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MALAYSIA

PLUS to issue MTN this month

Projek Lebuhraya Utara-Selatan (PLUS), a wholly owned subsidiary of Malaysia's biggest highway and toll company PLUS Expressways, plans to issue RM700 million (US$218 million) in nominal value Islamic Medium-Term Notes (MTNs) to refinance a tranche of its Senior Sukuk worth RM550 million (US$171.3 million), which is due on the 30th May.

PLUS aims to issue the MTNs, or Sukuk III, by end-May. Sukuk III, with a present value of approximately RM300 million (US$93.5 million) and a tenure of 14 years, has been assigned an "AAA" rating by Rating Agency Malaysia.

The sole lead arranger and bookrunner for the Islamic papers is CIMB Investment Bank. Senior Sukuk is part of PLUS's Islamic MTN program, which was established in October 2006 to refinance its Senior Sukuk. The total bond outstanding of PLUS stands at RM6.9 billion (US$2.17 billion).

(Also see IFN Reports on page 13)

INDONESIA

Indonesia government named banks

According to sources, Indonesia has named Credit Suisse, Deutsche Bank and Lehman Brothers as co-lead managers for its US$1.5 billion bond sale, due in June. It will possibly carry a 10-year term note, but no other details were given. This is part of the country's effort to plug its budget deficit due to fuel subsidies. The government is also planning to raise US$2 billion worth of Sukuk in the second half of this year. Indonesia was rated 'BB-' and 'Ba3' by Standard & Poor's Rating Services and Moody's Investors Service respectively.

MALAYSIA/PAKISTAN

Maybank to buy 15% MCB stake

Malayan Banking (Maybank) is buying a 15% stake in Pakistan's MCB Bank for RM2.17 billion (US$689.43 million). It will buy another 5% in the Islamic bank at a later date, which will make Maybank its major shareholder.

For the acquisition, the Malaysian bank signed five share purchase agreements with five individuals and with Muslim Commercial Bank Employees' Pension Fund, The Muslim Commercial Bank Provident Fund, Nishat Mills Employees Provident Fund Trust and Adamjee Insurance Company.

The total purchase amount is based on MCB's RM2.82 billion (US$892.8 million) audited net assets for the financial year ended the 31st December last year, strong profitability, earning potential as well as Maybank's expected benefits.

Maybank has previously acquired shares in banks in Indonesia and Vietnam, and the acquisition into Pakistan's fourth largest bank will see both banks enter into a business cooperation agreement that covers Islamic banking, retail banking, credit cards, and so forth.

(Also see IFN Reports on page 12)

In this issue

UK

IBB reveals new deposit account

The Islamic Bank of Britain (IBB) revealed the details for its deposit account which is made for individuals, corporations and charities, which provides a competitive profit from the investments with minimized risk to the depositors.

The new IBB Wakala Treasury Deposit Account is the only such product in the UK, said Sultan Choudhury, IBB's commercial director. The account can be opened in pound sterling, US dollars or euros. Funds by depositors will only be invested in Shariah compliant investments.

IBB is authorized and regulated by the Financial Services Authority, and all products are approved by the bank's Shariah Supervisory Committee.

INDONESIA

Summarecon to issue first ever Sukuk

Summarecon Agung, a public-listed company in Indonesia, will be issuing its first Sukuk. The Islamic bonds are worth IDR200 billion (US$21.69 million). Johannes Mardjuki, Summarecon's president director, said that the issuance will have a five-year maturity period and will be offered next month for three days, from the 10th June until 12th June. It will be listed on the country's stock exchange on the 18th June.

The company is also planning a conventional bond worth IDR100 billion (US$10.84 million) at the same time.

Andalan Artha Adcisindo Sekuritas and Kresna Graha Sekurindo have been appointed as the underwriters for both issuances. Johannes said that about 70% of the funds acquired will be used to buy land in North Jakarta, and the rest for working capital.

UAE

Dubai Investments profit up 57%

Dubai Investments reported results for the three months ended the 31st March 2008 with consolidated total income of US$299 million, 57% higher than the total income of US$201.4 million for the three months ended the 31st March 2007.

Net profit for the period was US$132 million, 11% more than the net profit of US$119.5 million for the previous corresponding period.

Total assets increased to US$3.1 billion, a growth of 66% over the total assets of US$1.8 billion as at the 31st March 2007. Total shareholders' equity increased to US$1.4 billion, a rise of 31% over the US$1.1 billion at the same date last year mainly on account of net profits achieved.

The return on average equity achieved for the period was 9.4% and return on average share capital was 22%. The earnings per share (EPS) for the period was 0.21, as compared to an EPS of 0.19 for the same period last year. The return on average total assets achieved for the period was 4.5%.

QATAR

Barwa buying into Sudan

Barwa Real Estate, the largest developer by market value in Qatar, has acquired land in Sudan to develop commercial and residential properties. It also plans to set up an investment firm in the African country.

The Shariah compliant company, however, did not give the value of the projects or say when Barwa Sudan would start operations.

Barwa International's license also allows it to build a hotel, hotel apartments, an international school, and a university, it added. Barwa's shares have rallied 64.52% this year, outperforming the country's measure, the Gulf Arab region's second-best performer, which rose 18.12%.

KUWAIT

Tharwa's financial report in AGM

Tharwa Investment Company announced its financial report during its annual general meeting (AGM) this week.

Among others, it reported an increase in the Tharwa Islamic Fund, which makes investments in Shariah compliant companies listed on the Kuwaiti Stock Exchange, to 0.47% within the period of the 22nd June 2007 to the 31st December 2007, compared to the 2.98% indicated in the Global Index Return.

Its asset under management stood at KWD149 million (US$557 million) on the 31st December last year and has now grown to KWD200 million (US$748 million). Client average performance is reported at 52.08% with an Average Global Index Return of 28.98%.

Tharwa also announced its expansion plans during the AGM through the activation of Tharwa Islamic Money Market Fund and Tharwa Arab Investment Fund, which is strategically located in Gulf Corporation Council markets. The establishment of Tharwa Saudia Company in Saudi Arabia and a real estate company in Bahrain is also being planned.

SINGAPORE

KFH is now in Singapore

Kuwait Finance House (Malaysia) Berhad (KFHMB) has launched its fully-owned subsidiary in Singapore. KFH Singapore has received the acknowledgement from the Monetary Authority of Singapore to start its fund management activities.

Shaheen Alghanem, KFHMB's chairman said that the establishment is proof of the institution's commitment to the development of Islamic finance in the region.

MALAYSIA

SC reveals new venture capital guidelines

New guidelines for the Islamic venture capital sector were announced by the Securities Commission this week to attract more investments in Shariah compliant firms.

Two main components under the guidelines are that investees must appoint Shariah advisors and the core business must be Islamic according to Nik Ramlah Nik Mahmood, SC's managing director. She made the announcement during the Islamic Venture Capital and Private Equity Conference.

Nik Ramlah added that it is the right time for Islamic venture capital market to be developed as it will bring in more foreign funds looking into investing in Islamic companies. She further noted that the sector is one that Malaysia can distinguish itself from other markets.

UAE

Tamweel announces price exchange

Tamweel reveals the exchange price on its trust certificates US$300 million exchangeable Sukuk, due in year 2013. It has been adjusted to US$2.20 from US$2.27, effective since the ex-dividend date, the 9th April 2008. The price is calculated after the approval of a AED0.22 (US$0.06) dividend per AED1 (US$0.27) nominal share during Tamweel's AGM on the 31st March.

MALAYSIA

Global Halal standard is under way

Malaysia is working towards building a common Halal standard among all members of Organization of Islamic Countries (OIC), which will hopefully promote the growth of the Halal industry worldwide, and pave the way for the country to be recognized as the global halal hub, said Nordin Abdullah, executive director of consulting company, KasehDia.

Malaysia's standards have been used by some OIC members as a benchmark and was developed and regulated by the country's Department of Islamic Development (JAKIM). Nordin added that it will take a few years for the development and implementation of a Halal standard, but this can help OIC members to penetrate into Western countries which have interest in quality Halal products and services.

The Halal Development Corp. has taken over the Halal regulation from JAKIM. Together with consulting company KasehDia and Malaysia's Department of Standards, the companies are involved in realizing the global Halal standards.

BAHRAIN

Shamil to promote new European fund

Shamil Bank will be having a road show in the Gulf Corporation Council to promote its new Islamic fund worth US$231 million. The Central and Eastern European Real Estate Fund is to be co-launched this weekend in collaboration with Swiss' Faisal Private Bank and Sharjah Islamic Bank. It has a five-year term.

Seven assets in Romania, Poland and Bulgaria have been identified for the fund, with more in other European countries such as Croatia and Ukraine being planned.

Shamil will start the road show on Sunday in Bahrain, and will move on to Oman, UAE and Qatar at later dates.

INDONESIA

Bankers say 20% sukuk growth possible

Despite the current credit crisis, Sukuk issuances globally can increase at a rate of 20% annually, according to bankers. Companies who have put their Sukuk plans on hold are now reconsidering their decisions. Malaysia's central bank, on the other hand, has 40% average growth per year due to high levels of Asia and Gulf's surplus savings and reserves.

The tremendous growth is mostly because of an increase of income from oil in the Middle East. Nik Norishky Thani, Dubai International Financial Centre's Islamic finance executive director said that Shariah compliant banks are liquid and there is always a need for investments.

TURKEY

Turkey to host first Islamic finance summit

Turkey will be hosting an Islamic finance conference for the first time later this month. The Leaders in Islamic Finance summit will be held from the 26th to 29th May.

It will be attended by top Islamic finance leaders and scholars, and is expected to attract international attention. The country's prime minister, Recep Tayyip Erdogan will also be addressing international delegates at the summit.

International Quality and Productivity Centre has been responsible in developing the summit. It is a collaborative effort between the conference provider and a special advisory board which comprises of representatives from the European Union Commission to the Turkish Parliament, Dow Jones, Al-Salam Bank, Credit Suisse and HSBC Amanah, among others.

MALAYSIA

Tourist count up by 11.1%

There was an 11.1% increase in the number of tourist from UAE in Malaysia during the first quarter in this year, which went up to 5,279 visitors from 4,749 in the same period of last year. One of the main reasons is accessibility.

Malaysia Airlines has seven flights per week flying between Dubai and Kuala Lumpur, while Oman Air will possibly fly out five times in a week, to start during the Arabian's summer vacation in July. This was revealed in a statement released by Tourism Malaysia.

The report also mentioned that the country is taking part in the Arabian Travel Mart 2008 to be held in Dubai World Trade Centre. It will be a chance to attract more tourists in Malaysia, and to increase business opportunities as well.

INDONESIA

Three Islamic banks to be developed

Bank Rakyat Indonesia, Bank Bukopin and Bank Negara Indonesia are opening up Islamic banking units, said Siti Fadjrijah, deputy governor of the country's central bank.

Bank Rakyat and Bank Bukopin will convert their conventional units into Shariah compliant banks, whereas Bank Negara is working together with the Islamic Corporation for the Development of the Private Sector (ICD) which is owned by Islamic Development Bank.

The deputy governor said this when speaking to press after attending the Islamic Finance news forum held in Jakarta on Wednesday. Bank Rakyat said in July it expects total assets of Islamic banks to rise to 91.57 trillion rupiah by the end of 2008.

BAHRAIN

GFH to set up cement company

Gulf Finance House (GFH) is setting up a cement company, CEMENA, slated to be the biggest in the Middle East and North Africa region. GFH will enter into collaboration with its strategic partners; the Associated Group, Emirates Islamic Bank, Capcorp, Holtec and China National Building Material Group Corporation (CNBM).

The surging demand for cement following the growth in the real estate sector prompted GFH to start a cement company which will initially penetrate seven markets in Bahrain, Syria, Jordan, Oman, Libya, UAE and Yemen.

The project will consist of plants located across the MENA region where production is expected to begin in 30 months, and the company aims to supply 10% of the region's future requirement.

BAHRAIN

Islamic banking is rising

A report by AT Kearney shows that Islamic banking is setting a firm ground in non-Muslim countries. The traditionally GCC- and Malaysia-focused sector is reporting major increases in other countries, especially UK where Shariah compliant banks have doubled up within a year.

Products are still in high demand in the core markets, which prompt banks to expand their businesses outside their respective countries. Maktoum Al Maktoum, the Dubai associate for AT Kearney said that non-Muslim investors make up about 40% of the total buyers in Islamic investments.

PAKISTAN

Meezan launches MCPF-I

Meezan Bank and Al Meezan Investment Management, the asset management arm of the bank, has co-launched Meezan Capital Protected Fund-I (MCPF-I) recently. It is the country's first Islamic capital protected fund, according to the bank's CEO and president, Irfan Siddiqui.

MCPF-I is an open-ended mutual fund with a maturity of three years and six weeks. It provides long-term investment opportunities to investors who are also looking into protecting their capitals and reaping potentially higher returns on the stock market. The fund will be adhered to regulations set by Meezan Bank's Shariah supervisory board.

UAE/UK

Almulla, Jasper ink deal

Almulla Hospitality has inked an agreement with UK's Jasper Capital Group to create a financial real estate company to develop an Islamic hotel chain with 150 properties internationally. Ninety of those will be located in the Middle East and North Africa.

The chain will operate under the Cliftonwood, Adham and Wings brand names, and will have its own Shariah board. The financial structure will also be Shariah compliant.

Almulla plans to develop its property portfolio using various forms of investment structures. It was previously reported that the Islamic travel market makes up to 10% of the global travel market, due to increasing wealth and higher awareness of lifestyle.

BAHRAIN

Sico profit up threefold

Bahrain-based Securities & Investment Company (Sico) posted a net profit of BHD3.5 million (US$9.3 million) for the first quarter, a threefold increase compared to BHD1.1 million (US$3 million) in the previous corresponding period.

Consolidated net income rose to BHD3.5 million for the period with assets under management reaching BHD257 million (US$682 million), an increase of 11% from BHD230 million (US$610 million) in the fourth quarter of 2007.

Total income increased by 243% to BHD4.4 million (US$12 million), compared to BHD1.8 million (US$4.8 million) in the first quarter last year.

UAE

Kahf workshop in June

If you're keen to learn more about Shariah compliant equity investments, Prof Dr Monzer Kahf is conducting a workshop following the Private Equity Forum 2008 in Dubai to be held from the 22nd to 26th June.

Kahf is a prominent scholar in Islamic economics, and one of the pioneers in structuring Islamic financial products.

KUWAIT

KIA wants to boost Islamic portfolio

Kuwait Investment Authority (KIA) wants to expand its Islamic portfolio, said managing director and board chairman, Bader al-Saad. The returns from Shariah compliant finance activities are currently high due to the growth of Sukuk and the Islamic banking industry, he added.

KIA manages the country's oil-generated assets, and has bought into Citigroup and Merrill Lynch. As at the end of the first quarter last year, KIA's assets under management were worth at least US$213 billion.

BANGLADESH

Bangladeshi companies to issue IPOs

Eleven companies vow to raise BDT2.22 billion (US$32.39 million) collectively, through initial public offerings (IPOs). They are now awaiting the Securities and Exchange Commission approval following the submission of their proposals recently.

Eight of the companies are financial institutions looking into raising funds to meet regulatory requirements. One of them is Takaful Islamic Insurance, who is planning to raise BDT90 million (US$1.31 million). Others are First Security Bank (US$16.76 million), National Housing Finance and Investment (US$728,862.99), Industrial and Infrastructure Development Finance Company (US$728,862.99), Bay Leasing and Investment (US$3.72 million), Republic Insurance Company, Northern General Insurance Company and Standard General Insurance Company at US$3.31 million each.

The remaining three are manufacturers looking into financing expansion plans. Maksons Spinning Mills wishes to raise US$1.16 million, Dhaka Dyeing and Manufacturing (US$2.48 million) and Summit Alliance Port (US$1.46 million). Maksons and Dhaka Dyeing have a face value of US$0.14 each.

UAE

Smallest growth for Mashreqbank

Mashreqbank posted its smallest profit growth in a year in the first quarter due to the global credit crunch and rising costs.

Net income at the bank, the UAE's second-largest lender by market value, in the three months to the 31st March climbed 4.5% to AED465.3 million (US$126.7 million), compared with AED445 million (US$121 million) in the year-earlier period. Investment income fell 28% to AED175 million (US$48 million), while costs rose 32%.

QATAR

Masraf Al Rayan chooses Misys

Masraf Al Rayan has chosen Misys from five other vendors as its core banking and trade services solutions provider.

The company's expertise and credibility in supplying Islamic banking and finance solutions are proven, which is exactly what the bank needs to pursue its regional expansion, noted Said Mohamed, Masraf Al Rayan's CEO.

Misys is an international solution provider for the banking, treasury and capital markets and healthcare industries.

UAE

Round-the-clock service from NIB

Noor Islamic Bank (NIB)'s main branch on Sheikh Zayed Road will stay open 24 hours throughout the week, said group CEO Hussain Al Qemzi. This makes NIB the first Mideast bank to operate round the clock.

Besides the 24/7 branch, NIB offers round-the-clock services in telephone banking, Internet banking and ATM services.

NIB was launched in January, and is part of Noor Investment Group.

UAE

RAK plans US$2 billion Sukuk

Ras Al Khaimah (RAK) is to issue up to US$2 billion of Islamic bonds. The money raised will be used to fund infrastructure projects and to set pricing levels for the RAK private sector.

