.

## Bancassurance

Consumer banking in Islamic countries is on the rise with the arrival of new Islamic banks such as the Emirates Islamic Bank and new Takaful companies emerging in the UK, Saudi Arabia, Bahrain, Pakistan and Malaysia. These companies are actively looking for new strategies and many are moving into the realm of bancassurance. Islamic savings, education, marriage and retirement plans are therefore becoming more attractive. The average maturity of such plans is between 15 and 20 years and customer retention in good performing plans is much longer than direct investment in mutual funds.

Banks are keen to work with strategic product partners who offer a bespoke family Takaful investment-linked program, the opportunity to 'white label' such a program and open investment architecture. Clearly, the ability to tailor suitably diversified risk/reward investment portfolios, select top quartile performing funds from major international brands and control defined portfolio risk levels are powerful drivers for the retail value proposition. Furthermore, product certification by an independent Shariah board of experts and ongoing compliance monitoring with high ethical standards has made a positive impact on transparency, disclosure of different terms and conditions, charges and frequency of reporting.

The following are reasons for why bank distribution partners generally prefer a 'white label' family Takaful-linked investment:

- Customers are more comfortable with a bank's 'own brand' equity.
- Banks can blend their own Islamic mutual funds with quality third party Shariah compliant funds.
- All customer assets of the family Takaful-linked investment business are in the bank's custody and it also gains the corporate bank account of the life insurance company supplying the product.
- Banks have access to the web-based point-of-sale and online administration system without having to integrate new systems or build new interfaces.
- Due to the life cycle nature of the product, banks enhance customer relationships and retention rate.

The distribution of Takaful life and savings products through bank channels is relatively new, but the sales process through the branch banking network has been facilitated by the advent of web-based point-of-sale and online administration systems. Abu Dhabi Commercial Bank (ADCB), for example, has introduced a Shariah-compliant Takaful and savings scheme in joint arrangement with Dubai Islamic Insurance and Reinsurance Company and FWU Group. ADCB's "Meethaq" Takaful and Savings Program offers investment-oriented life Takaful products to UAE residents. In addition to the benefits of customer convenience, the 'white label' advantage of using own brand equity, transparency of product terms and conditions, open investment architecture and efficient online processing have all proved attractive to major bank distribution partners.

## Global Revolution

The Islamic banking industry is growing at an average rate of 15% - 20% per annum and the estimated size is approximately US\$300 billion. There are nearly 300 Islamic banks and financial institutions whose assets are predicted to grow to a trillion dollars by 2013.

Major OECD financial institutions that are active in the market for Sukuk (Shariah compliant asset backed security), infrastructure and project finance, structured products and asset management, private equity and venture capital include Deutsche Bank, UBS and Citigroup.

Further, international players for the distribution of retail banking products including Takaful are HSBC Amanah, Standard Chartered and ABN AMRO. Global insurance and reinsurance brands who are recent entrants in the Takaful market include AIG, Allianz, AXA, Fortis, Prudential, Tokio Marine, Hannover Re, Munich Re and Swiss Re.

In the UK, there are three new Islamic financial institutions: British Islamic Insurance Holdings (a Takaful Company), Islamic Bank of Britain (retail banking) and the European Islamic Investment Bank.

Recently DBS in Singapore launched the Islamic Bank of Asia with a capital of US\$500 million.

In the UAE, two new Islamic financial institutions have been established: Noor Islamic Bank in Dubai and Hilal Bank in Abu Dhabi.

Interestingly several GCC Islamic financial institutions like the Dubai Islamic Bank, Kuwait Finance House and Al Rajhi Bank have expanded their activities into Malaysia, Pakistan and Turkey.

With the entry of several major international banks, the level of product sophistication has increased significantly, especially with investment banking. This includes Sukuk issuance, project finance, private equity, asset management and Takaful.

Within Europe the more attractive markets are the UK - increasingly becoming the premier center for international Islamic banking and finance, France, Germany and Turkey.

The Takaful market is undergoing a period of rapid growth, whilst still in its infancy, and has proven to be increasingly popular among investors looking for an ethical alternative. With global demand among *continued...*

## Bancassurance : A Strategic Pact for Takaful (*continued...*)

non-Muslim investors also growing, Takaful products are likely to be stellar performers over the next few years.

There are signs that Islamic financial solutions have yet to tap the demographic of potential investors around the world despite being extremely popular in Islamic countries such as Iran, Pakistan, Saudi Arabia and other GCC countries. With a growth of between 15% and 20% per annum expected for the global Takaful market, total worldwide direct Takaful premiums covering both non-life and life are expected to reach US\$7.4 billion by 2015. The Asia Pacific region will be the key to this growth, accounting for an estimated US\$3.1 billion in annual premiums written; the GCC markets will contribute another US\$2 billion and an additional US\$2.6 billion from Europe, Turkey, China, India and the US. Approximately, 52% of the projected total annual Takaful premiums would be non-life, with an impressive gain in life/family Takaful segment increasing to US\$4.9 billion. Malaysia and Indonesia will continue to be at the forefront of the Takaful business with over US\$1.4 billion in premiums.

The Takaful industry stands on the brink of transforming itself from a regional industry to a full-scale global one. There is a growing recognition among global investors that Takaful does indeed represent an effective and viable alternative to conventional insurance.

