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INDONESIA

New bill makes way for sovereign Sukuk

A new bill has been approved by the Indonesian government and parliamentary commission that will allow the country to launch its first sovereign Sukuk to be sold in the international and domestic markets.

However, it is not definite when the government will be able to fulfil its plans to sell a total of IDR15 trillion (US$1.63 billion) worth of Sukuk.

Finance Minister Sri Mulyani Indrawati said earlier it might take between 1 to 1½ months for the ministry to draw up the necessary regulations following the approval of the bill.

Indonesia is in desperate need to finance its high budget deficit target and the current unpredictable nature of the international financial markets has made it difficult for the government to raise the debt through conventional bond market.

The industry's observers expect the endorsement of the Sukuk law would boost the Islamic finance sector in the world's most populous Muslim country which is way behind its neighbor Malaysia — deemed to be a leader of the industry.

(Also see IFN Reports on page 11)

UAE

WGC, DMCC to co-launch gold shares

World Gold Council (WGC) and Dubai Multi Commodities Center (DMCC) will launch Dubai Gold Shares, the Shariah compliant exchange-traded gold securities through their joint venture. Upon approval by the Dubai Financial Services Authority, it will be listed on the Dubai International Financial Exchange, possibly by the end of the year.

DMCC — through Dubai Commodities Asset Management (DCAM) — will play a vital role in managing and operating the program, while Shariah Capital has been appointed as the adviser.

Dollar-denominated Dubai Gold Shares can be traded daily, and will be backed by physical gold.

DMCC and HSBC are the custodians of the physical gold, which will be kept in their vaults.

GULF

Shariah compliant assets could hit 25%

By 2010, Islamic assets in the Gulf region will be growing at a rate of 20% to 25%, worth as much as US$1.4 trillion, and US$29 billion worth of Sukuk issuance by companies from Saudi Arabia, the UAE and Qatar.

This development is a clear indication of things to come, said Hatim Tahir, Dubai International Financial Exchange Academy's head of training during the International Ras Al Khaimah Family Office and Investment Summit recently.

Some of the most recent are the US$1 billion Sukuk Trust Certificate Program by Emirates Islamic Bank, Tamweel's US$210 million asset-backed issuance, and US$300 million Sukuk Mudarabah on behalf of Qatar Real Estate Investment Company.

In this issue

SAUDI ARABIA/UK

Herbert Smith ties up with Al Ghazzawi

Herbert Smith and Al Ghazzawi Professional Association (GPA) have come to an agreement to create an alliance that will give Herbert Smith access to offer local and international law counseling.

Talal Amin Al Ghazzawi, chairman of the group, describes the alliance as vital in accordance to the expanding Saudi economy and the interest foreign investors have in the country.

Herbert Smith has also established partnerships with Dutch firm Stibbe and Gleiss Lutz of Germany.

GLOBAL

Top 100 Islamic banks revealed

Singapore-based *The Asian Banker* has identified the largest 100 Islamic banks from 24 countries in Asia, the Middle East and Europe in its latest issue. Banks from Iran make up about half of the list with 14, and even claimed the No 1 spot through Bank Melli Iran (BMI). Saudi Arabia has only three banks in the list, but all made it to the top 25. Al Rajhi Bank was ranked second.

The journal reported that the accumulated growth rates for Shariah compliant banks are at 26.7% per year, way ahead of that for conventional banks at 19.3% in 2006. Assets for the Islamic banks were reported to be US$350 million. Still, BMI's total asset of US$39.4 billion is only equivalent to Taiwan's Chang Hwa Bank, which according to Bureau von Dijk, is ranked 395th worldwide.

AFRICA

Uganda hosts first OIC business forum

Uganda National Chamber of Commerce and Industry (UNCC) and the Islamic Chamber of Commerce and Industry will organize the first business forum by the Organization of Islamic Conference (OIC), to be hosted by UNCCI.

Olive Kigongo, president of UNCCI, said that the forum, themed "Discover the Resources and High Potential of the African Market" creates a platform for businesspeople and Islamic finance institutions to discuss matters such as trade insurance and access.

The forum will be held from the 16th June to 18th June.

UAE

Mada'in, Emirates Post plan IPOs

Mada'in Properties and Emirates Post are among the organizations planning to issue initial public offerings (IPOs) in the local stock market, although no decision has been made on issuance date and its size. An estimated 14 new companies are expected to be listed, and the local stock market is preparing for AED9 billion (US$2.45 billion) worth of IPO issuances in total.

The Securities and Commodities Authority has also received six applications by private shareholding companies wanting to go public with more than AED15.4 billion (US$4.19 billion) in total paid-up capital.

UAE

More benefits from EIB Skywards Visa

A signing ceremony to formally announce the development of the first Islamic co-branded credit card was held recently in Dubai. Emirates Islamic Bank (EIB), Skywards and Visa came together to create the EIB Skywards Visa card, which will contain extensive advantages and benefits that would be attractive to consumers.

The general manager of retail banking at EIB, Faisal Aqil, said that the agreement has marked a development of yet another innovative product from the bank, and that customers can expect more exciting products in the future.

Brian LaBelle, Skywards' senior vice president, said that EIB adds more value to Skywards members, with more choices, rewards, upgrades and so forth.

MALAYSIA

CIMA launches Islamic certificate

The Chartered Institute of Management Accountants (CIMA) recently launched its certification in Islamic finance in Kuala Lumpur. It is a four-module, self-study qualification which can be done in the student's own time for up to six months, and was jointly developed with the International Institute of Islamic Finance (IIIF).

Malaysia's deputy finance minister I, Ahmad Husni Hadzalah, who graced the launching ceremony, said that human capital development in the Islamic finance industry is central to ensure ongoing growth of the industry.

SINGAPORE

Lion City boost for Islamic finance

The Lion City has neutralized the difference between conventional financing tools and Islamic ones by taking measures such as removing stamp duty, similar to a Murabahah system. It is also looking into improving the local Shariah compliant finance structure, said Ong Chong Tee, deputy managing director of the Monetary Authority of Singapore.

Ong said that Singapore is the only non-Islamic country that is a member of the Islamic Financial Services Board (IFSB), and interest in Islamic finance is growing every year. The country is already offering Islamic funds, deposits and Takaful.

Singapore will host IFSB's sixth annual summit next year, which will mark the first time the summit is held in Asia.

UAE

Record first-quarter profit for FGB

First Gulf Bank (FGB) has reported its seventh consecutive record profit in the first quarter. Income at FGB, Abu Dhabi's second-largest lender by market value rose 66% to AED675 million (US$184 million).

MALAYSIA

KL Sentral Sukuk fully redeemed

The RM720 million (US$228 million) Sukuk Musharakah issued last year by Malaysian Resources Corporation (MRC) subsidiary, Kuala Lumpur Sentral, has been fully redeemed due to overwhelming response to KL Sentral's development.

In a statement, MRC said that with the redemption of the Sukuk, the company can now concentrate on other projects within KL Sentral that are still undergoing development.

QATAR

BLME in forward lease financing

The Bank of London and The Middle East (BLME) is taking part in a US$20 million Islamic forward lease financing to Qatar Electricity and Water Company, introduced by European Finance House. It will be used for the development of Ras Abu Fontas A1, a water desalination plant in Qatar.

Qatar Islamic Bank is the underwriter for the US$150 million Shariah compliant financing. The total amount to be used for the construction is expected to be US$600 million.

PAKISTAN

SBP regulations will promote industry

The State Bank of Pakistan (SBP)'s decision on producing rules and regulations on branchless banking will help extensively in the promotion of Islamic banking, especially in the rural areas, said Zubair Mughal, CEO of Al Huda Center of Islamic Banking & Economics.

SBP issued the regulations as a way to promote innovation within the banking system, as part of the bank's bigger plan to create an inviting regulatory environment to promote branchless banking.

QATAR

QNB posts US$252 million profit

Qatar National Bank, the largest lender by market value in Qatar, posted a 40.5% rise in first-quarter profit to QAR917.3 million (US$252 million) compared to QAR652.8 million (US$180 million) in the previous corresponding period.

Earnings per share rose to QAR4.2 (US$1.15), compared with QAR3.4 (US$0.93) in the year-earlier period.

Chairman Yousef Hussein Kamal attributed the increase to the bank's investment strategies.

UAE

A&O partners in strategic offices

Anzal Mohammed, international capital markets lawyer, is among Allen & Overy (A&O) LLP's 28 new partners to be placed in strategic offices globally, effective from the 1st May.

Seven of new partners, including Anzal, will be located in emerging capital markets offices. He is currently head of A&O's international capital markets group in the Middle East, and his promotion will take him to lead the Dubai office. The firm's move to promote its new partners will bring the total of global partners to a remarkable 505.

Anzal will manage and establish A&O's Middle East capital markets practices. He was involved in developing some of the most complex Islamic and conventional transactions.

BAHRAIN

IIFM spearheads standardized contract

Bahrain-based International Islamic Financial Market (IIFM) will soon complete developing the first-ever standardized contract in Islamic finance, which can be used by Islamic financial institutions worldwide.

IIFM said the Master Agreement for Treasury Placement, which is awaiting final review by prominent Shariah scholars, aims to significantly facilitate commodity Murabahah transactions.

IIFM is also working on several other market development initiatives aimed at the development of a globalized Islamic finance industry and Islamic capital market.

UAE

New finance law in the works

A new law to supervise Islamic finance activities in the UAE is in the making. The statute would create a higher Shariah council to oversee such activities in accordance with Islamic precepts, said Obaid Humaid Al Tayer, UAE minister of state for financial affairs. It would replace a federal law from 1985.

In terms of assets and liabilities, Islamic banks account for AED170 billion (US$46 billion) of total banking assets, or 13.5%, a ratio similar to that of Malaysia.

MALAYSIA/QATAR

Qatar Airways increasing weekly flights

Qatar Airways will be increasing its flights between Kuala Lumpur–Doha route during summer (between June and August 2008) from seven flights per week to 10. The airline made the move as it was found that Malaysia is the top destination for tourists from the Middle East.

This will also cater to businesspeople as well. The number of Malaysians traveling to Middle East on business has significantly increased due to a strong trade relationship — especially in Islamic finance — between Malaysia and the Middle East countries.

BAHRAIN

BIsB records 92% increase in profit

Bahrain Islamic Bank (BIsB) recorded a net profit of BHD10 million (US$26.52 million) in the first quarter, an increase of 92% from last year.

CEO Mohammed Ebrahim Mohammed said operational income increased to BHD18 million (US$47.74 million), a rise of 64% against BHD11 million (US$29.18 million) the previous year.

He attributed the increase to the growth of Islamic financing and the good return on the diversified investment activities.

MALAYSIA/PAKISTAN

Maybank stake in MCB still unconfirmed

Despite Pakistan denying Maybank's intention to buy up to 20% stake of the country's fifth-largest bank MCB (formerly Muslim Commercial Bank), the Malaysian bank has yet to follow through. An official from Maybank reportedly told a local newspaper that they did not know of the denial.

Previously, it was reported that Maybank was interested in acquiring a 10% stake for an estimated PKR26.01 billion (US$412.2 million), or 20% for PKR52.02 billion (US$824.4 million).

UAE

ProLogis-Arcapita joint venture

Bahrain-based investment firm Arcapita is setting up a joint venture (JV) logistics firm with US-based ProLogis. Prologis Middle East to develop and acquire a US$1 billion portfolio of advanced logistics warehouse space in the Gulf Cooperation Council region.

Construction is expected to begin during the second half of 2008, with the initial focus being on Saudi Arabia. Saudi Arabia will account for up to 70% of the new firm's business, with the rest in the remaining GCC countries, excluding the UAE.

SAUDI ARABIA

Riyad Bank gets regulator's approval

Capital Market Authority approved Riyad Bank's proposal to raise SAR13.13 billion riyals (US$3.5 billion) through a rights offer as it moves to boost its capital.

The regulator is allowing Riyad, the fourth-largest bank in Saudi Arabia by market value, to sell 875 million shares at SAR15 a piece to current shareholders.

UAE

Shariah Capital reports higher loss

Shariah Capital announced a net loss of US$3.45 million for the year ended the 31st December 2007, compared to US$644,000 the previous year. The changes are due to the company incurring a non-cash charge of US$1.6 million stemming from an employee share-based compensation scheme.

Total revenues declined to US$271,000 from US$291,000 in 2006 while expenses increased to US$3.72 million from US$935,000 the year before.

But its cash position has improved to US$7.6 million, from US$2.3 million at the end of last year, following the issuance of US$5.5 million worth of shares to Dubai Multi Commodities Center late last month.

QATAR

QIB to finance Al Rames Tower

Qatar Islamic Bank has inked a deal worth US$49 million for the construction of Al Rames Tower, a 35-storey commercial project in the city of Doha.

The tower, to be built by Redco Constructions (Al Mana), should be completed in 24 months.

BAHRAIN

IB Asia opens in May

The Islamic Bank of Asia (IB Asia) will launch its office at the Bahrain Financial Harbor next month. The bank hopes to capitalize on the double-digit growth expected in the Islamic sector of the Gulf region.

Within a year, IB Asia has worked with GCC companies in Kuwait and Qatar, among others.

HONG KONG

DFSA and SFC sign MoU

The Dubai Financial Services Authority (DFSA) has signed a memorandum of understanding with the Securities and Futures Commission of Hong Kong (SFC). Under the terms, both parties will collaborate to promote and develop their respective Islamic capital market segments.

SFC also agreed to offer short-term placements to DFSA's UAE employees as part of their participation in DFSA's graduate training program, "Tomorrow's Regulatory Leaders".

Both parties hope that with the signing, Islamic financial products of the two countries can be produced with greater ease and efficiency, at the same time with minimal costs.

(Also see IFN Reports on page 9)

THE PHILIPPINES

DBP set to buy Al-Amanah

The Bangko Sentral ng Pilipinas (BSP) has given Development Bank of the Philippines (DBP) the green light to acquire Al-Amanah Islamic Investment Bank, said Armando Suratos, deputy governor of BSP. The approval gives DBP the right to buy 90.6% of the government's shares in Al-Amanah, the first and only Islamic bank in the country.

BSP will also issue a commercial bank license to Al-Amanah for five years to allow it to strengthen its position in the industry, following which it can re-emerge as a stronger Islamic bank.

QATAR

Five Barwa firms in the pipeline

Barwa, Qatar's largest property developer by market value, plans to set up five new companies, including a US$137.4 million property management firm (Barwa Projects Management).

The new ventures are media services (Barwa Media), training and education (Barwa Knowledge) and technology (Barwa Technology), each with QAR2 million (US$550,000) of capital.

The Shariah compliant company will also take a 30% stake in Barwa Lusail, a firm that will hold and manage real estate in Lusail, an energy city in Qatar.

However, it did not say when these companies would begin operations.

PAKISTAN

Six banks shortlisted for rupee Sukuk

Sources from the Pakistani government and banking industry said that six banks have been shortlisted to manage the first domestic Sukuk, and a mandate is expected to be awarded by next week.

The six banks are ABN Amro Pakistan, Dubai Islamic Bank, MCB Bank, United Bank, Standard Chartered Bank Pakistan and Meezan Bank. A banker familiar with the development said the issue was estimated to be of at least PKR20 billion (US$318 million).

So far, there is no word yet on the size and tenor of the Sukuk.

UAE

Eleven companies on *Forbes* list

Eleven UAE companies have made it to the list of world's biggest companies compiled by *Forbes* magazine. Emaar Properties was ranked 726th while Emirates Bank Group came in at 855.

The other companies were National Bank of Abu Dhabi (910), Abu Dhabi Commercial Bank (1,025), Dubai Islamic Bank (1,055), Mashreq (1,069), First Gulf Bank (1,197), DP (1,225), Dubai Financial Market (1,387), Union National Bank (1,607) and Aldar Properties (1,730).

INDONESIA

Shariah bond from Bank Muamalat

Bank Muamalat Indonesia plans to issue a Shariah bond valued at IDR400 billion (US$44 million) in the second half of the year to finance its expansion program.

Indonesia's first Islamic bank plans to open 12 new branches this year, said commissioner Iskandar Zulkarnain.

PAKISTAN/UAE

EGIB adds to Pakistan network

Emirates Global Islamic Bank has opened a branch in Faisalabad, its third in Pakistan this year following two others in Karachi.

Since starting operations three years ago, the Islamic commercial bank has opened 13 branches in several Pakistani cities.

BAHRAIN/HUNGARY

Countries to strengthen ties

Bahrain and Hungary are planning to improve their relations and economic activities by signing on a mutual agreement that would benefit both. The Hungarian trade delegation was in Bahrain for Crans Montana Forum, and also to discuss collaboration possibilities. Currently, the trade volume between the two countries is more than BHD5.4 million (US$14.32 million) a year.

Dr Essam Abdulla Fakhro, chairman of Bahrain Chamber of Commerce and Industry, said there are vast opportunities in a wide array of sectors, such as education, private equity and banking, especially Shariah compliant banking. He said that Eastern European countries can benefit from learning and applying Bahrain's Islamic banking system as part of a long-term strategy.

SAUDI ARABIA

ITFC Mudarabah fund

Islamic Development Bank (IDB) recently inked an agreement with International Islamic Trade Finance Corporation (ITFC) to set up a US$1 billion Mudarabah fund that will be used to finance ITFC's trade financing activities, and to strengthen trading ties between members of the Organization of the Islamic Conference (OIC).

TURKEY

KFHT profit up by 109%

Kuwait Finance House Turkey (KFHT) reported an increase of 109% in 2007 profit, to TRY74 million (US$57 million). The bank also reported a 32% rise in total assets, to TRY3.8 billion (US$3 billion).

General manager Ofuk Iwan said the bank is increasing its capital by 22%, to TRY317.2 million (US$245 million) from TRY260 million (US$201 million). As much as 57.2 million of stocks could be sold to investors after completion of the necessary procedures and approval is obtained.

KUWAIT

Markaz's new income fund

Kuwait Financial Center (Markaz) has launched Markaz Islamic Income Fund, which offers investors value-added investment products and solutions.

The fund investments consist of Sukuk Mudarabah, Murabahah or Wakalah, and other forms of Islamic investment tools.

The minimum subscription and/or redemption value is set at KWD1 (US$3.77) per unit on a weekly basis.

MALAYSIA

An Islamic bank for Alliance

Alliance Financial Group is the latest bank to jump on the Islamic finance bandwagon. It has incorporated Alliance Islamic Bank to tap the huge potential of Islamic banking.

Bridget Lai, CEO of Alliance Financial, said the new bank will have commercial banking and new businesses as their major business lines.

