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HONG KONG

Luring petro dollars to China

At the recently-concluded seminar on Islamic finance, Hong Kong financial secretary John Tsang reaffirmed the city's commitment to become a world center for Islamic finance and that it will ride on the booming Chinese economy to achieve this feat.

The two-day seminar was jointly organized by the Hong Kong Monetary Authority (HKMA) and the Islamic Financial Services Board (IFSB) to promote discussion of the development of an Islamic financial platform in Hong Kong.

Tsang said that Hong Kong planned to lure oil money from the Middle East to invest in infrastructure and development projects in mainland China.

"I believe Hong Kong can play an important role in generating new, reliable and potentially lucrative investment opportunities for this capital," he told the media on the sidelines of the seminar, which was attended by over 280 delegates from Southeast Asia, the Middle East and Europe. It ended last Wednesday.

He also said that demand for capital in the mainland infrastructure projects could be funded by Islamic bonds suited to such large-scale investments. "Hong Kong can be expected to play a significant role in structuring and financing Islamic investment products to meet the needs of mainland borrowers."

Tsang said the city's financial institutions had already begun work on making sure the legal and taxation systems will allow products compatible with Muslim laws.

He added some banks had already started creating products to try and secure part of the worldwide market, which has swelled in recent years to between US$700 billion and US$1 trillion on the back of high oil prices.

(Also see IFN Reports on page 11)

UAE

Second Islamic bank underway in Abu Dhabi

Abu Dhabi will see its second Islamic bank open in March, with an authorized share capital of US$1.09 billion. Dubbed Al Hilal, the bank's primary focus will be on boosting its UAE operations before expanding to the Gulf and the rest of the Middle East.

CEO Prasad Abraham affirmed: "The bank wants to expand into the regional GCC markets and then the greater Arab world and North Africa. We will follow Abu Dhabi's investment pattern."

GCC

More Gulf acquisitions of foreign property expected

Gulf Arab investors, flush with surplus cash from record oil revenues, will spend more than US$20 billion on international property acquisitions this year, said Blair Hagkull of Jones Lang LaSalle.

The managing director for Middle East and North Africa said Gulf investment in foreign property is set to grow 50% this year, helped by liquidity in the region and the credit crunch in other parts of the world.

In this issue

UAE

Al Mal launches twin funds

Al Mal Capital has launched its private equity program via the Al Mal Capital Partners Fund and the Shariah compliant Al Fares Private Equity Fund.

The two funds will operate side by side, searching out opportunities in the Middle East and North Africa region, and provide investors access to stakes in founder shares, pre-IPO and late stage investments in prominent companies preparing for public market entry.

Al Mal is looking to raise committed capital of AED350 million (US$95.3 million) for the two funds over an initial subscription period from January until late February. Both funds will target a return in excess of 20% per year over a five-year term.

JAPAN

February date for JBIC Sukuk

The Japan Bank for International Cooperation (JBIC) has finally submitted a solid date for its Sukuk issuance. Tadashi Maeda, director-general for the bank's energy and natural resources finance department, said: "It will be issued after Chinese New Year (which falls on 7th and 8th February), and we hope it will be well subscribed by the Gulf states."

Bank Negara Malaysia governor Zeti Akhtar Aziz said the bonds are highly anticipated by Malaysia, as it is the first sovereign Sukuk from Japan. The bonds are set to be priced between US$300 million and US$500 million.

(Also see IFN Reports on page 11)

MALAYSIA/UAE

Bursa Malaysia-DGCX derivatives pact

Stock exchange operator Bursa Malaysia has signed an agreement with the Dubai Gold and Commodities Exchange (DGCX) to jointly develop the derivatives markets in Malaysia and the UAE, Bursa Malaysia said last Tuesday.

"This (pact) provides a platform for both parties to develop our strengths and product offerings with respect to palm oil, gold, crude oil, plastics and such other commodities," said Raghbir Singh Bhart, Bursa head of global markets.

Barclays Capital said last week commodities will attract more investors in 2008, extending a trend that has boosted investment in this asset class by more than US$160 billion since 2001.

Commodity assets under management reached US$175 billion in 2007, a rise of US$41 billion over the year and second only to the record increase of US$48 billion in 2006, Barclays said.

BAHRAIN

BIsB rakes in BH$25 million

Bahrain Islamic Bank has announced that its net profit was BH$25 million (US$66.5 million) in 2007, a 92% increase compared to 2006. The bank's operating income in 2007 rose to BH$52.2 million (US$139 million), an increase of 64% compared to BH$31.9 million (US$85 million) in 2006.

MALAYSIA

First OCBC Islamic unit approved

OCBC Bank (Malaysia) will establish its maiden Islamic banking subsidiary this year, director/CEO Albert Yeoh confirmed last Tuesday.

Declining to disclose details, Yeoh would only comment, "We will make an announcement. The first branch will come out this year. We are very happy to say that we have indeed got the approval (of Bank Negara Malaysia)."

UAE

NBD unit to launch property fund

EIS Asset Management, a unit of Emirates NBD Bank, plans to launch an Islamic fund this month that aims to collect about US$100 million to invest in global property, a company executive said last Tuesday.

The fund will invest in property in Europe and Asia, said Deon Vernooy, head of EIS, without giving more details.

SAUDI ARABIA

Prince comes to Citi's rescue… again

Saudi's Prince Al Waleed bin Talal has increased his stake in Citigroup to the "maximum he could" without triggering a US regulatory review, reported an English-language daily.

P J Shoucair, Kingdom Holding's executive director for international investments, said the prince's investment "signals his continued support of Citi and confidence in its future".

The royal, a nephew of Saudi King Abdullah, is Citigroup's largest individual shareholder, owning 3.6% of the biggest US bank by assets through Kingdom Holding, which he controls. He owns 95% of the Riyadh-based firm.

Citigroup posted a fourth-quarter net loss of US$9.83 billion, the biggest loss in the US bank's 196-year history. The Saudi billionaire last came to the bank's aid in 1991, when he invested US$590 million in Citigroup predecessor Citicorp, which needed cash as it struggled with Latin American loan losses and a collapse in US real-estate prices.

QATAR

QNB's 2007 financials skyrocket

Qatar National Bank (QNB)'s net profits for 2007 hit QAR2.5 million (US$686,888) for the first time, due to successful diversifying of income sources and maintenance of a strong as efficiency ratio. Profits soared to from 2006's QAR1.99 million (US$546,627), with total income increasing by 28% to QAR3.46 million (US$950,417).

Income from investment-related activities also showed strong growth with dividend income growing by 40.7% to QAR122 million (US$33.5 million), reflecting high dividend distribution of QNB's equity portfolio.

Realized profit from sale of equity securities generated a gain of QAR374.5 million (US$103 million), and income from associates amounted to QAR122.9 million (US$33.8 million).

MALAYSIA

MAAKL Shariah fund

MAAKL Mutual has launched a regional fund, dubbed the MAAKL Shariah Asia-Pacific Fund. According to MAAKL, the new fund's primary focus will be on Asia Pacific investments, including China, Hong Kong, Indonesia, South Korea, Malaysia, the Philippines, Taiwan, Thailand and Australia.

The new fund is designed to invest up to a maximum of 98% of its net asset value in a diversified portfolio of Asia-Pacific Shariah compliant equities and equity-related securities.

Meridian Asset Management has been elected fund manager, and will oversee the distribution of 600 million units which will be priced at 25 sen (US$0.07) between16th January and 5th February.

EGYPT

First Egyptian bank on IFC program

IFC, a member of the World Bank Group, announced recently that Ahli United Bank in Egypt has become the first bank in the country to join its Global Trade Finance Program as an issuing bank. The program promotes trade with emerging markets worldwide by supporting flows of goods and services to and from developing countries.

Through the program, IFC provides guarantee coverage of bank risk in emerging markets, allowing recipients to expand their trade finance transactions within an extensive network of countries and banks and to enhance their trade finance coverage.

BAHRAIN

KFHB eyes US$200 million in investments

Kuwait Finance House Bahrain (KFHB) is setting up a world-class industrial park on the island, with the aim of bringing in investments worth more than US$200 million from regional and international investors via the subletting of units.

The project, which aims to drive further economic diversification in the industrial sector, is designed by leading Bahraini architect Dheya Towfiqi, who will also act as project manager. It will be developed in two stages, with the first phase covering an area of 11,766 sq m, and Phase II covering 45,154 sq m.

The BH$12 million construction contract for KFH Industrial Oasis, which will be located at Bahrain International Investment Park (BIIP) in Hidd, has been awarded to Poullaides Construction Company. Construction is expected to be completed by February 2011.

BAHRAIN/DENMARK

UIB acquires Kosan Crisplant

United International Bank (UIB) has completed the acquisition of Denmark-based Kosan Crisplant. The company is a systems and solutions provider for reconditioning of liquefied petroleum gas (LPG) cylinders.

Kosan Crisplant has a worldwide presence, having supplied systems to over 2,400 LPG suppliers globally.

PAKISTAN

Al Baraka on a roll

Al Baraka Islamic Bank Bahrain aims to boost its branch network in Pakistan by 30 from the existing 18 by end-2008. The announcement follows the bank's strong financial results for 2007, which was a growth of 15.1% to US$357 million and a net profit hike by 90% to US$5.3 million.

Al Baraka's Pakistani operations charted substantial growth in 2007 in terms of revenue, operation and branch network. This was illustrated by an increase in financing to US$207 million as at end-2007.

UAE

Istithmar gets a makeover

Istithmar PJSC has announced the company's new official corporate brand, Istithmar World. Istithmar World is wholly owned by Dubai World, which in turn is 100% owned by the government of Dubai.

Istithmar World will reorganize its operations into three separately managed divisions: Istithmar World Capital, Aviation and Ventures. Istithmar World Capital is a private equity and alternative investment house headquartered in Dubai, the UAE, with an office in Shanghai, China, while Istithmar World Aviation will invest in various sectors of the aviation and aerospace industry.

Istithmar World Ventures will invest in promising start-ups and greenfield ventures via the provision of financial and managerial resources. Each division will be managed independently, with the chairman of Istithmar World overseeing all operations.

MALAYSIA

Swiss T24 for Bank Islam

Bank Islam Malaysia is set to implement the T24 modular core banking platform from Swiss vendor Temenos to provide Shariah compliant services to its customers at its branches and via the Internet.

Temenos says the bank is implementing a pre-configured version of its platform — T24 Model Bank — to replace a Silverlake core banking system and an Internet banking platform supplied by i-Flex at the bank.

T24 will support operations in 90 branches across Malaysia as well as online customers. The vendor says the bank is also implementing Islamic and Universal banking products and processes to ensure compliance with Shariah laws and principles.

MALAYSIA

Telekom Malaysia finalizes largest deal

Telekom Malaysia (TM) has completed an Islamic sale and leaseback transaction involving the issuance of RM1 billion (US$303.51 million) asset backed Sukuk Ijarah by Menara ABS (MAB).