### Challenges

The potential for Takaful is unquestionable. However, there are still many hurdles to overcome if it is to realise its potential. The market is still in its infancy with between US\$2.5 billion and US\$3.5 billion in annual premiums and the handful of Takaful suppliers globally need to rise above these challenges if their products are to prove successful. These can be overcome through raising customer awareness and education; expanding product innovation; creatively designing product and marketing; and gaining brand recognition.

Finding "AAA rated" international reinsurance companies that are willing to accept re-Takaful solutions, as well as offering individual risk-bearing capacity and widening penetration of bank and alternative distribution channels is another issue.

Another major hurdle is in the interpretation of Islamic Shariah law. There is a widely held perception that life insurance is forbidden under Islamic law. The view is supported when taken in the context of conventional insurance. However, life Takaful can be accepted if practised according to Islamic tenets. There are very few life Takaful products available at present, but as investors become comfortable to accept them, we can expect this number to increase substantially in the future.

### Regulation

The regulatory environment for Takaful across the world is a major stumbling block. For the most part development has come under regulations for conventional insurance. This has not prevented the establishment of a Takaful industry but it has created uncertainties, making it difficult for Takaful to compete on an equal footing with conventional insurance.

With the aim of establishing a global and uniform set of regulations – to remove the uncertainties, promote cross-border activities and enhance the global marketability of Takaful structures – the Islamic Financial Services Board (IFSB) and the International Association of

Insurance Supervisors (IAIS) have identified four critical areas which need to be addressed urgently: corporate governance, financial and prudential regulation, transparency, reporting and the market conduct and supervisory review process.

### Conclusion

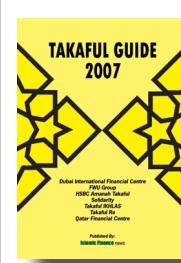
The Takaful industry is one of the most fast paced in the world. There is a latent demand from customers and investors who require financial services that are in line with Islamic principles. Many affluent markets in Muslim countries offering the prospect of high premiums/contributions, conventional insurance companies are displaying significant interest and a growing Muslim population in countries like the USA, the UK, Germany and France reflects that the scope for global spread is real.

There is also the possibility for GCC and international cross-border players to package premier products and services for their middle income and affluent customers and process these through major bank distribution and other financial intermediaries.

However if Takaful is to fulfil its potential it must overcome many hurdles. Lack of uniform regulation and disagreement between certain Shariah scholars on Takaful create uncertainty and may slow the development of the industry. Raising customer education is crucial to expanding the reach of Takaful products, plus training financial planners and investment advisors. Takaful providers must enhance product innovation and continue to offer a high level of customer service. They must be able to understand evolving customer and market-specific needs and be willing to renew or re-engineer product design and consumer benefit packages and expand customer reach across various distribution channels. The future over Takaful operators is in their own hands. The next few years will certainly be interesting. ☺



The author is a partner at FWU Group and can be contacted on s.jaffer@fwugroup.com. He is a regular contributor to Islamic Finance news.



This article is also published in our latest annual supplement, Takaful Guide 2007.

Purchase your own copy today for US\$50.

Contact Geraldine Chan for more information.

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## DEUTSCHE BANK – Singapore

Ray Franzi has been appointed head of global finance and foreign exchange structuring for Deutsche Bank Singapore. He comes from the bank's London office, where he was previously director in global foreign exchange structuring. Prior to his appointment at Deutsche Bank, Mr Franzi was with Dresdner Kleinwort Wasserstein, where he was responsible for the sale and creation of the bank's foreign exchange structured products.

Mr Franzi will report to Clifford Cheah, head of global finance and forex for Asia. [\(3\)](#)

## MORGAN STANLEY – India

Morgan Stanley's wealth management unit has snagged four staff from DSP Merrill Lynch. Hires include Arnitava Neogi, director at Merrill Lynch and Parthu Basu, former chief administrative officer at Merrill Lynch in India.

Morgan Stanley ended an alliance with JM Financial Group last February and has since been hiring in India for its investment banking, broking and wealth-management businesses. [\(3\)](#)

## ROYAL BANK OF SCOTLAND – UK

The Royal Bank of Scotland has recruited a leading research analyst from rival bank UBS. Scott Wilson, former head of Asia-Pacific credit research will be based in Singapore and lead a team of three credit analysts based in Hong Kong.

Mr Wilson who has over ten years' experience in Asian credit research, will be responsible for covering sovereigns, financial institutions and corporate companies. [\(3\)](#)

## CITIBANK – Singapore

Jonathan Larsen has been appointed as the head of consumer banking for Citi southeast Asia. He will be responsible for the firm's consumer banking business in Singapore, Indonesia, Malaysia and Thailand.

Mr Larsen will simultaneously assume his current position as CEO of Citi Singapore, where he has served as the country business manager since April 2005. [\(3\)](#)

## FIRST GLOBAL – Sri Lanka

Muhammad Ikram Thowfeek has left Al Safa Islamic Bank to join First Global Group as founder and managing director. He was with Al Safa since its inception. [\(3\)](#)

## NBAD – UAE

The National Bank of Abu Dhabi (NBAD) has appointed Saeed Husain Al Khouri as head of its Elite Banking department. In his new role, Mr Kouri will be responsible to meet the demands of high net worth customers, to diversify services offered to VIP customers and to create tailor-made solutions to meet individual private banking and investment needs. [\(3\)](#)

## DEUTSCHE BANK – Singapore

Simon Grenfell moves from Macquarie Bank in London to serve as managing director and head of commodities for Deutsche in Asia. He has already commenced work with the firm's global credit trading product group, holding a mandate for the expansion of Deutsche's regional commodities platform and the range of products offered in Asia.