Yahya Ibrahim, who was head of Islamic banking, is new CEO of Alliance Islamic.

SAUDI ARABIA

Arbah and Tabarak enter partnership

Arbah Capital has selected Tabarak Partners to provide innovative Shariah compliant structured investment products that will appeal to Muslim and non-Muslim investors.

Tabarak, a Dubai Financial Services Authority-regulated company, has worked with financial institutions such as Dubai Islamic Bank and National Commercial Bank in developing and providing for real estate, private equity and trade finance funds.

UAE

Amlak Finance profits up fivefold

Dubai-based Amlak Finance posted a fivefold increase in its profit for the first quarter, amounting to AED126 million (US$34 million). Revenue for the Islamic mortgage company almost tripled in the three months to the 31st March 2008, at AED270 million (US$73.5 million) compared to AED102 million (US$28 million) in the previous corresponding period.

The sale of investments in listed companies also bolstered profits to AED301 million (US$81.97 million), double that of the previous corresponding period, said Nasser Al Shaikh, chairman of Amlak.

MALAYSIA

Bursa demands explanation

Following the decision by Eden Inc not to proceed with the planned Sukuk Ijarah issuance last Wednesday, Bursa Malaysia Securities requested an explanation. Eden had planned for the RM120 million (US$37 million) issuance under its subsidiary Stratavest and Hong Leong Islamic Bank, but both parties mutually agreed to drop it.

In response, Eden said it was planning an alternative source of funds to be done directly under Eden and not Stratavest.

SAUDI ARABIA

Sukuk falls victim in first quarter

The Sukuk market is the latest to be affected by the global credit debacle. A news report said only 14 Sukuk were issued in the first quarter, 16 fewer than the first quarter of 2007. Seven Sukuk were issued in Bahrain and none was placed in UAE. Qatar and Saudi Arabia issued one each. The bonds value has also dropped by almost half, to US$2.3 billion.

The decline is believed to have been caused by the worsening US economic conditions as well as the tighter lending market.

MALAYSIA/SAUDI ARABIA

IDB to launch Sukuk in RM

Jeddah-based Islamic Development Bank (IDB) will issue RM500 million (US$157 million) worth of Sukuk under its RM1 billion (US$315.77 million) medium-term notes (MTN) program. This will be IDB's first Sukuk in a member country's currency.

CIMB and Standard Chartered Bank have been appointed joint lead managers and bookrunners, whereas Kuwait Finance House (Malaysia) and RHB Islamic Bank are the joint co-lead managers.

UAE

National Investor gets Saudi license

UAE-based The National Investor has received regulatory approval to open a unit in neighboring Saudi Arabia. The National Investor Saudi Arabia is licensed by Saudi Arabia's Capital Market Authority to provide corporate finance, asset management, real estate and private equity services.

Closely held the National Investor and Al Rajhi Investment Group last year signed an agreement to set up the unit in Riyadh with SAR75 million (US$20 million) of start-up capital.

SAUDI ARABIA

Inma launches largest ever IPO

Inma Bank is planning to raise SAR10.5 billion (US$2.8 billion) through Saudi Arabia's largest initial public offering (IPO) to date.

Thirty per cent of Inma's SAR15 billion (US$4 billion) capital will be held by the government through three different bodies: Public Investment Fund, General Organization for Social Insurance and the Public Pension Agency.

Inma will also become a completely Shariah compliant bank, said CEO Abdulmuhsin Al-Faris. Operations will start in the second half of 2008, with 15 branches placed all over the country.

It is only open to the Saudi community, with a minimum of 50 shares, each costing SAR10 (US$2.67). The IPO — which will end on the 16th April — is underwritten by SAMBA Capital.

UAE

Tamweel to issue Sukuk

The issuance of Tamweel's AED5.1 billion (US$1.39 billion) Sukuk was approved during its extraordinary general meeting (EGM) recently. It would be used to fund the company's expansion plans locally and globally. The issuance includes AED1.1 billion (US$300 million) of convertible Sukuk, and AED4 billion (US$1.09 billion) of non-convertible Sukuk.

Tamweel's request to be restructured as a holding company also got the nod, although it would still need the approval from all relevant authorities. There will be an initial four companies under Tamweel.

BAHRAIN/KAZAKHSTAN

GFH to build Kazakh R&D facility

The Kazakh government has revealed the plan by Gulf Finance House (GFH) to build a petroleum-related research and education facility at the Caspian Sea coast in Kazakhstan. It is estimated to be worth US$10 billion, and is one of the largest foreign investments in the country. The development, Kazakhstan Energy Hub, will be planned with state-owned Board of the Sustainable Development Fund (Kazyna) and Board of Kazakhstan Holding for Management (Samruk), with PFC Energy International as consultant.

GFH, a Bahrain-based Islamic lender, is also participating in similar energy parks development in Libya, India and Qatar.

UAE

Dubai to issue US$4 billion MTN program

The government of Dubai is planning a borrowing program worth US$4.09 billion to finance infrastructural development and to raise capital, said Sami Al-Qamzi, director general of the department of finance. However, the size of the conventional issue of the medium-term note program hasn't been finalized.

Standard Chartered Bank and Emirates' National Bank of Dubai are the joint arrangers and lead managers.

UAE

StanChart inks escrow deal

Ras Al Khaimah's first Islamic escrow transaction with Pure Real Estate has been signed by Standard Chartered. Ras Al Khaimah Investment Authority (RAKIA) and the main developer, Rakeen will be overseeing the escrow, while Mawarid Finance is the end-user financier. The transaction is worth AED1.1 billion (US$300 million).

HONG KONG

Creating awareness on Islamic finance

When discussing the future of Hong Kong's economic plans in a recent event, financial secretary John C Tsang reiterated the government's commitment to Islamic finance. With its well-developed financial system, deep and liquid capital markets, and sound regulatory environment, he said Hong Kong is ready to develop a market for Shariah compliant products.

Tsang also stressed Hong Kong's strategic position as a natural bridge between investors with an Islamic background and the mainland China market. He said that the development of an Islamic equity index in Hong Kong is very encouraging and that Dow Jones is in the process of creating a new Islamic index for Hong Kong red chips and H-shares.

"This will enrich their Islamic index basket for Hong Kong stocks, which already covers composite and blue-chip segments," said Tsang at the event which was organized by Standard Chartered.

On the back of the new Islamic index, the Hong Kong Monetary Authority (HKMA) is encouraging the innovation of new Islamic investment products, which may take the form of market access products (MAPs) being structured in the form of a zero strike warrant that tracks closely the underlying investment including securities listed in overseas markets, commodities or derivatives.

It is obvious that Hong Kong will not leave any stone unturned in raising its profile as an Islamic finance platform. There is little doubt that the city will eventually succeed, but its financial players admit a lot of groundwork needs to be done before a proper Islamic finance system is up and running.

Lawyer Amirali Nasir of legal firm Nasirs told Islamic Finance *news* that among the challenges for Hong Kong in setting up a viable Islamic finance market is creating awareness on the industry as well as the religion.

Apart from that, he added, there should be some explanation as to why the government wants to enter the Islamic finance sphere, when it already has a vibrant market in the conventional financial sector.

Another issue that is still puzzling to Hong Kong finance players is Shariah board and advisory.

Understanding of Shariah board and advisory within the finance players there is "very low", said the senior solicitor, who is known for advising Shariah compliant schemes for commerce and on establishing Shariah compliant trusts in Hong Kong.

He said there seem to be a huge conflict at the moment as to what a Shariah board should consist of. "Some people believe advisory boards should be formed by all interested parties, irrespective of their knowledge of Islam — they believe that it is in accordance with the 'consensus' principle."

These questions may seem frivolous but at the end of the day, they will need to be addressed if the Islamic finance sector wants to see the same success enjoyed by its conventional counterpart.

By Arfa'eza A Aziz

UAE

Taqa gets Aa2; outlook stable

Moody's Ratings Services has released an updated version of its credit analysis report on Abu Dhabi National Energy Company (Taqa). Taqa's rating is maintained at Aa2, with a stable outlook. The positive rating is due to the close relationship it has with the government. The company has doubled its assets and revenues since its first rating two years ago.

Though the credit profile is affected due to the substantial financial leverage, the support by the government shadows the negative elements. Taqa's rating is closely connected to Abu Dhabi's sovereign rating, which now stands at Aa2 as well. One of the steps mentioned to counter the leverage is by lengthening their short term facilities, which then will improve liquidity.

SAUDI ARABIA

Strong ratings for Al Rajhi

Al Rajhi Banking and Investment Corporation was given the ratings for long-term issuer Default IDR 'A' with a positive outlook, short-term IDR 'F1', individual 'B/C' and Support at '1'. Al Rajhi also got an 'A' for the support rating floor by Fitch Ratings.

The ratings are reflective of several factors such as the bank's strong support from the government, and its solid local franchise, strong assets and capital as well as profitability.

SAUDI ARABIA

S&P rates Saad Group BBB+

Saad Group and its two subsidiaries, Saad Trading, Contracting and Financial Services Company (STCFSC) and Saad Investments Company (SIC) were given a 'BBB+' long-term credit rating by Standard & Poor's Rating Services. The outlook is stable, an upgrade from August 2007's negative outlook.

This is due to the strong new investments credits which improve liquidity, and the continuous support the group gets from its main shareholder. But the decreased performance of the financial markets could still jeopardize the group's future rating.

MALAYSIA

GDC Putrajaya maintained at AAAID

The RM300 million (US$95.19 million) Al-Bai Bithaman Ajil debt securities (BaIDS) issued by Gas District Cooling (Putrajaya) (GDC Putrajaya) have maintained their AAAID long-term rating by Malaysian Ratings Corporation (MARC). The securities also have a stable outlook.

According to MARC, the rating is due to GDC Putrajaya's position as the only chilled water supplier to all government properties in Putrajaya, the low risk in district cooling facilities operations, the 22-year offtake agreement the company has undertaken with the Malaysian government, and also to the credit quality of its offtakers. The support by parent company Petroliam Nasional is also reflected in the rating.

THIS TIME LAST YEAR

- **AmInvestment Group** entered preliminary talks with Saudi Arabian parties to set up a joint venture company to mobilize the group's capital market activity in Saudi Arabia.
- The **Bank of Nova Scotia** began mulling Islamic banking options.
- **National Bonds Corporation** launched a Shariah compliant, fully-fledged and full service real estate subsidiary – **National Properties**. National Properties' services include design, development, marketing, sales as well as management of properties.
- **Amlak Finance**'s application for a full Islamic banking license was rejected.
- **AmIslamic Bank** unveiled plans to provide financing for the RM3 billion (US$868.8 million) Pahang–Selangor water transfer scheme.
- **Kuala Lumpur Sentral** successfully placed its RM720 million (US$208.56 million) serial Sukuk Musharakah to investors.
- **Lloyds TSB** became the first British bank with an Islamic arm.
- **Kuwait Finance House Malaysia** signed a master agreement with **Bank Negara Malaysia** for its Commodity Murabahah Deposit-I, utilizing local commodities underlying transactions.
- **Al Rayan Investment** received approval to operate from the **Qatar Financial Center**, making it the first Islamic financial institution to be domiciled at the center.
- **Emaar Properties** completed a US$141.99 million deal with its parent company Artoc Group, granting it total ownership of Emaar Misr, its Egyptian subsidiary.
- **Dubai Islamic Bank**, **Samba Financial Group**, **Mashreqbank**, **Union National Bank**, **Abu Dhabi Commercial Bank** and **Commercial Bank International** signed a SAR400 million (US$106.6 million) syndicated financing facility for the expansion of the Prophet Muhammad Mosque in Madinah.
- **Rating Agency Malaysia** signed a technical assistance agreement with Pakistan's Credit Sustainability Rating for consultation on credit rating methodology, best practices and reporting methods.
- **Fortis** and **Kuwait Finance House Bahrain** set up a fund to aid Persian Gulf Islamic banks manage their money.

INDONESIA

Tapping the market the right way

The industry has long recognized that Indonesia's potential in Islamic finance and banking is huge. As a country with the highest Muslim population in the world, it is easy to see why. Despite the realization, the country's market in Shariah compliant products and services is barely tapped. This may be due to its lacking a strong financial and legal system.

Hoping to penetrate the burgeoning and lucrative market, the government led by President Susilo Bambang Yudhoyono has made strong political statements to make the republic more Islamic finance-friendly. The recent passing of a new bill on Islamic Shariah debt by its parliament on Tuesday would certainly help the country.

Apart from legal issues, there are others that must be tackled as soon as possible or the nation's aspiration to play a larger role in Islamic finance will be affected.

"With market share of less than 2% currently, Islamic finance players in Indonesia need to roll up their sleeves and work harder in order to achieve the national target of 5% by end of 2008. This can be achieved by introducing innovative products through more effective distribution channels, in addition to improved services rendered to the customers," said Saiful Yazan Ahmad (*pic*), president director of Takaful Indonesia, which is the biggest Takaful player in the industry.

Demand for Islamic finance in Indonesia is growing significantly thus the future depends on whether players can fulfill the minimum expectation of the existing and potential customers, he told Islamic Finance *news*.

Takaful is one of the services in Islamic financing that the republic is looking into. There seems to be a slow surge in the Takaful industry in Indonesia, most notably by Takaful Indonesia, which has been around since 1994.

"The Indonesia market is huge due to, among others, the low penetration of the population (of about 206 million Muslims). Malaysia's insurance market may be considered as rather 'saturated' due to its small population relative to the number of the players in the market," said Saiful.

Foreign companies are always seeking opportunities to tap the market, which have led to a string of mergers and acquisitions (M&As) in the Takaful industry. The latest deal is the acquisition of PT Anugrah Life Insurance by Maybank's insurance arm Mayban Fortis Holdings.

Commenting on the development that involves yet another Malaysian company, Saiful said the industry had expected the merger to take place after Maybank bought a stake in Bank International Indonesia (BII) late last month.

He believed the merger will now complement each other especially in the bancassurance sector.

But then are M&As the "be all" for companies looking to set up in Indonesia? Of course not, said Saiful, who admitted that M&A is the most used strategy for business expansion.

He said the process to set up a new company is lengthy and filled with red tape which can be tiresome and disheartening. "Things may not go the way you would expect, so M&A is a safer bet," he said.

"Demand for Islamic finance in Indonesia is growing significantly thus the future depends on whether players can fulfill the minimum expectation of the existing and potential customers"

Saiful however cautioned that companies looking to expand via M&A must be prepared to conduct extensive research and analysis before signing on the dotted line. If one is not careful, a merger can literally bite you hard, said Saiful.

In order to make M&As succeed, full participation and understanding is required from the local employees which may be a tricky business as the locals may have a negative view of the foreign investors and shareholders.

Saiful said that human capital, technology, distribution channels and innovative product development need to be addressed. A strategic marketing approach needs to be taken that will require the expertise of experienced consultants.

For shareholders who are considering venturing into Indonesia's or any other market through M&A, he said it is extremely important for them to have a strong strategic management and development team that is reliable and knowledgeable. He added that everyone involved in any M&A implementation needs to be "hands on" throughout the entire process.

But with foreign companies merging or acquiring local entities, where does that leave existing local players like Takaful Indonesia? Saiful said the merger will not upset the current market demographic and as far as Takaful Indonesia — the current industry leader — is concerned, there is very little effect. He said Anugrah makes up only around 3% of the country's Takaful market and that this is not likely to change drastically.

What is clear is that the presence of foreign investors in the republic will eventually create a more competitive Takaful market, which will then enhance the standard of the local companies. Who knows, locally owned institutions may even one day compete with global insurance companies and corporations.

By Elmira Azlan

Islamic Banking — Orchestrating Growth in Malaysia

By Anita Menon

The word "subprime" has become anathema in banking circles with the recent financial crises in the US. The only light at the end of the tunnel at this stage appears to be Islamic finance, which is set to maintain its growth rates.

The rapid growth of Islamic banking in Malaysia as well as the rate of Sukuk issuance (largest Sukuk issuer at 62% of the world's Sukuk issuance) has been second to none until very recently, when the issuance of Sukuk in the first three quarters of 2007 in the UAE outstripped the number of issuance for the entire year of 2006. Hence, the question of how Malaysia is addressing this threat is presented from a case study perspective in this article.

State of Islamic banking globally

Islamic finance has experienced exponential growth in the last decade and continues to grow rapidly. At the heart of it is the prohibition of riba, which can be roughly attributed to the prohibition of interest payments for any financial transaction and the prohibition of financing to industries such as breweries/armaments and gaming as illustrated in the diagram.

This has therefore led to the growing acceptance of Islamic finance not only by the faith-based Muslims, but increasingly across the board due to the growing interest in corporate social responsibility (CSR) and ethical finance and investing, which means that even what would be considered atypical markets such as Australia, where Muslims are the minority, are increasingly expressing an interest in this area.

In Malaysia, it has been positioned as another banking product and therefore competitive pricing and efficient distribution have attracted non-Muslim consumers regardless of culture or creed, resulting in as much as 50% of the customer base comprising this group.

The commonly quoted growth rate for Islamic finance is 10% to 15% in the next few years and the Islamic Financial Services Board (IFSB) reports that global Islamic finance assets experienced an annual growth rate of 10% to 15%. Based on this rate, total Islamic finance assets are expected to reach US$1.4 trillion by 2010.

Institutions seeking to institute Islamic banking and finance in Malaysia have generally received strong support from the central bank, Bank Negara Malaysia (BNM), having issued three full-fledged licenses to stellar names from the Middle East: Kuwait Finance House, Al Rajhi Bank and Asian Finance Bank.

More recently though, BNM has "gently" nudged foreign banks that currently have Shariah compliant windows to move toward "subsidiarization". Banks such as HSBC and OCBC have been awarded their licenses, and other foreign banks such as Standard Chartered Bank recently announced their intention to "subsidiarize" their Islamic windows.

This is in line with BNM's aspirations to strengthen the financial services sector with a focus on strengthening the Islamic banking sector under the Financial Sector Masterplan. Guidelines to establish an Islamic banking subsidiary, which would be governed by the Islamic Banking Act 1983 (IBA), were issued to facilitate banking institutions licensed under the Banking and Financial Institutions Act 1989 (BAFIA) and participated in the Islamic Banking Scheme (IBS) to establish their subsidiaries.