The transaction was completed with the sale of Menara TM, Menara Celcom, TM Cyberjaya Complex and Wisma TM (Taman Desa) to MAB for RM1 billion.

The lease agreement has a 15-year tenure, and will see TM and its subsidiaries occupy the abovementioned premises.

MAB issued three classes of Sukuk — Class A at RM345 million (US$104.64 million), Class B at RM155 million (US$47.01 million) and Class C at RM500 million (US$151.65 million).

Citibank was the principal adviser and sole lead arranger of the transaction. RAM Ratings has assigned the notes a final rating of AAA, AA2, A1 and A2 respectively.

UAE

Rasmala takes up 51% stake in CII

UAE-based Rasmala Investments has acquired a 51% stake in Capital Industries & Investments (CII), a Dubai-based private equity firm focusing exclusively on investments in mid-size construction-related manufacturing businesses.

CII plans to invest over AED1 billion (US$272 million) in mature businesses and in joint ventures in the Middle East and North Africa region.

UAE

SIB's US$480 million rights issue

Sharjah Islamic Bank (SIB) plans to raise US$480 million by selling shares to existing investors at less than half their market price, it announced last Wednesday. Its stock surged to a two-year high before the announcement.

The lender, which complies with Islam's ban on the receipt of interest, will also give investors one share for every five they hold, from last year's profit, it said in a statement.

SIB will sell 880 million shares in the rights issue at AED2 (US$0.54) each. The rights issue still needs approval from the UAE central bank and the economy ministry, SIB said.

Net profit rose 50.4% to AED301.84 million (US$82.2 million), or AED0.27 (US$0.07) per share, last year, it said.

UAE

Al Barakah ventures into real estate

Al Barakah has ventured into UAE's real estate sector, announcing plans to develop commercial and residential projects worth more than AED3 billion (US$816.8 million) in three years. The unveiling of the AED1.3-billion (US$354 million) Sanali Towers in Downtown Dubailand marks its first initiative as part of a series of developments.

Having recently announced the development of a 30-storey tower in Ajman, the group will be announcing its first project in Dubai as a developer in February.

PAKISTAN/QATAR

QIB set to launch Pakistan ops

Qatar Islamic Bank (QIB) is set to commence its operations in Pakistan at an initial paid-up capital of US$100 million, having received approval from the State Bank of Pakistan (SBP). The SBP set the US$100 million equivalent paid-up capital limit, to be achieved by all Pakistan-domiciled banks by December 2009.

A consortium of banks made up of Qatar International Islamic Bank, QIB, Qatar National Bank and Amwal Group are behind the set-up.

US

Tips on Islamic finance

Terrapinn will be organizing the "Islamic Finance World – North America 2008" conference from the 19th to 22nd May in Bridgewaters, New York. The conference will offer tools, tips, techniques and key industry contacts to help ensure that your products are Shariah compliant, profitable and well positioned.

Its focus will be wholesale banking but the event will include two sessions on the fast-growing area of Islamic retail banking. For more information, visit www.terrapinn.com/2008/ifwna.

UK

HSBC Amanah for residents

HSBC Amanah UK has added residential leasehold flats to its list of product-linked properties. UK head of HSBC Amanah, Amjid Ali said: "Purchasing a leasehold property using a Shariah compliant home purchase scheme is more complicated than using a conventional mortgage.

"The bank is effectively sub-letting the property to the customer, which requires permission from the leaseholder prior to completion," he explained. However, Amjid is certain HSBC will be able to overcome any difficulties in meeting Shariah compliance.

GCC

WTO: Do more for halal tourism

The World Tourism Organisation is urging Saudi Arabia and other Gulf countries to do more to develop and promote the Islamic tourism market, reported an English-language daily.

PAKISTAN

Closing in on US$1 trillion mark

McKinsey and MTI Consulting's recent research paper has predicted Islamic banking to hold a total 12% market share in the next three to five years, exceeding US$1 trillion.

High growth will be fueled by adoption of Shariah compliant banking products by the wider population than being restricted to a niche core group such as Muslims strata, as has been the case in Malaysia, where the Chinese are among the major consumers, the report stated.

Rapid development of Sukuk as a corporate finance tool has also drawn industry attention over the last year. According to the analysts, successful development of the Islamic financial system depends on the ability to integrate, market and brand its various components including the Islamic banking industry, Takaful and the money and capital markets.

KUWAIT

KIA invests US$5 billion in Citigroup

The Kuwait Investment Authority has invested US$5 billion in Citigroup and Merrill Lynch as the US finance companies cope with mortgage losses, a newswire reported.

The KIA bought US$3 billion of convertible preferred securities from Citigroup and US$2 billion of convertible preferred stock from Merrill.

UAE

Firms expected to post strong results

A new report by EFG-Hermes predicts that UAE-based companies, particularly banks and financial services firms, will announce positive results for the full year on the strength of fourth-quarter results, reported a Dubai-based English-language daily.

A vast majority of companies are expected to announce their financials during the next two weeks. Commercial Bank of Dubai is expected to deliver the highest earnings growth of the sector at 53% year-on-year for the quarter and 49% for the full year.

KUWAIT/QATAR

GIH, Al Qudra to form investment bank

Kuwait's Global Investment House and UAE investment firm Al Qudra Holding plan to form an investment bank in Abu Dhabi, reported a newswire. GIH would take the lead in setting up the investment bank, which is awaiting regulatory approvals in the UAE, and Al Qudra would be a co-investor.

UAE

Dewa seeking US$1 billion loan

Dubai Electricity and Water Authority (Dewa) is seeking an Islamic loan of about US$1 billion after postponing a plan to sell its first international bonds. The proposed bond sale, comprising as much as US$2.5 billion worth of conventional and Islamic bonds, was the largest Gulf issue to fall victim to the global credit crunch last year.

Standard Chartered, ABN Amro and Dubai Islamic Bank investment arm Millennium Capital are arranging syndication of the loan, likely to be launched within a month, said a banker familiar with the deal.

QATAR

Record profit again for QIB

Qatar Islamic Bank (QIB) posted its second consecutive record profit in the fourth quarter and plans to sell stock to existing shareholders to raise its capital by 20%. Net income in the three months to the 31st December rose 40% to QAR396.68 million (US$109 million). Profit in the year-earlier period was QAR283.7 million (US$78 million).

Net income in all of last year rose 21.3% to QAR1.23 billion (US$338 million). QIB said it planned to raise its share capital in two rights issues of 10% in each of this year and next. The board also recommended a 2007 cash dividend of 20% and one free share for every two held.

SUDAN

First sovereign Sukuk

Sudan will issue its first sovereign Sukuk worth US$147 million, via Bahrain-based Sudan Salam Sukuk Company. The Sukuk will mature in 2010, and is expected to attract Middle East investors looking to invest out of the US.

Proceeds will be used to increase oil production and meet oil-related operating costs. Funds from the Sukuk sale are expected to mitigate sanction pressures imposed by the US late last year, which saw the barring of investment in US companies with ties to Sudan.

Bahrain's Liquidity Management Center BSC and the Saudi-based Arab Investment Co are the deal's arrangers, while its guarantors are Sudan's finance ministry and central bank.

SWITZERLAND

IRIS consultants on risk management

Two consultants for IRIS integrated risk management ag, a leading provider of unified financial analysis solutions for financial institutions, have co-authored *Financial Risk Management for Islamic Banking and Finance.*

The book by Drs Ioannis Akkizidis and Sunil Kumar Khandelwal covers risk management issues for all Islamic financial products and services including Musharakah, Mudarabah, Murabahah, Salam, Ijarah and Istisna', along with the Islamic Financial Services Board's principles of risk management and Basel II.

According to publishers Palgrave Macmillan, the book sold out within the first week of its publication.

UAE

Al Mazaya to raise US$300 million

Dubai-listed Al Mazaya Holding plans to raise AED1.1 billion (US$300 million) via two funds over the next six months.

"We will launch a private equity fund by the end of March and a Shariah compliant one by mid-May," said MD/CEO Khalid Said Esbaitah.

The two closed-ended five-year funds will have an initial seed capital of US$100 million each, and will jointly raise equity of US$300 million. The funds will be invested in the Dubai real estate market. The profit rate for its Shariah fund will be decided ahead of the launch date, while the company expects to deliver a minimum return of 20% on the fund.

Al Mazaya has developed properties in GCC countries with an investment of AED27 billion (US$7.35 billion), of which more than AED18 billion (US$5 billion) is invested in Dubai.

UK

IBB sets up commercial center

The Islamic Bank of Britain (IBB), the first fully Shariah compliant bank in the UK and Europe, has set up its first London Commercial Center to cater for the needs of its high net worth, small and medium-sized businesses as well as business banking customers.

It is envisaged that the East Ham-based center will expand the IBB's services, providing personalized service for customers including personal finance, commercial property finance and home finance (soon to be launched).

KUWAIT

US$10 billion on Philippine infrastructure

A group of Kuwaiti companies is to invest more than US$10 billion in infrastructure projects in the Philippines. The firms plan to develop airports, ports, railways, power stations and telecommunications in the Southeast Asian country.

Al Abraj Holding said the group would set up a holding company in Europe, of which the Kuwaiti partners would own 75% and Argon, the only non-Kuwaiti firm in the group, 25%. Kuwaiti partners include International Leasing & Investment and Al Mal Investment.

SAUDI ARABIA

Record pay increases for expat doctors

Saudi Arabia's health ministry has approved record pay increases for expatriate medical staff in the kingdom's government hospitals, reported a Saudi daily. Up to 100,000 doctors, nurses and paramedical staff will receive wage hikes of between 15% and 80%.

State hospitals are experiencing shortages as highly qualified staff move to the private sector or leave the country altogether as they seek higher pay.

Under the new deal, consultants would receive a monthly salary of up to SAR36,000 ($9,613), with annual increments of SAR900 for each year spent in service.

GCC

Bond sales could hit US$50 billion

A new report by Moody's Investor Services said sales of conventional and Islamic bonds in Gulf Arab countries may more than double to US$50 billion. Governments and companies in the GCC sold US$23.7 billion worth of bonds last year, 62% more than in 2006.

Sales in 2008 will be spurred by infrastructure projects and acquisitions, the report said.

MALAYSIA

Adjustments in TM certificates

Khazanah Nasional said there will be some adjustments to the Khazanah Exchangeable Trust Certificates due 2011 into Telekom Malaysia (TM) pursuant to the proposed demerger of the fixed line and mobile businesses of TM. The adjustments will take into account the basis of distribution of one TM International share for one TM share held at the entitlement date.

Another adjustment will be made following the announced special gross dividend of 65 sen (US$0.20) per share and the paid interim gross dividend of 26 sen (US$0.08) per share, each with less Malaysian income tax of 27% for the financial year ended the 31st December 2007, it said.