The initial group will be benchmark size of at least US$500 million, and will probably be dirham denominated, in which case it will be the first sovereign Sukuk in the currency. Investors meetings were expected to commence early this week.

Standard Chartered is the sole lead arranger and bookrunner for the issuance.

MALAYSIA

Public Mutual declares distributions

Public Mutual has declared gross distributions for the financial year ended on the 30th April 2008 for three funds, two of which are Shariah compliant.

The wholly owned subsidiary of Public Bank declared distribution of RM0.02 (US$0.006) per unit for the Public Islamic Dividend Fund, while Public Islamic Asia Dividend Fund was declared at RM0.40 (US$0.13) per unit.

Both funds are targeted at medium- to long-term investors who seek income, with a secondary emphasis on capital growth.

The final fund is the Public Far-East Balanced Fund, which declared a gross distribution of RM0.18 (US$0.05) per unit.

As at the 29th February 2008, Public Mutual had total funds under management of over RM27 billion (US$8.56 billion).

UAE

Norton Rose set fourth Mideast office

Norton Rose has secured a licence to open in Abu Dhabi, its fourth in the Middle East. Dubai-based Middle East managing partner Campbell Steedman will move there to head the practice.

The office will cover corporate, project finance, aviation and asset finance transactions. The other offices are in Bahrain, Dubai and Riyadh.

Steedman added, "Feedback from our clients has been very encouraging and we look forward to being able to offer our support to both existing and new clients from a fully established practice in the city."

(Also see Moves on page 28)

BAHRAIN

BIsB launches Iqra

Bahrain Islamic Bank (BIsB) has launched Iqra, an affordable savings scheme that allows families to make monthly contributions to their children's tertiary education.

The scheme also provides Takaful covering the entire expected amount at the end of its maturity date, said Abdul Rahman Turki, general manager of BIsB's retail banking unit. It can be opened in either the parent's or the child's own name.

KUWAIT

Dar to sell Cham stake?

Kuwaiti Islamic firm Investment Dar may dispose of its stake in Cham Bank but has not reached a deal as yet.

An unconfirmed report said the firm had agreed to sell its 12.5% stake in the Syrian Islamic lender to Commercial Bank of Kuwait (CBK), the country's fourth-largest lender by market value, which offered 700 lira (US$15.32) per share for the stake.

Investment Dar, however, is said to have issued a statement that the matter is still being studied and is pending board approval.

BAHRAIN

Profit up 44% at Al Salam

Al Salam Bank said first-quarter profit jumped 44% on sale of investments.

Net income at the Bahrain-based Islamic bank advanced to BHD7.4 million (US$19.6 million) from BHD5.16 million (US$13.7 million) in the year-earlier period.

BAHRAIN

Sakana raises capital

Buoyed by a healthy real estate market, rising demand for Shariah compliant products and strong investor confidence, Sakana Holistic Housing Solutions raised its paid-up capital to BHD20 million (US$53.04 million) from BHD12.5 million (US$33.15 million). This was revealed during its extraordinary general meeting last week.

Sakana chairman Abdul Hakim Al Mutawa sees the increase as a resounding vote of confidence in Sakana's performance from shareholders Bank of Bahrain and Kuwait (BBK) and Shamil Bank.

The increased capital will allow the Islamic mortgage provider to proceed with its strategic business plan and grow its existing business.

UK

Industry's finest to attend Sukuk summit

The 2008 London Sukuk Summit, which will be held on the 25th and 26th June, will be graced by the attendance of a number of the industry's bigwigs and scholars.

Among the keynote speakers are Islamic Financial Services Board's (IFSB) secretary general Professor Rifaat A Karim, CEO of the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) Dr Abdur-Rahman Taha, head of financial institutions at Financial Services Authority (FSA) Michael Ainlet, debt products' manager at the London Stock Exchange Darko Hadjukovic, and CEO of the European Islamic Investment Bank (EIIB) John Weguelin.

Among the issues to be touched on are the IFSB Sukuk and securitization standards, Islamic financial products in a post-subprime crisis and Northern Rock era as well as investment protection for Sukuk and capital market transactions.

The summit is supported by the UK Treasury, FSA, IFSB, and endorsed by UK Trade & Investment. It is sponsored by, among others, ICIEC, Deutsche Bank, EIIB, Norton Rose, WestLB and the Islamic Bank of Britain.

GLOBAL

AFB plans Asian expansion

Asian Finance Bank (AFB) is looking into setting up an Islamic property fund of up to US$500 million next year. It is also planning to have an Islamic bank in Indonesia by 2010. This was among the issues highlighted during the Islamic Finance *news* forum held in Indonesia recently.

The plan for the property fund is not to be aggressively pursued yet as the market is still affected by the subprime crisis, according to AFB's CEO, Faisal Alshowaikh. He added that the property market is pretty much undervalued in the Asian country, and thus, there is potential.

On its plan to have a full-fledged Islamic bank in Indonesia, he noted that the country has huge potential due to the massive Muslim population and believes that they can do more in the retail banking and wealth management sectors.

Faisal said that AFB is keen to have representative offices in Singapore, Brunei, China, South Korea, Vietnam, Myanmar, Laos and Cambodia in addition to the ones in Indonesia and Malaysia.

BAHRAIN

BIsB puts a halt in money laundering

Special sessions were held by Bahrain Islamic Bank (BIsB) in its step to help prevent money laundering and to promote Shariah compliant transactions in collaboration with Bahrain Financial Services Training.

Abdul Aziz Ashoor, assistant general manager for BIsB's human resources and services said that the sessions also covered reports on suspected dealings and how money laundering is used to finance terrorist activities. In the need for banks to take measures to prevent and report these activities, Abdul Aziz added that staff in BIsB and other banks in Bahrain are trained in anti money laundering.

MALAYSIA

TH to invest in halal industry

Lembaga Tabung Haji (TH) wants to invest about RM300 million (US$94.3 million) initially in the halal food industry within the next five years. Potential returns in the sector deemed it as a new investment focus.

TH is looking to work with companies to broaden their wing in the halal food business. It has signed a deal with Silver Bird, a bakery and confectionery items producer, and now owns a 29.4% stake in the company. It is also endorsing all of Silver Bird's food products.

TH also has 9.89% and 9.78% stakes in QSR Brands, a fast-food chain operator, and food producer Lam Soon, respectively.

UAE

Dubai Holdings consolidates assets

Dubai Holdings has consolidated its Islamic assets in Dubai Islamic Investment Group and Dubai Bank, and has placed them under Dubai Banking Group.

Mohammed Al Gergawi, Dubai Holdings' chairman said that the decision was taken because of the sector's rapid growth, and this step will hopefully further enhance the growth and reinforces Dubai's status as the leading finance center internationally.

Dubai Banking Group has already invested in Dubai Bank in UAE, Al Fajer reTakaful in Kuwait, and Malaysia's Bank Islam. It will be managed by financial services company, Dubai Group.

INDONESIA

Sukuk, T-bills in the pipeline

The country's finance ministry plans to issue Sukuk for retail investors and Islamic T-bills to be used to develop its Islamic finance industry and stem the budget deficit.

Sukuk issuance to finance Indonesia's government projects is also being planned. These follow the recent announcement to raise US$2 billion to fund the budget deficit.

According to analysts, the issuances will be well received and could help in the country's financial difficulties. Wilong Bulong of ANZ Bank, on the other hand, feels that the government still needs to address the tax issues on the securities.

Last month, Indonesian legislators passed a bill allowing the sale of Sukuk to lure more investors to the country.

MALAYSIA

Al Rajhi eyes top spot

Al Rajhi Bank is moving in the right direction in its quest to become the leading foreign Islamic bank in Malaysia and the region.

The country's central bank recently approved the establishment of Al Rajhi's international Islamic bank to take on its investment banking operations. This will allow transactions in currencies other than ringgit, thereby providing universal offerings for local and international investors, said CEO Ahmed Rahman. It will be a direct branch of the Saudi Al Rajhi Bank.

The Malaysian subsidiary offers many differentiating factors in comparison to other Malaysian banks. From the retail aspect, these include the product structures, turnaround time and branch experience. It expects to see a 60% majority of retail banking within three years, and the remaining 40% in wholesale banking.

UAE

Nakheel sets pricing

Last week, Nakheel set the pricing for almost US$1 billion of Sukuk issuance, the largest of its kind this year.

The dirham-denominated Sukuk Ijarah are worth US$980.4 million and were priced at 225 basis points above the six-month Emirates Interbank Offered Rate (EIBOR), according to arrangers Dubai Islamic Bank, JPMorgan Chase & Co and Emirates NBD.

Last month, Nakheel chief financial officer Kar Tung Quek had said the bond sale was to finance expansion. The developer has held at least three Islamic bond sales, including one worth US$3.52 billion in 2006, the world's largest.

INDIA

Placing Reliance on PMS

Reliance Money has launched a portfolio management service (PMS) in collaboration with Parsoli Corporation, where managers can create Shariah compliant basket of stocks for each client. The service, the first of its kind in India, will be marketed there and in west Asia.

Reliance, the financial distribution arm of Anil Dhirubhai Ambani group, will create and market the PMS. Parsoli, which provides Islamic investment services including equity broking, mutual funds, advisory services and insurance in India, will see to the Shariah guidance. It launched the Parsoli Islamic Equity Index in 2006.

The price for the service starts from US$13,600.

MALAYSIA

Putrajaya Holding's Sukuk gets AAAIS

Malaysian Ratings Corporation (MARC) has affirmed Putrajaya Holdings' rating of its Nominal Value Sukuk Musharakah medium term notes (MTN) program, worth RM1.5 billion (US$475.96 million), at AAAIS with a stable outlook. Funds will be used to finance the company's Shariah compliant general working capital requirements, and pay the remaining balance of Parcel E's contract works. Parcel E refers to 15 blocks of government buildings.

The ratings are reflective of Putrajaya Holding's strong earnings and cash flow generating ability, financial flexibility, unutilized standby credit lines, as well as healthy cash and bank balances.

Putrajaya Holdings is the concessionaire and developer of Malaysia's federal administrative capital, Putrajaya. It has a contractual obligation with the Malaysian government to construct government buildings in exchange for a 25 year lease of the buildings and land.

IRAN

Fitch withdraws ratings

Fitch Ratings has affirmed Iran's foreign and local currency Issuer Default ratings (IDR) at B+ with stable outlooks and short-term foreign currency IDR at B and simultaneously withdrawn them. The country ceiling of B+ is also affirmed and simultaneously withdrawn.

The withdrawal of Iran's sovereign ratings follows the maturity and full repayment of the last outstanding sovereign eurobond with a par value of EUR325 million (US$504 million) on the 21st April 2008.

Fitch said it will "no longer provide sovereign rating coverage of the Islamic Republic of Iran".

MALAYSIA

RAM reaffirms ELITE's AA2

The rating of RM800 million (US$253.85 million), Al-Bai Bithaman Ajil Islamic Debt Securities (BaIDS) by Expressway Lingkaran Tengah (ELITE) has been maintained at AA2 by RAM Ratings. Outlook is stable. ELITE is the toll concessionaire for the North-South Expressway Central Link, the Kuala Lumpur International Airport Link and the Putrajaya Link.

According to RAM, ELITE has been able to keep up its overall growth despite competitions. At the same time, the rating is still constrained by regulations and majeure risk common among toll concessionaires, such as public pressures due to toll raise.

MALAYSIA

RAM maintains EOG's rating watch

RAM Ratings has reaffirmed England Optical Group's (EOG) rating watch negative outlook on the P2 rating of its RM60 million (US$19 million) Murabahah commercial papers (MuCPs).

EOG was placed in the rating watch due to the group's frequent related-party transactions since December last year. Following this, EOG decided to have a restructuring exercise, and it is now seeking approval for the exercise that is expected to complete in this month. RAM will maintain the rating until the restructuring is completed.

MALAYSIA

RAM no longer obligated to Tamco

It has been confirmed by an escrow agent that an amount equivalent to Tamco Corporate Holding's RM80 (US$25.33) Bai Bithaman Ajil serial bonds has been paid into an escrow account. The outstanding value, worth RM60 million (US$19.04 million) was remitted as it has been financed by the disposal of Tamco's switchgear businesses to Larsen & Toubro Limited. Due to this, RAM is no longer obligated to issue any ratings on the bonds. The bond last reaffirmed its A3 rating in June last year

LEBANON

Audi and Byblos ratings affirmed

Bank Audi and Byblos Bank were given long-term issuer default ratings (IDR) of 'B-', Short-term IDR at 'B', individual a 'D', support '5' and support rating floors 'CCC'. The outlooks on the long-term IDR for both banks are stable. Blom Bank, on the other hand, did not manage to maintain its ratings, except a '5' for support. The ratings were assigned by Fitch.

The ratings were reflective of the banks' strong franchises, increasing profitability and healthy management. The government's support is also reflected on the ratings, but with a sovereign rating that stands at 'B-', it is not completely reliable. But they are also constrained by the weaknesses in the country's operating environment, current political tension on the nomination of a new president and the effects on depositor confidence and quality of assets.

Bank Audi is the largest Lebanese bank, according to asset size, while Blom and Byblos are at number two and three respectively.

MALAYSIA

RAM Ratings kept busy

RAM Ratings announced the completion of 19 new debt facilities' ratings worth about RM14 billion (US$4.42 billion) and RM33 billion (US$10.43 billion) of debt facilities within the first quarter of this year.

Among the most notable Islamic debt facilities it has rated are the US$316.1 million Sukuk Ijarah by Menara ABS, a special purpose vehicle created to handle the buy-and-leaseback transaction of four properties owned by Telekom Malaysia.

RAM also rated a similar program by Al-'Aqar Capital amounting to US$94.83 million, the first domestic commercial-real estate-backed transaction to involve hospital properties.

BAHRAIN

Fitch downgrades ABC

Fitch Ratings has downgraded Arab Banking Corporation's (ABC) outlook to rating watch negative, and has assigned a 'BBB+' on the company's long-term issuer default rating (IDR), short-term IDR a 'F2', individual rating a 'C', support rating at '2' and support rating floor 'BBB+'.

The IDRs are reflective of the possibly weakened willingness of major shareholders to provide support to the bank, should it need any. The support rating, on the other hand, shows that the shareholders are willing to help out financially, as evident in the recent announcement on the US$1 billion rights issue.

UAE

RAK Capital's certificates rated an 'A'

Fitch Ratings has affirmed RAK Capital Trust Certificates AED denominated Sukuk with an expected 'A' senior unsecured rating. The Ijarah-structured Islamic bonds, which are due in 2013, are the first issuance by RAK Capital. Funds from the Sukuk will be used to buy assets from the government of Ras Al Khaimah through the Investment and Development Office.

The rating is reflective of the Sukuk's unconditional, unsubordinated and general obligation of Ras Al Khaimah. It is subject to the receipt of the final documentation, provided that there are no material changes in the terms and conditions like the one stated on the draft.

RAK Capital is a special purpose vehicle (SPV) which was created to solely participate in this transaction.

MALAYSIA

Toyota CP and MTN get AAA/P1

UMW Toyota Capital's proposed RM1 billion (US$313 million) Musharakah commercial papers/medium-term notes programs were rated AAA/P1 by RAM Ratings. The outlook for both is stable.

The ratings are reflective of Toyota Netherlands unconditional guarantee towards the Malaysian company and its credit support, strong financial profile and its position as the leader in the global automobile industry.

SAUDI ARABIA

SABIC gets 'A+'

The proposed third Sukuk issuance by Saudi Basic Industries Corporation (SABIC) was rated by Standard & Poor's Rating Services recently. S&P assigned the Sukuk's local currency senior unsecured debt rating an 'A+', which is the same as the corporate credit rating of the corporation.

There is a significant amount of subsidiary debt in relation to total assets. Investors of the issuance will benefit from the cash flow streams, strengths in brand recognition as well as in its cash holdings. The Sukuk will mature in 2028.

The credit rating is reflective of SABIC's position as the world's second-largest producer of ethylene, and third-largest polyethylene producer.

UAE

A+ for DEWA securitization

Standard & Poor's Rating Services has affirmed Thor Asset Purchase's US dollar denominated callable floating rate note program's senior secured debt rating at 'A+'. The notes are to be repaid through the securitization of Dubai Utility and Water Authority's (DEWA) utility receivables.

This reflects on DEWA's relationship with the government of Dubai and other factors that ensures punctual interest payment and principal payment of the notes by the issuer to the noteholders. The notes are due in 2036.

THIS TIME LAST YEAR

- **Norton Rose** became the sole law firm to be appointed by the British government to its new Islamic finance forum on tax issues and the UK regulatory environment for Islamic finance.
- **ASAS Real Estate** was established by the **Sharjah Islamic Bank** to combine physical profit and rendering services to the community.
- **Al Rajhi Bank** purchased over 4,000 Optimum dial-up and wireless card payment terminals from **Hypercom**.
- **Bank Indonesia**'s governor called for the Indonesian government to issue government Sukuk to attract Middle Eastern investments.
- **Etihad Airways** utilized a US$400 million Islamic lease financing facility to acquire four **Airbus** A340-500 aircraft. **Citigroup** and **Abu Dhabi Commercial Bank** acted as mandated lead arrangers and joint bookrunners for the consortium of six lenders, consisting of **ABC Islamic Bank**, **First Gulf Bank**, **Qatar National Bank**, **Standard Chartered Bank**, **Arab African International Bank** and **China Construction Bank Corporation**.
- **Fortis Investment** and **HSBC Amanah Shariah** began offering an Islamic mutual fund worth IDR500 billion (US$55 million) to tap the Indonesian mutual fund market.
- **ING Funds** launched the Shariah compliant ING Baraka Capital Protected Fund with a target of 10% to 12% in yearly average returns.
- The **Japan Bank for International Cooperation** signed a memorandum of understanding with the **National Bank of Pakistan** to allow collaboration on Islamic finance products and services.
- **Cagamas** issued its second Sukuk Musharakah worth RM2.3 billion (US$676.13 million). The Islamic residential mortgage-backed securities involved the purchase of the Malaysian government staff Islamic home financing.
- **Daman Investments** launched the Daman Islamic Fund for investment in UAE equities.
- Assets under the management of **Mellon Financial Corporation** crossed the US$1 trillion mark.