Another development was the initiation of the Malaysian International Islamic Finance Center (MIFC) in a further bid to reinforce the country's commitment to the development of this market through market-making initiatives and policy incentives to not only promote

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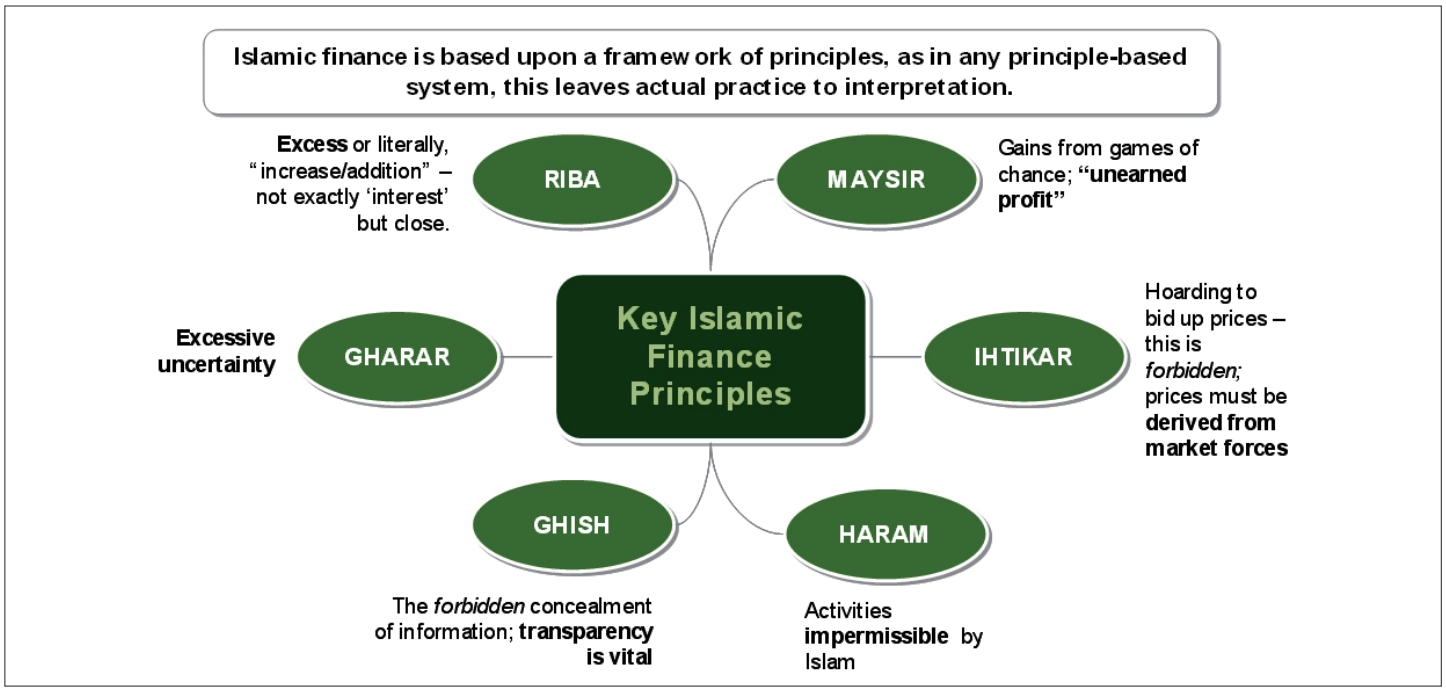

Islamic Banking — Orchestrating Growth in Malaysia (continued...)

Islamic banking but also to concomitantly develop the capital markets and leadership in the area of Islamic finance in this region and under this; a key development has been to encourage the establishment of international Islamic banking (IIB) institutions that enable them to transact in international currencies.

The 2007 budget provides IIBs tax relief for 10 years as a further incentive to foreign players to undertake this scheme. KPMG was recently involved in providing advisory assistance in the establishment of the first institution under this regime. The following is a brief case study of the process and the consequent results and impact on the industry.

International Islamic bank

Unicorn Investment Bank (UIB), which was established in 2004 in Bahrain, recently sought to set up a subsidiary international Islamic bank in Malaysia. In its brief history, UIB has undertaken a range of pioneering activities — including the issuances of the DAAR Sukuk in 2007, the first international Sukuk issued by a Saudi corporate, and the Kuwait Investment Dar Musharakah Trust Sukuk, the first Sukuk to have a put option for investors and a call option for the issuer.

Other historical milestones include earning the "Best New Product Innovation" award from *The Banker Middle East* in 2007. UIB has continued to chart growth and aims to take a pioneering approach to fill the gap in the Islamic financial services market where players are fragmented and small in comparison to the conventional behemoths.

The new bank, Unicorn International Islamic Bank Malaysia (UIIBM), serves several purposes: It will act as a regional hub for UIB and as a conduit between the Middle East markets and Asia through the provision of innovative products and services, and help the parent bank realize its vision to become a leading global financial institution.

Further, the bank through the structuring of innovative products would contribute to the aspirations of the government to position Malaysia as a truly global hub for Islamic finance. UIIBM's focus will be on corporate finance/investment banking and mergers and acquisitions in the initial phase through the origination and placement of deals in the global markets.

UIB Malaysia, with the advisory assistance of KPMG, submitted its application for an IIB license on the 22nd June 2007. The application pack consisted of the business plan of the new bank including its financial plan, governance structure as well as risk management framework and internal control policy as per the requirements of BNM. Further advisory assistance in the form of regulatory submissions, operationalization issues etc has been provided along the way.

The application by UIB was in several regards a first for the central bank since this was the first IIB that was going to be authorized by BNM and the new bank was issued a license in late December 2007. Although the regulatory framework posed some hurdles, the forthrightness and willingness by BNM to provide guidance — and at the same time accommodate the requests by the new bank for a progressive business model — underlined BNM's commitment to encourage the growth and proliferation of Islamic financial institutions under a prudential framework.

Key issues

Some of the key issues facing Islamic finance institutes going forward are:

- Product innovation and differentiation — Currently, products are generally undifferentiated but at the same time, there needs to be market consolidation and refinement of products in markets such as Malaysia and the GCC where the retail demand for plain vanilla products is already adequately met.

- Liquid and regulated Islamic capital market — Currently, secondary trading and alternative Islamic investment instruments are limited. Increased issuance may improve access to liquid instruments and spur the existence of an active secondary trading market.

- Prudential regulation and legal framework — Proper regulation and supervision is imperative in providing a framework for a more participative Islamic banking industry that can gain further recognition. Proliferation of Islamic financial institutions is not being matched by the regulatory and legal framework and there is general consensus that they should be better regulated to avoid any bubble in the industry.

While the above are by no means exhaustive and there are other key issues such as risk management and the lack of qualified practitioners in this area, the impact of these and how it is being addressed in Malaysia would be of interest to many.

Pursuing convergence

While tremendous progress has been made with regard to the positioning and growth of Islamic banking in Malaysia, as competition intensifies and new markets step up efforts to become the next Islamic banking hub, an increasingly robust regulatory and supervisory framework will be required to ensure that there are no systemic shocks and that there is a safety net for investment account holders.

In addition, Shariah convergence will actively be pursued in the creation of more globally acceptable Shariah compliant products while at the same time encouraging diversity and innovation.

Detractors have claimed that the true strength and potential of the industry will only be demonstrated should there be a systemic shock such as the drying up of the Middle East liquidity with a potential decline in oil prices.

In view of the continued liquidity in the market and the increasing innovation and sophistication that new banks such as UIB and its subsidiary UIIBM are aiming to bring to the market through the development of products that meet the demands of both the debt and equity markets, Islamic finance appears set to become a mainstream product and not just another alternative to conventional banking.

The entrance of players such as UIB is a testament to the strength of the Malaysian regulatory framework for Islamic finance and the government's continued focus in developing this sector.

KPMG

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Malaysia — Growing by Leaps and Bounds

By Aseambankers

Islamic finance, in particular, the Islamic capital market (ICM), has grown exponentially in the last few years, both domestically and overseas. With all the hype about the industry, it is only natural to see financial centers around the world competing to secure a chunk of the expanding pie.

While others are still laying the bricks to become an Islamic financial hub, Malaysia built its foundation ahead of others, giving it a head start in becoming an Islamic financial hub regionally, if not globally. In comparison to its counterparts with an Islamic financial center, the Malaysian success story can be attributed to the following key factors:

- High level of regulatory, legal and government support
- Well-defined Shariah governance structure
- Comprehensive market infrastructure
- Extensive human capital development

Regulatory, legal and government support

Malaysia has been pioneering efforts to develop a comprehensive Islamic financial system for over 25 years now. The development of Islamic finance has grown in sync with the development of Malaysia's economy.

Growth has been supported by a robust regulatory framework, which has spurred the creation of a whole range of innovative financial products and services. The government has not only backed the industry but also actively encouraged it, and the administration has "Islamicized" its banking system together with the financial institutions.

The country has been one of the earliest to recognize the potential of creating a financial system compatible with Islamic principles that provides an alternative to the conventional system; in fact, it is unique as it has two banking systems: Conventional and Islamic banking systems coexist with one another.

One of the main reasons Malaysia has been able to establish itself as an Islamic finance hub is its high level of regulatory and legal support in setting up the infrastructure.

The well-developed industry has been promoted by Bank Negara Malaysia (BNM), the central bank, and the Securities Commission (SC), which supervises the Islamic financial infrastructure that includes supervision of Islamic banks and Islamic windows, with the SC overseeing the ICM.

The beginnings of Islamic banking can be attributed to the setting up of separate Islamic banking regulation and legislation, which is governed by the Islamic Banking Act (IBA) that came into effect in 1983. Subsequently, this Act led to the establishment of Bank Islam Malaysia, the first Islamic bank in Malaysia. By the 1st October 1999, a second Islamic bank, Bank Mualamat Malaysia, had been established.

Apart from these full-fledged Islamic banks, other financial institutions offered Islamic banking services through a dual-banking system — conventional banks could offer Islamic products and services via "Islamic windows". However, today, with the growth of Islamic finance, the majority of Malaysian banks have ventured out of their current Islamic windows operations to establish standalone Islamic subsidiaries, given that the IBA allows activities that include capital market activities prohibited under conventional banks (only investment banks are allowed to indulge in capital market activities).

To further promote a competitive environment, BNM allowed foreign Islamic banks to set up their branches in Malaysia. To date, there are three foreign Islamic banks: Kuwait Finance House, Al Rajhi Bank and Asian Finance Bank. Nonetheless, BNM is prepared to issue more licenses to foreign Islamic banks keen to set up in Malaysia.

Another catalyst was the establishment of the Malaysia International Islamic Financial Center (MIFC) in August 2006. MIFC is the center that facilitates the offering of Islamic financial products and services by a diversified range of financial institutions in Malaysia in any currency to non-residents and residents.

It was established with the objective to create a vibrant, innovative and competitive international Islamic financial services industry in Malaysia, supported by high-caliber talents, world-class infrastructure and best international standards. It offers a plethora of incentives ranging from tax exemptions to liberalized policies to be enjoyed by both issuer and investor.

Significant measures and incentives have been put in place such as the liberalization of foreign equity ownership in existing Islamic banks and Takaful operators, allowing foreign investors up to 49% ownership. The Malaysian government also has issued new licenses for the international Islamic bank and international Takaful operator to conduct Islamic banking business and Takaful business in international currencies.

In addition, operational flexibility is given to new licenses and applicants can set up as a branch or subsidiary in Malaysia and enjoy a tax exemption for 10 years under the Income Tax Act. Other incentives under the MIFC include stamp duty exemption for ringgit and foreign currency transactions executed under these banking licenses in Islamic securities.

Shariah governance structure

Malaysia has a well-defined Shariah governance structure. One major factor that distinguishes the ICM from its conventional counterpart is the appointment of Shariah advisers.

Guidelines for the issuance of Islamic securities by the SC had clearly stipulated the necessity for the appointment of a Shariah Advisory Council (SAC) to undertake the task of advising the SC on Shariah-related issues and to provide Shariah guidance on ICM transactions and operations. SAC has also been given the mandate to ensure that the administration of ICM is in compliance with the Shariah rulings.

Shariah advisers play an important role in Islamic finance as none of the Islamic financial products can be recognized as "Islamic"' without their endorsement. Their proficiency of Islamic law is essential

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Malaysia — Growing by Leaps and Bounds (continued...)

in interpreting and analyzing key methods for financial institutions to innovate and operate various Islamic instruments.

The appointment of Shariah advisers has facilitated greater innovation of Islamic financial products and services and their direct involvement is crucial to ensure that ICM institutions do not digress from the Islamic principles during the process of formulating their instruments and designs of policies.

Shariah advisers are expected to participate and engage themselves actively in deliberating the Shariah issues. This would further boost the confidence of financial institutions, investors and consumers in the quality of Malaysian ICM instruments.

Comprehensive market infrastructure

The growth of Islamic finance is also attributed by the comprehensive market infrastructure that Malaysia has developed. The Islamic financial system was further complemented with the introduction of the Islamic money market in 1993.

A wide range of short- and long-term financial instruments have been developed to facilitate the effective management of liquidity and funding requirements by the Islamic banking institutions fully supported by state-of-the-art technology services including settlement and custodian systems, funds transfer and scripless Islamic securities and commercial papers.

Malaysia's payment and settlement systems such as the Real Time Electronic Transfer of Funds and Securities system (RENTAS), Fully Automated System for issuing-Tendering (FAST) and Bond Information and Dissemination System (BIDS) have provided an efficient platform for the trading of bonds and other financial instruments.

The scope of Islamic finance has also expanded to include private equity, the origination and issuance of Sukuk, and asset and wealth management activities. The development of the Sukuk market has been encouraging. Islamic private debt accounted for 40.7% of the total debt security issuance in 2007 as compared to only 13.4% in 1999.*

In global terms, Malaysia ranks first for Sukuk issues with 64% of the US$47 billion total issue outstanding, ahead of the UAE and Saudi Arabia.* In addition, Malaysia is also home to many of the world's innovative Sukuk structures such as:

1. First corporate Sukuk Ijarah by Kumpulan Guthrie of US$150 million in 2001
2. First global sovereign US$600 million Sukuk Ijarah by the government of Malaysia in 2002
3. First Islamic subordinated bank capital Sukuk by MBB Sukuk Inc amounting to US$300 million in 2007
4. First rated Islamic residential mortgage-backed securities of RM2.05 billion (US$644 million) by Cagamas in 2007.

Development of human capital

The Malaysian government has put a lot of emphasis on the development of human capital. Growth is useless without sufficient talent. Therefore, to ensure that the industry has an adequate pool of talent and to meet the increasing manpower requirements, several institutions of Islamic learning have been established. The International Centre for Education in Islamic Finance (INCEIF), the Islamic Banking and Finance Institute Malaysia (IBFIM), the International Centre for Leadership in Finance (ICLIF) and institutions of higher learning, among others, are centers of research and study of all relevant areas of Islamic banking, finance and economics.

BNM has allocated an endowment fund of RM500 million (US$156.8 million) for this purpose. INCEIF, which was set up in early 2006, offers a Chartered Islamic Finance Professional (CIFP) qualification as well as Master's and PhD programs that are designed to churn out more qualified Shariah scholars. Its main objective is to produce high-caliber practitioners and professionals in Islamic finance as well as specialists and researchers in Islamic finance.

Last November, BNM introduced "Banking and Finance Industry Competency Framework" to assist financial institutions in developing training and an assessment program for staff development. This is part of the initiatives to ensure that the workforce is comparable to international counterparts.

Recently, BNM announced the establishment of the International Shariah Research Academy for Islamic Finance (ISRA) to further strengthen human capital development in the areas of Shariah. A council comprising prominent local and international Shariah scholars will be set up to provide input and assistance in the strategic direction of ISRA's research works.

The government of Malaysia has concocted the right formula for the development of Islamic banking and finance in the country. By focusing on the institutional development reinforced by a robust Shariah legal and regulatory framework as well as investment in human capital development, Malaysia has become a prominent player in the development of the Islamic finance industry.

**Source: BNM's Financial Stability and Payment Systems Report 2007 and IFIS*

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Unique Landscape for an International Islamic Financial Center

By Zulkifli Ishak

Unique historical findings on Malaysia's progress from ancient Tanah Melayu to a surging developing nation show that its success began from as early as the 7th century when the strategic sea-lane position of Tanah Melayu was first discovered. This Southeast Asia constituent became a prosperous trade center with shipments from across the globe, namely India, the Middle East and Europe; as well as China and Japan.

This exchange of trade and foreign cultures brought great wealth and diversity to Tanah Melayu, ultimately inherited by those now known as Malaysians which convened Hindu from India, Islam from the Middle East and Christians from Europe and Buddhist from China and Japan into a multicultural nation.

The serenity of Malaysia's political scene was recently shaken following the recent 12th general election last month, which delivered unexpected results. The rise of Malaysia's coalition opposition parties — Parti Keadilan Rakyat (PKR), Parti Islam SeMalaysia (PAS) and Democratic Action Party (DAP) — have brought forth a new political avenue to Malaysians.

The upsurge political swings happening for the first time ever in Malaysia after celebrating its 50th anniversary last year translated to a new breed of dynamic political-literate Malaysians that are eager for effective governance to facilitate greater economy and socials developments.

Political will

The aftermath of the 12th general election proliferated wide-ranging differences among Malaysians especially between the older and younger generations. It is obvious, the two generations hold different political views.

The older generation remains vigilant of new political waves, maybe due to complacency to the ruling of the same government for the past 50 years. However, the younger generation is adaptable to changes due to advance technology, various education backgrounds, evolving ICTs development, access to media.

Despite the differences, it is a considered as a healthy phenomenon which has progressed Malaysia's into a greener political landscape. We believe that the differences in ideology would make Malaysia a more sovereign political and economical nation. The changes would create a more matured Malaysia as it embraces the next decade.

How do these changes affect Malaysia's noble aspiration in becoming an international Islamic financial center? This writer personally view these changes as positive, as Malaysia's ancient experiences would guide the new Malaysia to be more competitive in its role as the Islamic financial center, thanks to its unique population demography .

Attributed to its historical background from British to Japanese's occupation of Malaya, the materialization of Malaysia came through with the inauguration of Malaysia on the 31st August 1957.

During its establishment in 1955 to 1956, the federal government coalition mutually agreed on a constitutional settlement for an independent Malaya. The consensus outlined that Umno representing the Malays acknowledged the principle of equal citizenship for all races.

In exchange, the MCA agreed that Malaya's head of state would be drawn from the ranks of the Malay Sultans that Malay would be the official language, and that Malay education and economic development would be promoted and subsidized.

In effect, this meant that Malaya would be run by the Malays, particularly since they continued to dominate the civil service, the army and the police, but that the Chinese and Indians would have proportionate representation in the Cabinet and the parliament, would run those states where they were the majority, and would have their economic position protected.