Early last month, TM announced the final terms of the proposed demerger, which consists of an internal restructuring of TM, whereby all the mobile and non-Malaysian businesses of the TM group will be repositioned under wholly owned subsidiary, TM International. Subsequently.

TM's entire shareholdings in TM International will be distributed to TM's existing shareholders. TM International will be listed separately on Bursa Malaysia.

TM expects the proposed demerger to be completed in the second quarter of 2008.

YEMEN

Economic zones in Oman and Saudi

Yemen is preparing to set up three commercial and economic border zones, two of them with Saudi Arabia and the other with Oman, said its minister of industry and trade, Yahya al-Mutawakel. He added that these areas would be comprehensive economic zones offering all necessary services to investors.

The government is working with Omani officials to formally announce the establishment of the economic zone between the two countries in the al-Mazuonah area.

UAE

Region's fastest real estate financing

Tamweel, the largest provider of real estate finance in the UAE, has introduced a 48-hour finance approval process, which it claims is the fastest in the region's real estate finance industry.

The process will be carried out for all complete applications accompanied by the necessary supporting documents.

For any delay in the processing of such full applications, Tamweel guarantees to reimburse AED1,000 (US$272) to the applicant for every delayed working day up to a maximum of the arrangement fees paid.

QATAR

QNB's 4Q profit up 64%

Qatar's largest lender, Qatar National Bank, has reported that its fourth-quarter profit rose 64%. Net income in the three months to 31st December 2007 advanced to QAR653 million (US$180 million) from QAR399 million (US$110 million) in the previous corresponding period.

BAHRAIN

Unicorn takes up 80% stake in Victron

Bahrain-based Unicorn Investment Bank has bought 80% of US electronics firm Victron for US$70 million, a newswire reported. The Islamic bank said it would work with the manufacturer to support its expansion abroad.

The Fremont, California-based firm is a specialty provider of high-mix, complex electronics manufacturing services to a variety of original equipment manufacturers in the communications, networking, medical, vehicle, consumer and wireless industries.

UAE

Dow Jones MSM Index launched

Dow Jones Indexes and Muscat Securities Market, the stock exchange in Oman, have launched the Dow Jones MSM Index. The total-market index measures the performance of all companies listed on the Muscat Securities Market and currently includes 66 stocks.

The MSM Index is designed to underlie financial products such as exchange-traded funds and other investable products that enable investors to participate in the performance of the Oman stock market.

BAHRAIN

More AUB branches in the pipeline

Ahli United Bank is planning to expand its Shariah compliant offering and open more Islamic branches in Bahrain on the back of the success of its Al Hilal Islamic banking services.

Al Hilal currently provides an array of accounts and financing products through its own branches, including personal finance, auto finance, home finance, current and investment accounts, and aims to become a one-stop shop for customers seeking comprehensive retail banking solutions.

SINGAPORE/UAE

Easier travel for UAE visitors

Travel to Singapore has just been made easier for visitors who require visas, according to the consulate of the republic of Singapore, which announced the appointment of two new visa processing agencies in Dubai. VSA Versatile Service Agency and Uranus Travel & Tours (LLC) will provide new service that will significantly facilitate the visa application process.

The move will help accommodate the significant increase in visa requests due to the rise in travel to Singapore from the UAE, which has witnessed a steady 19% year-on-year growth in visitor arrivals.

While UAE nationals do not need visas to visit Singapore, citizens of some countries across the Middle East, North Africa and South Asia require one. For the list of countries, visit www.mfa.gov.sg/dubai

The Singapore consulate will continue to offer emergency visa processing at its new central location in Al Satwa.

MALAYSIA

Maybank reaffirmed at AAA, P1

RAM Ratings has reaffirmed Maybank's long- and short-term financial institution ratings at AAA and P1, respectively, while also reaffirming the AA1 ratings of the bank's RM1.5 billion (US$460.47 million) subordinated bonds (2007/2017), RM1.5 billion Islamic subordinated bonds (2006/2018) and RM1 billion (US$306.95 million) Islamic subordinated bonds (2005/2018).

All the long-term ratings have a stable outlook.

With a customer base of eight million, as well as a significant presence via Islamic and Internet banking, Maybank is supported by a sturdy capitalization level as well as stable funding and liquidity positions.

The bank's earlier focus on risk management and readiness via Basel II has also enabled better risk-adjusted capital management and pricing.

MALAYSIA

KLIA rating soars

RAM Ratings has reaffirmed the enhanced AAA(s) rating of KL International Airport's RM4.06 billion (US$1.24 billion) Bai Bithaman Ajil Notes Issuance Facility (2003/2015).

The enhanced rating is premised on the unconditional and irrevocable guarantee from the government of Malaysia to repay all amounts due under the KLIA Notes Facility.

US

Moody's: Triple-A rating 'under threat'

The US is at risk of losing its top-notch triple-A credit rating within a decade unless it takes radical action to curb soaring healthcare and social security spending, credit rating agency Moody's said last week.

The warning over the future of the triple-A rating — granted to US government debt since it was first assessed in 1917 — reflects growing concerns over the country's ability to retain its financial and economic supremacy. It could also put further pressure on candidates from both the Republican and Democratic parties to sharpen their focus on healthcare and pensions in the run-up to November's presidential election.

Moody's warning comes at a time when US confidence in its economic prowess has been challenged by the rising threat of a recession, a weak dollar and the credit crunch. In its annual report on the US, Moody's signaled increased concern that rapid rises in Medicare and Medicaid — the government-funded healthcare programs for the old and the poor — would "cause major fiscal pressures" in years to come.

Last week's report specifically links rises in healthcare and social security spending to the credit rating. Medicare and Medicaid spending, which has risen sharply over the past few decades and now accounts for about 45% of total federal spending, up from about 25% in 1975, has long been a source of concern.

MALAYSIA

Citibank rates high

RAM Ratings has reaffirmed Citibank Malaysia's long- and short-term financial institution ratings at AAA and P1, respectively, while its long-term outlook remains stable.

The ratings reflect Citibank's strong market position, superior asset quality, respectable performance and sound capitalization that support its business model.

The bank commands a strong franchise in the consumer-banking segments, especially credit cards and residential mortgages. Citibank has been also actively expanding its business vis-à-vis banking for small and medium enterprises, offering unsecured business loans, trade financing, equipment finance, cash management and advisory services.

RAM Ratings said that the bank will be able to maintain its strong presence in consumer banking, as well as in its niche Islamic banking, credit card, and wealth management sectors.

MALAYSIA

BBN Development stable

BBN Development's long- and short-term ratings of AA3(bg) and P1(bg) have been reaffirmed for its RM86 million (US$26.28 million) Murabahah Commercial Papers/Medium-Term Notes Program facility with a stable outlook.

The ratings reflect the unconditional and irrevocable guarantee extended by AmInvestment Bank, which achieved ratings of AA3/P1 in October 2007.

Under this structure, all risks associated with the MCP/MMTN are absorbed by AmInvestment. The bank guarantee also enhances the credit profile of the MCP/MMTN beyond BBND's inherent or standalone credit risk.

BBND is the developer of the Putra Nilai township in Negri Sembilan, which is located approximately 20km from the Kuala Lumpur International Airport.

MALAYSIA

MARC upgrades TSH to 'AA-ID'

Malaysian Rating Corp (MARC) has upgraded TSH Resources' RM60 million Murabahah Medium-Term Notes rating to "AA-ID" from "A+ID". MARC said it has also reaffirmed TSH's RM40 million Al-Murabahah Commercial Papers (MCP) rating at "MARC-1ID".

The ratings carry a stable outlook, which reflects MARC's expectations that TSH would continue to deliver strong operating performance and generate healthy cash flows, given the favorable industry prospects and its increased scale of operations.

The long-term rating upgrade reflected a strengthening of TSH's financial profile due to the continuation of favorable palm oil fundamentals and its strong business position as an integrated palm oil plantation player, bolstered by the acquisition of big plantation acreage in Indonesia.

QATAR

Fitch: Banks robust, challenges remain

In a special report, Fitch Ratings said Qatari banks have been enjoying robust results fueled by the buoyant regional economic environment, driven by historically high oil prices and the gas sector. However, challenges are likely to arise from rapid loan growth, efforts to reduce concentrations and exposures to potentially volatile regional property and stock markets.

Qatari banks continue to show strong profitability, healthy asset quality and good capital adequacy ratios. This picture is unlikely to change significantly in the short term given the current benign regional conditions.

The banking system's development has also benefited from the regulator's efforts to maintain a stable operating environment. The Qatar Central Bank (QCB) was the second regulator in the region to implement Basel II and has taken several measures to try to control lending growth.

Fitch also notes Qatari banks' gradual shift from their traditional public sector/government and large corporate lending business to the more profitable, but riskier, medium-sized businesses and retail sector. Despite the small Qatari population, private and retail banking are attractive segments, given the vast amount of wealth in the country.

The QCB supervises 16 commercial banks including three Islamic banks and seven foreign banks operating in the domestic market. The structure of the banking sector is unlikely to change dramatically in the medium term, as banks are in good financial health and stock market valuations are relatively high.

The largest bank in the sector remains Qatar National Bank (QNB; rated 'A+'/Outlook Stable), but its market share has been gradually falling in recent years, as its peers are catching up through more aggressive growth. Offshore branches of foreign banks have substantially increased following the establishment of the Qatar Financial Center.

UAE

Abu Dhabi gets 'AA' rating

Standard & Poor's (S&P) has affirmed its AA issuer credit rating and stable outlook on the emirate of Abu Dhabi, citing the government's strong asset position and the emirate's high level of stability and wealth underpinned by its rich-resource endowment. The ratings are constrained primarily by the geopolitical risks facing all sovereigns in the region.

The emirate's budget has shown substantial surpluses over the past few years and is expected to continue doing so over the medium term, on the back of rising oil prices. S&P also expects the consolidated government budget surplus to remain about 50% of GDP over the next few years. The bulk of future surpluses are likely to be used for a further build-up of assets.

According to S&P, although public finance data is less transparent in Abu Dhabi than in other AA category sovereigns, the level of information disclosed in the meetings between S&P and the UAE government authorities was greater than that generally publicly available and did not constrain the rating process.

MALAYSIA

Dawama is still negative

RAM Ratings has reaffirmed the respective long- and short-term ratings of A1 and P1 for Dawama's RM150 million (US$46 million) Islamic Commercial Papers/Medium-Term Notes Program (2004/2011). Concurrently, the negative outlook on the long-term rating has been maintained. RAM Ratings highlights that the ratings are only applicable to a maximum outstanding balance of RM100 million (US$30.6 million) at all times.

To reflect the integrity of the debt facility's financing terms, Dawama must first seek RAM Ratings' confirmation that any subsequent drawdowns on the remaining RM50 million (RM15.3 million) of the Islamic CP/MTN would not adversely affect its ratings.