PAKISTAN/MALAYSIA

Fears, criticism and skepticism amid Maybank-MCB alliance

Malaysia's largest lender, Malayan Banking (Maybank), has signed an agreement to acquire up to 20% in Pakistan's MCB Bank. Under the share purchase agreement, Maybank will acquire a 15% stake (about 94 million shares) in MCB at PKR470 (US$7.03)/share, for a total cash consideration of PKR44.29 billion (US$663 million).

Subsequently, Maybank may also acquire an additional stake of up to 5% in MCB.

Until recently, mergers and acquisitions in Pakistan's banking sector were due to privatization. Transfer of ownership and management control of Habib Bank and United Bank was the result of the sale of government holdings.

As against this, international banks acquiring strategic stakes in mid-sized banks were due to significantly high spread in Pakistan. Standard Chartered bought Union Bank while ABN Amro acquired Prime Bank. SAMBA group of Saudi Arabia injected PKR6 billion (US$90 million) in CresBank and Singapore state investment arm Temasek took control of PICIC while a consortium successfully bid for Saudi Pak Bank.

However, an industry analyst pointed out that the Maybank-MCB transaction is neither an acquisition nor a merger. It's a transaction where the holdings of a few investors were sold to Maybank without any management control.

Following the completion of the transaction, Maybank and MCB are expected to enter into a business cooperation agreement covering Islamic banking, retail banking, credit cards, and small and medium-enterprise banking as key partnership areas. While the transaction is subject to the approval of the State Bank of Pakistan, it is expected to be completed before the 30th June 2008.

Under the terms of agreement, the price per share of MCB payable by Maybank is set at PKR490 (US$7.33)/share, with the total price not exceeding PKR510 (US$7.63)/share of MCB, inclusive of holding costs.

While the transaction to purchase the 15% stake must be completed before the 30th June, the agreement with the individual sellers is valid for one year after the initial transaction is completed.

Meanwhile, Fitch Ratings has affirmed the Individual and Support ratings of MCB Bank at 'D' and '5' respectively, following Maybank's announcement.

This reflects its satisfactory financial profile as characterized at the end of first quarter in 2008 by a return on assets of 3.9%, equity/assets ratio of 12.1% and gross non-performing loans (NPL) ratio of 4.8%, in the context of a weak and volatile operating environment in Pakistan, which still poses significant challenges and political risks.

While MCB might actively try to leverage on Maybank's expertise in areas such as retail banking and Islamic banking, Fitch views that any major shift in business strategy at MCB is unlikely at this point in time, especially in light of the current business environment in Pakistan.

As such, the agency does not expect any change in MCB's credit profile due to Maybank's equity investment and expected involvement at the decision-making level. Support from Maybank is not assumed in determining MCB's support rating at this point, given the former's minority interest of 20%, says Fitch.

An equities analyst said that besides boosting domestic operations, this strategic partnership will enable MCB to leverage on international expertise to expand its operations abroad.

After details of the transaction were made public, industry players raised various questions, one of them being the purchase price. At 5.1 times historic book value, the purchase price is the highest witnessed in Asia-Pacific in terms of price/book multiple for a non-controlling strategic stake.

Analysts are a little skeptical of what Maybank can really bring to the table in terms of product knowledge, service skills and technology. It may be true that the Malaysian banking sector is more advanced in terms of Islamic banking offerings but the level of compliance with Shariah law may be stricter in Pakistan than in Malaysia.

The MCB venture is Maybank's third overseas venture in less than two months. Maybank is paying RM8.6 billion (US$2.67 billion) for Bank Internasional Indonesia and RM450 million (US$140 million) Vietnam's Ah Binh Commercial Joint Stock Bank.

Pakistani analysts said that there are fears that these acquisitions may demand considerable management attention from Maybank, which may not have time for the Pakistan venture.

Outside of Pakistan, the purchase of the MCB stake has caused investors to worry if Maybank is able to issue lucrative annual dividends. Analysts question if these acquisitions could result in Maybank's core capital and risk weighted capital ratios falling perilously close to Bank Negara Malaysia's permitted minimum thresholds.

The news that Maybank's stocks sank to a near 4½-year low on Wednesday — which evoked worries of a possible reduction in annual dividends — has not helped ease the tension.

But a Maybank official has clarified that the fears may be baseless. He told a Malaysian news daily that the dividend policy of 60% will be maintained over the long term. The payout ratio in the current year will depend on an optimal capital structure to be announced later, he said.

The MCB venture will reportedly bear no negative effects on the bank's performance — the bank's strong performance and growth prospects could even help outweigh the cons of the deal, which is primarily the steep price-to-book value.

The contention is that the synergies and partnership that would be developed between Maybank and MCB would also help increase the latter's earnings and, consequently, its profit contribution to Maybank.

If that happens, it will certainly be lucrative for Malaysia and Pakistan. Watch this space.

By Shabbir Kazmi

MALAYSIA

PLUS: Sukuk the way to go in raising funds

Government-linked companies (GLCs) will look at Islamic instruments when they need to raise funds for projects. The move is in sync with the Malaysian government's call to make the country one of the global Islamic financial hubs.

For PLUS Expressways Berhad (PEB), apart from helping achieve the government's agenda, the Islamic instruments can attract all kinds of investors as they cater for the Islamic and non-Islamic markets.

"Our preference for Islamic bonds is not just because we are GLC, but because we want to cater for a wider market. Furthermore, we want to support the government's agenda. Our Islamic papers will help towards achieving the goal," chief financial officer of PEB Annuar Marzuki Abdul Aziz (*pic*) said in an interview with Islamic Finance *news*.

He said this after confirming that PEB subsidiary Projek Lebuhraya Utara Selatan (PLUS) will issue RM700 million (US$218 million) in nominal value Islamic Medium-Term Notes (MTNs), or Sukuk III, by end-May to refinance a tranche of its Senior Sukuk worth RM550 million (US$171.3 million) due on the 30th May.

Annuar said as the present value of the Sukuk III is approximately RM310 million (US$96.5 million), PLUS will utilize its internal generated funds to repay the remaining debts. Senior Sukuk is part of PLUS's Islamic MTN program that was established in October 2006 to refinance its Senior Sukuk.

With the growing interest in Sukuk issuance, Annuar said PLUS will continue to look at Islamic instruments as an option in refinancing its completed projects. The company usually takes up borrowings for projects under construction and will look at Islamic bonds when the projects are completed.

PEB is currently working on two toll road projects in Indonesia, the 25.4km Package 4, Cimanggis-Cibitung Toll Road and the 116km Cikampek-Paliman toll road project. Last September, PEB and its joint-venture (JV) partners, Bakrie & Brothers and Capitalinc Investment, won the tender bid to construct the toll road on a build, operate and transfer (BOT) basis. The toll road will form part of the proposed Jakarta Outer Ring Road 2 and is located on the outskirts of the Jakarta metropolitan area.

The concession shall be for a period of 35 years from the date of the proposed execution of the concession agreement. PEB is the majority shareholder of the JV with 60% equity interest while Capitalinc Investment and Bakrie & Brothers own 25% and 15% of the JV company respectively.

Annuar said the project is still in the early stages and the JV company has not inked the concession agreement as it is still finalizing its formation. The project cost of the toll road is estimated at RM1.2 billion (US$373 million) and the company is considering loans and equity to finance the project.

PEB has also acquired a 55% equity interest in Lintas Margas Sedaya (LMS), the holder of the largest concession for Trans-Java Expressway. LMS has been awarded the longest tranche of the toll highway with a distance of 116km from Cikampek to Palimanan, which will form part of the Trans Java Expressway when completed.

The Trans Java Expressway links the island of Java from Merak in the east to Banyuwangi in the west. LMS is the concessionaire appointed to undertake the design, construction, management, financing, operation, maintenance as well as toll collection for the toll highway.

> "The company usually takes up borrowings for projects under construction and will look at Islamic bonds when the projects are completed"

Annuar said the project is in the land acquisition phase, adding that 70% of the cost will be settled via syndicated loans from Indonesian banks, for which an agreement was signed in July last year. The remaining 30% will be equity funded based on the portion of each JV partner. The project, targeted for completion in 2011, is expected to contribute positively to group revenue.

On the local front, PLUS is in the midst of upgrading the North-South Expressway, which would cost the company RM1 billion (US$311 million).

Analysts expect PLUS to continue recording growth over the next few years with the completion of a third lane on the North South Expressway as well as the acquisition of ELITE and Linkedua. ELITE is the concessionaire of the North-South Expressway Central Link for a concession period ending the 31st May 2030 and Linkedua is the concessionaire of the Malaysia-Singapore Second Crossing for a concession period ending the 31st December 2038.

Annuar said the group's sound performance has attracted foreign investors from the US, Australia, Singapore and several European countries. He said the total shareholding of the foreign investors has increased to approximately 10% now from 6% last year. "Many of them are long-term investors," he noted. PEB has five billion outstanding ordinary shares.

As at the 30th March 2007, PEB's substantial shareholders were UEM Group (40.19%), Khazanah Nasional (23.87%), Employees Provident Fund Board (9.68%) and Kumpulan Wang Persaraan (4.26%).

PEB shares have been part of the Dow Jones Islamic Index since April last year.

By Dalila Abu Bakar

Pessimism Persists in Global Property and REITs

By Alka Banerjee

Property and real estate investment trust (REIT) stocks continued their downward trend in the first quarter of 2008. Though the fall in the S&P/Citigroup Global Property Index at 7.4% was somewhat less than the decline in the S&P/Citigroup Global Index at 9.1%, it reflected the general pessimism towards property and REIT stocks.

The worst hit was the S&P/Citigroup Emerging Markets Property Index, which fell 19.8% for the quarter. Investors were initially less pessimistic about emerging market stocks than developed equity in 2007, but emerging stocks have finally succumbed to global pessimism over the health of the world economy, the credit crisis, and the rush to safe havens in times of volatility.

This is in line with the general equity trend, as the S&P/Citigroup Emerging Market Index declined 10.6% during the first quarter. Property stocks in emerging markets had enjoyed tremendous gains until the last quarter in 2007, but suffered the most at the start of 2008, because of the combined impact of general market sentiment and profit taking.

European property markets, with a 4.9% gain in the quarter, had the strongest returns, signaling a rebound from last year's dismal performance. This, however, is not indicative of all of Europe, as France, Belgium, Switzerland, and the Netherlands showed strong performance while all other countries continued to decline.

Cheap credits halted

In the US, where the S&P/Citigroup US REIT Index rose a modest 2%, the lack of cheap credit has hit the REIT market hard. During previous years, the markets had been buoyed by buyouts from private equity firms, which drove up prices of REIT stocks. The credit crunch of recent months, resulting from the fallout of the subprime crisis, has halted the supply of cheap credit, forcing private equity investors to look elsewhere for funding.

Due to the lack of available financing, funds are forming joint partnerships with REITs. Investors (some of which are foreign funds that are also interested in taking advantage of favorable exchange rates) have larger real estate allocations, while REITs themselves are looking for alternatives to the debt markets.

The joint partnerships are mutually beneficial: the institutional investor can have more control over decisions regarding the portfolio of properties, and the REIT has a steady revenue stream. One noteworthy partnership was formed in January, when Ashford Hospitality Trust of Dallas joined Prudential Estate Investors to invest US$400 million in various hospitality and tourism properties.

In addition to the credit crunch, commercial and residential mortgage REITs also faces challenges stemming from the economic slowdown and the decline in consumer confidence.

The overall performance of European property stocks was relatively robust in the first quarter of 2008, yet the pattern across the continent was quite varied. Property and real estate companies originally formed REITs in the U.K. for tax benefits. However, like other markets, the economic slowdown has led to a spike in vacancies.

As REIT prices have fallen and posted only a very modest recovery of 1.9% in the first quarter, there is a fear that REITs may become takeover targets for the purpose of skirting taxes on capital gains of the original conversion. In Germany, property companies are trading at a double-digit discount to net asset value, which makes them attractive takeover targets.

In Spain, the building and development sector witnessed a big boom in the last few years, and now has been particularly hard hit, with the S&P/Citigroup Spain Property Index falling 15%.

> "On a more positive note, several emerging market countries are taking steps to establish REIT regimes in a bid to boost infrastructure development"

In Asia, Australia, Hong Kong and Japan, the behemoths of the property segment, were also badly hit, with declines ranging from 11.4% (Japan) to 22.6% (Hong Kong). In Japan, despite strong fundamentals, investors are succumbing to fears that REITs may not be able to find cheap funding. This year, prospects appear to be somber for now and there are no new listings expected in 2008.

Starting in May, the Tokyo Stock Exchange will permit listed REITs to include overseas properties in their portfolio, which is an effort to compete with countries like Singapore, a strong hub for Asian REITs because of its progressive laws and attraction for overseas listings. By mid 2008, we expect the market to swell to 30 REITs, with increased holdings in China, India, and Indonesia.

For countries, the emerging markets were the worst hit this quarter. The China property index fell 24.5%, South Africa lost 25%, India fell 41.6%, and Turkey declined 48% in the first quarter. The surprise performer was Taiwan, with gains of 59.5%, followed by Egypt at +8.7%.

On a more positive note, several emerging market countries are taking steps to establish REIT regimes in a bid to boost infrastructure development. They hope REITs will bring transparency and order to an unregulated domestic market and deepen the capital markets by unlocking the value of large properties.

Pakistan led the way this year by setting up a REIT regime, but it has heavy restrictions on the cities where REITs can be set up and REIT usage. In India, the Securities and Exchange Board of India has proposed draft regulations for REITs. Currently, the proposal only allows for close-ended schemes, which will impact the ability for new acquisitions, and there is already criticism due to the lack of clarity in tax rates. Other countries, such as the Philippines, are also contemplating REIT regimes.

continued...

Pessimism Persists in Global Property and REITs (continued...)

The fall of Asia

Asia was the hardest hit region for property stocks this quarter, falling 16.2%, while the US and Europe provided tepid returns. Despite strong fundamentals, property stocks have suffered on the back of the global credit crisis. There were some surprise performers such as Belgium, France, the Netherlands, Switzerland and Taiwan, but overall, the prospects for a quick recovery remained bleak.

The top performers all came from Taiwan, while the worst performers were concentrated in Australia. Hotel, retail, and industrial property companies did well in Europe, but the other sectors suffered. Taiwanese stocks did well because of a boom in equity markets resulting from election outcomes favoring a party expected to ease ties with China. Further positive news came from expectations of ease of travel between the two nations and better political and economic relations.

Property companies benefited on the news of easing investments in the property sector on mainland China. Switzerland benefited from the large gains of its largest property company, PSP Swiss Property, whose annual profit rose 29% as its stores and offices gained in value and vacancies fell.

The outlook for the Netherlands' property market is positive, driven by the recently announced mergers of large property companies, creating increased property value. The French market has recently introduced a new type of fund, l'Organisme de Placement Collectif dédié a l'Immobilier (OPCI).

Essentially it is a REIT alternative with fewer restrictions, allowing for expansion and thus, creating momentum for the industry. France, as well as the Netherlands, has also benefited from increased value of residential properties, while other property types have remained virtually unchanged.

On the other hand, over the last 12 months all property markets in the developed world except Hong Kong, Belgium, the Netherlands,

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Q&A on Islamic REITs

One of the recent investment opportunity introduced in Islamic Capital Market is the Islamic Real Estate Investment Trusts or I-REITs. Islamic REITs funds invest their portfolios in listed real estate securities that own and operate real estate such as residential, commercial, and retail properties, storage facilities, warehouses and car parks. Islamic REITs differ from conventional property funds mainly due to the requirement to strictly observe Islamic investment guidelines and Shariah principles. Islamic Finance *news* speaks to Alka Banerjee, a vice president at Standard & Poor's on the subject:

Ever since REIT started in the US, other countries like the UK and Europe seem to take quite some time to get started with it. Why?

REITs started in the USA in 1969, but it went through much iteration before they reached their current successful version. The real bull run came to the REITs sector in early 2000, when the dot com (bubble) bust, a desire for diversification via real estate assets, a real estate boom and cheap available credit combined to make REITs an attractive source of both high yields and capital gains. As REITs began a seven-year bull run, several countries began examining this structure to provide investor diversification and easy exposure to real estate via equitization.

Does investment in REIT gives diversification as it is only focusing on real estate. So if the real estate market goes down (like with the credit crunch), would REIT be no longer an attractive investment avenue?

REITs give investors access to a portfolio of real estate assets diversified both geographically and functionally - something which no investor can achieve on their own through direct investment. While a downturn in real estate does expose investors to this single sector exposure, bear in mind that globally, all types of real estate (residential or commercial; office, hotels, hospitals and shopping malls) will not go into decline at the same time. The mere ability to diversify across regions and functions protects the investor from a single downturn.