Tunku Abdul Rahman was then elected the first prime minister of independent Malaya.

The assimilation of cultural and religious differences were made possible through mutual consensus in Malaysia's constitution that demonstrated Malaysians have what it takes to bridge differences and ultimately stay united.

The foundation of the Federal Constitution established in 1956 then accredited a dual system of law that visibly defined the supremacy of conventional and Shariah law which later unfolded the path of Islamic finance.

The beauty of the dual system of law lies in its approach to synchronize both conventional and Shariah law abide by non-Muslims and Muslims respectively. This dynamic judicial system has brought forth a comprehensive Islamic financial system that operates in parallel to the conventional system which endeavors to provide a united, prosperous and harmonize nation.

The Islamic finance framework in Malaysia encompassed non-financial institution, banking industry, money market, Takaful, equity capital market, asset management, debt capital market, private equity, real estate investment trusts or REITs, wealth management and other financial products.

The rise of Islamic finance in Malaysia began in the mid-1960s with a noble working paper presented by Royal Prof Ungku Aziz titled "Plan to Improve the Economy of Prospective Pilgrims" in 1959. The focal point of his working paper was skewed to three main objectives in the integral existence of Tabung Haji.

Firstly, the creation of the organization is to enable Muslims to save gradually to support their expenditure during pilgrimage and for other beneficial purposes. Secondly, under the same formation Muslims

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Unique Landscape for an International Islamic Financial Center (continued...)

shall be able to have active and effective participations in investment activities permissible in Islam through their savings and finally it is supposed to protect, safeguard interests and ensures welfare of pilgrims during pilgrimage by providing various facilities and services.

The institution served as a bank for Muslims in which they can set aside their savings to finance their expenses for Haj which in return sees Tabung Haji investing the accumulated funds in Shariah-approved investment in an effort to provide a halal means of income or dividend for the pilgrims.

The evolution of Islamic finance continued when Bank Islam was founded in 1983 under the Islamic Banking Act. Ten years later, Bank Negara Malaysia created a larger number of financial instruments offering Islamic products. This progress was implemented by allowing existing commercial banks, finance companies and merchant banks to offer Islamic banking services parallel to their conventional banking services. The scheme was called Skim Perbankan Tanpa Faedah (IBD OF), or interest-free banking scheme. By the end of 1993, two of the three components for a viable Islamic banking system were in place.

The derivation of Islamic money market began in on the 3rd January 1994 with the introduction of the Islamic Interbank Money Market (IIMM) accountable for the purchase and sale of Islamic financial instruments among market participants (including the Bank), inter bank investment activities through the Mudarabah Interbank Investment (MII) Scheme and a check clearing and settlement system through an Islamic Interbank Check Clearing System (IICCS).

Takaful embarked on the Islamic financial landscape in 1981 under the recommendation in its specially assigned "Task force on the Study for the Establishment of an Islamic Insurance Company in Malaysia". The task force concluded in its report that a Takaful company based on the principle of Mudarabah would be a viable venture as its participants would have the opportunity to save, invest and earn profits based on this principle.

The framework of the Malaysian Islamic financial system also includes the launch of Shariah equity, which was founded upon the establishment of Shariah compliant securities. The Kuala Lumpur Shariah Index commenced in 1999 to meet the demands of local and foreign investors who sought to invest in securities consistent with Shariah principles. This index facilitates the tracking and benchmarking of the performance of Shariah compliant securities listed on the Main Board of Bursa Malaysia.

With all these "almost-complete" Islamic investment fundamentals in place, Malaysia is indeed a viable and ideal platform for an Islamic financial center compared to other neighboring countries. To ensure that this noble mission turns into reality, the government has taken another imperative initiative to facilitate compliance review process with the introduction of an official list of Shariah compliant stocks or securities listed on Bursa through the inception of the Shariah Advisory Council (SAC) of the Securities Commission back in 1996 to 1997.

Home advantages

In addition to Malaysia's unique legal framework, the country's development as a reputable Islamic nation and advantage as home to a multi-racial society are essential facets in supporting the initiatives to become an international Islamic financial center.

The practice of Islam in Ahl Sunnah Wal Jamaah is segregated into four basic mazhab or schools of thought initiated by the renowned jurist or ulama (religious scholars) in Islam. Regional countries like Malaysia, Thailand, Brunei, the Philippines and Indonesia commonly accepted the Mazhab Shafi'e for his prudent judgments.

Imam Shafi'e is considered a courteous and modest jurist with great respect for his two mentors, Imam Abu Hanifa and Imam Malik, as well as his disciple Imam Hanbali.

Based on this noble mazhab as guiding principle in the practice of Islam locally, Malaysia's leaders applied the same approach in governing the country to form an integrated nation that encompassed diverse cultural, racial and religious differences.

The government's remarkable accomplishment in the amalgamation of a united spirit of Malaysia within diverse influences thus far is the country's greatest strength empowering Malaysia to pioneer the global growth of an international Islamic financial center.

Malaysia's unique multi-cultural unison also translates government aptitude in harmonizing cultural and religious differences for over three decades which is crucial in sustaining healthy political and economic growth.

The government's proactive measures to stimulate the growth of Islamic finance aimed to promote Islam not just as a faith-based religion but as a way of life that would eventually drive the financial industry to congregate financial needs for all communities.

Over the years, Malaysia pioneered numerous key milestones and paved the way for Islamic finance worldwide with the launch of many "first-of-its-kind" products. Malaysia is the first to launch an Islamic banking system bringing forth assets worth RM90 billion (US$29 billion), or 10% from total capital market coupled with its flourishing Takaful industry which accorded RM5 billion (US$1.57 billion) in asset.

This was followed by the launch of the world's first Islamic equity unit trust fund known as Tabung Ittikal Arab Malaysian in 1993, and the establishment of BIMB Securities, a full-fledged Islamic brokerage company in 1994. Subsequently, in 2001, Malaysia introduced the first global corporate Sukuk, known as the Guthrie Sukuk.

The Islamic financial system in Malaysia has evolved rapidly with the increased pace of liberalization in the Islamic financial services, which led to the increase of foreign presence and participation in ithedomestic Islamic financial system.

Instantaneously, this has enhanced the diversity of players in the local financial system, leading to the congregation of Islamic banking players with the debut of THREE Islamic banking giants: Al Rajhi Bank, Kuwait Finance House and Asian Finance Bank.

To further encourage the development of Islamic fund management, the government announced in the 2008 Budget several prominent measures such as the liberalization of foreign ownership in Islamic fund management companies, enabling them to be wholly owned by foreigners.

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Unique Landscape for an International Islamic Financial Center (continued...)

Secondly, a sum of RM7 billion (US$2.2 billion) will be channeled by EPF to Islamic fund management companies and relaxation of Islamic fund management companies' assets to be invested abroad. Finally, the fund management companies will be given income tax exemption on all fees received in respect of Islamic fund management activities, until year of assessment 2016.

The Malaysian local bond market has also been liberalized to enable foreign entities to raise ringgit and foreign currency denominated funds in the domestic market.

These developments see Malaysia entering a new phase to promote the country as an international Islamic financial center with the aim of strengthening its economic and financial inter-linkages simultaneously promoting greater trade and investment across borders.

Another strong point is that Malaysia stands as the world's largest Sukuk issuance center with over US$56 billion, or 62%, of the world's Sukuk issues.

It has one of the most active primary Sukuk markets with an average annual growth of 17% during the period 2001-06. In addition, Malaysia also has the ability to issue multi-currency Sukuk and the flexibility to swap ringgit funding into other currencies to enable foreign issuers to capitalize on the price premium of issuing ringgit denominated Sukuk.

Pioneering on

To further bolster its initiatives in driving the international Islamic financial center, Malaysia has combined market knowledge and insights from education and training institutions such the International Center for Education in Islamic Finance (INCEIF) to contribute to the global Islamic finance industry that addressed both market needs and Shariah compliance.

INCEIF also initiated a flagship program known as the Chartered Islamic Finance Professional (CIFP), which offers the world's first professional certification program in Islamic finance aimed at nurturing a skilled talent pool for the industry.

Subsequently, Malaysia's role in pioneering the international Islamic finance center originated with its independence 50 years ago. Malaysia intends to draw on its strengths as an Islamic nation to champion the progress of its multiracial population regardless of the outcome.

The success of the international Islamic finance center is a bonus to the country. However, if it falls short, this initiative will not quash the nation's vision as the spirit of its first Islamic establishment, i.e. Tabung Haji in the 1960s to assist Muslims in performing their religious obligation of the fifth pillars in Islam, will continue to be an integral part of Malaysia's development in which it will be inclined to be politically receptive and economically driven.

PRUDENTIAL Fund Management

Zulkifli Ishak is director of Shariah investment at Prudential Fund Management, Malaysia. He can be contacted at +603 2052 3388. References are available on request from the writer.

MIFC Incentives for All

By Ahmad Lutfi Abdull Mutalip

On the 14th August 2006, the Malaysian government launched an initiative known as the Malaysia International Islamic Financial Center (MIFC).

With a vision of creating a vibrant, innovative and competitive international Islamic financial services industry in Malaysia, the initiative was timely, given the recognition by the international financial community of Malaysia as one of the leading Islamic financial centers.

Under the MIFC initiative, Malaysia, inter alia, aims to be the center for origination, distribution and trading of Islamic treasury and capital market instruments as well as the center for international currency Islamic financial services.

> "The incentives prove that the MIFC offers exciting opportunities and avenues for growth for key players, investors and issuers looking to expand their international market presence and investment potential"

For this purpose, the Malaysian government introduced various incentives to industry players and issuers as set out below:

Incentives to institutional foreign and local players

There are a number of incentives available to institutional players, both foreign and local. They include:

- Issuance of new international Islamic bank (IIB) license under Malaysian Islamic Banking Act 1983 to conduct the international banking businesses in international currencies, either as a subsidiary or branch. The IIB will enjoy a 10-year tax exemption.
- Issuance of new international Takaful operator (ITO) license under Malaysian Takaful Act 1984 to conduct international Takaful businesses in international currencies, either as a subsidiary or branch. The ITO will enjoy a 10-year tax exemption.
- Relaxation of Foreign Investment Committee (FIC) rules
  i. Up to 100% equity ownership in the IIB and the ITO and other MIFC-status financial institutions by foreign interest including to merge with, acquire or enter into any kind of controlling management or technical agreement with other MIFC-status financial institutions;
  ii. Acquisition of properties by MIFC-status financial institutions for own use.
  iii. In respect of acquisition of land and property for the purpose of developing into commercial and residential properties, only one-time approval from the FIC will be required.
- Flexibility is offered to Labuan offshore Islamic banks, the Islamic divisions of the offshore banks and offshore Takaful operators to open offices in Malaysia.
- Islamic financial institutions licensed under the Labuan Offshore Financial Services Authority (LOFSA) will be subject to a preferential tax rate of 3%, or RM20,000, under the Labuan Offshore Business Activity Tax Act 1990 and therefore enjoy existing privileges for their participation in MIFC.
- Tax deductibility on expenses incurred to establish an Islamic stockbroking company.
- Fund managers managing Islamic funds for foreign investors will enjoy tax exemption for 10 years on the management fees received for such funds.

Existing Islamic banking and Takaful players

The existing Islamic banks and Takaful players can also take advantage of several incentives by the Malaysian government. They include:

- Malaysian Islamic banks may seek approval to set up international currency business units (ICBU), a dedicated division to conduct the full range of Islamic banking services with non-residents and residents in international currencies. The ICBU will enjoy a 10-year tax exemption.
- Malaysian Takaful operators may seek approval to set up ICBUs, a dedicated division to conduct the full range of Takaful business in international currencies. The ICBU will also enjoy a 10-year tax exemption.
- Five-year tax exemption on profit of newly established branch overseas or remittances of new subsidiaries overseas for Malaysian banks.

Incentives for Islamic financial products and services

There will be a 10-year stamp duty exemption on:

(a) instruments relating to Islamic banking and Takaful activities executed by MIFC players who are licensed IIBs, ITOs and banks and Takaful operators that have been approved by Bank Negara Malaysia (the central bank) to conduct international Islamic banking and Takaful businesses under MIFC; and
(b) instruments relating to Islamic securities issued under MIFC that have been approved by the Securities Commission.

Incentives for investors

Investors are also provided incentives as follows:

- Tax incentives for the investors of Islamic real estate investment trusts (REITs) in Malaysia are as follows:
  - Local and foreign non-corporate investors that receive dividends from Islamic REITs listed on the Bursa Malaysia are subject to a final withholding tax of 15% for five years;
  - Foreign institutional investors especially pension funds and collective investment funds that receive dividends from Islamic REITs listed on Bursa Malaysia are subject to

continued...

MIFC Incentives for All (continued...)

a final withholding tax of 20% for five years;
- Islamic REITs are exempted from tax on all income if 90% of total income is distributed to the investors; and
- If 90% distribution is not complied with, all investors are eligible to claim tax credit.

- Withholding tax exemption for non-resident investors on income from holding Islamic securities.
- Income tax exemption for resident investors on income from holding ringgit and non-ringgit denominated Islamic securities.
- Tax exemption on profit income received by non-residents on deposits in financial institutions established under the Islamic Banking Act1983.

Incentives for issuers

The Malaysian government also provides incentives for issuers such as:

- Special purpose vehicle (SPV) for Islamic financing purposes via the Islamic capital market is not required to comply with the administrative procedures under Malaysian Income Tax Act 1967.
- Company that establishes SPV is given a tax deduction on the issuance cost of the Islamic securities incurred by the SPV.
- Tax deduction on issuance cost for all Islamic securities approved by the Securities Commission.
- Liberalization of the foreign exchange administration policies allowing ringgit and non-ringgit denominated Shariah compliant financial instruments to be raised in the domestic bond market by residents and non-residents. The ringgit funding can also be swapped with other currencies.
- Efficient delivery process to facilitate issuance of Islamic securities.

Malaysia adopts a holistic approach in developing its Islamic financial system. Without a doubt, it has invested significant resources and efforts to lay down a complete financial system chain that seeks to ensure the smooth functioning and overall stability of the Islamic financial system. The industry has taken on a new level to become more internationally integrated. It has established a greater role in facilitating international economic and financial flows.

The above incentives prove that the MIFC offers exciting opportunities and avenues for growth for key players, investors and issuers looking to expand their international market presence and investment potential. It is also shows the commitment of the Malaysian government to propel the development of the country's position as a renowed international Islamic financial center.

AZMI & ASSOCIATES
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ETFs All the Rage in Equity Market

By Shabnam Mokhtar

Exchange-traded fund (ETF) is an emerging instrument in both the conventional and Islamic equity market. The first ETF was the S&P 500 Index fund named Spiders (SPDR) that started trading on the American Stock Exchange (AMEX) in 1993.

To date, the conventional space has seen the growth of hundreds of ETFs that cover various sectors, countries and markets.

The Islamic ETF made its entry into the market in February 2006, when Bizim Menkul launched the first Islamic ETF — the DJIM Turkey ETF — listed on the Istanbul Stock Exchange that tracks the performance of the DJIM Turkey Index.

A year later, in February 2007, BNP Paribas launched EasyETF DJIM Titan 100 listed on the Swiss Exchange while last December, iShares, the ETF specialist arm of Barclays Global Investors, launched three Islamic ETFs listed on the London Stock Exchange: MSCI World Islamic, Emerging Markets Islamic and USA Islamic.

More recently, Malaysia launched MyETF DJIM 25 in January 2008, tracking the DJIM Titan 25 Index in Malaysia. While the DJIM Turkey, EasyETF and MyETF DJIM 25 were based on the respective Dow Jones Indices, the iShares ETF was based on the MSCI (Morgan Stanley Capital International) Islamic Indices.

Name	Index	Manager	Launch/ listing
DJIM Turkey ETF	DJIM Turkey	Bizim Menkul	Feb 2006/ Istanbul
EasyETF DJIM Titan 100	DJIM Titan 100	BNP Paribas	Feb 2007/ Swiss
iShares: • MSCI World Islamic • Emerging Market Islamic • USA Islamic	MSCI Islamic	Barclays (iShares)	December 2007/London
MyETF DJIM 25	DJIM Titan 25	i-VCAP Management	January 2008/ Malaysia

Table 1: Current Islamic ETF in the market

What is an ETF?

ETFs are similar to mutual funds, but they are listed on an exchange and thus can be traded just like a stock. Mutual funds provide investors with diversification benefit and professional management; however, they are not traded on exchanges. If we were to buy and sell mutual funds, we would have to do it through a fund management company.

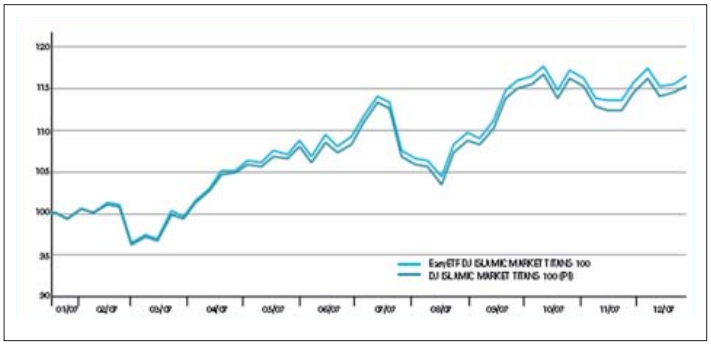
Mutual funds also involve an active management strategy where the fund managers pick the stocks that will generate a higher return compared to the market return.

ETFs are also comparable to index funds. Index funds are mutual funds that track the performance of indices (S&P 500, DJIM and so on). It involves passive investment strategy, i.e. the fund manager chooses stocks that are similar to the index that he is tracking. He does not have to pick his own set of stocks.

He simply follows the constituent of the indices that he is tracking because the aim is to provide the investors the same return as the market return. ETF also adopts passive management, where it tracks the constituent of the indices and thus provides the market return.

The chart illustrates the return of EasyETF DJIM Titan 100 ended the 31st December 2007.

Comparison of EasyETF DJIM performance with DJIM Titan 100 performance



(Source: Easy ETF DJIM Titan 100 Fact Sheet as at Dec 2007)

Therefore, is ETF just another name for index fund? Not quite. As index fund is a type of mutual fund, it is not listed and traded. ETFs, however, are listed on an exchange and traded.

> "ETF also adopts passive management, where it tracks the constituent of the indices and thus provides the market return"

That means we can obtain the price of the ETF at any time of the day (just like a stock), unlike mutual funds that calculates its net asset value at the end of a day. In addition, ETF creation and redemption are in kind, not in cash. Simply put, ETFs are listed index funds with in-kind creation and redemption features.