Mr Grenfell will report regionally to Sajid Javid, head of global credit trading in Asia (ex-Japan), and globally to David Silbert, global head of commodities at Deutsche. [\(3\)](#)

## CREDIT SUISSE – Tokyo

Yoshihiro Takatsuka has joined as managing director to strengthen Credit Suisse's investment banking operations in Japan. He was previously engaged by Citigroup's investment banking arm in Japan, where he was co-head of a public sector coverage group.

Mr Takatsuka will report to Taiji Okusu, who heads the firm's coverage department in Japan. [\(3\)](#)

## CREDIT SUISSE – MIDDLE EAST

Credit Suisse's newly established private banking arm in the Middle East will see five new hires, headed by Mark Idriss as at 1<sup>st</sup> December. The team will however, remain based in Zurich.

Mr Idriss moves from HSBC's Middle East and North Africa team. [\(3\)](#)

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# Deal tracker

Keeping you abreast of the world's upcoming Shariah compliant deals

Another **Islamic Finance** news exclusive

ISSUER	SIZE (million)	INSTRUMENT
UEM Group	US\$230.66	Musharakah MTN
Sunway Infrastructure	US\$579.56	BBA restructuring
Perusahaan Listrik Negara	US\$33.97	Ijarah
Dubai Financial	TBA	Sukuk
Thani Investments	US\$100	Sukuk
AI Imtiaz Investment	US\$75–150	Sukuk
Haisan Resources	US\$58.79	Sukuk Ijarah
IJM Corporation	US\$511.60	Sukuk Istisnah
Ras Al Khaimah Investment Authority	US\$400	TBA (Sukuk)
ARAPESONA	US\$56.9/US\$19.9	ICP/MTN
Bank Syariah Mandiri	US\$3.25	Subdebt
Cagamas	US\$584.60	TBA
Gamuda	TBA	Murabahah or Musharakah
Saudi Electric Company	US\$4,000	Sukuk
MTC	US\$1,200	Sukuk
Prolintas	US\$240.70	Senior Ijarah/Junior Musharakah
Tomei Consolidated	US\$28.50	Islamic Commercial Papers
Sui Southern Gas Co.	US\$49	Islamic Commercial Papers
JBIC	US\$250–US\$350	Sukuk
Dynamic Communication	US\$143.40	Istisnah/MTN program
GLOMAC	US\$50.18	Murabahah MTN program
Indonesia Comnets Plus	US\$11.02	Sukuk Murabahah
Karachi Shipyard	US\$69.19	TBA
Kwantas	US\$69.19	Murabahah/Off CP/MTN program
Malaysia International Shipping	US\$286.30	Sukuk Murabahah
Gamuda	US\$256	ICPs/IMTNs
Islamic Development Bank	US\$142.40	Ringgit denominated Sukuk
AMMB Holdings	US\$114.20	Sukuk
ADIB	US\$408.50	Sukuk
Moccis	US\$108.80	Sukuk Murabahah/2 Tranches/6 Series
MTD Infraperdana	US\$71.50	Murabahah (CP/MTN program)

For more details and the full list of deals visit  
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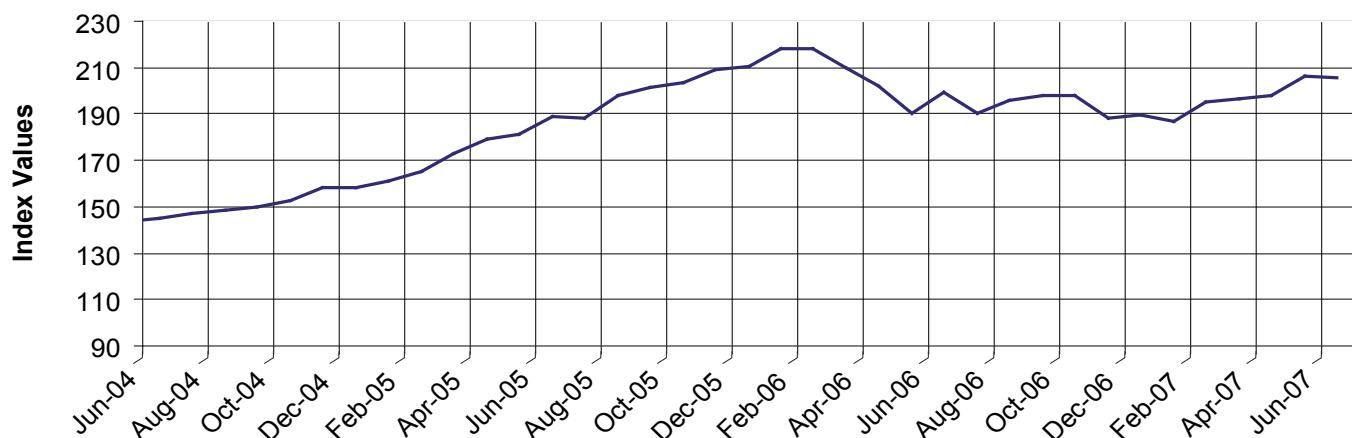
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Dubai Islamic Bank