How many Shariah compliant REITs are there globally? What challenges are Shariah compliant REITs facing?

Shariah compliant REITs fall into two categories. Islamic REITs, which have been created specifically for the purpose of Shariah compliance and are vigilant in terms of purpose of rentals and leverage ratios, etc. These have been started primarily by the Malaysian government, which currently has about eight to 10 of such structures. However many REITs set up as per their conventional standards are found to be Shariah compliant. S&P maintains the S&P Property and REIT Shariah index, which currently includes 125 companies deemed to be Shariah compliant. Of these, 32 are REITs. All compliance numbers are reviewed on a monthly basis.

Why would the investor buy REIT instead of investing into the real estate directly? Wouldn't a direct investment generate higher yield?

Yes it could. But it does not provide geographic and functional diversification and it also requires very large investments. Retail investors cannot afford the scale of investment needed and cannot partake in the benefit of a comprehensive real estate exposure. Real estate is also relatively illiquid. For both retail and institutional investors, liquidity and diversification are key factors and can be more important than yield. Having said that, REITs are great vehicles for yields as well. As REITs are required to pass on 90% or more of their income via dividends, REIT yields are always significantly higher than conventional equity yields.

Pessimism Persists in Global Property and REITs (continued...)

and Switzerland are now showing losses ranging from 45.5% in Italy to 9.9% in New Zealand.

Property fundamentals remained strong. In the US, price/earnings ratios (P/Es), which had crossed 60 at one point, were a far more reasonable 26.5. Canada was still extremely high at 71, reflecting the larger weight of some property companies. Elsewhere, property companies' P/Es ranged in the teens. Europe averaged a modest 12 and Asia was a little higher, at 14.5. Yields, which lagged behind bond yields during the bull market, finally beat aggregate bond index yields.

North American yields were at 4.9%, European yields were at 3.7%, and Asian yields were at 3.9%, all exceeding bond and equity yields.

REITs outdo properties

Globally, REITs performed better in the first quarter than property stocks in general. The S&P/Citigroup Global REIT Index declined marginally by 1.8%, European REITs rose 7.8%, Asian REITs fell 13.3%, and North American REITs rose 1.6%. Belgian, Dutch and French REITs performed strongly, rising in excess of 10% and giving a boost to the European REIT sector.

At the same time, some Asian REITs had their worst quarter ever. Emerging market REITs like South Africa and Turkey returned all of their gains of the prior 12 months. A lot of the losses were due to the negative sentiment accompanying emerging market fund flow, as global funds rushed to find safe havens in developed markets.

In developed markets, the fall was partially related to the drop in privatization, coupled with increased targeting by activist funds due to the discrepancy between the value at which the REIT trades and the underlying real estate assets.

An example occurred when ROCA Real Estate Securities Fund, of Newport Beach, California, asked retail REITs Glimcher Realty Trust, Cedar Shopping Centers, and One Liberty Properties to sell low quality malls to pare debt and seek buyouts.

REITs with healthy balance sheets are best positioned for 2008. Downward pressure on earnings will affect companies with large development pipelines, and minimal preleasing and/or exposure to markets and tenants hurt by the fallout from the housing downturn.

REIT yields were lowest in Europe at 3.9%, and peaked at 6.8% in Asia, and 6.4% in emerging markets, far outstripping yields from bonds and the equity markets in general.

The high cash stream from these stocks might attract investors over time. Global REIT fundamentals this past quarter remained strong, with P/Es ranging from 11.3 in emerging markets to over 27 in North America.

STANDARD & POOR'S

Alka Banerjee is a vice president at Standard & Poor's Index Services. She can be contacted at alka_banarjee@standardandpoors.com

Capital Adequacy Requirement for Real Estate Investment: A Summary

By Shabnam Mokhtar

In December 2007, Islamic Financial Services Board (IFSB) issued two exposure drafts; Capital Adequacy Requirements for Sukuk Securitizations and Real Estate Investment, and Guiding Principles on Governance for Islamic Collective Investment Schemes.

In conjunction with the IFSB Summit next week in Amman, Jordan, a public hearing with regards to the exposure drafts will be organized on the 12th May 2008. This article aims to shed light into one section of the exposure draft; the capital adequacy requirements for real estate investment.

The real estate sector is a natural fit for Islamic finance however it exposes the Islamic financial institutions (IFIs) to risks that are not prevalent in a conventional bank. The exposure draft focuses on capital adequacy requirement for real estate investment and differentiates this from real estate financing.

What is real estate investment?

A conventional financial institution generally is not allowed to engage in real estate investment unless approval is obtained from the regulator due to the cyclical effect and risks that are inherent in the sector.

In the case of IFIs, according to a survey conducted by IFSB, regulators in some jurisdiction do not place any restriction on the types of real estate investments that IFIs engage into and in some cases, the investments are treated as financing.

That brings us to a question – what is the difference between real estate investment and financing? The soon to become standard included an important distinguishing criteria between real estate investment and financing:

> *"Therefore, the key criterion in distinguishing between real estate investment and financing is the* ***existence of a regular cash flow due or receivable from a customer in respect of the asset****. The existence of such a cash flow signifies that the IIFS is providing financing to the customer for the asset, while the absence of such a cash flow indicates that the IIFS has invested in the asset on its own account (or in its own and its unrestricted IAH accounts)"*
>
> **(Para 53 of the exposure draft)**

The standard also identified three broad categories of real estate investment:

1. The activity of holding real estate at any stage of the development process, or even completed properties, where such holding is not **part of a financing transaction for a third party** (e.g. Murabahah Purchase Order, IMB or Istisna).

2. If there is **no binding promise** from a third party to acquire (by Murabahah) or to lease the asset, holding would also be treated as investment (not financing) if the holding period exceeds a relatively short period such as six months (at supervisory discretion) and based on evidence of management intention.

3. In the case of **operating Ijarah**, where a property that has previously been leased remains without a new lessee for a period that exceeds a relatively short period such as six months (at supervisory discretion) the property must be reclassified as an investment.

"Since real estate investments entail higher risk – uncertainty of returns, loss of capital, adverse price movement and others, the capital adequacy requirement for a real estate investment is different from the capital requirement for real estate financing"

What is the capital adequacy requirement?

Since real estate investments entail higher risk – uncertainty of returns, loss of capital, adverse price movement and others, the capital adequacy requirement for a real estate investment is different from the capital requirement for real estate financing.

IFSB also prescribes a prudential limit on the real estate activities in IFIs:

a. Total real estate exposures (financing plus investment) = 60% of IFI capital base, with a 15% limit on individual real estate investment exposures.

b. Limitation on placing unrestricted investment account holder (UIAH) funds in real estate investment (not financing) to a maximum of 15% of such funds.

Basically, a real estate investment draws market risk. If a single investment is within the 15% limit, the IFI must provide 187.5% risk weight (the market risk weight) for the portfolio. If the limit is exceeded, an IFI can choose either to provide 1250% risk weight or make a capital deduction from its eligible capital.

continued...

Item	Restriction	Risk Weight	Note
Single exposure on real estate investment	15%	187.5%	Market risk exposure
	>15%	1250% or capital deduction	

Capital Adequacy Requirement for Real Estate Investment: A summary (continued...)

This deduction must take 50% of Tier 1 capital and 50% Tier 2 capital. These risk weights assume that the real estate investments are carried on balance sheet.

Compare this with the risk weighting of a real estate financing. In a real estate financing (with binding promise especially), IFI only faces credit risk of 100% for unrated customers.

This may even be reduced according to the preferential risk weights; for example a residential real estate financing that meets the prudential criteria outlined by IFSB, may assign only 35% risk weight. The difference in the risk weight (between financing and investment) represents the risks that both portfolios carry.

As investment is exposed to market risks it entails far higher risk compared to a financing portfolio. This however does not mean that IFIs are discouraged from entering into real estate investment activities.

> "The aim of the different capital adequacy requirement is to ensure that IFI has the capital base to engage into more risky activities so as to avoid systemic risk in the industry"

The aim of the different capital adequacy requirement is to ensure that IFI has the capital base to engage into more risky activities so as to avoid systemic risk in the industry.

This capital adequacy requirement also focuses on funds originating from the IFI and those co-mingled with the unrestricted investment account holder (UIAH)'s fund. As the UIAHs are not sophisticated investors, the capital adequacy requirements are put in place to ensure that the IFI do not undertake excessive risk that will jeopardize the return to UIAH.

In conclusion, the new standard aims to provide the regulators a benchmark to regulate real estate investment activities that either uses the IFI's own fund or co-mingle its fund with the UIAH fund.

As investment activities carries higher and different risk profile from real estate financing activities, the IFI need to have in place a proper financial condition and managerial resources, robust risk management and need to make sure it is adequately protected from litigation risk.

This is of utmost important to ensure that the unsophisticated investors' rights are protected. A different set of rules apply when dealing with restricted fund holders that are more sophisticated.

Dow Jones Islamic Market Indexes in April: Crossover Markets

By Gerard Al-Fil

Since late last year, the performance of the Dow Jones Islamic Market Indexes (DJIM) had a clear regional character. When Asian markets advanced, European and US indexes mostly retreated and vice versa, with Middle Eastern markets sprinkled among both advancing and retreating camps.

That pattern changed in April (up till the 22nd April) which saw the leading and lagging markets are spread globally, with no region standing out one way or another.

Take the top three leaders for example. The DJIM Turkey Index, so far one of the worst performers of 2008, roared back in April with a 13.95% gain, followed by DJIM China Offshore (up 11.31%) and the DJIM BRIC (Brazil, Russia, India and China) Index, which gained 11.24%. The DJIM Pakistan Index, a joint venture between Dow Jones Indexes and Karachi-based asset manager JS Abamco, is the leading year-to-date performer with a 15.9% increase.

Pakistan and Turkey, as Islamic markets, are big exceptions in the universe of Shariah compliant stocks. Almost all publicly traded companies that operate in a halal, or permissible, manner are based in the non-Islamic world. It is also interesting to note that the DJIM indices of Turkey and the BRIC countries slightly outperform their conventional counterparts.

The April laggards are led by DJIM Indonesia (off 5.61%), DJIM Philippines (down 5.39%) and DJIM Kuwait (1.85% lower). The Kuwait index retreated for the first time this year. Kuwaiti stocks were in great demand after the country significantly reduced taxes for foreign companies at the end of 2007.

In a halal stock universe, shares are excluded if the underlying company is generating profits with alcohol, tobacco, pig products, pornography, casinos and weapons. Also, the entire conventional financial sector is taboo because interest is regarded as usury and therefore not permissible, or haram. Therefore, in the DJIM halal sectors such as high tech, basic materials, pharmaceuticals and construction are heavily represented.

It isn't surprising that the DJIM Oil and Gas Index was again the top industry with a 14.12% gain. In April, the price of a barrel of black gold reached US$120 for the first time. Other big gainers were the DJIM Basic Materials Index (up 12.33%) and DJIM Utilities (advancing 6.26%).

Because of the global inflationary environment, investors are shying away from consumer goods (off 1.39%), healthcare (0.19% lower) and consumer services (slightly higher by 1.48%). The latter industries usually suffer in a global inflationary environment, as we face it currently due to high energy prices. Investors anticipating a rebound in telecommunications were rewarded in April with a small increase of 2.1%.

In addition to Shariah compliant equities investment, Islamic bonds, or Sukuk, are becoming more prominent in Islamic Finance. Issuance of Sukuk is estimated to reach US$1 trillion in 2010.

The DJ Citigroup Sukuk Index measures the performance of investment-grade, dollar denominated Sukuk, and it lost an insignificant 0.31% in April. Due to the global subprime crisis, the issuance of Sukuk slowed to US$856 million in the first quarter from US$4.7 billion in the year-earlier period.

Although Sukuk bear no interest (investors are paid from returns of the underlying asset, such as leasing payments of real estates projects), banks and issuers became more cautious with new financing. This "staying on the sidelines" attitude could be one explanation for the minor small decline of the DJ Citigroup Sukuk Index. Nevertheless, fixed income analysts from leading banks in the Gulf region expect global Sukuk markets to double to US$100 billion until 2010.

continued...

Asia: Performance of Dow Jones Islamic Market Versus Conventional Dow Jones Indexes

Dow Jones Islamic Market Indexes			Conventional Dow Jones Indexes		
Index Names	Index Close April 2008	MTD 2008	MTD 2008	Index Close April 2008	Index Names
DJIM Asia/Pacific Index	1503.53	5.63%	4.99%	150.61	DJ Asia/Pacific Index
DJIM China Offshore Index	2764.36	11.31%	11.31%	4650.04	DJ China Offshore 50 Index
DJIM Hong Kong Index	1576.56	6.94%	6.00%	463.33	DJ Hong Kong Index
DJIM India Index	1888.10	8.36%	9.84%	2092.39	DJ Wilshire India Index
DJIM Indonesia Index	1294.43	-5.61%	-5.08%	156.27	DJ Indonesia Index
DJIM Japan Index	1206.48	3.39%	4.16%	104.68	DJ Japan Index
DJIM Malaysia Index	1712.35	7.26%	4.88%	214.03	DJ Malaysia Index
Dow Jones-JS Pakistan Islamic Index	19696.28	7.37%	0.85%	1601.18	DJ Wilshire Pakistan Index
DJIM Philippines Index	1713.45	-5.39%	-4.46%	168.97	DJ Philippines Index
DJIM Singapore Index	1393.09	4.37%	7.08%	308.94	DJ Singapore Index
DJIM South Korea Index	878.24	4.36%	4.59%	287.19	DJ South Korea Index
DJIM Amana Sri Lanka Index	1126.77	7.36%	3.76%	165.05	DJ Sri Lanka Index
DJIM Taiwan Index	5121.33	5.24%	5.91%	189.60	DJ Taiwan Index
DJIM Thailand Index	1901.17	5.34%	3.91%	119.15	DJ Thailand Index

Dow Jones Islamic Market Indexes in April: Crossover Markets (continued...)

Other indices performed positively last month, such as DJIM Europe Titans 25 (+5.84%), DJIM Asia Pacific Titans 25 (+5.63%, DJIM Market 100 Titans (+5.27%) or DJIM US Titans Index (+4.50%).The reason behind these advances might be that "bad news" related to the subprime crisis do not have that impact on the investors' sentiment as they had at the beginning of 2008.

Investors, however, should stay cautious since political tensions may disturb these upswings due to social unrest amid the food crisis in emerging markets or a further increase of oil prices. Nevertheless a sound chart analysis favors to leave a defensive investment strategy.

The performance of the DJIM Indexes in April underscores that investing in a halal manner does not exempt investors from making detailed analysis of global markets and political developments. Islam doesn't distinguish between the economy and politics. The Koran regards both topics as twins, going together hand in hand according to the Muslim idea of Tauhid, which means "unity".

DOWJONES Indexes

Gerard al-Fil is a correspondent for Swiss financial website Moneycab.com, Swiss banking magazine *Schweizer Bank* and for the German weekly *Euro am sonntag*. He reports extensively from the UAE, Kuwait, Bahrain, Qatar, Oman, Iran and Turkey. He can be contacted at alfil27@msn.com.

Shariah compliant stocks at a glance in April...

Based on the close of trading on the April 22nd, the global Dow Jones Islamic Market Titans 100 Index, which measures the performance of 100 of the leading Shariah compliant stocks globally, gained 5.27% month to date, closing at 2476.04. In comparison, the Dow Jones Global Titans 50 Index, which measures the 50 biggest companies worldwide, posted a gain of 3%, closing at 222.48.

- The Dow Jones Islamic Market Asia/Pacific Titans 25 Index, which measures the performance of 25 of the leading Shariah compliant stocks in the Asia/Pacific region, increased 7.87%, closing at 2197.69. The Dow Jones Asian Titans 50 Index, in comparison, posted a gain of 8.62%, closing at 168.17.
- Measuring Europe, the Dow Jones Islamic Market Europe Titans 25 Index, which measures the performance of the 25 of the leading Shariah compliant stocks in Europe, closed at 2685.56, a gain of 5.84%, while the pan-European blue chip Dow Jones STOXX 50 Index gained 5.20%, closing at 3757.38.
- Measuring the performance of 50 of the largest Shariah compliant US stocks, the Dow Jones Islamic Market US Titans 50 Index increased, closing at 2427.83. It represents a gain of 4.50%. The US blue-chip Dow Jones Industrial Average gained 3.73%, closing at 12720.23.

In the Middle East

In April, the Dow Jones DFM Titans 10 Index, measuring the 10 largest and most liquid stocks listed on the Dubai Financial Market, closed at 5674.26. It is a gain of 8.12% month-to-date.

The Dow Jones Islamic Market Kuwait Index posted a loss of -1.84%, closing at 1849.40. Its conventional counterpart index, the Dow Jones Kuwait Composite Index, was up, closing at 505.18. It represents a gain of 0.61%.

The Dow Jones Islamic Market Turkey Index closed at 3667.79, a performance of 13.95% month-to-date, while the Dow Jones Wilshire Turkey Index closed at 1091.75, a gain loss of 11.71%.

Other markets and asset classes

The Dow Jones Islamic Market BRIC Equal Weighted Index increased, gaining 11.24%. It had a closing value of 2409.94. By comparison, the Dow Jones BRIC 50 Index closed at 715.26, a gain of 10.69%.

The Dow Jones Citigroup Sukuk Index, which measures the performance of global bonds complying with Islamic investment guidelines, decreased -0.31%, closing at 110.83.