THIS TIME LAST YEAR

- **Asian Finance Bank**, a 70% subsidiary of the **Qatar Islamic Bank** opened its doors
- **Dubai Islamic Bank** launched a Shariah compliant three-year Capital Protected Global Diversified Note, with a minimum investment of US$10,000
- The **National Bank of Dubai** became the fourth regional bank to be inducted into the DIFX
- The **Royal Bank of Scotland**, **Calyon**, **Kuwait Finance House** and **ABN Amro** lent a total of US$10.05 billion to AirAsia to fund its 150 A320 airplane buy
- Bahrain set up an Islamic arbitration center, the **Islamic Financial Mediator Council**
- Law firm **Clyde & Co** was granted an operating license by the **Qatar Financial Center Authority**
- **Amlak** became the UAE's first Islamic home finance company to establish an overseas branch in Egypt
- **Public Bank** launched two new funds — the PB Islamic Asia Equity Fund (PBIAEF) and PB Cash Management (PBCMF) — via its subsidiary Public Mutual
- **Tejoori** successfully closed a Musharakah deal with **Omniyat Properties Eleven** which saw Teejori procure 25% of Omniyat, and an equity stake in land deals and total projects in excess of US$281 million
- **MIMB Investment Bank** revealed plans to widen its stockbroking business and delve into asset management and unit trusts
- **The Islamic Bank of Thailand** proposed a capital raise of between US$58.7 million and US$88 million

HONG KONG

IFSB: Effective enforcement needed

Standards issued by the Islamic Financial Services Board (IFSB) need to be effectively enforced by national regulatory authorities to enhance financial soundness and stability in the Islamic financial services industry (IFSI).

At a recent seminar on Islamic finance in Hong Kong, IFSB secretary-general Prof Rifaat Ahmed Abdel Karim said in his opening address that these standards will pave the way for the creation of strong regulatory regime for Islamic banks and financial institutions. The two-day seminar, which ended last Wednesday, was a first for Hong Kong. It was jointly organized by IFSB and the Hong Kong Monetary Authority (HKMA).

A proper enforcement of these standards will in turn facilitate the effective integration of Islamic financial into the global financial system.

However, he warned that financial stability does not solely depend on effective enforcement and implementation of high quality prudential standards, adding that stability also requires the development of other key components of Islamic financial infrastructure.

The necessary components to ensure stability include a system of liquidity infrastructure, a legal infrastructure underpinning laws, contracts and property rights, an effective information infrastructure and financial safety net mechanisms.

"While IFSB have begun to address some of these infrastructure requirements, a common vision and greater collaboration and coordinated efforts among all stakeholders are essential in sustaining the industry's stable growth," said Rifaat.

He added that given the rapid expansion of the industry, the implementation of IFSB standards has taken on increasing importance to assist both the regulatory and supervisory authorities and the market players to address the specificities of risks in Islamic finance.

Touching on the development of IFSB, Rifaat said that the board has to date issued five standards: capital adequacy, risk management, corporate governance, supervisory review process, and transparency and market discipline.

"These five standards taken represent the equivalent of the three pillars of Basel II for Islamic finance, taking account of the unique risk characteristics of Islamic financial services, as well as addressing corporate governance," he said.

"In addition, we have issued two exposure drafts, one of the governance of Islamic investment funds and another on capital adequacy standards for securitizations and real estate investments."

He also revealed that the board is also working on three new standards, namely on corporate governance for Takaful undertakings, conduct of business and Shariah governance.

Rifaat said that in developing its prudential standards, the IFSB either introduces new standards or adapts existing international standards consistent with Shariah rules and principles.

By Arfa'eza A Aziz

JAPAN

JBIC Sukuk to finally materialize?

Talk of the Japan Bank of International Cooperation (JBIC)'s Sukuk issuance has been ongoing since late 2006, with constant postponements in its issuance date — from May to October 2007. Arguably, only the Islamic finance industry is forgiving enough to still anticipate what would definitely make Japanese history as the nation's first Sovereign Sukuk, and rank among the most coveted issuances in the world.

This week, Tadashi Maeda, director-general of energy resources and finance department at JBIC, announced that JBIC is set to launch its Sukuk "after Chinese New Year", i.e. anytime after the first week of February — a very tight deadline to meet. Most parts of the Islamic finance world were jolted by the news, and are eagerly anticipating its issuance. However, some skeptics are questioning if the bank is stalling again.

First, the facts. JBIC plans to issue a sovereign Sukuk on behalf of the Japanese government at an issuance size of between US$300 million and US$500 million. The Sukuk will be domiciled in Malaysia, but issued in US dollars. No arrangers have been named, nor has the Sukuk's structure, or what is to be done with the proceeds from the Sukuk. According to sources at JBIC itself, most of the information is still under wraps.

To set the record straight, Islamic Finance *news* spoke to the man in the spotlight, Tadashi Maeda. "There is still a lot I cannot reveal," Tadashi reiterated. "However, I can say that the deal's arrangers will comprise Malaysian and international banks. The upcoming issuance will also be in US dollars and not ringgit."

In terms of Japan warming up to Islamic finance, Tadashi elucidated that JBIC had co-sponsored an Islamic finance conference with the Islamic Financial Services Board in Tokyo last year, attesting to the government's interest in studying Islamic finance. However, he added that there are obstacles still in the way.

The IFSB had also previously recommended that JBIC join it as an Observer Member, and in January 2007 JBIC became the first Japanese financial institution to do so. JBIC's observer status permits it to attend IFSB meetings and access Islamic finance information compiled for members. Observer status therefore offers extremely valuable opportunities to explore and develop financing programs using Islamic funds.

"We are still facing legal obstacles, especially because we are separate from the private banking sector. It is, however, a strategic move (the Sukuk issuance), especially seeing our good track record in issuing corporate bonds. JBIC's credit rating is also equivalent to that of the Japanese government, as we are 100% owned by them."

Tadashi also explained: "In terms of private banks catching up, there has not really been any interest expressed in the sector. One exception, however, is Tokio Marine Nichido, which has been actively pursuing Takaful with four to five overseas joint ventures and insurance agents.

"The Japanese have studied Islamic finance, and there is definitely potential, if it can fit into the regulatory framework," he concluded.

By Nazneen Halim

Islamic Finance — Rhapsody of Growth

By Ezza Ibrahim

Some three decades ago, before financial institutions in several Muslim countries began exploring the possibility of leveraging on a banking mechanism that prohibits the receipt and payment of interest, the term "Islamic finance" was alien to the financial world. Over time, the consciousness of having a "halal" financial system grew and led to extensive research to develop a functioning Islamic banking mechanism.

Demand, mainly among Muslim countries in the early 1980s and 1990s, paved the way to sustainable growth and gave birth to a buoyant market for Islamic financial products and services. Interest began to stir among the westerners. Several western commercial banks started testing their markets by offering specialized financial services to high net worth individuals. Their experiments proved to be a success.

Financial services were then developed to cater to the retail mass and offered through "Islamic windows". However, the current trend seems to favor separation between Islamic and conventional banks. Some countries have opted for a clear separation between these banks, while others have allowed conventional banks to set up Islamic windows, opening the way for some of the largest multinational banks to be a player in the Islamic finance industry.

Islamic finance continues to make headlines and has blossomed. No other industry in recent decades has witnessed an exceptional evolution and innovation as that experienced by Islamic finance. Having lagged for about 30 years behind conventional financing, the developing Islamic finance has now become parallel with its conventional counterparts. The extensive list of products and services available in the market not only accentuates the popularity of Islamic financing schemes but also the sustainability of the industry. These are mainly concentrated in the Middle East and Southeast Asia with Bahrain and Malaysia being the biggest hubs, but are also making their debut in the UK and the US.

The Islamic debt market, both global and domestic, has been the fastest-growing segment of Islamic finance. In Malaysia, for example, Islamic securities accounted for 36% of total outstanding bonds by end-2007. Islamic debt markets are now gaining the momentum to become a vibrant marketplace, especially for emerging market borrowers in the Middle East, Southeast Asia and North Africa. This growth stems from various elements:

1. Strong growth driven by the upsurge of petrodollars coming from the growing oil wealth, with demand for investments soaring in the Gulf. Islamic project finance deals are projected to reach US$30 billion by 2012, 30% of which represent all major structured deals finalized in the Middle East.
2. Improved savings surplus in GCC and Asia. The savings rate in Asia is expected to remain at 30% to 40% of GDP while savings in the Middle East are expected to average 10% to 35% of GDP. High oil prices and revenues have led to a large current account and budget surpluses. The liquidity pool of GCC countries is targeting investments in Asian countries, particularly Malaysia, Indonesia and Singapore, as mature markets like Europe and North America have been slowing down. GCC investors are looking at opportunities in real estate, infrastructure and private equity funds, as well as the capital markets.
3. The competitiveness of the products, attracting Muslim and non-Muslim investors. There is rising demand from Muslims and non-Muslims for Shariah compliant financial services and transactions.

The international Islamic bond market is divided into sovereign and corporate Sukuk, which were an exceptionally innovative and rapidly growing area. These asset-based bonds with short- and medium-term maturity have been issued by sovereign and corporate entities worldwide. On the global front, the new issuance of Sukuk stood at US$51.5 billion in 2007, bringing the total Sukuk issued worldwide to US$105.8 billion.

Some of the notable issuances during 2007 were Maybank's US$300 million Subordinated Bank Capital Sukuk, the DIFC US$1.25 billion Sukuk Al-Mudharabah and Jebel Ali Free Zone US$2.04 billion Sukuk; each won honorary credentials in its own league. On equity development, the Dow Jones Islamic Market (DJIM) Index and the FTSE Global Islamic Index Series (GIIS) were launched in 1999 to provide a benchmark for equity prices for investment by Islamic financial institutions. Although these indices have since been published worldwide, Islamic indices remain relatively small compared to conventional markets.

> "Having lagged for about 30 years behind conventional financing, the developing Islamic finance has now become parallel with its conventional counterparts"

Many Islamic financial institutions, particularly in Bahrain and Malaysia, have been gearing up for further expansion by continuing to develop, refine and introduce innovative Islamic financial instruments. In recent years, many new Islamic financial products have been developed and are increasingly used in financial market activities, including equity and bond trading and investment, Islamic insurance and reinsurance (Takaful/reTakaful), Islamic syndicated lending, investment in Islamic collective investment schemes, and other wealth and asset management products.

While the overall market backdrop appears promising, certain obstacles and constraints may lie ahead and market participants and regulators need to take concrete steps to support market expansion. Yet despite this rapid growth, Islamic banking remains quite limited in most countries and small compared with the global financial system.

For it to take off and play a bigger role, especially in the Middle East, we must overcome enormous hurdles. Several issues constraining the growth of Islamic finance must be addressed, including the regulatory

continued...

Islamic Finance — Rhapsody of Growth (continued...)

and accounting standards, corporate governance and conduct of business; greater convergence in standard products and practices, an underdeveloped infrastructure and insufficient human capital. The industry needs to build structured insights into the decision-making and information processes behind Islamic products. People need to understand that Islamic finance is a way to conduct business that is Shariah compliant.