**Eurekahedge Middle East/Africa Islamic Fund Index**

Monthly returns for Asia Pacific funds (as of 23<sup>rd</sup> August 2007)

FUND	MANAGEMENT COMPANY	Performance Measure	FUND DOMICILE
1 SBB Dana Al-Faiz	CIMB Wealth Advisors	14.65	Malaysia
2 SBB Dana Al-Azam	CIMB Wealth Advisors	10.24	Malaysia
3 CMS Islamic Balanced Fund	CMS Trust Management	8.92	Malaysia
4 DWS Noor China Equity Fund (Class A)	DWS Noor Islamic Funds	8.18	Ireland
5 DWS Noor Asia-Pacific Equity Fund (Class A)	DWS Noor Islamic Funds	7.89	Ireland
6 Al Naqaa Asia Growth Fund	Banque Saudi Fransi	7.75	Saudi Arabia
7 Takaful Asia-Pacific Fund	HSBC Insurance Singapore	6.59	Singapore
8 Al Rajhi India & China Equity Fund	Al Rajhi Banking & Investment	5.42	Saudi Arabia
9 Pakistan International Element Islamic Fund (PIIF)	Arif Habib Investment Management	5.38	Pakistan
10 Al Meezan Mutual Fund	Al Meezan Investment Management	5.32	Pakistan
<i>Eurekahedge Asia Pacific Islamic Fund Index*</i>			1.16

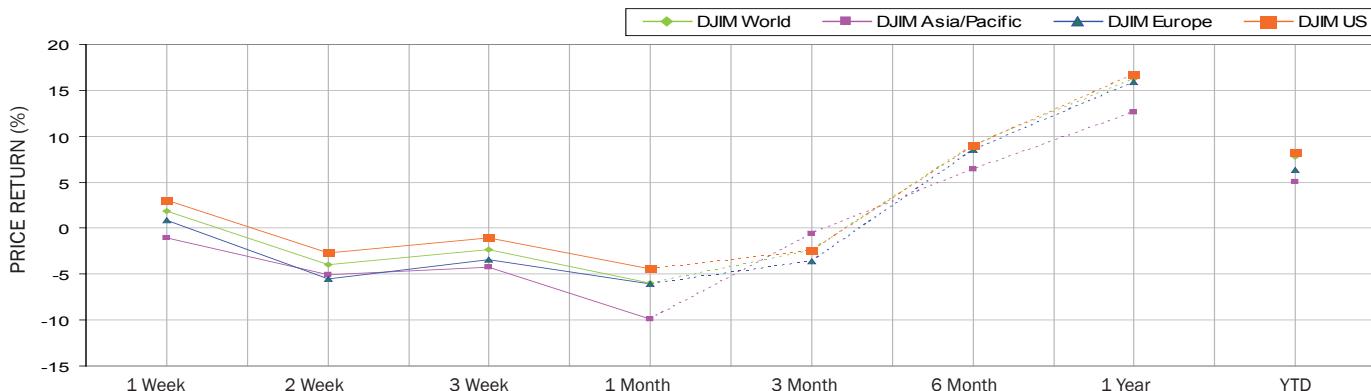
Monthly returns for Middle East/Africa funds (as of 23<sup>rd</sup> August 2007)

FUND	MANAGEMENT COMPANY	Performance Measure	FUND DOMICILE
1 Samba Real Estate Fund	Samba	18.83	Saudi Arabia
2 Markaz Islamic Fund	Kuwait Financial Centre	6.83	Kuwait
3 GCC Al-Raed Fund	Samba	5.50	Saudi Arabia
4 Kuwait Investment Fund	Kuwait Investment	4.14	Kuwait
5 Tijari Islamic Fund	Commercial Bank of Kuwait	4.06	Kuwait
6 Al Darij Investment Fund	National Investments	4.01	Kuwait
7 Al Dar Real Estate Fund	ADAM	3.51	Kuwait
8 Mawarid Industrial and Petroleum Services Fund	National Investments	3.22	Kuwait
9 Al-Durra Islamic Fund	Global Investment House	2.88	Kuwait
10 Eammar and Estethmar Fund	Aerated Concrete Industries	2.84	Kuwait
<i>Eurekahedge Asia Pacific Islamic Fund Index*</i>			-0.36

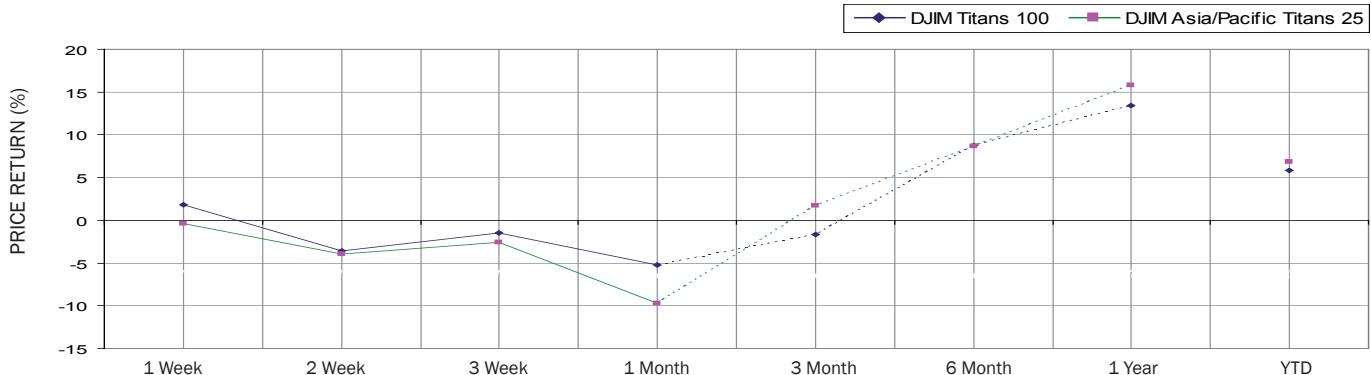
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Data as of the 22<sup>nd</sup> August 2007