The Dow Jones Islamic Sustainability Index, which measures sustainable practice business of companies respecting the Shariah laws, increased 5.39%, closing at 2806.97. The conventional Dow Jones Sustainability Index gained 4.05% with a closing value of 1305.09.
April winners and losers

The three best performing Dow Jones Islamic Market Industries Indexes were oil & gas, basic materials and utilities, with performances of 14.12%, 12.33% and 6.26% respectively. The Dow Jones Islamic Market Consumer Goods, Dow Jones Islamic Market Health Care and Dow Jones Islamic Market Consumer Services Indexes were the three worst performing industries indexes with performances of -1.39%, -0.19% and 1.48% respectively.

Sukuk Law in Indonesia

By Mirza Karim

On the 9th April, 2008 the Parliament has approved the Law on Sovereign Sukuk (*Undang-undang Surat Berharga Syariah Negara*). Law on Sovereign Sukuk will open up a new and potentially lucrative funding source for both the government and companies in this world's most populous Muslim nation.

The Law is a piece of good news for Indonesia, which is battling a ballooning budget deficit and soaring inflation, as it will make the country more attractive to Middle Eastern investors, many of whom only use Islamic products. The development of Shariah-based financial market in Indonesia has grown quite significantly which is driven from the growth of Shariah-based banking and Takaful (Shariah-based insurance). Benchmark for Shariah equity investment has been placed by the issuance of Jakarta Islamic Index years ago.

Short supply of Sukuk

However, the availability of secured Shariah-based instruments for institutional investors is still lack in supply. Therefore, the issuance of Law on Sukuk is expected to overcome such problem.

Sri Mulyani, Indonesia's finance minister, told that the government intends to issue up to US$1.6 billion in Sukuk, in the second half of this year, once the law's implementing regulations have been finalized. This would account for about 16% of the predicted budget deficit, which has ballooned by 27% in the wake of soaring fuel subsidies and inflation.

The minister also said, "We'll consider both the domestic and international environments when deciding whether the sukuk will be institutional and mainly international or domestic retail."

Like other Sukuk law globally, Sukuk under Law on Sovereign Sukuk do not receive or pay interest. It typically operates through actual transactions such as profit-sharing or leasing. The Law on Sovereign Sukuk provides that the underlying transactions on issuing sukuk can be in the form of Ijarah, Musharakah, Istisna, or other transactions as long as it is not contrary to the Shariah principles.

Under the Law on Sovereign Sukuk, the government may issue a Sukuk directly or through a "special purpose vehicle" company (SPV Company). Such SPV Company shall be established by a law. The issuance of Sukuk by the government, directly or through SPV Company should obtain prior approval from the Parliament at the same time when the State Budget is approved.

If Sukuk is issued by the government directly, then the minister of finance will appoint a party as a Trustee. If Sukuk is issued through SPV Company, the SPV Company will act as a Trustee. The task and obligation of Trustee are: (a) entering into agreement with other party for the benefit of Sukuk holders, (b) controlling asset that is used for the issuance of Sukuk for the benefit of Sukuk holders, (c) representing Sukuk holders in connection with the issuance of Sukuk.

In connection with the issuance of sovereign Sukuk, the minister of finance shall appoint the Indonesian Central Bank (BI) as the paying agent. The finance minister may appoint other party as paying agent with prior coordination with BI.

State-owned bonds

The paying agent has the authorization and obligation to receive payment from the government in connection with the issuance of Sukuk (such as rental payment, revenue sharing or margin); and then distribute such payment to Sukuk holders.

State-owned assets, movable and immovable, can be used as basis in issuing sovereign Sukuk (underlying assets). The beneficial title (hak manfaat) of the state-owned assets can be sold or leased. However, the legal title of such state-owned assets is still in the hands of the government. The maximum lease period is 60 years.

The selling of beneficial title of the state-owned assets without transferring legal title of such assets is a new concept under Indonesian law. Before the issuance of Law on Sovereign Sukuk, Indonesia did not recognize such kind of concept. The using of state-owned assets in the issuance of Sukuk shall not reduce the right of the government's institutions to continue using such asset for their daily operation. They still have the right to use such State-owned asset as usual.

Law on Sovereign Sukuk also provides criminal sanctions. Any party who issues forged sovereign Sukuk shall be put in jail for a minimum period of five years and a maximum of 10 years; and fine at the minimum of IDR10 billion (US$1.09 million) and at the maximum of IDR20 billion (US$2.18 million).

Any party who issues sovereign Sukuk without valid/legal authorization shall be put in jail for a minimum period of 10 years and a maximum of 20 years; and fine at the minimum of IDR20 billion (US$2.18 million) and at the maximum of IDR40 billion (US$4.36 million).

Implementation regulation of Law on Sovereign Sukuk shall be issued by the minister of finance. The minister shall also request for fatwa (opinion) on the "Shariah compliance" from the Majelis Ulama Indonesia (Indonesia Religious Scholars Council) on this matter.

Rosy future ahead

In the past, Indonesia has already missed out on the opportunity to attract investment from the oil rich country because of double tax treatment for Islamic financings. Dubai Islamic bank had expressed its interest in financing Jakarta's monorail project, but could not participate in the end because of double tax issue.

Fortunately, the government recently has announced that the double tax issue for Islamic financings are waived. Furthermore, by the issuance of Law on Sovereign Sukuk, the issue of double tax in connection with the transfer of ownership is no longer relevant, since there will be no transfer of legal title. The transfer is only on beneficial title. Finally, we are optimistic that Indonesia will be able to compete as a global Sukuk player in the near future.

KarimSyah Law Firm

Mirza Karim is a partner at KarimSyah Law Firm in Jakarta. He can be contacted at mirza.karim@karimsyah.com. Please visit www.karimsyah.com

Al Meezan Investment Takes the Lead

By Shabbir Kazmi

Al Meezan Investment Management (AMIM) was incorporated on the 27th February 1995. It is registered as a non-banking finance company with a license to perform Asset Management and Investment Advisory Services under the NBFC Rules, 2003.

Its main area of business is investment management; more specifically floating and managing both open ended and closed ended funds and discretionary management of institutional portfolios.

In an interview with Mohammad Shoaib (*pic*), Certified Financial Analyst (CFA), the CEO reveals the company's history, development and aspirations.

Track record

With a humble beginning of first mutual fund with PKR900 million (US$13.69 million) in 2003, AMIM can rightly take pride in sharing with the investors that today assets under its management are around PKR19.5 billion (US$296.67 million). It manages three open-end and two close-end funds and it can rightly be termed the largest Islamic mutual funds management company of Pakistan.

AMIM has majority shareholding by Meezan Bank, Pakistan's first Islamic bank offering full-fledged commercial banking services. At present it has a network of 100 branches located in 31 cities of the country and branch expansion will continue during 2008 with an aim to increase network to 150 branches. Bank's total deposit base is over PKR52 billion (US$789.27 million), 42% of total Islamic banking industry. Its financing stands at PKR30 billion (US$454.96 million) which is 34% of total Islamic banking financing while its total assets are worth PKR64 billion (US$971.52 million) or 36% of overall Islamic banking assets in Pakistan.

Meezan Islamic Fund, the first open-end fund by AMIM, was launched in 2003 with a seed capital of PKR520 million (US$7.90 million). At present total fund size is about PKR5.9 billion (US$89.58 million). By far it is the largest equity fund managed by the private sector. The largest equity fund is NIT operating in the public sector, being on the list of entities to be privatized in due course of time.

The five funds under AMIM include two close-end funds: Al Meezan Mutual Fund and Meezan Balanced Fund while the open-end funds are Meezan Islamic Fund, Meezan Islamic Income Fund and Meezan Tahaffuz Pension Fund. It is all set to launch the sixth fund, a capital protected fund. There are other funds in the pipeline designed to meet the needs of Shariah compliant investors.

New fund

AMIM and Meezan Bank are jointly launching Pakistan's first Shariah compliant Capital Protected Fund - Meezan Capital Protected Fund-1 (MCPF-1). The Trust Deed of the Fund has been signed between AMIM and Central Depository Company (Trustee).

MCPF-1 is an open-end mutual fund with three-year maturity period. The Fund will provide high-level of protection for the principal amount of investment. This fund has been designed in a manner that investors will get maximum return while their initial investment is protected.

AMIM will place a large portion of the initial investment with Meezan Bank through Murabaha structure for three years. The remaining amount will be invested in Shariah compliant equities to earn high rate of return.

MCPF-1 is aimed at meeting the requirements of a large number of investors, both institutional and retail, who desire a Shariah compliant investment avenue but do not want to take the risk of losing their initial investment.

Subscription of MCPF-1 units would remain open for three to four weeks only, during which units would be available at AMIM offices and all the branches of Meezan Bank across Pakistan.

Investment philosophy

Of course the guiding principle is offering investment opportunity to earn Riba-free income. The other features include risk minimization and income maximization for various types of investors. Our funds array caters to needs of all types of investors enjoying different 'risk return profile'.

One of the features providing confidence to investors is that our funds are Shariah compliant and all the investments made by the funds are in the businesses drawing bulk of the income from Shariah compliant activities. While approving any investment opportunity the Shariah Board, headed by Justice (Retired) Muhammad Taqi Usmani microscopically examine it. Both the balance sheet and income statement are analyzed to ascertain nature of business, investments, borrowings and sources and utilization of funds.

Investment management

While making any investment the primary consideration remains Shariah compliance but performance of the business entity is the second most important consideration. Being the custodian of the investment of hundreds and thousands of investors as fund manager, AMIM closely monitors the activities of entities, their future plans and quality of management etc.

AMIM follows long-term investment policy and abstains from indulging in day trade. While a number of mutual funds thrive on capital gains, AMIM invest in companies enjoying sound economic fundamentals, growth potential and follows sustainable business plan.

AMIM caters to the needs of retail investors, who do not have the expertise to select an appropriate investment proposition, manage the portfolio and keep track of the performance of the companies in which investments have been made.

Market share

The overall size of mutual fund industry in Pakistan is estimated around PKR367 billion (US$5.6 billion); out of this Islamic funds have

continued...

Al Meezan Investment Takes the Lead (continued...)

PKR27 billion (US$413 million) or 7% share. Among the Islamic funds AMIM manages PKR19 billion (US$291 million) assets or 65% market share. In the recent past, funds under its management of AMIM have registered growth of about billion rupees per month.

Payouts

Meezan Islamic Fund earned net income of PKR471.9 million (US$7.2 million) during the half year period ended the 31st December, 2007 compared to PKR193.9 million (US$3 million) during the corresponding period last year reflecting an impressive growth of 143.3%. The total net earning translates into PKR10.92 (US$0.17) per unit.

Meezan Islamic Income Fund (MIIF) earned a net income of PKR285.1 million (US$4.4 million) (2.20 per unit). The net assets of MIIF as at the 31st December, 2007 stood at PKR6,777 million (US$104 million) (PKR52.21 [US$0.79] per unit) as compared to PKR3,162 million (US$48.4 million) as at the 30th June, 2007 reflecting an increase of 114.33%.

Meezan Tahaffuz Pension Fund (MTPF) consists of three sub-funds. During the six month period equity sub-fund earned net profit of PKR4.69 million (US$71.7 thousand). While the net profits in debt sub-fund and money market sub-fund were PKR2.23 million (US$34.1 thousand) and PKR2.06 million (US$31.5 thousand) respectively. Total net assets in all three sub-funds of MTPF stood at PKR168.32 million (US$2.6 million).

Al Meezan Mutual Fund earned a net income of PKR129.4 million (US$1.98 million) (PKR0.94 [US$0.014] per share) as compared to PKR45 million (US$688.37 thousand) (PKR0.33 [US$0.005] per share) in the corresponding period last year reflecting an impressive growth of 187% with net assets at PKR2,041 million (US$31.22 million).

Meezan Balanced Fund earned net income of PKR62.7 million (US$959.16 thousand) (PKR0.52 [US$0.008] per unit) as compared to PKR55.4 million (US$847.48 thousand) in the same period last year. The income was mainly generated through realized capital gains of PKR45.6 million (US$697.57 thousand), dividend income of PKR20.6 million (US$315.13 thousand) and profit on Shariah compliant income instruments of PKR33.1 million (US$506.35 thousand). The net assets of the funds stood at PKR1,467 million (US$22.44 million) (PKR12.24 [US$0.19] per unit).

Shabbir H Kazmi is head of supplements with a financial daily based in Pakistan. During his 15-year association with the media, he was twice (1993 and 1996) declared runner-up for Pan Asia Journalism Award sponsored by Citibank in Pakistan. He can be contacted via email at shkazmipk@yahoo.com

More about Mohammad Shoaib

The management team of AMIM is headed by the Chief Executive, Mohammad Shoaib. He has been associated with the company since its inception. He brings to this position extensive experience in fund management business in Pakistan and has an overall experience of 19 years in capital markets of the country.

Shoaib also has the distinction of being a Chartered Financial Analyst (CFA) charter holder from CFA Institute of USA. CFA charter is internationally recognized for high standards of professionalism in investment management and business ethics.

He is the founder and first President of CFA Association of Pakistan (formerly Pakistan Society of Investment Professionals), which is the representative body of CFA charter holders in Pakistan. CFA Association of Pakistan is one of the 132 members of CFA Institute.

He has also served as a member of the Asia Pacific Advocacy Committee of the CFA Institute, which comprises of members of CFA Institute member societies and chapters across Asia Pacific Region. The Committee was responsible to review and respond to major new regulatory, legislative, and other developments in the Asia Pacific Region. He was also a member of the Global Corporate Governance Task Force of CFA Institute which was responsible of developing international standards of corporate governance.

Prior to joining AMIM, Shoaib was Senior Vice President and Head of Department for Capital Markets Division at Pak Kuwait Investment Company (PKIC). He joined PKIC in 1990 as Deputy Manager and was instrumental in expanding PKIC equity portfolio from PKR60 million (US$914.50 thousand) to over PKR3,000 million (US$45.72 million) when he was deputed to AMIM in 1995.

He obtained his MBA from Institute of Business Administration of Karachi and later completed his Diploma in Banking from Institute of Bankers in Pakistan securing overall second position. Shoaib also served as a non-member nominee director of SECP on the Board of Karachi Stock Exchange for the year 2002. He has also attended various courses, seminars and workshops on investment management in Asia, Australia, Europe and North America.

Next Forum Question

A leading scholar recently contended the US subprime crisis could have been prevented if Islamic principles had been applied in the international financial markets. Do you agree? And what measures could have been taken?

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, 14th May 2008.

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

Name: Mamour Malick Jagne

Position: Managing director

Company: Arab Gambian Islamic Bank

Based: Banjul, The Gambia

Age: 60

Nationality: Gambian

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

I served the government of The Gambia in various capacities as permanent secretary including that of finance and governor, Central Bank of The Gambia. I also served as executive director of the Islamic Development Bank (IDB).

At the end of my term at IDB, I thought it would be a good idea to start an Islamic bank in The Gambia so as to provide Muslims there the opportunity to manage their resources in a manner consistent with Islamic principles.

What does your role involve?

As the CEO, I design the policies of the bank and submit them to the board of directors for approval. I also supervise the implementation of the decisions of the board.

What is your greatest achievement to date?

To have been a member of the team of economists who designed the policies, arrested the deterioration of the economy of The Gambia in 1985 and succeeded in placing it on a sustainable growth path and to have established the Arab Gambian Islamic Bank.

(Editor's note: Apart from accepting deposits from customers and providing products and services traditionally rendered by conventional banks, Arab Gambian Islamic Bank grants financing facilities for short-medium-and long-term economically and financial viable undertakings.

The Bank is thus structured mandated to carry on both commercial and development banking activities and, at the same time, trade in commodities.)

Which of your products/services deliver the best results?

Murabahah and Musharakah have been Islamic financing instruments that have yielded good results for our customers as well as for the bank.

What are the strengths of your business?

Strengths: The quality of the bank's services, characterized by the Islamic principles of honesty, fair dealing and mutual benefits. The friendly and committed staff is also a major strength of the bank.

(Editor's note: The corporate objective of the bank is to carry on Islamic banking business in all its departments and branches in accordance with Islamic principles with the view to make profit and to contribute to the economic and social advancement of The Gambia. The bank's services are available to all individuals regardless of their religion.)

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

The religious commitment of the public, and given the fact that over 90% of the population is Muslim, this has helped greatly in deposit mobilization. The brotherly relationship between customers and the staff and the team work between the directors and staff.

What are the obstacles faced in running your business today?

The bank needs additional capital and a strategic partner to place it on a higher growth path, to improve on our human and technological resources.

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

The Islamic finance industry is poised to grow in depth and to expand geographically. Already I am aware that a number of African countries are interested in establishing Islamic banks.

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

IDB is doing a lot to strengthen cooperation between Islamic financing companies. More needs to be done to institutionalize the ties and cooperation between them.