Undoubtedly, one of the biggest challenges is developing a framework for governing, supervising and regulating Islamic banks. There is no common approach among countries where Islamic banking exists. Since the late 1990s, the Islamic banking world has accelerated efforts to standardize regulation and supervision. The Islamic Development Bank is playing a key role in developing internationally acceptable standards and procedures and strengthening the sector's framework in different countries. Several other international institutions are working to set Shariah compliant standards and synchronize them across countries. These include the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Islamic Financial Services Board (IFSB), the International Islamic Financial Market, the Liquidity Management Center and the International Islamic Rating Agency.

> "Another area that needs focusing is the convergence of standard products and practices. The Achilles' heel in the growth of Islamic finance is the level of standardization of Shariah rulings. "

Malaysia is a superb example of how the systematic market development, complemented with regulated Shariah management and proactive legal framework, led to its comprehensive Islamic capital market infrastructure. The government has been active in developing the Islamic financial market in recent years, the latest being the establishment of the Malaysian International Islamic Financial Center (MIFC) to serve as a key intermediation link in the global marketplace, promoting the origination, distribution and trading of Islamic financial products. The flexibilities and incentives offered by the MIFC can be used by the industry to extend its reach to other financial centers through cross-border linkages and strategic alliances, which can be beneficial towards the development of the Islamic capital market in Malaysia, and the world generally.

Other countries like the UK, Hong Kong, Singapore and Japan have shown a keen interest in Islamic finance. They are working to change their legislation, tax structures and financial services to accommodate an Islamic financial platform in their respective countries.

Another area that needs focusing is the convergence of standard products and practices. The Achilles' heel in the growth of Islamic finance is the level of standardization of Shariah rulings. There are four major schools of Islamic jurisprudence, which have been applied in various structures of Islamic finance products. While the different schools of thought are not irreconcilable, many believe these should not hamper the growth of Islamic finance.

There have been differences in the interpretation of Shariah compliances among countries and regions, which make it challenging to endorse and distribute the products. Product offering and practices should be tailored to achieve acceptance by the proper school of Islamic scholars. Nonetheless, because of the diversity in the interpretations, a pool of innovative products and services can be implemented. Assembling the appropriate Shariah advisory council is the key but should not be a hindrance to growth.

Islamic financial institutions (AAOIFI) have taken the lead by preparing Shariah standards. These have been adopted by a number of government authorities and central banks, which will form an avenue for Shariah compliance and also product innovation.

At the other end, the IFSB was established and entrusted to develop and promulgate internationally accepted regulatory standards and best practices. Malaysia's structure is slowly converging with GCC standards through the application of different schools of thought into certain Islamic product structures.

One other problem the industry faces is shortage of expertise because of the exploding growth in the industry in recent years. Many Islamic banks continue to bemoan the severe shortage of talent. This is a global phenomenon that could be detrimental to the growth of Islamic finance. Malaysia is arguably the most successful country in promoting Islamic finance and along the way, has produced a large pool of talents in the field. Of late, many Malaysian Islamic specialists have been lured to foreign financial markets including those in GCC and other parts of the world, which are seeing the importance of including Islamic finance activities into their financial markets, causing an acute shortage of talents here in Malaysia.

An additional hurdle is data collation. The lack of aggregate data makes it virtually impossible to compare Islamic banks across countries, complicating the work of analysts. Data on cross-border Islamic finance transactions and investments for certain countries is limited. Some central banks, including those in Bahrain and Malaysia, have produced a chapter in their annual reports on Islamic banks with aggregated data that provides information on the size and growth of Islamic banking at the country level. Despite everything, a multilateral effort is needed to collect and consolidate cross-country data.

Nonetheless, the stage is set for Islamic finance. But now, the audience is bigger, the stakes are higher and competition is getting fiercer. Will Islamic finance perform better, and can it sustain its popularity? It is beyond doubt that it will, but to ensure the sustainability of the industry, all we have to do is to continue working in harmony and sing the same tune — and God willing, this rhapsody of growth may perhaps continue.

Aseambankers
Ezza Ibrahim is assistant vice-president, Islamic capital markets, Aseambankers

Building the Foundation for Islamic Finance in New Zealand

By Arfa'eza A Aziz

Auckland-based conventional finance wholesaler Foundation Capital Markets Limited (Foundation) is the first to introduce a Shariah compliant product in New Zealand through an Islamic mortgage product called "Manzil", which means home in Arabic.

The product, which was made available in late 2006, was tailored following a series of consultations between Foundation, the Federation of Islamic Associations of New Zealand (FIANZ) and its ulama (religious scholars). Foundation managing director Prem Maan told Islamic Finance *news* that Manzil was among many other products developed to cater for sections of the New Zealand market other providers had ignored. "We do have aspirations to develop other products for the Islamic capital markets as and when the opportunity arises," he said.

In a frank interview with Islamic Finance *news*, Prem admitted that developments in Islamic finance have been slow in New Zealand, where Muslims make up less than 1% of the population. He tells us why and relates Foundation's journey.

What propelled Foundation to come up with Manzil?
Foundation has a corporate philosophy of empowering home ownership. With this in mind, we have designed products to cater for those sectors in New Zealand society with needs that are not met by products by traditional banks. We identified the growing Muslim population as one such sector that had no products and set about designing a product based on Shariah and New Zealand laws.

What challenges did Foundation face in structuring the product?
One of the key challenges from a design perspective, as a conventional Western capital markets-based organization, was in getting adequate information on Shariah. Another problem that we feel many parties underestimate or ignore is making a Shariah compliant product work within New Zealand law.

How did you overcome these challenges?
We studied products that existed in the comparable markets of the US and especially the UK, and consulted widely with local Muslim community leaders and eventually with some key offshore clerics. FIANZ was very helpful in this regard.

How long did it take the company to realize the product, from conceptualization to its launch?
This was a very long process. It took us around 2½ years. Being a pioneer is never easy and this was no different — every step of the process took far longer and cost more than we had anticipated.

Does the company screen the credibility of the companies that wish to market the product?
A company has to qualify as an approved mortgage manager in order to market any of our residential finance products. To become an approved mortgage manager, the company has to meet our qualitative and quantitative criteria (which include an evaluation of historical performance and the requirement to have a minimum net worth applied in the business).

The company has to sign our standard origination agreement. We retain the right to, and do, undertake random unannounced audits to ensure that our criteria are being enforced and our operating procedures are being followed.

There have been reports that Foundation plans to introduce more Shariah compliant products. What are the products, and when are they expected to be launched?
We are working with another wholesale partner in developing commercial property financing products based on Shariah. We are also interested in developing Shariah investment products to provide Muslims with an alternative to interest-bearing bank deposits. We have not finalized a launch timetable. This is due to a desire to see how much value there is in the Muslim market in New Zealand through the growth of Manzil.Based on our experience, product development is a costly exercise and we need to be convinced that we will achieve an adequate return on our investment before we launch another offering.

How does the company view the potential of Islamic finance products in New Zealand?
The Islamic population in New Zealand is small and as such, the potential for the market can only ever be described as niche. It is unlikely to attract any existing major global participant as the investment will struggle to show an adequate return.

What is the standard of awareness among those in the domestic banking and finance industry on Islamic finance?
(The awareness is) absolutely minimal. From time to time, there is a campaign to educate the market (and Deloitte has been active in this regard) but to be honest, the market is too small for the traditional institutions to get excited about.

Is there no interest to attract investments from petrol-producing countries in the Middle East?
(This is a) good question. There have been some Middle East investments in New Zealand, primarily in property and private equity. However, the 'local' market (New Zealand and, given its closeness in every respect, Australia) has generally not been short of capital. Australia is now a significant net exporter of capital.

Local investors require a lower return on projects than Middle East investors and the New Zealand markets are too small and illiquid to attract any sizeable market investments. Middle Eastern investors also have a preference for USD (or euro) exposure and, of course, many consider hedging to be inconsistent with Shariah. However, given the current global credit crisis, local issuers would be much more willing to consider the Middle East while Middle Eastern investors may be more amenable to (relatively) lower returns for lower risk.

It would seem that the Islamic finance sector is developing very slowly there. Why is this so?
Primarily because the market is small and product development is costly. The risk/return equation is not very exciting.

What do you think needs to be done (by both the private and government sectors) to speed things up?
Organizations need to be convinced that there is a value proposition in developing the market.

What Can New Zealand Offer Islamic Finance?

By Saad Al-Harran

Although New Zealand's economy is relatively small, it has been a strong performer in the last decade, and compares well by international standards (www.newzealandnow.info). The economy has continued on its strong upward trend and living standards — measured as real GDP per person — have risen steadily over the past decade, putting the country on track towards the government's objective of returning to the top half of the Organisation for Economic Cooperation and Development (OECD).

But capacity has become increasingly strained, and monetary policy has been tightened to ensure inflation remains well anchored. The country's prospects are bright, with potential growth projected to remain comfortably above 3% per year over the medium term.

As at June 2005, New Zealand unemployment rate had dropped to 3.7% — the lowest in the developed world. While employment growth rate has been impressive, labor productivity growth of 1.5% a year over the last five years is lower than the OECD average.

Lifting labor productivity is now the central challenge for the country to generate long-term sustainable economic growth, and returning the economy output to the top half of the OECD. The country has historical strengths in the primary sector and more recently, has made strides in tourism.

Halal integrity

New Zealand prides itself on meeting the religious requirements of its Muslim customers. Beef that is certified halal has been slaughtered in accordance with the Islamic Shariah using humane and hygienic techniques. The Federation of Islamic Associations of New Zealand (FIANZ) halal certification has played a vital role in the development of markets for New Zealand beef and sheep meat in the halal markets catering for countries that have a Muslim majority.

The proportion of New Zealand's annual meat exports which go to halal markets currently stands at 9.7% and 8.4% for sheep meat and beef, respectively. This represents a significant share of the global trade in halal meat. An authorized company that does certification is New Zealand Islamic Meat Management (NZIMM). FIANZ has been certifying meat as halal since the mid-1980s while NZIMM has been certifying meat since the halal trade from New Zealand began.

The certifying authorities and the processing company's total quality management program ensure compliance with stringent requirements, which are enforced by halal certifying authorities at all approved halal processing and packaging houses throughout New Zealand.

The knowledge economy today is governed by skill and competent manpower, creativity, innovation and excellence. These are what Islamic finance needs to invest in human capital. Undoubtedly, each nation is raising its education standard of excellence in technical skills through competition by generating greater public awareness of and interest in technical education.

The key message for each nation is that they have to develop talent for global needs. Singapore is a good example, and is in doing that through its Institute of Technical Education (ITE). School reform is already underway to prepare its youth to face the future challenges.

These changes have been progressive ones in that they are aimed at accomplishing two crucial goals in education by offering choices to suit aptitudes and interests and steering talents to the appropriate disciplines so that no waste results.