**PERFORMANCE OF DJ INDEXES**


INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	1.85	-3.94	-2.31	-5.98	-2.44	9.02	16.23	7.76
DJIM Asia/Pacific	-1.05	-5.04	-4.23	-9.89	-0.62	6.44	12.63	5.05
DJIM Europe	0.84	-5.51	-3.41	-6.05	-3.62	8.52	15.88	6.33
DJIM US	3.04	-2.70	-1.04	-4.40	-2.38	8.99	16.71	8.26

**PERFORMANCE OF DJ TITANS INDEXES**


INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM Titans 100	1.82	-3.62	-1.48	-5.24	-1.65	8.77	13.46	5.85
DJIM Asia/Pacific Titans 25	-0.34	-3.95	-2.59	-9.68	1.68	8.69	15.84	6.82

DESCRIPTIVE STATISTICS		Market Capitalization (US\$ billions)					Component Weight (%)		
Index	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Largest	Smallest
DJIM World	2419	18314.09	15523.65	6.42	1.53	475.85	0.02	3.07	0
DJIM Asia/Pacific	1004	3542.42	2510.07	2.50	0.62	95.40	0.02	3.80	0
DJIM Europe	353	4516.39	3625.87	10.27	2.92	208.17	0.25	5.74	0.01
DJIM US	726	8929.90	8427.54	11.61	3.16	475.85	0.24	5.65	0
DJIM Titans 100	100	8144.85	7428.73	74.29	53.71	452.41	14.33	6.09	0.19
DJIM Asia/Pacific Titans 25	25	1159.34	838.41	33.54	25.09	85.80	14.33	10.23	1.71

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


 Anthony Yeung  
 Regional Director

 Anthony.yeung@dowjones.com  
 Tel: +852 2831 2580


RINGGIT ISLAMIC DEBT MARKET: WEEKLY SNAPSHOT

AS AT 22<sup>nd</sup> August 2007

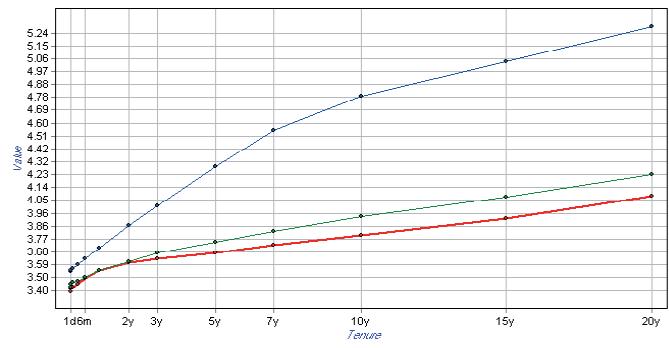
Key Benchmarks Trend (by volume)	Rating	This week close (RM)	15 August 07 (RM)	8 August 07 (RM)	1 August 07 (RM)
<b>Private Debt Securities</b>					
RANTAU IMTN 0% 15.03.2012 – MTN 3	AAA (RAM)	99.50	100.08	100.25	100.16
MALAKOFCRP IMTN 5.983% 30.04.2015 – MTN 003	AA3 (RAM)	102.86	103.75	102.55	103.64
RANTAU IMTN 0% 14.08.2013 – MTN 2	AAA (RAM)	103.77	104	104.23	104.24
RANTAU IMTN 15.03.2011 – MTN 1	AAA (RAM)	100.95	101.29	101.36	101.30
KESAS 0.00000% 10.10.2008	AA3 (RAM)	102.77	102.73	102.77	102.81
<b>Government Investment Instruments</b>					
PROFIT- BASED GII 2/2007 15.06.2017	N/A	101.25	101.93	101.92	101.63
PROFIT-BASED GII 2/2006 14.07.2011	N/A	103.50	104.01	104.11	104.20
<b>Quasi Government</b>					
SILTERRA CAP 3.900% 06.06.2014	N/A	99.52	100.17	100.11	100.06
CAGABAIS 13/2006 0% 10.08.2009	AAA (RAM)	101.31	101.32	101.48	101.49

SPREAD VS GII (in b.p.)