ARAB GAMBIAN ISLAMIC BANK

Arab Gambian Islamic Bank was incorporated under the Companies Act 1955. It commenced operations in January 1997, carrying on banking business in all its departments and branches in accordance with Shariah principles and practices with a view to making profit for its shareholders and depositors and to contribute to the socio-economic development of The Gambia. Visit www.agib.gm

CIMB Islamic Commodities Structured Fund 1 and 2

INSTRUMENTS	CIMB Islamic Commodities Structured Fund 1 and 2
ISSUER	CIMB Islamic
PRINCIPAL ACTIVITIES	CIMB Islamic is a Shariah compliant bank that provides Islamic commercial and investment banking services.
BOARD OF DIRECTORS	Charon Wardini Mokhzani, Noripah Kamso, Raja Noorma Raja Othman, Peter William England, Rex Auyeung, John Campbell Tupling, Ned Alan Burmeister; Brig Gen (R) Arif Awang, Loong Chun Nee, Anwar Aji, Wong Joon Hian (independent director); Tunku Dato' Ahmad Burhanuddin (alternate to Charon Wardini)
DATE OF LISTING	45 days; 21st April until 4th June 2008
ISSUE SIZES	RM0.4938 (Fund 1) and RM0.4926 (Fund 2) Initial Offer Price per unit. 600 million units or such increase(s) in funds size as may be approved by the Securities Commission of Malaysia. The manager reserves the right not to launch the funds and return to the investors the Initial Offer Price per unit and the Application Fee paid if the Net Asset Value of the Funds at the expiry of the Offer Period is below RM50 million.
DATE OF ISSUES	13th June 2008 for both funds
MATURITY	Three and five years respectively; 13th June 2011 for Fund 1, and 13th June 2013 for Fund 2.
LEAD MANAGER	CIMB-Principal Asset Management
LEGAL COUNSEL	Soon Gan Dion & Partners
TRUSTEE	Mayban Trustees
SHARIAH ADVISOR	Mohammad Hashim Kamali, Mohd Nai'm Mokhtar, Shafaai Musa, Zainuddin Jaffar.
METHOD OF ISSUE	Structured product (Shariah) Growth for Fund 1, and Structured product (Shariah) Income for Fund 2.
PURPOSE OF ISSUE	Fund 1 aims to provide investors with capital appreciation over the tenure of the fund linked to the performance of commodities that conform with Shariah principles, while Fund 2 aims to provide investors with regular income over the tenure of the fund linked to the performance of commodities that conform with Shariah principles.

MALAYSIA

Takaful Malaysia seeking US$31 million

Takaful Malaysia is looking into raising RM100 million (US$31.73 million) from its investment-linked product, my AL-AFDHAL after the subscription period ends. It has already begun last weekend, and will close on the 15th June after 45 days.

The Islamic insurance company announced the launching of its latest product recently, offering to Muslims as well as non-Muslims, and provides investors with a five-year Shariah compliant investment structure.

UK

Principle gets the green light

Principle Insurance, formerly known as British Islamic Insurance Holdings, has received the stamp of approval from the Financial Services Authority (FSA). Operations will kick off with the offering of Islamic motor insurance by the end of the second quarter, followed by home insurance.

Chairman Abdulaziz Hamad Aljomaih said that the approval from FSA, proves that Shariah compliant financing is equitable and profitable, fits with the regulations and standards of international finance.

BAHRAIN

Al Ahlia reports all around growth

Al Ahlia Insurance announced a 92% growth in first-quarter net profit, to US$3.4 million from US$1.81 million in the previous corresponding period. This includes US$888,911 profit from insurance operations, said general manager Yahya Nooruddin. Al Ahlia also reported a 28% growth in net earned premiums from US$2.3 million to US$2.92 million.

Al Ahlia's investment income for the first quarter of 2008 also went up by a whopping 238%. Shareholders' equity increased to US$54.38 million by 103%. At the end of the first quarter of last year, the number stood at US$26.79 million.

MALAYSIA

CIMB Wealth launches new plan

CIMB Wealth Advisors launched the new 3 in 1 Education Plan recently. The plan is a combination of unit trust investment, insurance and Takaful coverage. It was developed collaboratively by CIMB-Principal Asset Management, CIMB Trustees, and CIMB Aviva Assurance and Takaful.

The funds will be invested in various asset portfolios, and will be safeguarded by either conventional insurance or Takaful, said its CEO, Tan Beng Wah. The company is targeting 400 new customers each month under this plan.

SAUDI ARABIA

Fear projects positive on Salama

Morgan Stanley has projected increasing demand in the Islamic insurance and reinsurance industry in the future, as stated in its report on Islamic Arab Insurance Company (Salama). 'Salama – Interesting Opportunity in Niche Takaful Market' is authored by Kathy Fear, Morgan Stanley's insurance analyst.

In the report, Fear said that Salama is a rare opportunity for investors to get exposure in the Takaful and reTakaful market.

MALAYSIA

Maybank plans for global Takaful

Maybank and Islamic Development Bank (IDB) are planning a global Takaful business together by the end of this year, said the Malaysian bank in a statement.

A pact has been signed between Maybank and Islamic Corporation for the Development of the Private Sector (ICD) to study the feasibility of setting up the holding company. The company will operate globally, even in non-ICD member countries.

UAE

FGB partners with Salama

First Gulf Bank (FGB) and Islamic Arab Insurance Company (Salama) have entered into a partnership that will allow FGB to provide Salama-produced Takaful products to its First Wealth customers across the region.

First Wealth was set up to provide investment products and services to the region's high net worth individuals. Salama is the largest Takaful and reTakaful company in the world.

BAHRAIN/QATAR

New Takaful firm soon

A Takaful firm will be set up in Bahrain soon, following an MoU signing between the Bahrain Chamber of Commerce and Industry and its Qatari counterpart. It will have a capital of US$69 million.

Doha Insurance and Al Khaleej Insurance and Reinsurance Company have expressed interest in being part of the Qatar-based company.

MALAYSIA/UAE

Biggest reTakaful firm being planned

Malaysia's Khazanah Nasional, Dubai's Dubai Banking Group (DBG) and Asia Capital Reinsurance (ACR) will set up a reTakaful firm, which will have a US$300 million capital base. Khazanah and DBG will each hold 40% stakes in what is deemed to be the world's largest Islamic reinsurance firm, while ACR will hold 20%. Khazanah already has a 32% stake in ACR, thus rendering it the biggest shareholder. The firm will be based in Kuala Lumpur and the Middle East.

Lessons on reTakaful

By Dr Omar Fisher

For a Takaful company to operate in full adherence to Shariah rules, traditional reinsurance should be avoided. The alternative is reTakaful. While reTakaful operates on principles of risk sharing similar to traditional reinsurance, there is one main distinction — the Takaful operator/fund must not act as an agent for the reinsurer. In other words, ceding commissions that are commonly paid by reinsurers to primary insurers are not permitted under the Shariah.

Usually, ceding commissions are a reimbursement of marketing/acquisition expenses incurred by the primary insurer to acquire the insurance book of business. By sharing these expenses, the primary insurer can be viewed as acting as agent for the reinsurer. According to the Shariah, the fundamental principles of risk sharing and profit sharing must be carefully observed.

This means that by mutual agreement, the primary insurer may share in certain risks with a reinsurer (reTakaful) on a quota share or excess of loss basis. Under such an arrangement, any resulting profits/losses are divided in accordance to pre-agreed guidelines.

Factual background

The Government of Malaysia, through Bank Negara Malaysia's initiatives to entice reinsurers to the offshore banking center at Labuan have been successful thus far. In 1996, four Takaful operators in the Far East Asia/Pacific Region formed the Asean Takaful Group with an initial paid-up capital of US$100 million to commence a regional reTakaful operation for Takaful companies located in Asia.

Based upon research and data that is publicly available today, there are six reTakaful companies in the world today as fully independent companies; namely — ARIL (Malaysia/Southeast Asia), Best Re (Tunisia), Hannover reTakaful (Bahrain), MNRB Retakaful (Malaysia), Tokio Marine - MILLE RE (Singapore) and Takaful RE (UAE).

In the aggregate, the reTakaful dedicated paid-up capital is approximately US$375-US$400 million, representing a modest reinsurance capacity. By contrast, the reinsurance assets of one company, American-Re/Munich Re, in 2005 was approximately US$7 billion with capital of US$2 billion — which represents significant reinsurance capacity.

Both Takaful and reTakaful companies are relatively new to the global marketplace — the first reTakaful initiative was started in 1973. In addition to the reTakaful companies, there are reTakaful 'windows' arranged as facilities by multi-national reinsurers that operate on a cross-border basis; namely, Swiss Re, Scottish Re, Labuan Re (Malaysia/Bahrain), ReINDO and Nasional Re(Indoneisa) and Munich Re. Nonetheless, Takaful operators clearly see a need to broaden capacity for risk sharing with them as reTakaful.

With total gross written premiums by Takaful operators of approximately US$3.9 billion in 2006, and a total reTakaful capacity of about US$400 million, it is evident that Takaful operators must avail themselves of reinsurance from conventional reinsurers.

Research has shown that some Takaful companies depend on reinsurance for as much as 65% to 85% of total coverage written — except for auto coverage, for which retention of risk generally ranges between 55% and 80%. This means that premium retention could be as low as 15% of gross premiums written. Also, Takaful operators must cede business to rated reinsurers, especially for commercial and corporate risks. Because no reTakaful is rated above triple B (BBB) for financial security, the consideration drives the continuation of conventional reinsurance by major multinationals that carry ratings of A or better. Estimates from Hannover reTakaful show contributions ceded by Takaful operators to reTakaful were approximately US$443 million in 2006 with projections rising to US$730 million in 2007 and over US$1.4 billion by 2009 — an annualized growth rate estimated at 25%.

"With total gross written premiums by Takaful operators of approximately US$3.9 billion in 2006, and a total reTakaful capacity of about US$400 million, it is evident that Takaful operators must avail themselves of reinsurance from conventional reinsurers"

Contentious Shariah issues

Some Islamic scholars have begun to raise serious doubts as to whether such transactions are permitted under the Shariah. Generally, the Islamic principles that apply to Takaful operations should apply equally to reTakaful.

In other words, preference should be given by Takaful operators to utilize reTakaful arrangements over conventional reinsurance. As such, the transfer of these risk exposures to reTakaful must follow the start-up of additional reTakaful companies to allow for a diversity of geographic risks and asset classes to individual reTakaful.

Use of conventional reinsurance companies may be permitted under Shariah when:

- Regulated by the law of necessity (Darura) which means the transaction is unavoidable and must be carefully evaluated as to its purpose and urgency.
- No commission is paid to ceding Takaful company from reinsurer. Ceding achieved on a net (risk) premium basis or profit-sharing arrangement.
- Portion of profit-sharing/annual surplus to be distributed back to policyholders.
- Contributions/premiums invested in Islamically acceptable investments so that profit sharing produces halal income.

continued...

Lessons on reTakaful (continued...)

Among the important elements of reTakaful that must be present for Shariah compliance, according to Hannover reTakaful:

- Risk sharing within reTakaful pools as between ceded Takaful risks
- Segregation of assets between reTakaful operator and the reTakaful risk pool(s)
- ReTakaful shareholder capital available to respond to deficits in risk pool(s) through Qard Hasan
- Supervision by Shariah supervisory board or Islamic scholar knowledgeable in insurance/reinsurance

Challenges in reTakaful sector

According to experts in the field of reinsurance and reTakaful, there are several major hurdles confronting this young industry, which are enumerated below:

1) Peak risk capacity – Takaful operators should be able to rely upon their reTakaful providers for significant risk capacity under treaty associated with certain peak risks — especially in energy risks.

   a. For example, onshore/offshore energy refinery with property damage and loss or life could require US$1.3 billion of risk coverage; with business income and total single limit up to US$5.6 billion per risk. Offshore facility may require up to US$2 billion per risk.

   b. High value industrial facilities and commercial property (such as semiconductor plant) might require up to US$3.5 billion in risk coverage.

   c. Aviation/hull – Non-US risks normal maximum hull coverage is US$185 million per risk with combined single limit of US$1.5 billion [total capacity is 186% of hull value]; and manufacturing risk liability limit could require US$1.5 billion at capacity of 140%.

   d. Space exploration risk coverage – yet to be estimated.

2) Natural disasters capacity – adequate capacity to absorb financial shocks from such natural catastrophic events as earthquake, tsunami, windstorm, flood, fire, etc. Certain regions with high concentration of Muslim populations suffer such misfortunes regularly — Iran, Turkey, Indonesia, parts of China, Bangladesh, etc.

3) How to expand the traditional forms of reinsurance on Islamic basis — i.e. facultative, treaty proportional, risk excess of loss, event excess of loss as well as enhance the alternative forms of reinsurance – such as collateralized bonds (CAT Bonds), captive insurance etc. for both aggregate risk protection and event risk protection.

4) Ratings – none of the reTakaful providers today carry an A rating, which is the minimum rating demanded by some regulators to approve the risk sharing treaty for a Takaful operator. ReTakaful companies must strengthen their financial condition and improve their underwriting practices in order to qualify for A or better ratings, and hence position themselves to compete effectively with long-established conventional reinsurers.

5) Transparency in financial statements and reporting.

6) Asset management expertise – especially with Islamic securities.

7) Surplus distribution vs build-up of prudential reserves at the reTakaful operator level.

From sources of Guy Carpenter (2005), the top 40 reinsurers write 95% of the global reinsurance business. Due to the dual requirements of sophisticated expertise in underwriting risks and financial modeling as well as substantial capital reserves, a handful of reinsurance dominate this sector of the industry.

Negative factors

Globally, US$167 billion in premiums was ceded by direct insurers to reinsurers, which hold US$380 billion in shareholders capital. Estimated number of treaties is approximately 220 worldwide.

By contrast, reTakaful companies accepted contributions ceded about US$100 million to US$180 million, against shareholders' capital of less than US$300 million. By 2007, three more reTakaful facilities had been announced and therefore both the capacity to underwrite reTakaful and the shareholders' capital supporting this will have risen.

Among the factors that negatively affect the industry's capacity to accept risks (ie. destroy capacity) are:

- Catastrophic losses causing reinsurance payouts
- Attrition and accumulated losses causing higher than expected payouts
- Poor pricing, poor reserving, poor limits
- Volatility of investments and mismatch of assets and liabilities

The above article is an excerpt from "Takaful Markets & Products: A training & Reference Manual" written by Dr Omar Clark Fisher and published by REDmoney Group. The manual was published in efforts to create greater understanding of Takaful. It covers vital topics which include Risk & Risk management, Islamic law & Takaful, Takaful operations, Sales techniques and Accounting for Takaful. For more information please contact Andrew Tebbutt at Andrew.Tebbutt@REDmoneygroup.com

AMERICAN EXPRESS — Middle East

American Express Middle East has appointed Mark Turner as group head commercial products, Middle East and North Africa.

Turner will focus on restructuring the company's commercial cards business and introducing new payment solutions. He has more than 15 years of experience in managing Amex corporate cards franchise and travel services across Europe, Asia and the Middle East.

AXA — Gulf

AXA Insurance Gulf has appointed Jean-Louis Laurent Josi as CEO. He will oversee AXA's operations in the Gulf as well as in the Levant region. He takes over from Andrea Rossi, who has moved to Italy as the CEO of AXA Assicurazioni.

Laurent Josi, 38, joined AXA Group early last year. He was head of retail and SME insurance as well as a member of the executive committee. Upon AXA Group's acquisition, he became head of multi-distribution for AXA Belgium, as well as a member of its executive committee. He was previously managing director and COO of a Belgian bank.

ALBA — Bahrain

Bahrain Mumtalakat Holding Company has appointed Yousif Taqi to the Alba board.

The certified public accountant and CEO of Al Salam Bank Bahrain has more than 24 years of experience in the banking and financial services industry.

Prior to joining Al Salam Bank, he was deputy general manager of Kuwait Finance House (KFH) Bahrain, and was responsible for establishing KFH Malaysia.

IMF — US

Anoop Singh has been named a director of the International Monetary Fund (IMF). He once served as special adviser to Prime Minister Manmohan Singh when the latter was the governor of the Reserve Bank of India (RBI).

Currently director of the IMF's western hemisphere department, Anoop will take over as director of the Asia Pacific department as part of the 185-member lending organization's "refocusing effort".

CLIFFORD CHANCE — Singapore

Simon Briscoe will join global law firm Clifford Chance in the fall, strengthening its Asian asset finance group. He has more than 17 years of experience in cross-border aviation and project finance.

LLOYDS — UAE

Lloyds TSB Middle East has appointed Julian Ashall as chief operating officer for its Dubai-based regional operations.

Prior to this appointment, Ashall was head of risk and compliance at Lloyds TSB Middle East, where he has been interim head of operations since November 2007. He has been with the Lloyds TSB Group for nearly 20 years and before relocating to Dubai in 2005 he was based at Lloyds TSB Geneva.

FORTIS — Singapore

Barend Janssens, head of ABN Amro's private bank in Asia and the Middle East, was appointed as head of Fortis' Asian private banking business with effect from January, with a view to integrate the private banks of Fortis and ABN Amro. He will be based in Singapore.

BIMB — Malaysia

BIMB Holdings has appointed Johan bin Abdullah as director and CEO. The appointment takes effect on the 15th May, 2008.

CITIBANK — UAE

Citibank announced the appointment of Aqil Jaffer Ali as head for branch banking with responsibility for the entire Citibank UAE branch distribution, sales and revenues.

Aqil is a Citibanker with 18 years of experience within the bank.

NORTON ROSE — UAE

Campbell Steedman will head Norton Rose's new office in Abu Dhabi. He is currently the firm's managing partner and head of corporate finance in the Middle East and is based in Dubai.

He has 20 years of experience and has been involved in projects in Europe, the Middle East and Africa.

CLYDE & CO — UAE

International law firm Clyde & Co has announced key internal and lateral partner appointments to its regional partner team that took effect on the 1st May, bringing the number of partners in the region to 19. It plans to increase this to 25 and will recruit another 50 associates within the next 12 months.