We believe vocational training institutions and polytechnic are the answer to skilled manpower in the Muslim world. New Zealand can assist in providing tailor-made twinning programs with Christchurch Polytechnic Institute of Technology to alleviate youth unemployment, which has reached unacceptable levels in the Muslim world.

Investment in innovation and venture capital

The world has become a global village where one nation learns from others. It is time for Islamic finance to assess and examine success stories in the Pacific such as New Zealand. For instance, a small company called Canterprise, the arm of Canterbury University, Christchurch, New Zealand, has achieved several successes with innovative new companies simply because it turns good ideas into saleable and profitable products and services.

Today, Canterprise has spun off companies such as WhisperTech, which has a US$300 million order for its innovation domestic heating units, chemical sniffer technology company Syft Technologies and Veritde, which is developing a hand-held device to detect anthrax and other bioterrorism threats.

Eco-tourism is very popular internationally and New Zealand is in a unique position to capitalize on its spectacular scenery. Eco-tourism is a potential avenue for Islamic investment as many people are concerned about the global environment and would allow New Zealand to show off its natural beauty. This is also the country where commercial bungee jumping began, which would appeal to tourists in search of an adventure.

Although New Zealand is small in terms of population, it is an innovative and enterprising nation. It is well respected in the global arena because of its hard-working citizens, honesty and business excellence.

Farming, food processing and halal meat production and handling have enabled New Zealand to succeed in the global market and it is keen to share its experience with Islamic finance institutions on the lookout for investment opportunities in an economically and financially stable country that can manage their wealth efficiently and generate profit. That's what New Zealand can offer Islamic finance.

Saad Al-Harran, a New Zealand citizen, is a senior lecturer at the Center for Islamic Banking, Finance and Management, Universiti Brunei Darussalam. The above views are the writer's own. He can be contacted via email at salharran@gmail.com or mobile +673 862 7316

The Demise of Bai Inah: Isn't it Time?

By Sherin Kunhibava

After almost three decades promoting Islamic banking and finance, Malaysia has seen considerable success in its efforts to attract foreign Islamic banks to its shores, thanks in no small part to various tax and legislative incentives. Even the country's Islamic capital market is impressive, boasting the largest number of Sukuk issuances by volume in the world.

Malaysia's success as a forerunner in Islamic finance has been lauded. It has even been singled out as a role model for other Islamic nations by Saudi Arabian Prince Alwaleed Bin Talal Bin Abdul Aziz Al-Saud. Then why is there a sense of general mistrust towards the authenticity of Islamic finance as practiced in Malaysia?

At the Malaysian Islamic Finance Issuers and Investors Forum 2006, the question arose as to whether there was global acceptance of Malaysian Islamic products. Two grey areas were the concepts of Bai Dayn and Bai Inah.

> "Is it time to listen to those who criticize the use of Bai Inah in Islamic finance? Or is it better to plan for the demise of Bai Inah before Bai Inah causes the demise of Islamic banking in Malaysia?"

In response, Badlisyah Abdul Ghani, CEO of CIMB Islamic, urged that the issues of Bai Dayn and Bai Inah be resolved and said that misunderstanding over certain concepts came down to a "lack of publications for educating the general public, the players and the scholars in different parts of the world".

More recently, last May, Ibfnet group member Mark Robbani of The Institute of Islamic Finance London (www.insif.org) commented as follows:

> 'I know of the situation in Malaysia... but let's get one thing clear, not everyone in the world works like the Malaysians and they do not represent the entire Islamic finance industry. In fact, I will go as far as stating that the Malaysian form of Islamic finance is highly suspect in certain areas — such as the use of Bai Inah. A lot of scholars and professionals don't consider the Malaysian form of Islamic finance as Islamic (they call it 'Malaysian' finance).'

This is a serious allegation, and this opinion was shared by other professionals in the Ibfnet Yahoo group. Even though Malaysia has shown incredible advances in Islamic banking and finance and intends to become an international hub for Islamic finance, if general opinion is that its Islamic finance does not conform to world "Islamic" standards, there will be no confidence in Islamic finance in Malaysia.

Is it time to listen to those who criticize the use of Bai Inah in Islamic finance? Or is it better to plan for the demise of Bai Inah before Bai Inah causes the demise of Islamic banking in Malaysia?

This article explores the Bai Inah contract and its legality as decided by the four schools of law, the opinions of contemporary scholars and recommendations on alternate types of contracts.

Use of Bai Inah in Islamic finance

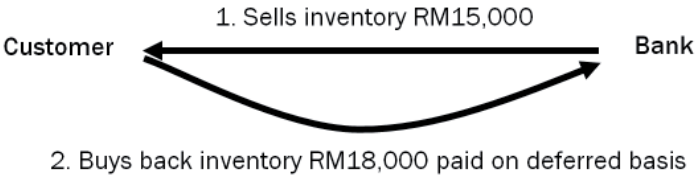
In a recent study on Islamic banking practices in selected countries — Bahrain, Brunei, Dubai, Indonesia, Iran, Malaysia and Thailand — it was found that only Malaysia offered the Bai Inah contract as a tool for financing. The other countries used Qard al-Hasan, Murabahah or Tawarruq.

A good example illustrating the differences between Islamic banking as practiced in Malaysia and that in other countries would be HSBC Islamic, which uses Bai Inah as the contract for personal financing in Malaysia but applies Tawarruq instead for the same thing in other countries, e.g. Saudi Arabia and Qatar.

The practice of the same legal entity using different contracts in Islamic finance based on geographical location shows differing usage of principles in Islamic banking. The fact that Malaysia may be one of the only countries practicing Bai Inah is disturbing in that it has two probable implications: first, that Malaysia has not attempted to converge with the rest of the world where Islamic banking practices are concerned, and second, no other country is following Islamic banking as practiced in Malaysia.

What makes the Bai Inah contract unpopular? It is a transaction where a sale and buyback of an asset occurs. The seller sells an asset to the buyer on a deferred basis and will immediately buy back the same on a cash basis at a price that is lower than the original selling price. The result would of course be that the buyer gets immediate money through the transaction which he must pay back on a deferred basis with an increase. Another variation would be when the customer offers to sell assets to the bank and buys them back immediately at a higher price to be paid on a deferred basis.

Example of Bai Inah:



There is no doubt that the motive of the contract is to "legalize that which is illegal or usurious", but how do jurists view the arrangement?

According to the Shafiis, this contract is valid. Since the contract has a valid offer and acceptance, it cannot be invalidated based on intentions that are unobservable. The status of the contract is determined for the Shafii by its apparent characteristics, "while perverse intentions are left for Allah to judge".

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The Demise of Bai Inah: Isn't it Time? (continued...)

The Hanafi madhab have ruled that the Bai Inah is defective unless there is an intermediary between the buyer and seller (like the Tawarruq contract explained below), on the reasoning that since the first sale is incomplete as the purchase price has not been paid, the second cannot take place as the seller does not yet own the commodity, thus the second sale becomes defective. However, it is submitted that even if an intermediary is part of the contract, the same result would occur since the first contract would be incomplete before the second sale occurs.

The Malikis and Hanbalis, on the other hand, rule that the Bai Inah contract is invalid. The geographical distribution of the madhab may explain why Malaysia follows the Shafii position while the Middle East and other parts of Asia (e.g. Pakistan) would comprise mainly the Maliki, Hanbali and Hanafi schools.

Contemporary scholars have grappled with the legality of the Bai Inah, the majority do not believe in the legality of Bai Inah and often link it to legal stratagems (*hiyal*) aimed at legally circumventing the prohibition of riba in form, but not really adhering to the essence, intention or spirit of the prohibition of riba.

On the other hand, if the principle of *maslahah* applies i.e for the needs of the society, and there is no alternate way to provide financing other than by the usage of Bai Inah, then its use may be justified. The following explores the current uses of the Bai Inah contract and other possible alternatives.

Uses of Bai Inah and alternatives

The Bai Inah contract is widely used in credit cards, personal financing and Sukuk facilities in Malaysia.

- Personal financing

Bai Inah is used especially for personal financing in Islamic banks in Malaysia. As mentioned earlier, a recent study done on the different Islamic banking practices in selected countries found that only Malaysia offered the Bai Inah contract as a tool for personal financing. The others used Qard al-Hasan, Murabahah or Tawarruq.

Qardh al-Hasan is a form of a benevolent loan that obliges a borrower to repay the lender the principal sum borrowed on maturity of the loan. The amount repayment must be equivalent to the amount borrowed. It is, however, legitimate for the borrower to pay more than the amount borrowed as long as it is not stated or agreed at the point of contract.

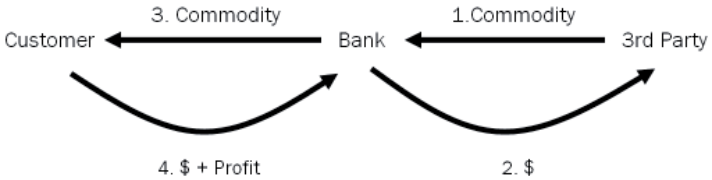
Qardh al-Hasan differs from Bai Inah in two main ways: It is not a buy-and-sell transaction but a loan transaction. The Bai Inah, though in reality a loan transaction, is disguised through the buying and selling of commodities; and second, the profit in the Bai Inah is added to the contract at the time the contract is entered into whereas with Qardh al-Hasan, there is no payment of profit, just the principal sum. However, if desired, a *hibah* (gift) can be given for the services provided, but this is at the borrower's discretion.

In Iran, where this contract is highly used, banks are allowed to recover expenses associated with granting Qardh al-Hasan finance. Fees of 1.5% for institutions and 1% for individuals are imposed. The maximum tenor for repayment of the loan for institutions is usually five years; for individuals, it is three years.

In Murabahah, the bank buys the commodity and sells it to the customer at the purchase price plus a profit margin agreed upon by both parties concerned. The customer must be aware of the original price at which the bank buys the commodity, otherwise the sale will be known as *musawamah*.

The Murabahah contract differs from the Bai Inah in two ways: A third party is involved in the sales from whom the commodity is bought, and the customer retains the commodity. In other words, it is a genuine sale and purchase agreement, whereas in the Bai Inah, no third party is involved and the commodity ends up back with the seller; second, the customer or purchaser is aware of the original price of the commodity whereas in Bai Inah, there is no such requirement on knowledge of the original price.

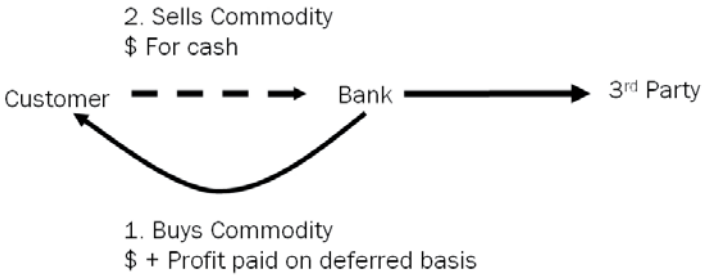
Example of Murabahah:



Therefore, where the customer is in need of financing to purchase a commodity, the banks could use this form of contracting.