How is ETF different from a stock then? If you buy a single stock, your portfolio is not diversified. However, if you buy an ETF unit, it allows you to own a pool of stocks via a purchase of a single security. So, ETF gives the diversification of an index plus the tradability of a stock. ETFs represent innovations that have taken place in the equity market. The equity market started off with stock trading.

continued...

ETFs All the Rage in Equity Market (continued...)

However, as retail investors did not have the time and skill to pick and trade stocks, this gave rise to mutual funds (introduced in 1975) — a fund manager managing stock trading for a pool of investors. As mutual funds were usually unable to beat the market return (market as measured by indices), the index fund was created. Nonetheless, as mutual and index funds are not listed and traded, the market players came up with ETF — a listed index fund.

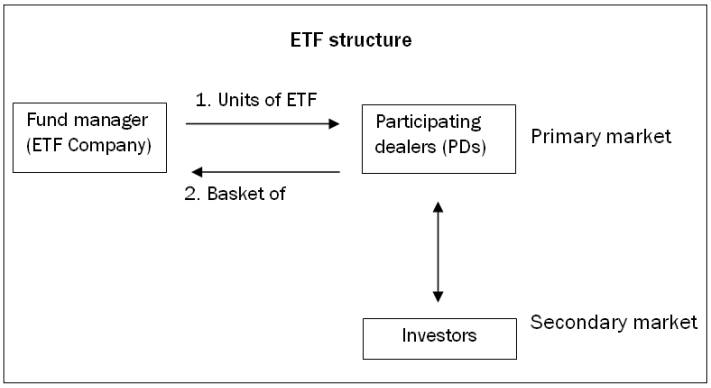
Bursa Malaysia

Structuring the product

In a mutual fund, the unit holders pay cash in exchange for the units in the fund and the fund manager utilizes the cash to buy the underlying shares. In an ETF, however, there is no cash exchange taking place in primary market (for the creation and redemption). It involves in-kind creation and redemption.

Instead of paying cash, the participating dealers (the market makers) deliver a basket of shares in exchange for the units in the ETF. The diagram illustrates this process.

The principal dealers could then sell these ETF units to other investors via the exchange. The secondary trading of course would involve cash. The principal dealers are selling the ETF units that represent ownership in the basket of securities. In redemption, the principal dealers return the ETF unit to obtain back the basket of shares.



Improving liquidity

How could ETF benefit the industry, one should ask? In the Malaysian Islamic ETF, for example, it was aimed at improving liquidity in the equity market by increasing the free float. The MyETF-DJIM25 was an avenue for the Malaysian government-linked investment company (GLIC) to divest their interest in the Malaysian government-linked companies. There were seven GLICs involved, namely Khazanah Nasional, Employees Provident Fund, Kumpulan Wang Persaraan (Pension Fund), Lembaga Tabung Haji, Lembaga Angkatan Tentera, Permodalan Nasional Bhd (PNB) and Valuecap.

The DJIM Titan tracks the leading 25 Shariah compliant counters on Bursa Malaysia — in which plantation shares like Sime Darby and IOI Corp make up half of the index — while other stocks include the construction, property, oil and gas, and the telecommunications sectors. The GLICs aforementioned would sell part of their portfolio in these leading companies in exchange for the ETF unit.

> "Although ETF is a new trend in both the conventional and Islamic space, it has great potential to improve liquidity in the market if structured in the right manner"

MyETF-DJIM25 had an authorized unit size of 10 billion. However, the initial tranche size was only 840 million units. The seven GLICs subscribed 700 million units of the ETF (100 million each) and the remaining 140 million units were allocated for the institutional investors and the retail investors.

This is anticipated to improve liquidity in the Malaysian equity market as there will be more shares readily available for trading in the market (i.e. increase in free float due to divestiture of government holdings in the market).

"With greater liquidity, investors will be able to buy and sell a large amount of shares, one or two million shares for example, without any major movements in the share prices," second finance minister of Malaysia, Mohamed Nor Yakcop, highlighted recently during the launch of MyETF in Kuala Lumpur.

Great potential

Although ETF is a new trend in both the conventional and Islamic space, it has great potential to improve liquidity in the market if structured in the right manner. Malaysian's experiment to increase liquidity in the equity market by the divestiture of government holdings in the public listed companies could be applied in the Sukuk market to increase secondary trading.

As currently retail participation in the Sukuk market is very limited, coupled with the problem of no secondary trading, an Islamic ETF may potentially help manage the challenge. An Islamic ETF can be structured to exchange the ETF unit for the Sukuk and encourage a broader group of investors participating in secondary trading.

Ijarah in Chelsea Barracks Deal Breaks New Ground

By Arfa'eza A Aziz

London's property scene was elevated to a new level when billionaire brothers Nick and Christian Candy, together with their Qatari business partners, acquired the Chelsea Barracks for almost GBP1 billion (US$2 billion) at end-January.

The brothers hope to develop the 12.8-acre site into a 21st century housing estate, the "equivalent of the great estates of Mayfair and Belgravia", making it one of the world's most anticipated projects. The site will also house a boutique hotel with two restaurants and a spa, shops, a community hall and a sports center, complete with a 25m pool. The flats, some costing tens of millions of pounds, will be outfitted with sophisticated gadgets and security measures. The target market? The world's most affluent hunting for a London base.

The acquisition made headlines when it was announced that the transaction between the defense ministry and Project Blue (Guernsey) Limited (consisting of the Candys and Qatari Diar Real Estate Investment Company, a branch of the Qatari government's Qatar Investment Authority) was executed through Islamic finance.

The syndicated Ijarah leasing created a precedent for the Islamic finance industry as this is the first time UK tax legislation has been applied in relation to a syndicated Ijarah facility. The innovative and complex syndication arrangement — which is said to be a catalyst for the property development in the legal perspective — was structured by a high-profile team at Norton Rose.

Islamic Finance *news* recently conducted a teleconference interview with two of the firm's partners, Lucy Wolley Dod in London and Dubai-based Anthony Pallett, on the challenges and concerns in the course of structuring the landmark deal. Below are excerpts from the interview.

What was the firm's role in executing the Chelsea Barracks deal?
Pallett: We were approached by HSBC, a long-standing client, to act for the arrangers for the financing. The borrower wanted a Shariah compliant structure that fitted within the framework of UK law.

We were asked to look at the proposed outline Ijarah structure and devise a syndication structure for the transaction that would comply with the relevant tax and real estate legislation in the UK.

What are the main factors that made it possible for the firm to structure the product within UK laws?

Pallett: The financing was possible because of the stamp duty and direct tax legislation comprising the 'alternative finance regime', which gives Islamic real estate finance the same tax treatment as conventional real estate finance.

Wolley Dod: Our team of experts was also part of the reason we were able to structure the product. Apart from the Islamic finance and real estate teams in both London and Dubai, our team included tax partner John Challoner and his team who have worked extensively on the development of Shariah compliant products in the UK and advised HMRC (UK tax authority) in relation to the development of the UK tax legislation and alternative finance regime.

This legislation is intended to level the playing field between conventional and Islamic financing products so that the tax treatment of Islamic finance is no more onerous than that of conventional debt and, in particular, to avoid the double charge to stamp duty that previously penalized those wishing to finance the purchase of UK real estate in a Shariah compliant manner using an Ijarah structure. Our in-depth knowledge of the legislation assisted us in structuring the transaction within the framework of the alternative finance regime.

> "The syndicated Ijarah leasing created a precedent for the Islamic finance industry as this is the first time UK tax legislation has been applied in relation to a syndicated Ijarah facility"

Why syndicated Ijarah financing? Couldn't the transaction be supported by another type of Shariah compliant product?
Pallett: The UK tax laws do legislate on the different types of structures. One of them is the Commodity Murabahah, which involves buying and selling metal on the London Metal Exchange. But that structure is not popular as it is not seen as a pure Islamic finance concept.

The Ijarah is a sale and leaseback transaction that is specifically envisaged by the UK legislation to allow Shariah mortgages. It is intended mainly for real estate transactions and so it was a natural fit for the Chelsea Barracks deal. It was the only structure that fitted the bill.

Wolley Dod: We did examine the viability of the Murabahah structure but it raised a number of different tax issues, particularly the potential for withholding tax on income under the Murabahah, which could have prejudiced the ability to syndicate the transaction widely.

How was it different from conventional deals?
Pallett: To put it simply, a conventional real estate finance deal involves a process whereby the bank lends money to the borrower to purchase the property and takes a mortgage over the property as security. However, under the Ijarah facility, the bank actually purchases the property and leases it back to the borrower.

Will this open the door for more similar financings in the UK?
Wolley Dod: We certainly hope so. We believe that there is a huge potential market to be tapped in Islamic finance. Because of the current credit crunch, the UK bank market has been very slow. Banks are reluctant to lend. I think Islamic finance can spur the market.

continued...

Ijarah in Chelsea Barracks Deal Breaks New Ground (continued...)

Ijarah financing is not new, but people have so far done it on a smaller scale. The Chelsea Barracks deal shows that it can be used in a syndicated structure on a jumbo sized transaction.

Could this structure effectively be used in the European market?
Wolley Dod: Yes, you can use the Ijarah structure — syndicated or not — anywhere and certainly so in Europe. We have regularly done these types of transactions in the Middle East where taxation is not an issue. However, in jurisdictions that impose stamp duty and other taxes, the structure can become problematic and result in significant tax costs.

> "We had to adapt the Ijarah structure and documentation which had been developed in the framework of the laws in the Middle East to the laws of England — *Pallett*"

But what makes it distinct in the UK is that we now have the benefit of specific tax legislation to create a level playing field for both conventional and Islamic finance. So, it avoids prejudicial taxation for the parties that would have applied under the old UK tax regime.

Briefly, when you use the Ijarah structure, the property is transferred a number of times — at the start by the buyer to the financier, and then from the financier to the buyer at the end of the term — in addition to the transfer by the original seller of the property to the buyer, which is the only transfer on a conventional deal. So, under the old tax laws, the parties were penalized by having to pay stamp duty twice.

Also, the rent paid under the Ijarah was treated as income from land and so did not benefit from the favorable tax treatment given to interest payments under a conventional debt financing. Elsewhere in Europe, while financial markets should have no problem in accommodating the Ijarah facility, especially when there is a large Muslim population as in the UK, the problem is that the relevant tax laws do not provide a level playing field. It can be done but there has not necessarily been the same political will that we have here in the UK.

Pallett: I think it's worth pointing out that Malaysia has legislations to address tax issues arising from Islamic finance structures. Interestingly, Singapore has also recently amended its laws to accommodate Murabahah and Ijarah. It may not be as developed as the UK regime but the structures are quite similar.

We have been involved in discussions with the Singapore authorities in relation to a transaction involving a similar structure to the Chelsea Barracks deal. So, as Lucy said, I think countries with a high Muslim population will consider implementing similar tax laws.

Was it a long and tedious process for the firm to structure the product?
Pallett: We started in September 2007 and between then and December, we managed to finalize the structure. By the end of December, we had reached common agreement on the principal structural and commercial issues. But documenting the structure was quite intense. It took us just over a month to complete the documentation — which is fairly quick considering the size and complexity of the transaction — but it was very intense for us in the last three to four weeks.

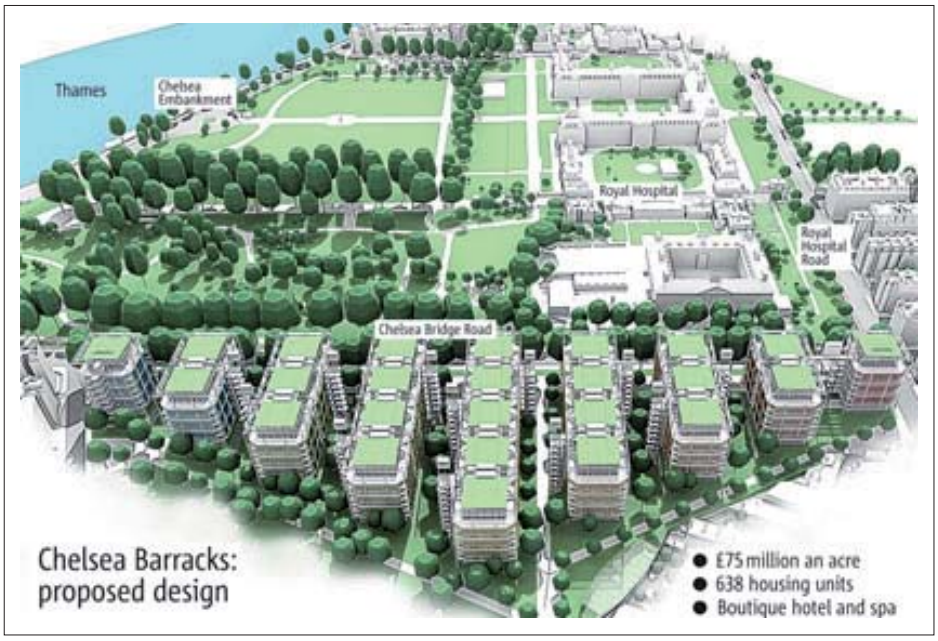
What challenges did the team face in structuring the syndicated Ijarah facility?
Pallett: To us, it was one of the most interesting transactions that we have worked on. Here, we had succeeded in completing a pure Ijarah transaction to fit not only the UK tax laws but also sophisticated English real estate laws.

We had to adapt the Ijarah structure and documentation which had been developed in the framework of the laws in the Middle East to the laws of England. So, we had to align the Shariah requirements within the realms of the UK property law and, at the same time, ensure that the Shariah scholars were comfortable. It was very crucial for us to obtain their approval of the documentation.

Which part of the structure raised concerns from the Shariah advisers?
Pallett: One example was the distinction in English law between beneficial and legal title to an asset, which is of particular relevance in property law, and was integral to the structure we devised to enable the syndication of the financing within the framework of the tax legislation.

It was necessary to make sure the Shariah scholars were comfortable that under this transaction, we could use the concept of beneficial ownership in conjunction with the more usual investment agency arrangements to allow the participation of all five mandated lead arrangers and subsequent syndication.

(Also see termsheet on page 26)



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

Name:	Oussama A Kaissi
Position:	General manager
Company:	Abu Dhabi National Takaful Company
Based:	Abu Dhabi, UAE
Age:	43
Nationality:	Lebanese/ American

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

I started my insurance career in the US in 1986 and moved to the Gulf in 1993, where I joined Al Dhafra Insurance and held several technical managerial posts.

After that, I moved to Bahrain in 1997 to work with ARIG, assuming the posts of regional general manager business partners and head of the technical division at ARIG Bahrain, held the post of general manager of ALIG Lebanon and Al Ahlia Bahrain.

In 2002, I decided to join the Takaful industry by accepting a position with Abu Dhabi Islamic Bank, where I established Abu Dhabi National Takaful Company.

What does your role involve?

I set and implement the strategic direction of the operation and assist the board of directors in the management of Takaful business, human capital and investments.

What is your greatest achievement to date?

The setting up of Abu Dhabi National Takaful Company (TAKAFUL) and being a part of the success it has achieved during the last four years.

(Editor's note: Takaful's earnings results for the year ended December 2007 reported an increase in net profit to AED10.6 million (US$2.9 million) from AED8.1 million (US$2.2 million) in 2006. Earnings per share rose to AED0.18 (US$0.049) from AED0.13 (US$0.035). Revenue grew to AED138.3 million (US$37.7 million) from AED87 million (US$23.7 million). The company reported a 59% growth in the contributions, which represent the Islamic insurance premiums. Also, the investment income increased by 65%.)

Which of your products/services deliver the best results?

As a Takaful operator, we strive on developing our products and in particular, the personal lines. We have succeeded in forging and delivering sound bancaTakaful relationships and products across the UAE.

What are the strengths of your business?

We have a strong niche in the UAE, first and foremost for being a Takaful operator and, coupled with our strong Islamic banking partnerships, it has provided us with a strong presence and potential for expansion.

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

There are various factors that contributed to the success of TAKAFUL. The unequivocal support of its shareholders, board of directors and the acquisition of distinct local and regional talents that are empowered and performing within TAKAFUL in a non-layered environment.

What are the obstacles faced in running your business today?

In the midst of the economic boom that we are witnessing in the UAE, our company and the Takaful industry as a whole are facing many challenges that might hamper their proper development.

These challenges manifest themselves in the form of a real shortage in the required human capital, lack of a supportive legal and regulatory framework, the non-existence of uniform terminologies and the degree of unresolved 'fiqh' issues.

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

The Islamic insurance industry is destined to grow along with the unprecedented growth in the Islamic banking industry, if the current trend in establishing new Takaful operators should continue and in the absence of a supportive legal and regulatory framework, we are deemed to witness a fragmented industry that shall not fulfill its long-term potential and mission.

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

It is really hard to single out or highlight 'one thing'. The pressing issues we face today are great and many, and should all be attended to.

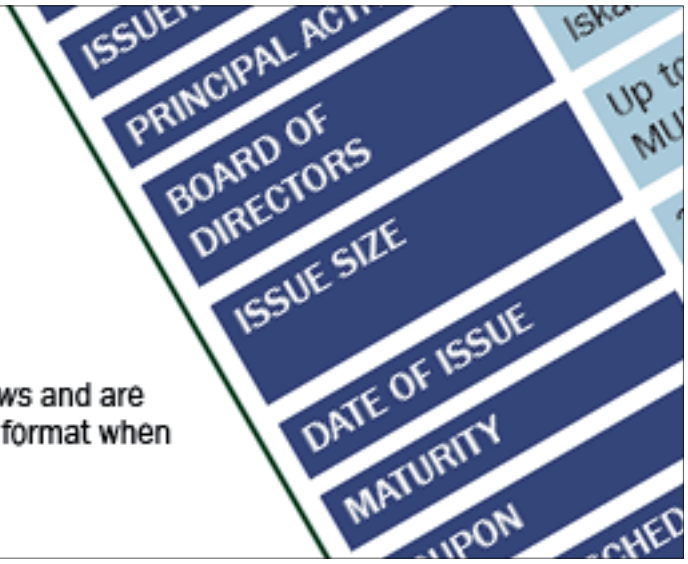
I would call for more Shariah scholars, adequate training for human capital, more uniformity in regulations and structured expansion to western countries.

تكافل
Takaful

Abu Dhabi National Takaful Company (TAKAFUL) is a national insurance company established in the capital of the United Arab Emirates, Abu Dhabi, in November 2003. TAKAFUL is a public shareholding company that aims to serve the growing need for Islamic insurance solutions by offering a comprehensive range of products and services. It was listed on the Abu Dhabi Securities Market in 2005.