Rob Deans has been promoted from associate to equity partner, and will head the firm's intellectual property practice. He joined the team in 2003.

Associate Alexis Waller has also been appointed equity partner in the real estate and property division. She joined Clyde & Co in 2003, and relocated to the Dubai office in 2005.

Hamish Walton has been laterally appointed to the corporate and finance teams. He joins from Baker & McKenzie, where he was a partner based in Melbourne, Australia.

James O'Shea has relocated to Dubai from the London office, where he is chair of Clyde & Co's regulatory group and is a prominent partner in the firm's corporate insurance practice.

Michael Grose has been promoted from equity partner to senior equity partner. He heads Clyde & Co's projects, infrastructure and construction across the Middle East.

CITI ISLAMIC INVESTMENT BANK — UAE

Samad Sirohey is now CEO of Citi Islamic Investment Bank and head of global Islamic banking. Prior to the appointment, he was co-head of debt capital markets for the CEEMEA region, with particular focus on the Middle East.

Deal *tracker*

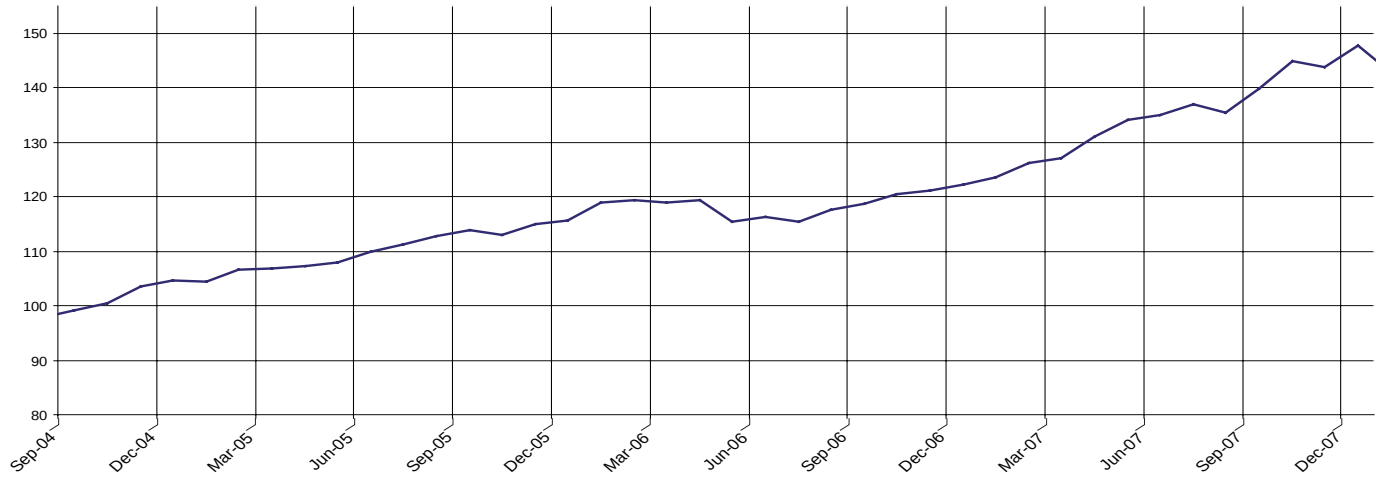
Keeping you abreast of the world's upcoming Shariah compliant deals

Another **Islamic Finance** *news* exclusive

ISSUER	SIZE (million)	INSTRUMENT
AirAsia	US$158.5	Sukuk Ijarah
Philippines	Up to US$1 billion	Sukuk
BTA Bank	Up to US$150	Sukuk
Mayora Indah	US$21.54	Sukuk Mudarabah
Bahrain Central Bank	US$500	Sukuk
Qatar Islamic Bank	US$300	Sukuk
Barwa Real Estate	US$800	Sukuk
Doha Bank	US$1 billion	Sukuk Ijarah
RAK Properties	US$2 billion	Sukuk
Tabreed	Up to US$500	Sukuk
Dubai International Financial Center	US$200	Sukuk
Amlak Finance	US$260	Sukuk
Al-Rajhi Cement Investment	US$595	Sukuk
Al-Zamin	US$11.15	Mudarabah
Muhibbah Engineering	US$125.41	Mudarabah
Indonesia	up to US$2 billion	Ijarah
Orient Technology Indonesia	US$120	Islamic and conventional
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$1.08 billion	Ijarah
Pak Elektron	US$1.9 billion	Diminishing Musharakah
Adhi Karya	US$10.95	Mudarabah
Al Noor Sugar Mills	US$7.99	Diminishing Musharakah
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
Javedan Cement	US$15.98	Diminishing Musharakah
Kwantas	US$20.41	Murabahah; CP/MTN

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

Eurekahedge Islamic Fund Index



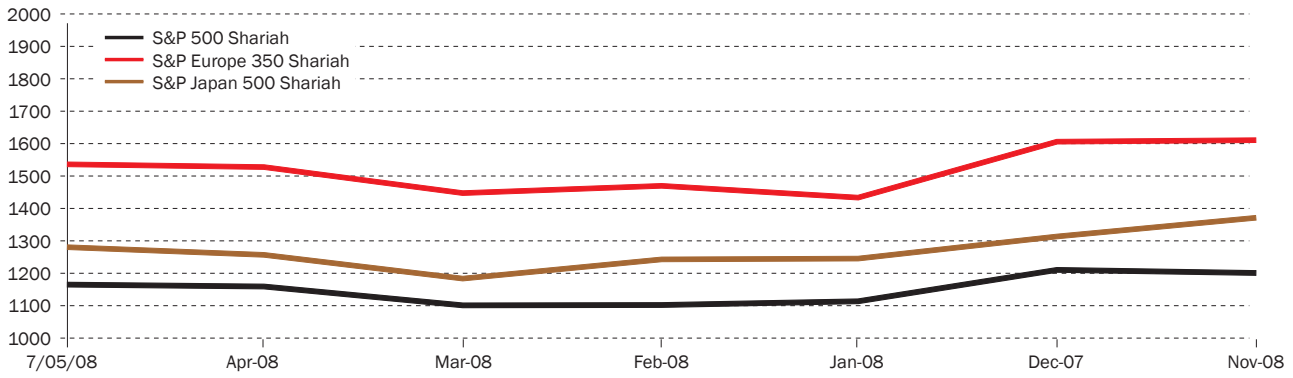
YTD returns for ALL funds (as of 7th May 2008)

	FUND	MANAGEMENT COMPANY	Performance Measure	FUND DOMICILE
1	DWS Noor Precious Metals Securities Fund - Class A	DWS Noor Islamic Funds	19.10	Ireland
2	Al-Durra Islamic Fund	Global Investment House	18.84	Kuwait
3	United Islamic Income Fund	UBL Fund Managers	18.36	Pakistan
4	Tijari Islamic Fund	Commercial Bank of Kuwait	18.11	Kuwait
5	Al Fajer Fund	Wafra International Investment	18.03	Kuwait
6	Al Dar Securities Fund	ADAM	17.11	Kuwait
7	Thahabi Ijara Fund I	Wafra Investments Advisory Group	16.38	Kuwait
8	Al Safwa Investment Fund	National Investments Company	16.05	Kuwait
9	Islamic Ijara Fund IV	Wafra Capital Partners	15.80	Kuwait
10	Thahabi Ijara Fund II	Wafra Investments Advisory Group	15.56	Kuwait
	*Eurekahedge Islamic Fund Index**		***-1.16***	

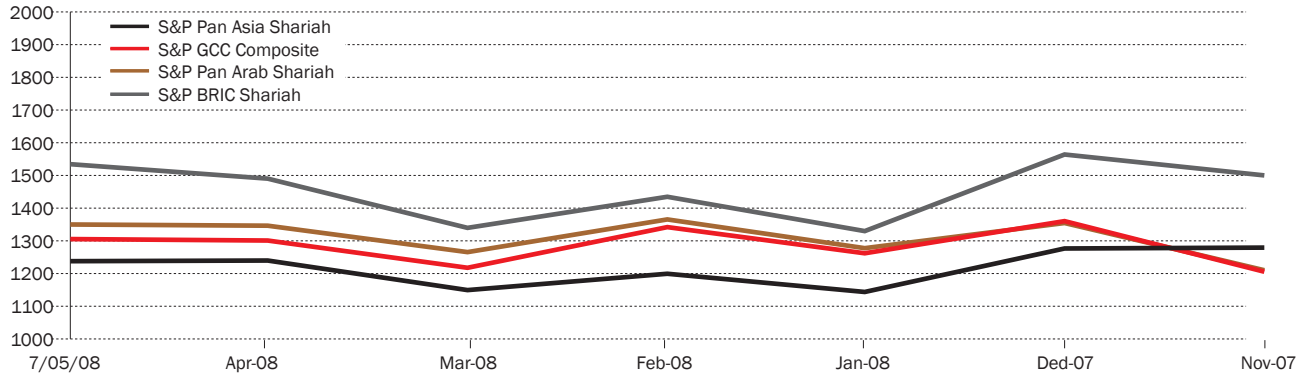
Sharpe ratio for ALL funds (as of 7th May 2008)

	FUND	MANAGEMENT COMPANY	Performance Measure	FUND DOMICILE
1	United Islamic Income Fund	UBL Fund Managers	31.11	Pakistan
2	Thahabi Ijara Fund II	Wafra Investments Advisory Group	29.76	Kuwait
3	Islamic Ijara Fund VI	Wafra Capital Partners	26.79	Kuwait
4	Amwal Islamic Money Market Fund	Kuwait & Middle East Financial Investment	23.25	Kuwait
5	Boubyan Financial Fund USD	Boubyan Bank	12.61	Kuwait
6	Boubyan Financial Fund KWD	Boubyan Bank	10.61	Kuwait
7	BIG Dana Muamalah	Bhakti Asset Management	8.32	Indonesia
8	Atlas Pension Islamic Fund - Debt Sub Fund	Atlas Asset Management	7.81	Pakistan
9	Atlas Pension Islamic Fund - Money Market Sub Fund	Atlas Asset Management	7.81	Pakistan
10	Emirates Real Estate Fund - Accumulation Shares	Emirates Bank International	6.80	Channel Islands
	*Eurekahedge Islamic Fund Index**		***-1.16***	

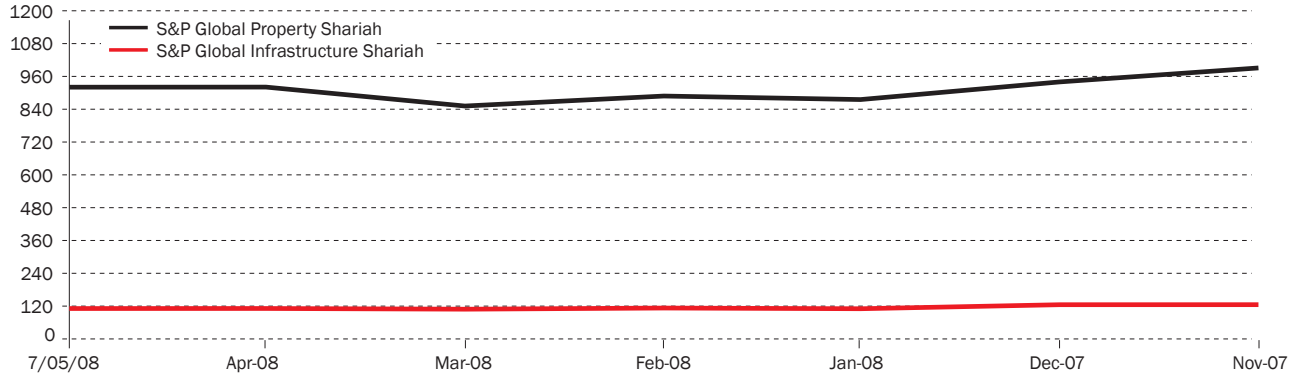
S&P Shariah Indices Price Index Levels



Index Code	Index Name	7/05/08	Apr-08	Mar-08	Feb-08	Jan-08	Dec-07	Nov-07
SPSHX	S&P 500 Shariah	1164.953	1159.136	1101.027	1102.059	1113.559	1210.401	1200.908
SPSHEU	S&P Europe 350 Shariah	1536.054	1527.614	1447.319	1469.692	1433.380	1605.956	1610.581
SPSHJU	S&P Japan 500 Shariah	1280.424	1256.791	1183.592	1242.786	1245.302	1313.474	1371.153



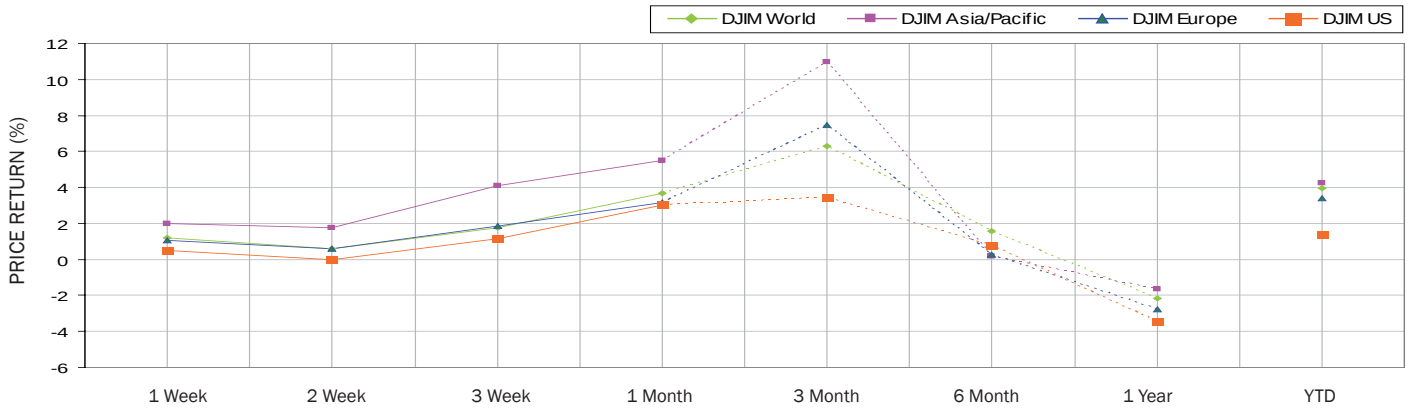
Index Code	Index Name	7/05/08	Apr-08	Mar-08	Feb-08	Jan-08	Dec-07	Nov-07
SPSHAS	S&P Pan Asia Shariah	1237.800	1239.783	1149.394	1199.353	1143.674	1276.625	1279.306
SPSHG	S&P GCC Composite Shariah	1305.397	1300.940	1217.617	1341.970	1261.967	1360.276	1205.592
SPSHPA	S&P Pan Arab Shariah	1349.978	1346.319	1265.531	1365.488	1277.606	1354.519	1210.131
SPSHBR	S&P BRIC Shariah	1534.418	1490.222	1339.677	1434.744	1329.801	1564.039	1500.115



Index Code	Index Name	7/05/08	Apr-08	Mar-08	Feb-08	Jan-08	Dec-07	Nov-07
SPSHGU	S&P Global Property Shariah	920.588	920.949	851.677	888.248	875.326	939.792	990.985
SPSHIF	S&P Global Infrastructure Shariah	111.161	111.336	108.755	112.966	110.419	125.143	125.250

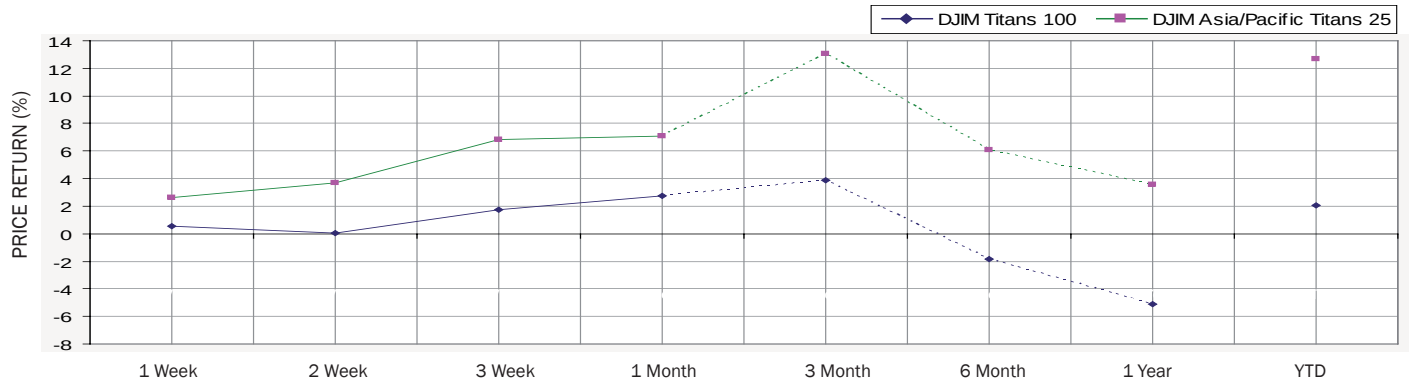
Data as of the 7th May 2008

PERFORMANCE OF DJ INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	1.21	0.57	1.77	3.66	6.31	1.57	-2.15	3.98
DJIM Asia/Pacific	2.00	1.76	4.08	5.48	10.99	0.19	-1.67	4.25
DJIM Europe	1.06	0.61	1.86	3.18	7.48	0.26	-2.79	3.40
DJIM US	0.48	-0.03	1.16	3.02	3.44	0.79	-3.49	1.38