In the case of Tawarruq, the *mutawariq* (customer) buys a pre-approved Al-Tawarruq commodity through the bank on credit terms, and authorizes the bank to sell it on his behalf to a third party for cash. Commodities are sold at prevailing market prices on the spot and cash proceeds are then deposited into the customer's account.

Example of Tawarruq:



The Tawarruq is the most similar contract to Bai Inah as compared to Qardh al-Hasan and Murabahah. In both Bai Inah and Tawarruq, the commodity is not used by the purchaser — it merely passes through to the bank in the case of Bai Inah, and to a third party in the case of Tawarruq. The difference lies in the use of a third party in Tawarruq to complete the cycle. This sort of trading has been accepted by the Hanafi madhab (as stated above). When there is a third party involved, one may argue that there is less possibility of unreasonable pricing or unfair trading and a greater chance of a real trade taking place.

- Credit cards

Credit cards issued in Malaysia operate on the principle of Bai Inah. The contract works on the basis of two agreements. The first is the

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The Demise of Bai Inah: Isn't it Time? (continued...)

bank's agreement to sell an item to the customer at an agreed price, and the second agreement covers the customer reselling the item to the bank at a lower price. The difference is the bank's profit on the transaction which is a predetermined amount.

- Sukuk

In the process of Islamic bond issuance, Bai Inah has been used in Malaysia to securitize the instrument in the primary market. In the Bai Inah asset securitization, the financier purchases an asset from the issuer and sells it back to the same party at a marked-up price. This arrangement ensures that the issuer will receive the money in cash while the financier will be paid a predetermined amount at a future date.

However, the use of Bai Inah (and Bai Dayn) has created "controversy about the legitimacy of Malaysian Islamic bonds". Gulf scholars do not approve the use of the Bai Inah in Sukuk issuances.

There have therefore been efforts to use other concepts to issue Sukuk, such as Ijarah, Musharakah and even hybrid Sukuk using a combination of Murabahah, Ijarah and Istisna. An example of Ijarah in Sukuk issuances is the US$1 billion Dubai Global Sukuk al-Ijarah. This Sukuk issued in October 2004 combined the sale and leaseback (Ijarah) of the assets being financed. In this case, the assets comprised land and buildings at the Dubai International Airport. The Dubai government conveyed title to the assets to the issuer pursuant to a purchase agreement. The issuer then issued trust certificates to the investors, which represented a share in the beneficial ownership of the Sukuk assets.

The capital obtained from the investors was used by the issuer to pay the purchase price of the Sukuk assets to the government. The Sukuk assets were leased back to the government by the issuer and the rental payments paid by the government to the issuer were distributed accordingly to the investors.

Even with Sukuk, there are alternate modes of securitization. These include Ijarah, Musharakah, Istisna, Salam and Murabahah. Therefore, the use of Bai Inah can be phased out in Sukuk. Actually, the trend seems to be going this way as more non-Bai Inah Sukuk are being created in Malaysia, e.g. the US$150 million First Global Sukuk by Kumpulan Guthrie.

Conclusion and further research

The overwhelming criticisms aimed at Bai Inah and doubts on the authenticity of the Malaysian Islamic financial system make for a strong argument that it is time for Bai Inah to make an exit. As discussed, there are other alternative concepts and contracts that could replace Bai Inah in Malaysian Islamic finance.

However, stamping out the use of Bai Inah will not be enough. Further research is necessary in other areas, such as Malaysia's use of Bai Dayn which is also subject to a lot of controversy, and the share screening process used by the Shariah Advisory Council (SAC) of the Securities Commission.

"The overwhelming criticisms aimed at Bai Inah and doubts on the authenticity of the Malaysian Islamic financial system make for a strong argument that it is time for Bai Inah to make an exit"

In Malaysia, the screening of company shares by the SAC of the Securities Commission stops at the analysis of company activity at industry and product level whereas Shariah scholars elsewhere argue that even if the company's activities are halal, "if the company borrows or invests on the basis of interest, then it should be subjected to further scrutiny". These scholars have introduced further measures called financial filters, which use a number of financial ratios and their respective benchmarks to weed out non-permissible stocks.

The serious implication for the usage of different screening methods is the inconsistency in the outcome whereby a company might be deemed permissible under one method and non-permissible under another.

It is submitted that the next phase of development in Islamic finance would be to target the authenticity of the products and contracts used in Islamic finance. If Malaysia does not make the effort to ensure that it adheres to world standards of what is Islamic, it will lose out to other developing Islamic finance hubs such as Bahrain, Iran and even Pakistan. Steps have to be taken now before it is too late.

Sherin Kunhibava is an academician pursuing her PhD in Islamic banking and finance at Monash University Malaysia. This article is an excerpt from a 43-page paper presented at the Monash International conference on Islamic finance held late last year. She can be contacted via email at sherinkunhibava@yahoo.com. References are available on request from the writer.

Next Forum Question

Guiding principles established by standard-setting bodies are rarely embraced wholeheartedly. How can this be addresses so that we see truly global Islamic financial standards?

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, 23rd January 2008.

FAQ on Project Finance Sukuk

By Karim Nassif, Jonathan Manley and Michael Wilkins

In the past 18 months, Standard & Poor's Ratings Services (S&P) has assigned ratings to two project finance transactions that feature Shariah compliant debt obligations, or Sukuk. Islamic financing has potential to become an important means of financing such projects.

What is S&P's experience of rating project finance Sukuk?
So far, S&P has rated two project finance Sukuk transactions, both linked to industrial companies based in the UAE:

- National Central Cooling Co PJSC (Tabreed; BBB-/Stable/--); Sukuk issued by Tabreed 06 Financing Corp, a special purpose entity (SPE).
- DP World Ltd (A+/Stable/A-1); Sukuk issued by DP World Sukuk Ltd, a wholly owned SPE subsidiary.

The Tabreed senior secured Sukuk issuance consisted of a US$200 million, seven-year Istisna and Ijarah Sukuk to fund the construction of district cooling plants in the UAE. The "Ijarah" nature of the Sukuk refers to a sale-leaseback aspect of the transaction, while "Istisna" refers to the "construction and delivery" aspect.

DP World's 10-year, US$1.5 billion senior unsecured Mudarabah Sukuk were used to fund a trust that onlends proceeds of issuance to a mudarib (investment manager), who funds periodic payments to Sukuk holders through returns made on investment assets. The "Mudarabah" aspect of the transaction refers to the fact that periodic payments were funded from Mudarabah (joint investment) assets.

Both the Tabreed and DP World transactions fall under the category of Sukuk with full credit-enhancement mechanisms. Under this structure, Sukuk receive an irrevocable third-party guarantee, usually by a parent or original owner of the underlying collateral.

The ratings on this type of Sukuk are largely dependent on the creditworthiness of the guarantor or the entity providing the credit-enhancement mechanisms, as well as the ranking of the Sukuk among other financial obligations of the guarantor. There are, however, some interesting differences in the broad analytical approach taken to rating the two transactions, which are described below.

How does cash flow through the two project finance Sukuk ratings, and what are the credit risks?

DP World
Cash flow movement: Investors pay the issue price for the Sukuk and Dubai World Sukuk Ltd (in its capacity as rab al maal, or provider of capital) applies the proceeds as the capital of the Mudarabah, pursuant to a Mudarabah agreement entered into between the issuer and DP World (the latter acting in its capacity as the mudarib). The mudarib, in turn, invests the capital of the Mudarabah in DP World's business activities in accordance with an agreed Shariah compliant investment plan prepared by the mudarib designed to generate "profits", which will be used to service the certificates.

If insufficient profit is generated, then DP World (in its capacity as mudarib) will be required to provide Shariah compliant funding to meet the payments in full. The basis of repayment is the profit generated by the Mudarabah (or joint investment trust). If the Mudarabah does not generate enough profit, then DP World d has to provide funds to meet the shortfall in returns generated by the Mudarabah. For this reason, credit risk is linked not only to the Mudarabah, but also to DP World.

Tabreed
Cash flow movement: Investors pay the issue price for the Ijarah Sukuk and Tabreed 06 Financing Corp invests the proceeds to purchase certain district cooling plants from Tabreed, which are then leased back to Tabreed under the Ijarah sale and leaseback structure. The lease payment is calculated with reference to a certain margin over the London interbank offered rate (LIBOR) that allows for servicing of the certificates.

As shown in the chart, the proceeds from the Istisna Sukuk are paid in installments to Tabreed (in its capacity as contractor) as well as to authorized investments in financial institutions and for the purchase of commodities from Tabreed.

Tabreed (in its capacity as contractor) is paid in installments of US$40 million on financial close, followed by US$26 million on the date of the

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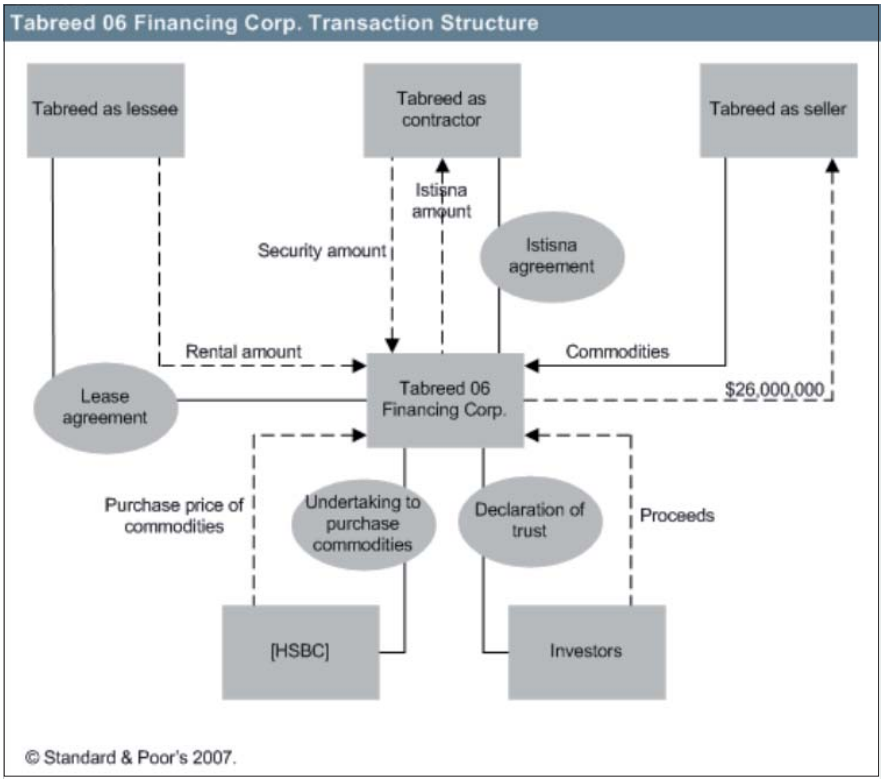

FAQ on Project Finance Sukuk (continued...)

first debt service payment. The remaining proceeds are temporarily invested in financial institutions and commodities in order to generate some return on these funds until the exercise date.