Chelsea Barracks Syndicated Ijarah Financing

INSTRUMENT	Ijarah lease financing
ISSUER	Project Blue (Guernsey) Limited (PBGL) as lessee. PBGL is a joint venture between Qatari Diar Real Estate Investment Company and British-based CPC Group Limited. A majority of the shares is owned by Qatari Diar.
PRINCIPAL ACTIVITIES	Land acquisition and development, planned to be turned into a private residential accommodation located within landscaped environment, a seven-star boutique luxury hotel, affordable housing requirement equivalent to 50% of unit numbers, community areas and an underground car park
ISSUE SIZE	US$2,467,875,000
DATE OF ISSUE	31st January 2008
MATURITY	3.5 years
PAYMENT SCHEDULE	Purchase to be completed with payment split evenly over five years
IDENTIFIED ASSETS	12.8 acres
LEAD ARRANGERS	BNP Paribas, Calyon Credit Agricole, HSBC Bank Middle East Limited, Masraf al Rayan and Qatar National Bank
LISTING/LAW	Principal governing law — English
LEGAL COUNSEL	Clifford Chance for Project Blue (Guernsey) Limited; Norton Rose for the mandated lead arrangers
GUARANTOR	Qatari Diar Real Estate Investment Company



UAE

AM Best to discuss rating process

Those keen to learn more about the rating process for Takaful and reTakaful companies should make a date with Carlos Wong-Fupuy on Tuesday in Dubai. The managing senior financial analyst at AM Best will speak on the topic at the World Takaful Conference in Dubai.

AM Best recently published its Takaful methodology, which discusses its interactive rating evaluation as it pertains to Shariah compliant insurance companies. Visit www.ambest.com/ratings/methodology/TakafulInsurance.pdf

The two-day conference will be held on the 14th and 15th April.

SAUDI ARABIA

SABB Takaful, Amlak sign agreement

Amlak International and SABB Takaful Company have signed a memorandum of understanding that allows SABB Takaful products to be sold to Amlak's retail and corporate consumers. SABB products include savings and protection plans for individual consumers, as well as group care, savings and protection plans for the commercial market.

GERMANY/MALAYSIA

Munich Re to make Malaysia global hub

German-based Munich Re is planning to penetrate the reTakaful market in Islamic countries in the Middle East and Asia. The world's second-biggest insurance company hopes that within five years, it will dominate up to 20% of the global reinsurance market, and has chosen Kuala Lumpur as the sector's main hub, said director Ludger Arnoldussen.

In a related report, CEO Ludwig Stiftl said the company has established their operations in Malaysia with a working capital of RM25 million (US$8 million). He also revealed that it is in talks with eight Malaysian companies to offer Munich Re's general and reTakaful products. The group plans to widen the manpower within the Malaysian base.

Munich Re, whose local partner is MNRB Holdings, is the first international Takaful reinsurer to operate in Malaysia.

UK

Takaful goes mobile

The first Takaful for mobile phones will be launched in the UK. Foneshield UK decided on the new insurance scheme under the company to meet the growing interest in ethical and Shariah compliant products.

The launch is expected in the next few weeks, and will be the first mobile phone Takaful product in Europe.

INDONESIA/MALAYSIA

Mayban Fortis to buy 60% of Anugrah

Mayban Fortis Holdings is planning to formally acquire Indonesia's PT Anugrah Life Insurance.

Mayban Fortis is the Takaful and insurance arm of Maybank, while Anugrah is a subsidiary of PT Panin Life TBK. Maybank and Panin had earlier signed an MoU to commence talks on a possible joint venture via the acquisition of a 60% stake in Anugrah.

Panin and Mayban Fortis are preparing the submissions to the relevant Indonesian authorities for approval of the acquisition, following approval from Bank Negara Malaysia in late March.

(Also see IFN Reports on page 11)

MALAYSIA/UK

MNRB keen to acquire BIIH stake

MNRB Holdings has expressed intention to acquire up to 71.67 million shares from British Islamic Insurance Holdings (BIIH), which makes up to about 9.99% of the total shares. At GBP0.125 (US$0.247) per unit, the total amount of the acquisition will come up to GBP8.96 million (US$17.72 million).

BIIH plans to go for a dual listing strategy to sell the shares. The main market is on the Alternative Investment Market of the London Stock Exchange, and the other listing on one or several stock exchanges based in Gulf Cooperation Council region. The expected date of completion is the 30th June.

BANGLADESH

Prime manager of Islami IPO

Full-fledged merchant bank Prime Finance & Investment Limited has agreed to manage the proposed initial public offering by Takaful Islami Insurance Limited.

The signing of the agreement between the managing directors of the two companies was witnessed by Md Fazle Azim, chairman of Takaful Islami.

BAHRAIN/UK

BIBF course on Takaful

The Bahrain Institute of Banking and Finance (BIBF) has launched a Takaful program accredited by the UK's Chartered Insurance Institute (CII). The module is to launch in the UK in September.

The program will cover various Takaful issues, and a textbook has been developed by experts from around the world. BIBF plans to publish an Arabic version of the textbook and to develop a series of textbooks and training programs in the different areas of Takaful.

The Evolving Malaysian Takaful Industry

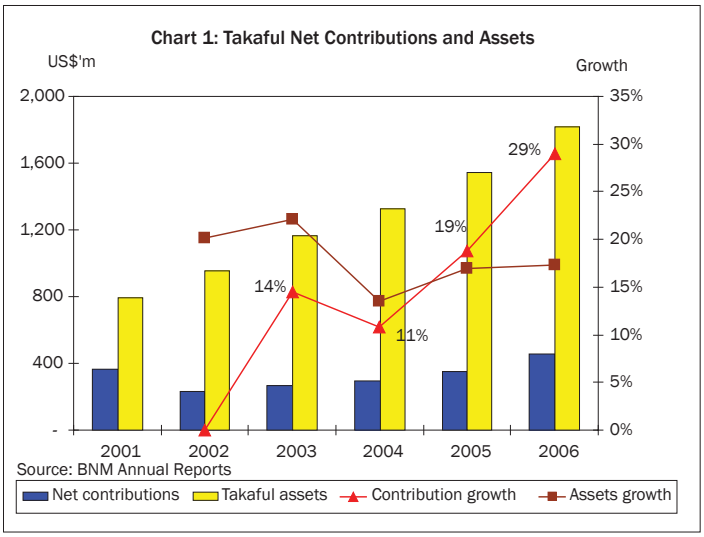
By Sridharan Nair and Adelyn Chen

The Malaysian Takaful market has achieved commendable growth since its inception more than two decades ago.

Takaful fund assets of about RM7 billion (US$2.2 billion) as at the first half of 2007 currently represent 6.3% of the total assets of the insurance and Takaful industry in Malaysia, an increase of 11% compared to 2006.

The number of registered Takaful operators grew from two to eight composite Takaful operators, contributing total contributions of RM1.43 billion (US$452 million) in 2006. Total Takaful contributions as at the first half of 2007 were approximately RM315 million (US$99 million), an increase of 36% from the previous corresponding period.

The robust growth in the Takaful industry's net contributions and assets is further depicted in Chart 1.



Based on the global Takaful contributions estimated at RM8.24 billion (US$2.6 billion) in 2006, Malaysia is the largest player with approximately 20% of the market. The results and achievements to date appear impressive.

Some may say that with Takaful being a relatively new market segment in Malaysia compared to the conventional insurance industry, the growth rates are not entirely unexpected, given the small starting base.

On the other hand, the development of the Takaful market did not take place by accident or without effort. There has been upfront planning by the regulators and market players, and significant efforts undertaken to overcome the challenges that confronted the industry.

This article examines the evolving phases of the Malaysian Takaful market to overcome impediments for growth and in facing current and future challenges.

Drivers of change

The key drivers of changes in the Malaysian Takaful industry are primarily the development on the regulatory front, the compelling market landscape and demographic factors, market competition and the overall growth of Islamic finance in the country.

- *Regulatory initiatives and developments*

Changes to the Takaful industry were perhaps inevitable, given the ambitious objectives set out in the Malaysian Financial Sector Master Plan (FSMP) launched in 2001 by Bank Negara Malaysia (BNM). It was envisioned that the Islamic banking and Takaful industry would contribute at least 20% of the Malaysian banking and insurance market by 2010 and epitomize Malaysia as a regional Islamic financial hub.

Since the launch of the 10-year plan, various initiatives have been initiated by Bank Negara Malaysia to provide enablers for growth in the industry. The key initiatives in the FSMP that backed the robust development of the Takaful industry are:

- Building, enhancing and strengthening the required institutional infrastructure;
- Increasing institutional capacity;
- Enhancing consumer awareness and protection;
- Enhancing the regulatory, prudential and operational framework;
- Strengthening the Shariah and legal framework; and
- Building greater linkages with international Islamic financial markets.

In enhancing the linkages with global Islamic financial markets, Malaysia continued to strengthen its position as a Takaful and reTakaful hub/center. The initiatives included the participation of up to 49% of foreign equity participation in domestic Takaful operators to expedite the development of the industry infrastructure, and the launch of Malaysia as an international Islamic financial center (MIFC), aimed at building greater intermediation linkages between East Asia, South Asia and the Middle East to further expand inter-regional trade and cross-border investment flows.

Therefore, it is an acknowledged fact that changes in the Takaful market were/are to a large extent driven by the country's vision and the planned regulatory initiatives and developments to put Malaysia in the forefront of the Islamic financial services world.

- *Market landscape and demographic trend*

The Malaysian Takaful market landscape indicates huge opportunities for growth, given the existing Muslim population of approximately 15 million and the low Takaful market penetration rate, which has risen slowly from 0.1% in 1990 to 6.8% in 2006. This is still very low compared to the conventional insurance market, where the penetration rate is almost 40% currently.

In addition, Malaysia has recorded a growth in per-capita income from RM13,883 (US$4,378) in 2004 to RM18,410 (US$5,806) estimated for 2007, a rise of 33%, indicating a substantial increase in the purchasing power of the population.

Based on statistics compiled by the Central Intelligence Agency, it is estimated that 63% of the Malaysian population currently are

continued...

The Evolving Malaysian Takaful Industry (continued...)

aged between 15 and 64; Malaysia clearly has a relatively young population.

The compelling market landscape and demographic trend signify a strong potential for Takaful market penetration to increase significantly and for the size of the Takaful market to grow exponentially.

> "The growth in the bancaTakaful channel started primarily from Takaful operators leveraging on their group structure with banking businesses and also strategic alliances formed with local banks with a wider branch network"

- *Market competition*

Notwithstanding the strong growth potential, the market will inevitably need to be prepared to compete with existing conventional insurance players. The key challenges include:

- Increasing consumer awareness of Takaful as an "ethical" form of insurance, embodying Islamic principles of mutuality and transparency. Target consumers may not be restricted to Muslims.
- Providing a comparable level and quality of service in terms of marketing, financial advice, processing efficiency and, most importantly, customer service.
- Offering a range of Takaful products and services that are comparable as well as differentiated from conventional insurance.

To grow the Takaful market and compete effectively with existing insurance players, Takaful operators must change and adopt continuously improving business operating models in areas such as distribution channels, product developments and operating infrastructure.

- *Growth in Islamic finance*

The growth in Islamic finance over the last few years and the more recent MIFC initiatives have further driven positive changes in the Malaysian Takaful industry. The rapid growth of the Sukuk market, for example, has become a key supporting factor in the development of the Takaful industry.

The availability of more Sukuk investments has helped meet the needs of Takaful operators who previously did not have sufficient options to invest in Islamic financial instruments, as well as to enhance the asset-liability matching needs of Takaful portfolios.

Note also that the growth and innovation of the Islamic financial market have to some extent driven product innovation in Takaful market, as evident by the increasing investment-linked Takaful products launched in recent years.

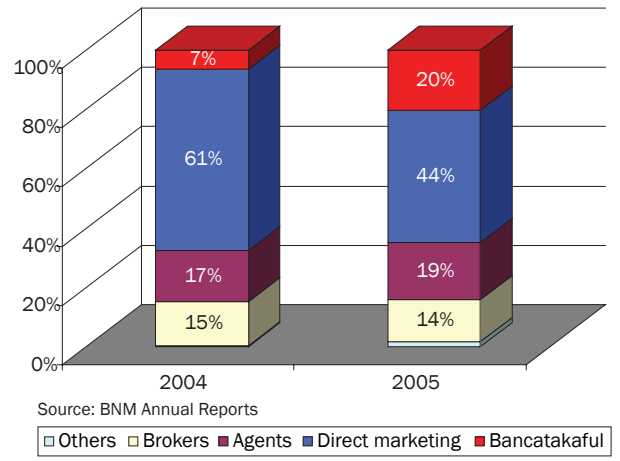
Changes in business operating models

The Malaysian Takaful industry in the 1990s comprised only two operators which adopted the Mudarabah (profit-sharing) model in their business operation and whose primary distribution channels were through their respective branch networks, marketing officers and some contracted agents.

Products sold were largely limited to a small range of simple products such as motor, fire and mortgage-related coverage. General Takaful products dominated, with close to 70% share compared to Family Takaful products. How have the business model and mix evolved in the last decade and what has driven these changes?

The main distribution channel was the direct marketing channel, comprising the branch network of Takaful operators and direct marketing. However, in 2004 and 2005, there was a sharp switch of business marketed by the direct channel to bancaTakaful, i.e. distributing through banks and other financial institutions.

Chart 2: Contributions by Distribution Channels



Source: BNM Annual Reports

As depicted in Chart 2, Takaful contributions distributed by direct marketing formed 61% in 2004, but this has fell sharply by 17% to 44% in 2005, whereas business via bancaTakaful increased from 7% in 2004 to 20% in 2005. Other significant channels are the agency force (19%) and the broking business (14%).

The growth in the bancaTakaful channel started primarily from Takaful operators leveraging on their group structure with banking businesses and also strategic alliances formed with local banks with a wider branch network. More structured and integrated bancaTakaful distribution arrangements are still in the formative stage in Malaysia.

Studies by most Takaful operators (including conventional insurers) and related market players have shown that bancaTakaful is perceived as a win-win proposition for all stakeholders, i.e. the customer, the bank, the Takaful operator and the regulator.

Specifically for Takaful operators, this channel of distribution allows the operator to focus on product development that is specific to the needs of the bank's customers (i.e. product manufacturing), to reduce the dependency on traditional distribution channels, lower distribution

continued...

The Evolving Malaysian Takaful Industry (continued...)

costs and, importantly, gain rapid access to a wider customer base with diverse needs and awareness of financial products.

In 2005, BNM introduced regulatory requirements for bancaTakaful with the primary aim of ensuring that customers benefit directly from the efficient cost structures, the transparent disclosure of intermediary costs for effective comparison between financial products and access to integrated financial services from banking institutions in a cost-efficient manner.

This channel will certainly continue to capture a larger portion of the Takaful market as more financial institutions are gearing toward higher fee-based income, cross-selling to their wide customer base and further enhance their financial services via better customer profiling by life cycle approach and credit-driven needs.

> "The biggest challenge is in achieving product differentiation between conventional insurance and Takaful, while still complying with Shariah principles"

This is expected to happen in tandem with the growth in Islamic financial institutions in Malaysia and the setting up of new Islamic banks by Middle East investors in Malaysia, such as Kuwait Finance House, Asian Finance Bank and Al Rajhi Bank. In more developed countries, about 60% of new insurance business is sold through the bancassurance channel; hence the expected growth in bancaTakaful is a realistic prospect.

Takaful operators continuously seek alternative distribution channels that are wide-reaching and cost effective. The distribution concept of "micro-insurance" is also being explored to bring it to the very low-income population, and to further promote Takaful's mutual protection concept.

As for distributions abroad, in conjunction with the MIFC initiatives, Takaful operators will be allowed to establish international currency business units to undertake international currency business in Islamic finance with non-residents in Malaysia or abroad.

Product development and innovation

One of the major challenges for Takaful operators in recent years is competition, both from the increasing number of Takaful operators and existing conventional insurers. To compete effectively, besides focusing on its distribution channels, Takaful operators have sought to differentiate themselves through product innovation and service quality.

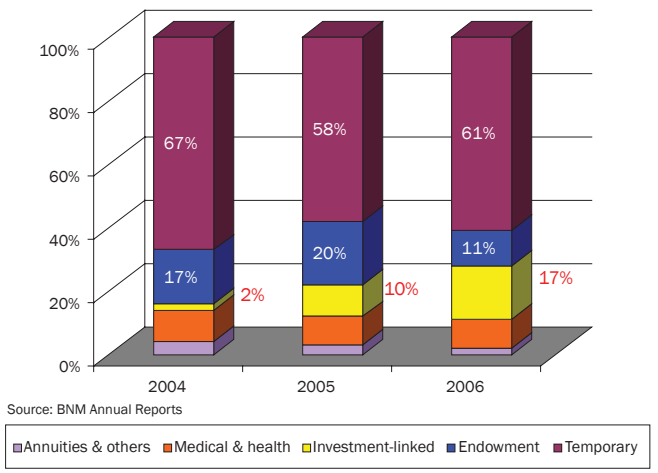
At its infancy stage, the Takaful market in Malaysia has predominantly focused on the general Takaful market. In 1990, the composition of net contributions between general and family Takaful was 70% and 30%, respectively.

In 2006, it was the reverse with family Takaful net contribution making up 72% of the Takaful market. The switch in composition indicates increased retail consumer awareness toward Takaful and more effective distribution channels.

The potential for growth in Takaful lies primarily in family Takaful as evident from the present penetration rate in the Takaful market of around 5%, compared to the conventional life insurance rate of almost 40%. Takaful operators are striving to increase penetration among the 15 million Muslims in Malaysia as well as the non-Muslim market as Takaful products represent values that are universal.

The biggest challenge is in achieving product differentiation between conventional insurance and Takaful, while still complying with Shariah principles. Therefore, BNM has enhanced the product approval process to ensure all pertinent aspects of products, such as risk management and Shariah compliance, are compliant in the race among operators to gain market share.

Chart 3: Distribution of Family Takaful New Business by Plan



Source: BNM Annual Reports

Over the years, the composition of family products has varied. The primary product sold has always been the temporary mortgage-related plan depicted in Chart 3. The focus on this product is due to its distribution to civil servants under the civil service home loan schemes.

The popularity of this product is expected to continue as BNM issued a policy in 2004, which required Islamic banking institutions to offer Takaful as the first choice in protection for Islamic financing that requires coverage unless it is the customer's preference for conventional insurance or the Takaful coverage is not available in the market.