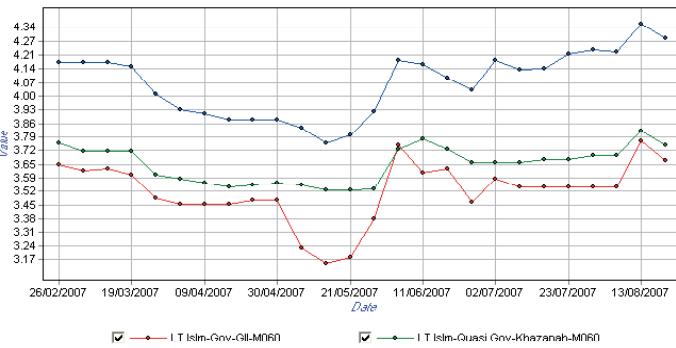
	TENURE					
	1Y	2Y	3Y	5Y	7Y	10Y
GII	3.51	3.54	3.57	3.62	3.66	3.69
Cagamas	0.09	0.16	0.23	0.34	0.46	0.61
Khazanah	0.05	0.08	0.10	0.16	0.20	0.29
AAA	0.20	0.33	0.44	0.67	0.89	1.10
AA1	0.36	0.49	0.60	0.83	1.05	1.26
A1	1.47	1.64	1.81	2.16	2.48	2.96

MYR ISLAMIC DEBT YIELD CURVES

YTM Curves



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



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**TOP ISSUERS OF ISLAMIC BONDS**

AUGUST 2006 - AUGUST 2007

	Issuer or Group	Nationality	Instrument	Amt US\$ m	Iss.	%	Manager
1	Nakheel Development	UAE	Convertible Sukuk Ijarah	3,520	2	11.2	Barclays Capital, Dubai Islamic Bank
2	Malaysia	Malaysia	Sukuk	2,686	3	8.5	Malaysian Government bond
3	Aldar Funding	Malaysia	Exchangeable Sukuk Mudarabah	2,530	1	8.0	Barclays Capital, Credit Suisse Securities (Europe), Abu Dhabi International Bank
4	Saudi Basic Industries	Saudi Arabia	Sukuk Istithmar	2,133	1	6.8	HSBC Saudi Arabia, Riyad Bank
5	Nucleus Avenue (M)	Malaysia	Sukuk Musharakah MTN	1,994	9	6.3	CIMB
6	DP World Sukuk	UAE	Sukuk Mudarabah	1,496	1	4.8	Barclays Capital, Citigroup Global Markets, Deutsche Bank, Lehman Brothers
7	Saudi Electricity	UAE	Sukuk	1,333	1	4.2	HSBC Saudi Arabia
8	Dubai Sukuk Centre	UAE	Sukuk Mudarabah	1,248	1	4.0	Deutsche Bank (London), Goldman Sachs International
9	Dar Al-Arkan International Sukuk	Saudi Arabia	Sukuk Ijarah	1,000	1	3.2	ABC Islamic Bank, Arab National Bank, Deutsche Bank, Dubai Islamic Bank, Gulf International Bank, Kuwait Finance House, Unicorn Investment Bank
10	Cherating Capital	Malaysia	Exchangeable Sukuk	850	1	2.7	Deutsche Bank (Malaysia), JP Morgan, CIMB
11	Hijrah Pertama	Malaysia	Sukuk Ijarah	847	2	2.7	CIMB, Citigroup
12	ADIB Sukuk	UAE	Sukuk Ijarah	800	1	2.5	HSBC
13	DIB Sukuk	UAE	Sukuk Musharakah	750	1	2.4	Barclays Capital, Citigroup Global Markets, Standard Chartered
14	Rafflesia Capital	Malaysia	Periodic Payment Exchangeable Trust Certificates	750	1	2.4	CIMB, HSBC Amanah, UBS
15	Projek Lebuhraya Utara Selatan	Malaysia	Sukuk Musharakah MTN	743	18	2.4	CIMB
16	Golden Belt 1 Sukuk	Saudi Arabia	Sukuk Manafaa	650	1	2.1	BNP Paribas
24	Cagamas MBS	Malaysia	Sukuk Musharakah Islamic Residential Mortgage Backed Securities	620	7	2.0	HSBC, CIMB, AmMerchant
18	DAAR International Sukuk	Saudi Arabia	Sukuk Ijarah	600	1	1.9	ABC Islamic Bank, Arab National Bank, Standard Bank, Unicorn Investment Bank, WestLB
19	Rantau Abang Capital	Malaysia	Sukuk Musharakah MTN	570	1	1.8	CIMB
20	Silterra Capital	Malaysia	Government Guaranteed Sukuk Ijarah	530	1	1.7	CIMB, HSBC, Citibank
<b>Total</b>				<b>31,456</b>	<b>304</b>	<b>100.0</b>	