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	0.52	0.05	1.74	2.78	3.89	-1.85	-5.10	2.05
DJIM Asia/Pacific Titans 25	2.60	3.67	6.86	7.10	13.05	6.10	3.57	12.69

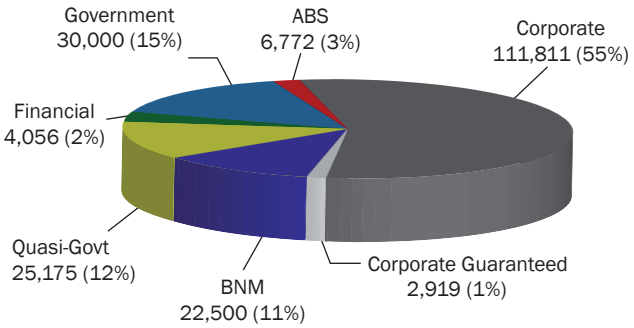
DESCRIPTIVE STATISTICS		Market Capitalization (US$ billions)						Component Weight (%)	
Index	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Largest	Smallest
DJIM World	2626	20662.09	16678.16	6.35	1.38	478.03	0.02	2.87	0.00
DJIM Asia/Pacific	1121	4103.74	2706.29	2.41	0.55	143.48	0.02	5.30	0.00
DJIM Europe	390	5469.42	4083.44	10.47	2.78	227.60	0.24	5.57	0.01
DJIM US	729	9010.34	8491.18	11.65	2.96	478.03	0.13	5.63	0.00
DJIM Titans 100	100	8487.44	7551.11	75.51	48.40	428.50	11.42	5.67	0.15
DJIM Asia/Pacific Titans 25	25	1343.65	882.24	35.29	26.01	93.45	11.42	10.59	1.29

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

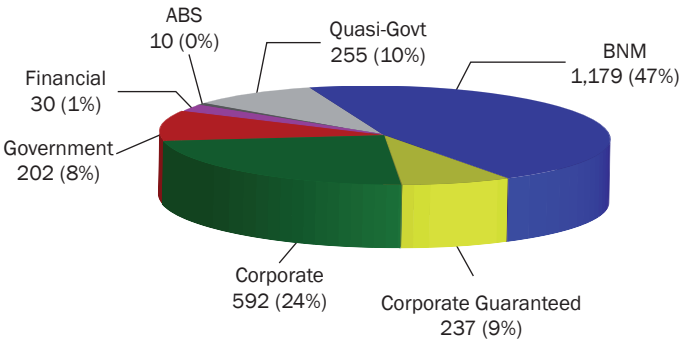
RINGGIT ISLAMIC DEBT MARKET: WEEKLY SNAPSHOT AS AT 7th MAY 2008
MOST ACTIVE BONDS TRADED BETWEEN 2nd MAY and 7th MAY 2008

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)	99.26	3.23	465.00		
BNMN-IDB 73/2007 91D 27.03.2008	97.51	3.38	375.00		
BNMN-IDB 18/2008 182D 11.09.2008	99.21	3.31	200.00		
BNMNI B7 (172D - 211D)	99.87	3.64	195.00		
BNMNI B9 (262D - 311D)	98.19	3.75	185.00		
CAGAMAS IMTN 3.830% 13.03.2009	100.44	4.75	165.00		
PROFIT- BASED GII 3/2007 14.09.2012	99.99	3.58	165.00	0.05	99.94
BNMN-IDB 2/2008 90D 10.04.2008	100.08	4.02	72.00	0.08	100.00
PROFIT-BASED GII 1/2007 15.03.2010	99.05	3.34	60.00		
KHAZANAH 0% 08.12.2016	99.95	3.48	50.00		
BNMN-IDB 16/2008 182D 04.09.2008	100.19	5.00	50.00		
BNMN-IDB 34/2007 273D 20.03.2008	102.89	4.29	45.00	0.04	102.85
RANTAU IMTN 0% 14.08.2013-MTN 2	100.24	8.96	42.95	1.41	98.85
BNMN-IDB 17/2008 273D 11.12.2008	99.97	3.61	35.00	0.02	99.95
WESTPORTS IMTN 0% 07.03.2013 (TRANCHE- 3)	95.06	5.39	30.00	0.28	94.79

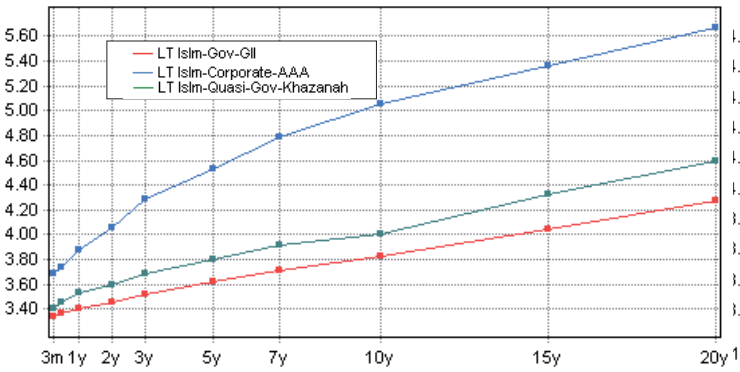
Outstanding Bond by Issuer Class as at 7th May 2008 (RM'000)



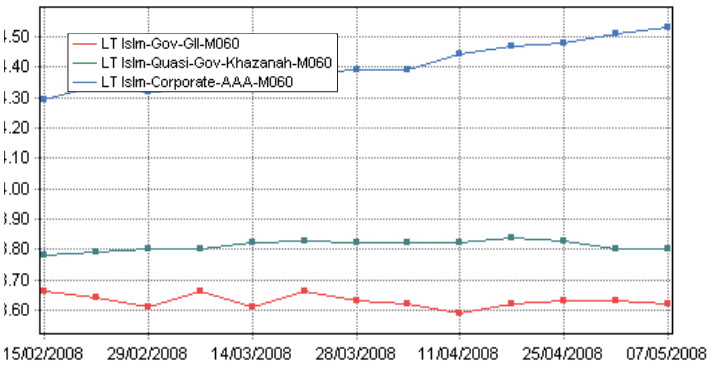
Bond Traded Amount by Issuer Class as at 7th May 2008 (RM'000)



YTM Curves as at 7th May 2008



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



TOP ISSUERS OF ISLAMIC BONDS — MAY 2007 – MAY 2008

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Binariang GSM	Malaysia	Sukuk Musharakah	4,509	9	14.0	CIMB, RHB Investment, Aseambankers, ABN Amro Bank, AmInvestment, OCBC Bank (Malaysia)
2	Malaysia	Malaysia	Sukuk	2,494	3	7.7	Malaysia Government bond
3	Saudi Basic Industries	Saudi Arabia	Sukuk Istithmar	2,133	1	6.6	HSBC Saudi Arabia, Riyad Bank
4	JAFZ Sukuk	UAE	Sukuk Musharakah	2,043	1	6.3	Barclays Capital, Deutsche Bank (London), Dubai Islamic Bank, Lehman Brothers International (Europe)
5	DP World Sukuk	UAE	Sukuk Mudarabah	1,496	1	4.6	Barclays Capital, Citigroup, Deutsche Bank, Lehman Brothers
6	Saudi Electricity	UAE	Sukuk	1,333	1	4.1	HSBC Saudi Arabia
7	Dubai Sukuk Center	UAE	Sukuk Mudarabah	1,248	1	3.9	Deutsche Bank (London), Goldman Sachs International
8	Projek Lebuhraya Utara Selatan	Malaysia	Sukuk Musharakah	1,067	10	3.3	CIMB
9	Dana Gas Sukuk	UAE	Susuk Mudarabah	1,000	1	3.1	JPMorgan
10	Dar Al-Arkan International Sukuk	Saudi Arabia	Sukuk Ijarah	1,000	1	3.1	ABS Islamic Bond, Arab National Bank, Deutsche Bank, Dubai Islamic Bank, Gulf International Bank (UK), Kuwait Finance House, Unicorn Investment Bank
11	Cherating Capital	Malaysia	Exchangeable Sukuk	850	1	2.6	Deutsche Bank (Malaysia), JPMorgan, CIMB
12	Hijrah Pertama	Malaysia	Sukuk Ijarah	847	2	2.6	Citigroup, CIMB
13	Nakheel Development 2	UAE	Sukuk Ijarah	750	2	2.3	JPMorgan
14	Cagamas MBS	Malaysia	Sukuk Musharakah Islamic Residential Mortgage Backed Securities	620	7	1.9	Standard Chartered, National Bank of Pakistan
15	Khazanah Nasional	Malaysia	Exchangeable Sukuk	550	1	1.7	CIMB, Deutsche Bank, UBS
16	National Bank of Abu Dhabi	UAE	Exchangeable Sukuk	545	1	1.7	Morgan Stanley, Credit Suisse
17	Silterra Capital	Malaysia	Sukuk Ijarah	530	1	1.6	CIMB, HSBC, Citibank
18	Jimah Energy Ventures Holdings	Malaysia	Istisna' MTN	492	30	1.5	AmInvestment, RHB Investment, MIMB Investment Bank, Bank Muamalat Malaysia
19	NIG Sukuk	Kuwait	Sukuk Mudarabah	475	1	1.5	BNP Paribas, Citigroup, National Bank of Kuwait, Standard Chartered, WestLB
20	Lingkaran Trans Kota Holdings	Malaysia	Sukuk Musharakah	457	13	1.4	Aseambankers
	Total			**32,203**	**331**	**100.0**	

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TOP ISSUERS OF ISLAMIC BONDS — FEBRUARY 2008 – MAY 2008

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Malaysia	Malaysia	Sukuk	627	1	15.6	Malaysia Government bond
2	Khazanah Nasional	Malaysia	Exchangeable Sukuk	550	1	13.7	CIMB, Deutsche Bank, UBS
3	National Bank of Abu Dhabi	UAE	Exchangeable Sukuk	545	1	13.6	Morgan Stanley, Credit Suisse
4	Lingkaran Trans Kota Holdings	Malaysia	Musharakah MTN	457	13	11.4	Aseambankers
5	National Central Cooling (Tabreed)	UAE	Convertible Sukuk	408	1	10.2	Morgan Stanley
6	Central Bank of Bahrain	Bahrain	Ijarah Sukuk	350	1	8.7	Calyon
7	Villamar Sukuk	Bahrain	Sukuk Musharakah	190	1	4.7	Al Rajhi Banking & Investment, Merrill Lynch International
8	Nakheel Development 3	UAE	Sukuk Ijarah	163	1	4.1	Dubai Islamic Bank, NBD Investment Bank, JPMorgan Securities
9	Westports Malaysia	Malaysia	Musharakah MTN	140	3	3.5	OSK Investment Bank
10	Salam Bounian Development Sukuk	Qatar	Sukuk Musharakah	138	1	3.4	Qatar National Bank, Commercial Bank of Qatar, Qatar Islamic Bank
11	Aras Sejagat	Malaysia	Ijarah Islamic bond	133	1	3.3	Bank Islam Malaysia, Kuwait Finance House (Malaysia)
12	Jimah Energy Ventures Holdings	Malaysia	Istisna MTN	76	10	1.9	AmInvestment, RHB Investment Bank, MIMB Investment Bank, Bank Muamalat Malaysia
13	Indosat	Indonesia	Ijarah Islamic bond	62	1	1.5	Mandiri Sekuritas, Danareksa Sekuritas
14	KNM Capital	Malaysia	Murabahah and Mudarabah MTN	42	3	1.1	Aseambankers
15	Hong Leong Industries	Malaysia	Musharakah MTN	32	2	0.8	Hong Leong Bank
16	Sunrise	Malaysia	Murabahah MTN	32	1	0.8	CIMB
17	Serrisa Sinar	Malaysia	Murabahah MTN	27	7	0.7	MIDF Amanah Investment Bank
18	Pak Elektron	Pakistan	Sukuk	17	1	0.4	AMZ Asset Management, Arif Habib Rupali Bank, Askari Investment Management, Bank of Punjab, First Dawood Investment Bank, Pak-Brunei Investment
19	Eden Housing	Pakistan	Sukuk	11	1	0.3	Al Meezan Investment Management, BankIslami Modaraba Investments, First Dawood Investment Bank, National Fullerton Asset Management, Trust Investment Bank
20	Total Mobile	Malaysia	Ijarah Sukuk	5	2	0.1	Affin Investment
	Total			**4,011**	**56**	**100.0**	

ISLAMIC BONDS				MAY 2007 – MAY 2008
	Manager or Group	Amt US$ m	Iss.	%
1	CIMB	3,937	58	12.2
2	HSBC	3,634	30	11.3
3	Malaysia Government bond	2,494	3	7.7
4	Deutsche Bank	2,162	20	6.7
5	JPMorgan	2,088	5	6.5
6	Citigroup	1,800	13	5.6
7	Aseambankers	1,619	47	5.0
8	Barclays Capital	1,385	4	4.3
9	AmInvestment	1,368	62	4.2
10	Riyad Bank	1,066	1	3.3
11	Standard Chartered	945	30	2.9
12	RHB Capital	945	78	2.9
13	Lehman Brothers	885	2	2.7
14	Morgan Stanley	791	6	2.5
15	Dubai Islamic Bank	769	5	2.4
16	Oversea-Chinese Banking Corp	683	16	2.1
17	Goldman Sachs	624	1	1.9
18	ABN Amro	620	8	1.9
19	Credit Suisse	381	2	1.2
20	Calyon	350	1	1.1
	Total	**32,203**	**331**	**100.0**

ISLAMIC BONDS				FEBRUARY 2008 – MAY 2008
	Manager or Group	Amt US$ m	Iss.	%
1	Morgan Stanley	681	2	17.0
2	Malaysia Government bond	627	1	15.6
3	Aseambankers	499	16	12.4
4	Calyon	350	1	8.7
5	Credit Suisse	272	1	6.8
6	CIMB	215	2	5.4
7	Deutsche Bank	183	1	4.6
8	UBS	183	1	4.6
9	OSK Asia Securities	140	3	3.5
10	Al Rajhi Banking & Investment	95	1	2.4
11	Merrill Lynch	95	1	2.4
12	Bank Islam Malaysia	66	1	1.7
13	Kuwait Finance House (Malaysia)	66	1	1.7
14	Dubai Islamic Bank	54	1	1.4
15	Emirates NBD	54	1	1.4
16	JPMorgan	54	1	1.4
17	Commercial Bank of Qatar	46	1	1.1
18	Qatar Islamic Bank	46	1	1.1
19	Qatar National Bank	46	1	1.1
20	HL Bank	32	2	0.8
	Total	**4,011**	**56**	**100.0**

ISLAMIC BONDS BY COUNTRY			MAY 2007 – MAY 2008
	Amt US$ m	Iss.	%
Malaysia	16,081	281	49.9
UAE	8,848	16	27.5
Saudi Arabia	4,466	3	13.9
Kuwait	775	3	2.4
Pakistan	679	18	2.1
Bahrain	550	2	1.7
Total	**32,203**	**331**	**100.0**

ISLAMIC BONDS BY COUNTRY			FEBRUARY 2008 – MAY 2008
	Amt US$ m	Iss.	%
Malaysia	2,128	47	53.0
UAE	1,116	3	27.8
Bahrain	350	1	8.7
Total	**4,011**	**56**	**100.0**

ISLAMIC BONDS BY CURRENCY			MAY 2007 – MAY 2008
	Amt US$ m	Iss.	%
Malaysian ringgit	14,681	279	45.6
US dollar	10,042	23	31.2
Saudi Arabian riyal	3,466	2	10.8
Emirati dirham	3,159	4	9.8
Total	**32,203**	**331**	**100.0**

ISLAMIC BONDS BY CURRENCY			FEBRUARY 2008 – MAY 2008
	Amt US$ m	Iss.	%
Malaysian ringgit	1,578	46	39.3
US dollar	1,228	4	30.6
Emirati dirham	1,116	3	27.8
Total	**4,011**	**56**	**100.0**

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DATE	EVENT	VENUE	ORGANIZER
May			
12th - 13th	World Halal Forum	Kuala Lumpur	Kasehdia
13th - 14th	Islamic Financing of Energy Projects Conference	Abu Dhabi	IBC Gulf Conferences
13th - 14th	5th IFSB Summit: Financial Globalization of Islamic Financial Services	Jordan	IFSB
18th	FTSE Shariah Japan 100 Index	Dubai	Daiwa Asset Management
19th - 20th	Islamic Finance Forum Series	Dubai	Interactive Events
19th - 22nd	Islamic Finance World North America	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
25th - 26th	Sukuk Summit	London	ICG Events
July			
1st - 3rd	Islamic Finance: The India Opportunity	India	IQPC
22nd	Innovative Product Development	UK	IGG Events
23rd - 24th	Islamic Real Estate Asia 2008	Kuala Lumpur	IQPC
August			
11th - 13th	MIF 2008 Issuer & Investors Forum	Kuala Lumpur	Islamic Finance Events
25th - 28th	Islamic Finance & Investment World 2008	South Africa	Terrapinn
October			
8th	London IFN Forum 2008	UK	Islamic Finance Events
12th - 16th	Middle East Retail Banking Forum	Dubai	IIR Middle East
14th	Middle East Hedge Funds 2008	Switzerland	Jetfin Events
15th	New York IFN Forum	New York	Islamic Finance Events
20th - 21st	Islamic Real Estate Investment	TBA	Naseba

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