The inclusion of endowment and investment-linked plans (ILPs) has, however, increased rapidly in recent years. Endowment plans increased from 17% in 2004 to 20% in 2005, but dropped to 11% in 2006, due to the aggressive growth of ILPs which increased from a low of 2% in 2004 to 17% in 2006.

The growth in ILPs was attributed to innovative product design, more effective use of the bancaTakaful channel as the main distribution channel, and the increase in supply of Shariah compliant investments fueled by the robust growth of the Islamic finance market in Malaysia.

continued...

The Evolving Malaysian Takaful Industry (continued...)

It is expected that Takaful product development and innovation will continue to be the main focus of operators as they strive to differentiate themselves from the conventional market and meet the demand of the Islamic finance market.

> "Consumer awareness and product differentiation are recognized as critical factors for increasing penetration of Takaful within the Muslim and non-Muslim population"

As Islamic finance is still in its developing stages, issuers may need to arrange for credit enhancements for Sukuk and other financial instruments. Operators may consider underwriting and providing credit enhancements to these financial instruments to make them more attractive to investors. However, for more sophisticated products to be developed; there is a real need for expertise, and sufficient and reliable information.

ReTakaful capacity

The development of the reTakaful sector is vital to the growth of the Takaful market in terms of pricing assistance, expertise and capacity that are available to the operators and compatible with Shariah principles. The reTakaful capacity provides an alternative to capital support.

BNM is inviting strong and qualified applicants to make Malaysia their center for reTakaful activities. This will fulfill the needs of the Takaful operators, reduce dependency on conventional reinsurance support and enhance local technical knowledge in the areas of underwriting, product development and innovation.

The Labuan International Offshore Financial Centre (IOFC) has emerged as an active offshore center for Islamic finance, regionally and worldwide, and aims to become the global center for reTakaful business.

The first reTakaful company was incorporated and licensed in Labuan in 1997 and as at June 2007, there were eight reTakaful operators, including six conventional reinsurance companies with reTakaful divisions. Some global reinsurance players have set up reTakaful operations in Labuan such as BEST Re, Takaful Re, Converium, Hannover Re and Munich Re.

Takaful contracts

Consumer awareness and product differentiation are recognized as critical factors for increasing penetration of Takaful within the Muslim and non-Muslim population. When addressing these factors, it is important to establish simple, clear and transparent Takaful contracts between operators and participants.

The Takaful industry started with two operators who adopted the Mudarabah (profit-sharing) model, under which Takaful contracts set out a profit-sharing basis between operator and participant.

The subsequent incorporation of new operators saw the Wakalah (agency) operating model being adopted. The Takaful contract under Wakalah works on the basis of Wakalah fees being charged. It is generally perceived that the Wakalah Takaful contract is simpler, yet the degree of clarity and transparency can be improved.

It would be useful — regardless of type of contract — if the basis for charges or profit sharing, other related expenses to be borne by the operators and/or participants, and the basis of returns to participants in the form of Mudarabah or return of capital, were clearly worded and transparent to the participant.

A high degree of simplicity, clarity and transparency will emphasize the Takaful benefit, enhance distribution of Takaful products to consumers and comply with Shariah principles.

In the past two decades, the Malaysian Takaful market has evolved tremendously under the regulatory forces which drove market development in order to compete with the existing conventional insurance market.

However, the market has since continued — and will undoubtedly need to continue — to evolve rapidly with Takaful operators focusing on increasing customer awareness of Takaful products, expanding the range of products offered with more attractive investment choices or retirement plans, widening penetration of distribution through financial institutions and alternative channels, developing a workforce with skills and talents in Takaful, and enhancing technology and infrastructure to achieve operational efficiencies and overall good customer service quality.

The regulators will continue to enhance the prudential supervisory framework for the Takaful market to protect participants' interest, and ensure operators adhere to a formal risk management framework and corporate governance practices so as to promote Shariah compliance and ethical practices.

PRICEWATERHOUSECOOPERS

Sridharan Nair is a partner while Adelyn Chen is an executive director at PricewaterhouseCoopers Malaysia. They can be contacted at + 603 2173 1188.

Next Forum Question

Do you think faith-based banking will overtake conventional banking someday?

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, 16th April 2008.

ASHURST — UAE

International law firm Ashurst has promoted Daniel O'Neill, based in Dubai, to partner in its energy, transport and infrastructure (ETI) practice. The appointment is with effect from the 1st May 2008.

The Australian and English qualified lawyer specializes in corporate and projects matters in the oil and gas sector.

HSBC — UAE

HSBC has appointed Ammar Shams to the newly created position of head of human resources, UAE. Ammar will lead all strategic HR support for HSBC UAE and oversee various aspects of recruitment and emiratization.

RAM RATINGS — Malaysia/Sri Lanka

Siti Norma Yaakob has been elected as the new chairman of RAM Ratings (Lanka) and its parent company, RAM Holdings. The former chief judge of Malaya was the first woman in Malaysia to be appointed as a High Court judge, a Court of Appeal judge and a Federal Court judge. She will also serve as chairman of RAM Rating Services, a wholly owned subsidiary of RAM Holdings in Malaysia.

Zainal Aznam, Syed Md Amin and Yeah Kim Leng were appointed directors.

Two directors from the previous board, C Rajandram and Suresh Menon, continue to serve as directors of RAM Ratings (Lanka).

ROYAL & SUNALLIANCE — UAE

Royal & SunAlliance has appointed Nadeem Muhammad as commercial insurance director and David Harris as sales and marketing director.

Nadeem joins from the Oman office, where he had been assistant general manager focusing on technical, claims and risk management for the last two years.

Harris was managing director of HSBC Insurance Brokers for three years prior to his new appointment.

ABN AMRO — Asia

John Sturmey has left UBS to join ABN Amro as head of equities capital markets for Asia.

James Fleming and Sam Kendall will be the new heads of UBS's combined equity syndicate and block origination/execution business based in Hong Kong.

DEYAAR DEVELOPMENT — UAE

Dr Mohammed Khalfan bin Kharbash and minister of economy Sultan bin Saeed Al Mansouri have resigned as chairman and vice-chairman of Deyaar Development. They will be replaced by Nasser bin Hassan Al Shaikh and Khalid Mohammad Ali Al Kamda, respectively.

Nasser and Abdullah Ibrahim Lootah were also appointed to the board of directors.

CITI PRIVATE BANK — Singapore

Akbar Shah will succeed Tan Su Shan as Citi Private Bank's new regional head for Singapore, Malaysia and Brunei, but remains head of megawealth of Asia Pacific.

Tan is leaving to join Morgan Stanley (see below).

JPMORGAN CHASE & CO — India

Sources revealed that Brijen Puri will be the new head of JPMorgan Chase's currency trading operations. He left his position as a senior trader at Bank of America after seven years of service.

HSBC — Global

HSBC Holdings, Europe's biggest bank by market value, has appointed Mukhtar Hussain as global CEO of its Amanah Islamic banking unit, based in Dubai. He will also head HSBC's global banking and markets business in the Middle East and North Africa region.

Hussain has been with HSBC since 1982, and his last post was as HSBC's head of global banking in London. The appointment takes effect from the 5th May.

ARAB BANKING CORPORATION — Jordan

The board of directors of Arab Banking Corporation (Jordan) has appointed Hassan Ali Jumaa as chairman with effect from the 6th April 2008. Hassan succeeds Ghazi Abdul Jawad.

HONG LEONG ASSURANCE— Malaysia

Hong Leong Assurance has appointed Primo B Aguas as chief operating officer of shared services. His employment took effect on the 1st April.

EXIM BANK — Malaysia

Export-Import Bank of Malaysia has appointed former Bank Pembangunan Malaysia chief operating officer Mohd Fauzi Rahmat as managing director and CEO with effect from the 1st April 2008.

TA INVESTMENT MANAGEMENT — Malaysia

Wong Mien is the new CEO of TA Investment Management. He has 20 years' experience in the industry, and had been general manager of KL City Unit Trust since 2002.

MORGAN STANLEY — Singapore

Tan Su Shan is the new chief of private wealth management for Southeast Asia and Australia. Tan is taking over from Leslie Menkes, who has been appointed head of Asia's onshore private wealth management.

BANK INDONESIA — Indonesia

Indonesian Chief Economic Minister Boediono has been appointed governor of the central bank. He will take over from Burhanuddin Abdullah, whose term ends in May.

Deal *tracker*

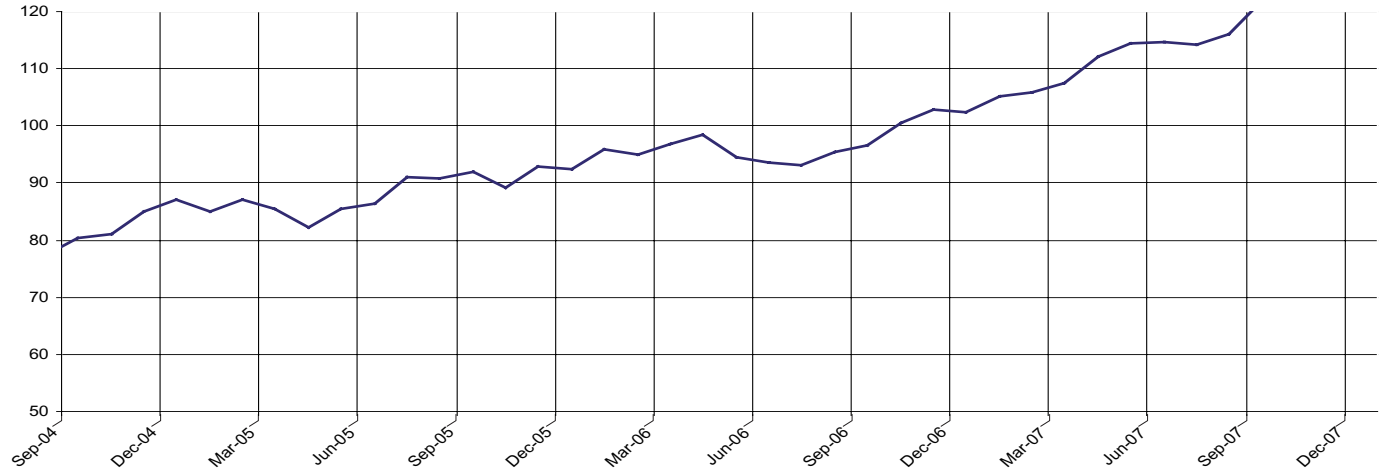
Keeping you abreast of the world's upcoming Shariah compliant deals

Another **Islamic Finance** *news* exclusive

ISSUER	SIZE (million)	INSTRUMENT
Islamic Development Bank	US$125.41	Ijarah
Al-Zamin	US$11.15	Mudarabah
Muhibbah Engineering	US$125.41	Mudarabah
Sarawak Energy	US$940.63	TBA
Indonesia	TBA	Ijarah
Orient Technology Indonesia	US$120	Islamic and conventional
Neelum-Jhelum Hydropower	US$800	TBA
Octagon	up to US$40.75	TBA
People's Leasing Co.	up to US$9.27	Ijarah
Perisai	up to US$47.03	2 tranches in 6 series
Ranipur Sugar	US$7.96	Diminishing Mushakarah
Pakistan International Airlines	US$1,086,609,140	Ijarah
Pak Elektron	US$1,997,443,272	Diminishing Musharakah
Pace Pakistan	US$31,959,092	Diminishing Musharakah
Adhi Karya	US$10.95	Mudarabah
Al Noor Sugar Mills	US$7.99	Diminishing Musharakah
BHCB	US$1,881,600,350	Islamic/Conventional CP/MTN
FACB Industries	US$25.11	Murabahah; CP/MTN
FACB Industries	US$32.96	BBA
Glomac	US$18.83	Murabahah MTN
Haisan	US$62.79	Ijarah
Hong Leong Industries	US$156.97	Musharakah CP/MTN
IJM Corp	US$251.15	TBA
Javedan Cement	US$15.98	Diminishing Musharakah
Kwantas	US$20.41	Murabahah; CP/MTN
Lahore Suncity	US$250	Musharakah
Megan Media Holdings	US$100.47	6 Series Bonds
Moccis Trading	US$119.31	Murabahah
Naim Cendera	US$156.99	Musharakah CP/MTN
National Industrial Parks	US$31.96	Ijarah
Orient Petroleum	US$31.96	Diminishing Musharakah
Pendidikan Industri	US$47.1	BBA

For more details and the full list of deals visit
www.islamicfinancenews.com

Eurekahedge North America Islamic Fund Index



Annualized returns for ALL funds (as of 9th April 2008)

	FUND	MANAGEMENT COMPANY	Performance Measure	FUND DOMICILE
1	United Islamic Income Fund (UIIF)	UBL Fund Managers	146.75	Pakistan
2	Islamic Ijara Fund V	Wafra Capital Partners	138.18	Kuwait
3	Thahabi Ijara Fund I	Wafra Investments Advisory Group	125.23	Kuwait
4	CIMB Islamic Equity Growth Syariah	PT CIMB-GK Securities	111.56	Indonesia
5	Bakheet Saudi Trading Equity Fund	Bakheet Investment Group	81.43	Saudi Arabia
6	Tijari Islamic Money Market Fund	Commercial Bank of Kuwait	76.44	Kuwait
7	Jadwa Saudi Equity Fund	Jadwa Investment	74.64	Saudi Arabia
8	Jadwa Arab Markets Equity Fund	Jadwa Investment	51.75	Saudi Arabia
9	Jadwa GCC Equity Fund	Jadwa Investment	51.12	Saudi Arabia
10	Al Fursan Fund	Banque Saudi Fransi	50.15	Saudi Arabia
	Eurekahedge Islamic Fund Index*		***4.51***	

Annualized Standard Deviation for ALL funds (as of 9th April 2008)

	FUND	MANAGEMENT COMPANY	Performance Measure	FUND DOMICILE
1	OSK-UOB Institutional Islamic Money Market Fund	OSK-UOB Unit Trust Management	0.02	Malaysia
2	ING i-Enhanced Cash	ING Funds	0.10	Malaysia
3	AmAl-Amin	AmInvestment Management	0.12	Malaysia
4	Amwal Islamic Money Market Fund	Kuwait & Middle East Financial Investment Company	0.15	Kuwait
5	PB Islamic Cash Management Fund	Public Mutual	0.15	Malaysia
6	Al Rajhi Commodity Fund Euro (Mudarabah)	Al Rajhi Bank	0.17	Saudi Arabia
7	Jadwa Saudi Riyal Murabaha	Jadwa Investment	0.19	Saudi Arabia
8	AlAhli Euro Murabahat Fund	The National Commercial Bank	0.19	Saudi Arabia
9	Boubyan Financial Fund USD	Boubyan Bank	0.20	Kuwait
10	Jadwa USD Murabaha Fund	Jadwa Investment	0.21	Saudi Arabia
	Eurekahedge Islamic Fund Index*		***7.42***	

EUREKAHEDGE

Contact Eurekahedge

To list your fund or update your fund information: islamicfunds@eurekahedge.com

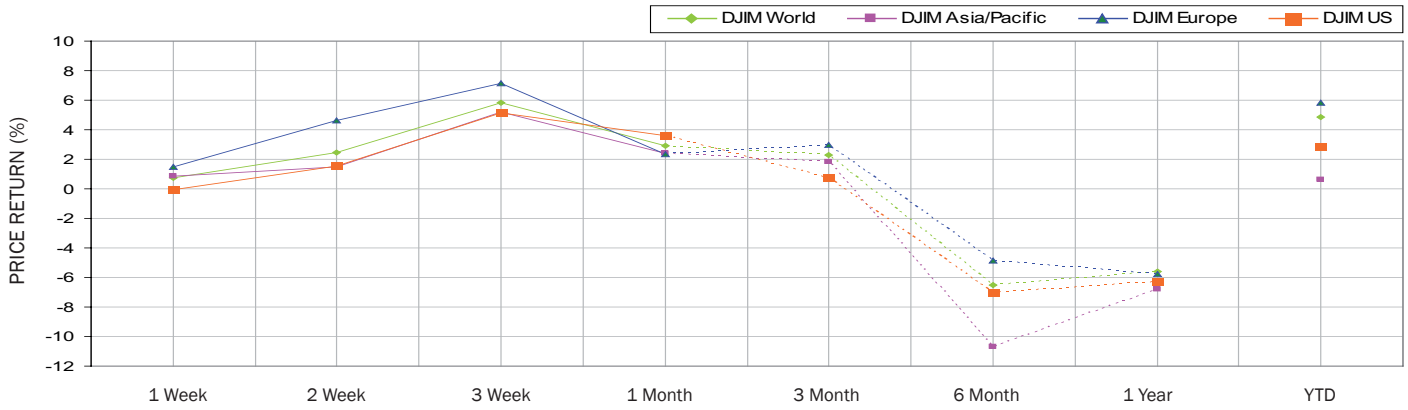
For further details on Eurekahedge: information@eurekahedge.com

Tel: +65 6212 0900

EUREKAHEDGE

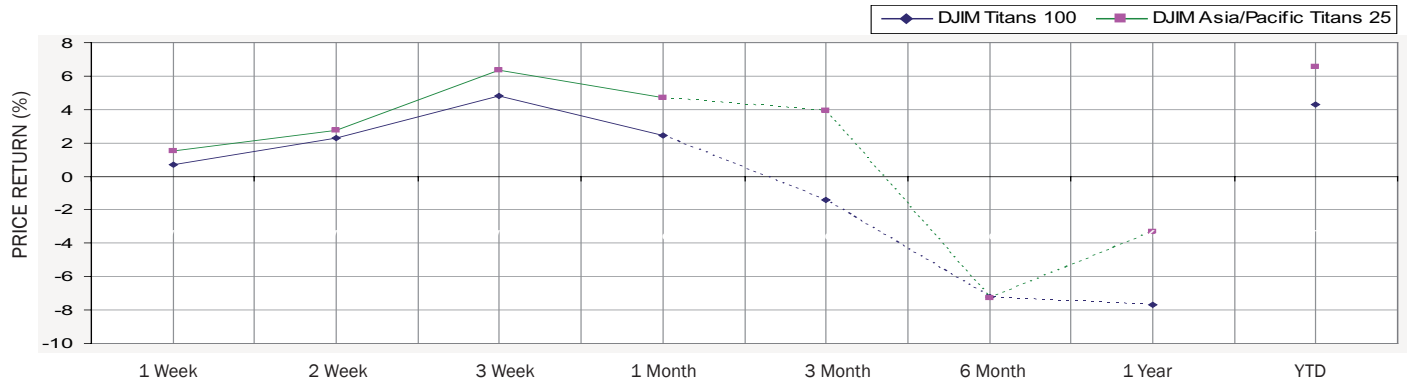
Data as of the 9th April 2008

PERFORMANCE OF DJ INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	0.75	2.48	5.85	2.92	2.28	-6.50	-5.60	4.85
DJIM Asia/Pacific	0.84	1.50	5.20	2.38	1.84	-10.66	-6.79	0.63
DJIM Europe	1.49	4.61	7.15	2.33	2.99	-4.85	-5.78	5.83
DJIM US	-0.03	1.54	5.16	3.59	0.74	-7.04	-6.31	2.83