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TOP ISSUERS OF ISLAMIC BONDS							JANUARY 2007 – AUGUST 2007
	Issuer or Group	Nationality	Instrument	Amt US\$ m	Iss.	%	Manager
1	Aldar Funding	UAE	Exchangeable Sukuk Mudarabah	2,530	1	10.8	Barclays Capital, Credit Suisse Securities (Europe), Abu Dhabi International Bank
2	Saudi Basic Industries	Saudi Arabia	Sukuk Istithmar	2,133	1	9.1	HSBC Saudi Arabia, Riyad Bank
3	Nucleus Avenue (M)	Malaysia	Sukuk Musharakah MTN	1,994	9	8.5	CIMB
4	Malaysia	Malaysia	Islamic Sukuk	1,862	2	7.9	Malaysian Government bond
5	DP World Sukuk	UAE	Sukuk Mudarabah	1,496	1	6.4	Barclays Capital, Citigroup Global Markets, Deutsche Bank, Lehman Brothers
6	Saudi Electricity	UAE	Sukuk	1,333	1	5.7	HSBC Saudi Arabia
7	Dubai Sukuk Centre	UAE	Sukuk Mudarabah	1,248	1	5.3	Deutsche Bank (London), Goldman Sachs International
8	Dar Al-Arkan International Sukuk	Saudi Arabia	Sukuk Ijarah	1,000	1	4.3	ABC Islamic Bank, Arab National Bank, Deutsche Bank, Dubai Islamic Bank, Gulf International Bank, Kuwait Finance House, Unicorn Investment Bank
9	Cherating Capital	Malaysia	Exchangeable Sukuk	850	1	3.6	Deutsche Bank (Malaysia), JP Morgan, CIMB
10	Hijrah Pertama	Malaysia	Sukuk Ijarah	847	2	3.6	CIMB, Citigroup
11	DIB Sukuk	UAE	Sukuk Musharakah	750	1	3.2	Barclays Capital, Citigroup Global Markets, Standard Chartered
12	Golden Belt 1 Sukuk	Saudi Arabia	Sukuk Manafaa	650	1	2.8	BNP Paribas
13	Cagamas MBS	Malaysia	Sukuk Musharakah Islamic Residential Mortgage Backed Securities	620	7	2.6	HSBC, CIMB, Aseambankers
14	DAAR International Sukuk	Saudi Arabia	Sukuk Ijarah	600	1	2.6	ABC Islamic Bank, Arab National Bank, Standard Bank, Unicorn Investment Bank, WestLB
15	Rantau Abang Capital	Malaysia	Sukuk Musharakah MTN	570	1	2.4	CIMB
16	Silterra Capital	Malaysia	Government Guaranteed Sukuk Ijarah	530	1	2.3	CIMB, HSBC, Citibank
24	NIG Sukuk	Kuwait	Sukuk Mudarabah	475	1	2.0	BNP Paribas, Citigroup Global Markets, National Bank of Kuwait, Standard Chartered, WestLB
18	Cagamas	Malaysia	Bithaman Ajil Islamic Securities/Mudarabah MTN	454	9	1.9	Cagamas, Aseambankers, HSBC, CIMB
19	Lebuhraya Kajang – Seremban	Malaysia	Sukuk Istisnah	413	12	1.8	AmInvestment
20	EIB Sukuk	UAE	Musharakah Sukuk Trust Certificates	350	1	1.5	Emirates Islamic Bank, Standard Chartered Bank
<b>Total</b>				<b>23,463</b>	<b>190</b>	<b>100.0</b>	

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Catherine Chu  
Email: Catherine.chu@hk.dealogic.com  
Telephone: +852 2804 1223



ISLAMIC BONDS		AUGUST 2006 – AUGUST 2007		
	Manager or Group	Amt US\$ m	Iss.	%
1	HSBC	4,800	31	15.3
2	CIMB	4,552	67	14.5
3	Barclays Capital	3,353	6	10.7
4	Malaysian Government bond	2,686	3	8.5
5	Dubai Islamic Bank	2,255	6	7.2
6	Citigroup	1,668	6	5.3
7	Deutsche Bank	1,393	18	4.4
8	Riyad Bank	1,066	1	3.4
9	BNP Paribas	845	3	2.7
10	Abu Dhabi Investment	843	1	2.7
11	Credit Suisse	843	1	2.7
12	AmInvestment	796	52	2.5
13	Standard Chartered	723	27	2.3
14	Goldman Sachs	624	1	2.0
15	RHB Investment	481	84	1.5
16	Aseambankers	461	22	1.5
24	UBS	350	2	1.1
18	Lehman Brothers	299	1	1.0
19	Kuwait Finance House	297	9	0.9
20	JP Morgan	283	1	0.9
<b>Total</b>		<b>31,456</b>	<b>304</b>	<b>100.0</b>

ISLAMIC BONDS		JANUARY 2007 – AUGUST 2007		
	Manager or Group	Amt US\$ m	Iss.	%
1	HSBC	3,503	26	14.9
2	CIMB	3,464	42	14.8
3	Malaysian Government bond	1,862	2	7.9
4	Citigroup	1,668	6	7.1
5	Barclays Capital	1,593	4	6.8
6	Deutsche Bank	1,393	18	5.9
7	Riyad Bank	1,066	1	4.5
8	BNP Paribas	845	3	3.6
9	Abu Dhabi Investment	843	1	3.6
10	Credit Suisse	843	1	3.6
11	Standard Chartered	710	19	3.0
12	Goldman Sachs	624	1	2.7
13	AmInvestment	565	35	2.4
14	Dubai Islamic Bank	495	4	2.1
15	Aseambankers	455	20	1.9
16	Lehman Brothers	299	1	1.3
24	JP Morgan	283	1	1.2
18	Arab Banking	263	2	1.1
19	Arab National Bank	263	2	1.1
20	Unicorn Investment Bank	263	2	1.1
<b>Total</b>		<b>23,463</b>	<b>190</b>	<b>100.0</b>

ISLAMIC BONDS BY COUNTRY		AUGUST 2006 – AUGUST 2007		
	Amt US\$ m	Iss.	%	
Malaysia	13,110	273	41.7	
UAE	10,929	10	34.7	
Saudi Arabia	5,716	5	18.2	
Kuwait	875	4	2.8	
Qatar	300	1	1.0	
Pakistan	210	6	0.7	
<b>Total</b>	<b>31,456</b>	<b>304</b>	<b>100.0</b>	