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	0.71	2.31	4.83	2.44	-1.43	-7.23	-7.67	4.28
DJIM Asia/Pacific Titans 25	1.51	2.75	6.33	4.69	3.96	-7.26	-3.30	6.56

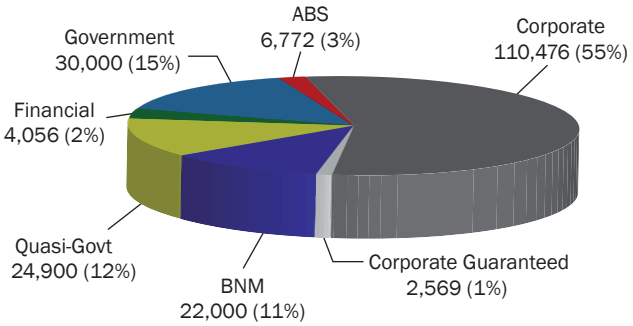
DESCRIPTIVE STATISTICS		Market Capitalization (US$ billions)						Component Weight (%)	
Index	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Largest	Smallest
DJIM World	2636	19937.06	16111.72	6.11	1.32	482.77	0.03	3.00	0.00
DJIM Asia/Pacific	1123	3896.27	2565.99	2.28	0.52	130.58	0.03	5.09	0.00
DJIM Europe	392	5301.80	3968.15	10.12	2.67	203.23	0.22	5.12	0.01
DJIM US	732	8766.34	8252.90	11.27	2.75	482.77	0.16	5.85	0.00
DJIM Titans 100	100	8250.82	7346.63	73.47	46.69	432.74	11.06	5.89	0.15
DJIM Asia/Pacific Titans 25	25	1261.51	823.72	32.95	24.51	85.05	11.06	10.33	1.34

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

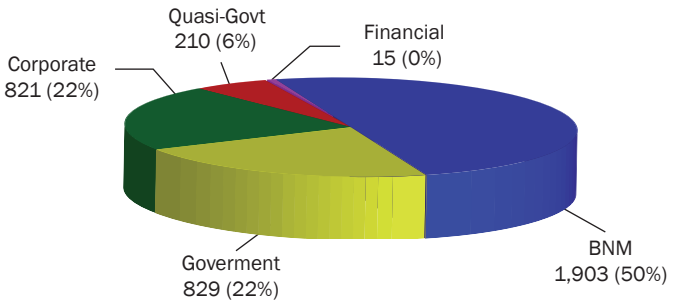
RINGGIT ISLAMIC DEBT MARKET: WEEKLY SNAPSHOT AS AT 9th APRIL 2008
MOST ACTIVE BONDS TRADED BETWEEN 3rd APRIL and 9th APRIL 2008

Stock Name	Last Traded Price	Last Traded Yield	Total Volume Traded Last 7	% w-o-w Price Change	Last Week Closing Price
BNMNI B4 (68D - 91D)	100.09	3.59	505	0.16	99.93
BNMN-IDB 73/2007 91D 27.03.2008	99.15	3.43	323.45		
BNMN-IDB 18/2008 182D 11.09.2008	99.23	3.40	230		
BNMNI B7 (172D - 211D)	100.90	4.06	215	0.08	100.82
BNMNI B9 (262D - 311D)	99.29	3.40	209.5		
CAGAMAS IMTN 3.830% 13.03.2009	99.54	3.40	195		
PROFIT- BASED GII 3/2007 14.09.2012	98.64	3.40	185		
BNMN-IDB 2/2008 90D 10.04.2008	100.13	3.50	130	-0.04	100.17
PROFIT-BASED GII 1/2007 15.03.2010	100.04	3.57	125	0.10	99.94
KHAZANAH 0% 08.12.2016	100.03	3.80	105	-0.11	100.14
BNMN-IDB 16/2008 182D 04.09.2008	99.72	4.18	105	-0.03	99.75
BNMN-IDB 34/2007 273D 20.03.2008	99.86	3.50	98		
RANTAU IMTN 0% 14.08.2013-MTN 2	97.77	3.31	90		
BNMN-IDB 17/2008 273D 11.12.2008	99.72	3.49	90		
WESTPORTS IMTN 0% 07.03.2013 (TRANCHE- 3)	99.03	3.40	87		

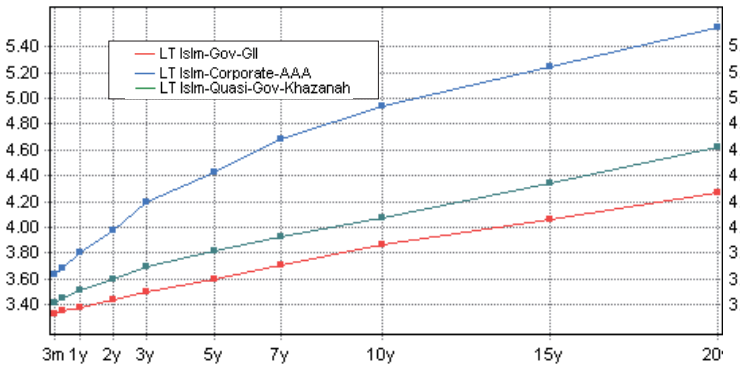
Outstanding Bond by Issuer Class as at 9th April 2008 (RM'000)



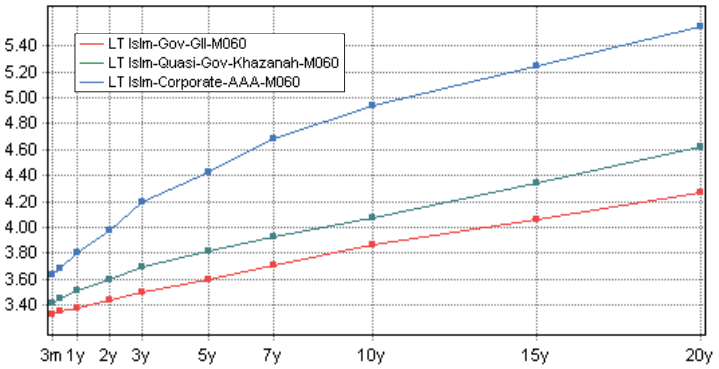
Bond Traded Amount by Issuer Class as at 9th April 2008 (RM'000)



YTM Curves as at 9th April 2007



5 YR YTM Historical Chart (week closing, last 3 months)



TOP ISSUERS OF ISLAMIC BONDS — APRIL 2007 – APRIL 2008

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Binariang GSM	Malaysia	Sukuk Musharakah	4,509	9	13.0	CIMB, RHB Investment, Aseambankers, ABN Amro, AmInvestment, OCBC Bank (Malaysia)
2	Malaysia	Malaysia	Islamic Sukuk	2,494	3	7.2	Malaysia Government bond
3	Saudi Basic Industries	Saudi Arabia	Sukuk Istithmar	2,133	1	6.2	HSBC Saudi Arabia, Riyad Bank
4	JAFZ Sukuk	UAE	Sukuk Musharakah	2,043	1	5.9	Barclays Capital, Deutsche Bank (London), Dubai Islamic Bank, Lehman Brothers International (Europe)
5	Dar Al-Arkan International Sukuk	Saudi Arabia	Sukuk Ijarah	2,000	2	5.8	ABC Islamic Bank, Arab National Bank, Deutsche Bank, Dubai Islamic Bank, Gulf International Bank, Kuwait Finance House, Unicorn Investment Bank
6	Nucleus Avenue (M)	Malaysia	Sukuk Musharakah MTN	1,994	9	5.8	CIMB
7	DP World Sukuk	UAE	Sukuk Mudarabah	1,496	1	4.3	Barclays Capital, Citigroup, Deutsche Bank, Lehman Brothers
8	Saudi Electricity	UAE	Islamic Sukuk	1,333	1	3.8	HSBC Saudi Arabia
9	Dubai Sukuk Centre	UAE	Sukuk Mudarabah	1,248	1	3.6	Deutsche Bank (London), Goldman Sachs International
10	Projek Lebuhraya Utara Selatan	Malaysia	Sukuk Musharakah	1,067	10	3.1	CIMB
11	Dana Gas Sukuk	UAE	Sukuk Mudarabah	1,000	1	2.9	JPMorgan
12	Cherating Capital	Malaysia	Exchangeable Sukuk	850	1	2.5	Deutsche Bank (Malaysia), JPMorgan, CIMB
13	Hijrah Pertama	Malaysia	Sukuk Ijarah	847	2	2.4	Citigroup, CIMB
14	Nakheel Development 2	UAE	Sukuk Ijarah	750	2	2.2	JPMorgan
15	Golden Belt 1 Sukuk	Saudi Arabia	Sukuk Manafaa	650	1	1.9	BNP Paribas
16	Cagamas MBS	Malaysia	Sukuk Musharakah Islamic Residential Mortgage Backed Securities	620	7	1.8	Standard Chartered, National Bank of Pakistan
17	Cagamas	Malaysia	Bithaman Ajil Islamic Securities/Mudarabah MTN	568	6	1.6	Cagamas, Aseambankers, HSBC, CIMB
18	Khazanah Nasional	Malaysia	Exchangeable Sukuk	550	1	1.6	CIMB, Deutsche Bank, UBS
19	National Bank of Abu Dhabi	UAE	Exchangeable Sukuk	545	1	1.6	Morgan Stanley, Credit Suisse
20	Silterra Capital	Malaysia	Sukuk Ijarah	530	1	1.5	CIMB, HSBC, Citibank
	Total			**34,670**	**307**	**100.0**	

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TOP ISSUERS OF ISLAMIC BONDS — JANUARY 2008 – APRIL 2008

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Malaysia	Malaysia	Islamic Sukuk	627	1	19.4	Malaysia Government bond
2	Khazanah Nasional	Malaysia	Exchangeable Sukuk	550	1	17.0	CIMB, Deutsche Bank, UBS
3	National Bank of Abu Dhabi	UAE	Exchangeable Sukuk	545	1	16.9	Morgan Stanley, Credit Suisse
4	Central Bank of Bahrain	Bahrain	Al-Ijarah Sukuk	350	1	10.8	Calyon
5	Menara ABS	Malaysia	Sukuk Ijarah	307	8	9.5	Citibank
6	Manfaat Tetap	Malaysia	Sukuk Mudarabah	230	1	7.1	Affin Investment
7	Westports Malaysia	Malaysia	Musharakah MTN	140	3	4.3	OSK Investment Bank
8	Al-Aqar Capital	Malaysia	Sukuk Ijarah	73	3	2.3	AmInvestment Bank
9	Syarikat Bekalan Air Selangor	Malaysia	Bai Bithaman Ajil Islamic Bond	71	4	2.2	HSBC, CIMB, Bank Islam Malaysia
10	PT Indosat	Indonesia	Ijarah Islamic bond	62	1	1.9	PT Mandiri Sekuritas, PT Danareksa Sekuritas
11	Alam Maritim Resources	Malaysia	Sukuk Ijarah	61	4	1.9	Aseambankers, Standard Chartered
12	Gamuda	Malaysia	Sukuk Musharakah and Sukuk Murabahah	55	1	1.7	AmInvestment, CIMB
13	Pendidikan Industri YS	Malaysia	Al-Bai Bithaman Ajil Islamic Bond	46	11	1.4	Affin Investment
14	KNM Capital	Malaysia	Murabahah and Mudarabah MTN	42	3	1.3	Aseambankers
15	Pace Pakistan	Pakistan	Musharakah Islamic bond	32	1	1.0	BankIslami Pakistan, Pak-Brunei Investment
16	Sunway City	Malaysia	Murabahah MTN	29	3	0.9	HSBC
17	Boon Koon Group	Malaysia	Murabahah MTN	3	1	0.1	AmMerchant
18	Tomei Consolidated	Malaysia	Murabahah MTN	3	1	0.1	Aseambankers
19	Instacom SPV	Malaysia	Murabahah MTN	2	1	0.0	MIDF Amanah Investment Bank
	Total			**3,227**	**50**	**100.0**	

ISLAMIC BONDS		APRIL 2007 – APRIL 2008		
	Manager or Group	Amt US$ m	Iss.	%
1	CIMB	5,943	67	17.1
2	HSBC	3,734	31	10.8
3	Malaysia Government bond	2,494	3	7.2
4	Deutsche Bank	2,230	21	6.4
5	JPMorgan	2,033	4	5.9
6	Citigroup	1,725	13	5.0
7	AmInvestment	1,352	53	3.9
8	Barclays Capital	1,310	4	3.8
9	Aseambankers	1,309	37	3.8
10	Dubai Islamic Bank	1,156	6	3.3
11	Riyad Bank	1,066	1	3.1
12	Standard Chartered	945	30	2.7
13	RHB Capital	926	68	2.7
14	BNP Paribas	845	3	2.4
15	Lehman Brothers	810	2	2.3
16	Oversea-Chinese Banking	683	16	2.0
17	Goldman Sachs	624	1	1.8
18	ABN Amro	620	8	1.8
19	Morgan Stanley	382	5	1.1
20	Credit Suisse	381	2	1.1
	Total	**34,670**	**307**	**100.0**

ISLAMIC BONDS		JANUARY 2008 – APRIL 2008		
	Manager or Group	Amt US$ m	Iss.	%
1	Malaysia Government bond	627	1	19.4
2	Calyon	350	1	10.8
3	Citigroup	307	8	9.5
4	Affin Investment	276	12	8.6
5	Credit Suisse	272	1	8.4
6	Morgan Stanley	272	1	8.4
7	CIMB	234	6	7.3
8	Deutsche Bank	183	1	5.7
9	UBS	183	1	5.7
10	OSK Asia Securities	140	3	4.3
11	AmInvestment	103	5	3.2
12	Aseambankers	76	8	2.3
13	HSBC	53	7	1.6
14	PT (Persero) Danareksa	31	1	1.0
15	PT Bank Mandiri (Persero)	31	1	1.0
16	Standard Chartered	30	4	0.9
17	Bank Islam Malaysia	24	4	0.7
18	BankIslami Pakistan	16	1	0.5
19	Pak-Brunei Investment	16	1	0.5
20	Malaysian Industrial Development Finance	2	1	0.0
	Total	3,227	50	100.0

ISLAMIC BONDS BY COUNTRY	APRIL 2007 – APRIL 2008		
	Amt US$ m	Iss.	%
Malaysia	17,826	261	51.4
UAE	8,276	14	23.9
Saudi Arabia	6,116	5	17.6
Kuwait	775	3	2.2
Pakistan	650	16	1.9
Bahrain	550	2	1.6
Total	**34,670**	**307**	**100.0**

ISLAMIC BONDS BY COUNTRY	JANUARY 2008 – APRIL 2008		
	Amt US$ m	Iss.	%
Malaysia	2,239	46	69.4
UAE	545	1	16.9
Bahrain	350	1	10.8
Total	**3,227**	**50**	**100.0**

ISLAMIC BONDS BY CURRENCY	APRIL 2007 – APRIL 2008		
	Amt US$ m	Iss.	%
Malaysian ringgit	16,126	258	46.5
US dollar	11,664	24	33.6
Saudi Arabian riyal	3,466	2	10.0
Emirati dirham	2,587	2	7.5
Total	**34,670**	**307**	**100.0**

ISLAMIC BONDS BY CURRENCY	JANUARY 2008 – APRIL 2008		
	Amt US$ m	Iss.	%
Malaysian ringgit	1,689	45	52.3
US dollar	900	2	27.9
Emirati dirham	545	1	16.9
Total	**3,227**	**50**	**100.0**

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DATE	EVENT	VENUE	ORGANIZER
April			
14th - 15th	The World Takaful Conference	Dubai	MEGA Events
15th - 16th	Asian Life Insurance Summit	Vietnam	MiddleEast Insurance Review
19th - 20th	8th Harvard University Forum on Islamic Finance 'Innovation and Authenticity'	Massachusetts	Harvard Law School, Islamic Legal Studies Program
20th - 23rd	Securitization World MENA 2008	Dubai	Terrapinn
21st - 22nd	9th Asian Conference on Bancassurance & Alternative Distribution Channels	Kuala Lumpur	MiddleEast Insurance Review
22nd	Islamic Capital Markets	UK	ICG Events
28th - 29th	2nd Middle East Bancassurance Conference	Bahrain	MiddleEast Insurance Review
30th	Hong Kong IFN Forum 2008	Hong Kong	Islamic Finance Events
May			
7th	Jakarta IFN Forum 2008	Jakarta	Islamic Finance Events
8th - 9th	2nd Asian CFO Summit	Singapore	MiddleEast Insurance Review
13th - 14th	5th IFSB Summit: Financial Globalization of Islamic Financial Services	Jordan	IFSB
19th - 20th	Islamic Finance Forum Series	Dubai	Interactive Events
20th - 23rd	Islamic Finance World North America 2008	US	Terrapinn
20th - 21st	The PEI Islamic Alternative Assets Forum: London 2008	London	PEI Media
21st	Karachi IFN Forum 2008	Pakistan	Islamic Finance Events
25th - 29th	Private Equity Forum	Dubai	IIR Middle East
26th - 27th	The World Islamic Capital Markets Conference	Bahrain	MEGA Events
	The World Islamic Funds Conference	Bahrain	MEGA Events
26th - 28th	4th Annual Middle East Project Finance Conference	Dubai	Fleming Gulf
26th - 29th	The International Islamic Finance Leadership Summit	Turkey	IQPC
June			
2nd - 5th	Funds World Middle East 2008	Dubai	Terrapinn
3rd	Cairo IFN Forum 2008	Egypt	Islamic Finance Events
15th - 17th	TradeTech Middle East 2008	Dubai	WorldWide Business Research
15th - 19th	Sukuk World Middle East	Dubai	IIR Middle East
23rd - 26th	4th International Islamic Finance Forum 2008	Hong Kong	Informa
24th - 26th	Islamic Finance & Investment World Europe 2008	UK	Terrapinn
July			
22nd	Innovative Product Development	UK	IGG Events
August			
11th - 13th	MIF 2008 Issuer & Investors Forum	Kuala Lumpur	Islamic Finance Events

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