ISLAMIC BONDS BY COUNTRY		JANUARY 2007 – AUGUST 2007		
	Amt US\$ m	Iss.	%	
Malaysia	9,762	164	41.6	
UAE	6,384	6	27.2	
Saudi Arabia	5,716	5	24.4	
Kuwait	775	3	3.3	
Qatar	300	1	1.3	
Pakistan	210	6	0.9	
<b>Total</b>	<b>23,463</b>	<b>190</b>	<b>100.0</b>	

ISLAMIC BONDS BY CURRENCY		AUGUST 2006 – AUGUST 2007		
	Amt US\$ m	Iss.	%	
US dollar	16,454	22	52.3	
Malaysian ringgit	11,210	270	35.6	
Saudi Arabian riyal	3,466	2	11.0	
Pakistan rupee	210	6	0.7	
<b>Total</b>	<b>31,456</b>	<b>304</b>	<b>100.0</b>	

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DATE	EVENT	VENUE	ORGANIZER
<b>August</b>			
27 <sup>th</sup> - 29 <sup>th</sup>	International Conference on Islamic Capital Markets	Jakarta	Muamalat Institute
28 <sup>th</sup> - 29 <sup>th</sup>	Global Islamic Banking, Investment and Takaful Summit 2007	Pakistan	Nexus Worldwide
29 <sup>th</sup> - 30 <sup>th</sup>	3 <sup>rd</sup> International Convention on Takaful and ReTakaful 2007	Kuala Lumpur	IBFIM
30 <sup>th</sup>	2007 INCEIF Global Forum	Kuala Lumpur	INCEIF
<b>September</b>			
3 <sup>rd</sup> - 4 <sup>th</sup>	5 <sup>th</sup> International Islamic Finance Conference 2007	Kuala Lumpur	Monash University
4 <sup>th</sup>	The Islamic Finance Summit	Geneva	Economist Conferences
4 <sup>th</sup> - 5 <sup>th</sup>	Inaugural Islamic Finance Summit Indonesia	Jakarta	Euromoney Seminars
5 <sup>th</sup> - 6 <sup>th</sup>	1 <sup>st</sup> Global Middle East Insurance Summit	London	MiddleEast Insurance Review
5 <sup>th</sup> - 6 <sup>th</sup>	Regional Forum on the Role of Islamic Finance Institutions in Development Finance	Bahrain	MICE Management
5 <sup>th</sup> - 6 <sup>th</sup>	2 <sup>nd</sup> Annual Arab Asian Financial Forum (AAFF) Malaysia	Kuala Lumpur	Cedar Hills Event Management
19 <sup>th</sup> - 20 <sup>th</sup>	Understanding Islamic Finance: From Capital Markets to Real Estate	Switzerland	Financial Events International
<b>October</b>			
22 <sup>nd</sup> - 23 <sup>rd</sup>	Product Development Forum in Banking & Finance	Dubai	Fleming Gulf Conferences
24 <sup>th</sup> - 25 <sup>th</sup>	Islamic Finance in North America	New York	IQPC
30 <sup>th</sup> - 31 <sup>st</sup>	Africa Islamic Finance Conference	South Africa	IBC Gulf
31 <sup>st</sup> - 1 <sup>st</sup>	Islamic Financing Instruments Asia 2007	Kuala Lumpur	Asia Business Forum
<b>November</b>			
4 <sup>th</sup> - 5 <sup>th</sup>	The World Islamic Infrastructure Finance Conference	Doha	Middle East Global Advisors
4 <sup>th</sup> - 7 <sup>th</sup>	Middle East Islamic Banking & Finance Summit 2007	Dubai	Association & Communications Events
12 <sup>th</sup> - 14 <sup>th</sup>	3 <sup>rd</sup> Annual Achieving Operational Excellence in Banking Summit	Dubai	Fleming Gulf
12 <sup>th</sup> - 15 <sup>th</sup>	Islamic Funds World 2007	Dubai	Terrapinn
12 <sup>th</sup> - 15 <sup>th</sup>	Islamic Finance and Investment World Africa 2007	South Africa	Terrapinn
18 <sup>th</sup> - 21 <sup>st</sup>	Private Equity World MENA 2007	Dubai	Terrapinn
19 <sup>th</sup> - 22 <sup>nd</sup>	4 <sup>th</sup> Kuala Lumpur Islamic Finance Forum 2007	Kuala Lumpur	CERT
20 <sup>th</sup> - 21 <sup>st</sup>	International Islamic Finance Congress	Dubai	Dome Exhibitions
26 <sup>th</sup> - 27 <sup>th</sup>	Asia Capital Markets Forum	Hong Kong	Euromoney
26 <sup>th</sup> - 28 <sup>th</sup>	Private Equity World Espana 2007	Spain	Terrapinn
27 <sup>th</sup>	3 <sup>rd</sup> Seminar on the Regulation of Takaful	Cairo	IFSB
27 <sup>th</sup> - 28 <sup>th</sup>	National Conference in Islamic Finance 2007	Terengganu	University Darul Iman Malaysia
<b>December</b>			
5 <sup>th</sup> - 6 <sup>th</sup>	Islamic Financial Services Forum: The European Challenge	Germany	IFSB
8 <sup>th</sup> - 10 <sup>th</sup>	The 14 <sup>th</sup> World Islamic Banking Conference	Bahrain	Middle East Global Advisors
9 <sup>th</sup> - 11 <sup>th</sup>	Global Halal & Islamic Business Forum	Abu Dhabi	IIR Middle East

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