On the exercise date (which coincides with completion of construction of the plants), the issuer buys the plants from Tabreed — using monies previously held in commodities and financial institutions. Following the sale, Tabreed (as lessee) undertakes to enter into a lease with the issuer for the plants that have just been delivered. The lease payments are calculated to allow for servicing of certificates. The basis of repayment under both the Ijarah and Istisna Sukuk are the lease payments made by Tabreed to the issuer.

If there is shortfall between the lease payments and the level of debt service required to service the notes, then Tabreed may be required to meet this shortfall through the exercise of the purchase undertaking by the issuer, which forces Tabreed to redeem the full value of the notes.

What is the Islamic nature of the financing structures presented?
There are various principles within Shariah that determine the structure of the above project finance Sukuk. Key among these is the philosophical interpretation of the meaning of money and the importance of linking funding to tangible assets. Under Shariah, money is used to measure the value of assets and has no value of its own, so using it should not include a charge or interest. Further, money should only be used in relation to tangible assets, and as such, unsecured corporate debt is forbidden. Under Shariah, all financial products should include concepts of profit- and loss-sharing, with risk shared between the capital provider and the business.

In the project Sukuk discussed, it is possible to see compliance with these key Shariah principles: In both the Tabreed Sukuk and the DP World Sukuk, for instance, repayment of the notes is achieved through lease payments from Tabreed to the issuer and through profits generated by the Mudarabah. There is no interest expense, as such, linked to either transaction even though the actual amounts repaid in both cases are designed to meet debt service payments.

Both the Tabreed and DP World Sukuk structures involve funding that is asset-based. In the case of Tabreed, the assets are the district cooling plants; with DP World, they are the Mudarabah assets. The principle of profit- and loss-sharing between the provider of capital and the business itself is most evident in the DP World Mudarabah, where proceeds from the debt issuance are invested by the issuer who also happens to be a joint-venture partner with the business under the Mudarabah agreement. Profits from the Mudarabah are used to repay the notes issued by the provider of capital in its capacity as issuer.

S&P does not opine on Shariah compliance when rating Sukuk financing.

What is S&P's analytical approach for project finance Sukuk?
We have a three-pronged approach to Sukuk financing. First, we determine the extent of any credit enhancement (such as an irrevocable purchase undertaking), and the nature of any collateral security. Second, we analyze the source of repayment of the Sukuk (periodic distributions versus rental payments). Lastly, we determine the extent of any government support.

Both the DP World and Tabreed transactions featured unconditional purchase undertakings from parent entities of the issuer. In each case, the purchase undertaking provides that in the event of insolvency of the issuer or payment shortfall, the parent shall promptly pay all amounts due under the Sukuk. In rating the Tabreed Sukuk, such purchase undertaking was the basis of our rating. We viewed this payment undertaking as the functional equivalent of a parent guarantee allowing the Sukuk to be rated at least pari passu with the senior unsecured corporate obligations of the parent.

The DP World purchase undertaking resembled that used in the Tabreed transaction. While such similarity, all other things being equal, would have allowed us to rate the DP World Sukuk pari passu with the senior unsecured corporate obligations of the parent providing the purchase undertaking, the issuance was structured through a Mudarabah vehicle.

Given that the cash flows used to service the debt are ultimately derived from an investment-generating a profit, we determined that the Mudarabah Sukuk has equity-like, loss-absorbing features that could weaken the flow of debt service to the rated Sukuk. This is in contrast to the Tabreed (Ijarah and Istisna Sukuk), where cash flows are ultimately derived from long-term contractual lease payments originating from specific assets, which render the Sukuk more debt-like in nature.

Were this feature the only structural feature of the DP World Sukuk Ltd transaction, we would likely have viewed the Sukuk as ranking below the senior unsecured debt of DP World Ltd. Ultimately, however, the transaction was rated on the basis of implicit government support for the transaction. We considered that the implicit government support for DP World's business extended to an implicit support for this Sukuk financing. We viewed the purchase undertaking as itself benefiting from implicit government support, which meant that the rating on the Sukuk could be equalized with the rating on DP World, irrespective of the equity-like features of the Sukuk financing.

How does collateral security feature in rated project finance Sukuk?
Both the DP World and Tabreed transactions featured collateral security. In the Tabreed transaction, we considered the security sufficiently adequate to allow the issuance to be rated equal to Tabreed's existing secured obligations. By contrast, the rating for the DP World transaction reflected the essentially unsecured nature of the structure.

For corporate entities that have a high level of secured debt on the balance sheet, our corporate credit rating factors in the presence of such secured debt. S&P criteria state that for any corporate entity that has a level of secured debt to assets above 20%, any unsecured debt would be rated one notch below the corporate credit rating.

Likewise, had Tabreed's ratio of secured debt-to-assets been more than 20%, any unsecured debt would have been rated one notch below the counterparty credit rating. At the time when the Tabreed Sukuk was rated, Tabreed's ratio of secured debt-to-assets was below 20%, so the issue of structural subordination of unsecured debt was not relevant.

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FAQ on Project Finance Sukuk (continued...)

In any event, analysis of the Tabreed Sukuk security features led to the Tabreed Sukuk being considered secured. For this reason, were Tabreed's ratio to go above 20% in the future, we would not need to review existing ratings on Tabreed's Sukuk as a result of structural subordination. Nevertheless, analysis of whether a Sukuk (benefiting from a purchase undertaking from the parent) is secured or unsecured can therefore influence the final rating due to the possibility of structural subordination relative to the parent's corporate credit rating.

- *Tabreed Sukuk security features*

In this transaction, the following security is provided by the issuer: The issuer acts as trustee in respect of the trust assets for the benefit of the noteholders. The trust assets include investments in plants linked to the Istisna agreement, the commodities and authorized investments, any plants delivered, the rights under the transaction documents and all proceeds held to the credit of the transaction account (this account is where payment from the lessee is collected on each periodic payment date).

Tabreed's Istisna Sukuk benefits in theory from ownership of the district cooling plants built once they have been delivered to the issuer. In practice, however, Tabreed's cooling plants are fixed to the land on which they are constructed. Title to the applicable land includes title to the cooling plants which have no separate rights of ownership. As the land is owned by the Abu Dhabi government, Tabreed ultimately only has contractual rights over the cooling plants, and not legal title. Legal title over the cooling plants is, therefore, likely only theoretical and not capable in practice of truly being assigned to the noteholders.

Having said this, machinery and equipment relating to the constructed plants are legally owned by Tabreed and can be transferred to the noteholders as part of the trust assets, although the value of such assets is likely to be well below any market value assigned to the cooling plants. The key reason we considered the Tabreed Sukuk financing to be secured is that enough features were present in the structure to render the financing comparable with other existing Tabreed secured financings. These features meant that the designated cooling plants delivered to the issuer could not be commingled into Tabreed's business or used to meet other Tabreed unsecured obligations while the Sukuk was outstanding.

- *DP World Sukuk security features*

In this transaction, the key security provided by the issuer (DP World Sukuk Ltd) is the declaration of a trust for the benefit of the certificate holders over its ownership interest under Shariah in the Mudarabah assets. The trust to the benefit of the certificate holders also includes all the issuer's rights, benefits,and entitlements under the transaction documents, including proceeds standing to the credit of the transaction account. The transaction account is where payments from the mudarib are made.

DP World's Sukuk benefits in theory from an ownership interest under Shariah in the Mudarabah assets. However, under English law, which governs the Mudarabah agreement, neither the issuer nor the trustee has any ownership interest in the Mudarabah assets.

In practice, any rights that the issuer has over assets in the Mudarabah are likely limited to its rights under the purchase undertaking to force the obligor (DP World) to purchase the notes at an exercise price commensurate with the value of the capital raised and invested in the Mudarabah agreement. It is important to note that the performance and ownership of the mudarib assets (the Port Terminal 2 at Jebel Ali) brought into the Mudarabah remain very much in the hands of the mudarib. The issuer as well as the noteholders, therefore, have no claim over the tangible assets included in the Mudarabah agreement.

While the mudarib acknowledges the need to generate a return from the Mudarabah that is sufficient to meet debt service on the Sukuk, it does not in any way provide a guarantee that it will do so. This is in contrast to Tabreed (Istisna and Ijarah Sukuk), where long-term lease contracts are entered into, providing a stable revenue stream for the repayment of the notes. Furthermore, under the Mudarabah, the mudarib is allowed to commingle its own assets with assets under the Mudarabah, making unclear the precise source and quality of assets that is being used to generate a profit.

Finally, it is unclear how the mudarib will use the assets in the Mudarabah to generate a profit. Unlike the Ijarah and Istisna Tabreed Sukuk where lease contracts are part of the transaction documentation, under the Mudarabah, it is somewhat unclear what the source of profit will be. Ultimately, there is much more of a reliance on the corporate credit quality of DP World (as obligor) to meet Sukuk obligations than the structure itself to provide for a regular revenue stream for debt service. For this reason, we deem the DP World Sukuk to be unsecured.

What links S&P's project finance criteria with the approach it takes to rating project finance Sukuk?

S&P defines a project finance transaction as being a cross between a structured, asset backed financing and a corporate financing. A project finance transaction is typically characterized as non-recourse financing of a single asset or portfolio of assets where the lenders can look only to those specific assets to generate the cash flow needed to service its fixed obligations, chief of which are interest payments and repayment of principal.

Lender's security and collateral are usually solely the project's contracts and physical assets. Lenders typically do not have access to the project owner, and often, through the project's legal structure, project lenders are shielded from a project owner's financial troubles.

Neither the Tabreed nor the DP World transaction fully complies with this model. While Tabreed holds title to certain assets and transaction accounts and pledges them to a trustee or collateral agent, and has a cash flow waterfall structure and a negative pledge over the assets (as does DP World), neither structure fully complies with the criteria described above. Accordingly, the Sukuk are not rated on the basis of such criteria.

Legal title over the assets being financed is not effectively available for either of the Sukuk financings we have rated and as such, lenders' security is weaker than we would expect for standard project financings. Further, there is no distinct separation between the project owner's financial troubles and the project itself under the Sukuk financings described here.

The reliance on purchase undertakings on the obligor and the obligor's corporate credit rating means that the Sukuk discussed have strong corporate features necessitating more of a corporate approach than

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FAQ on Project Finance Sukuk (continued...)

a pure project finance approach to the analysis, even though they are structured as asset-based transactions in line with Shariah principles. Under both Sukuk, full bankruptcy remoteness is yet to be tested. The contracts generating the source of repayment are also linked to the obligor, meaning that all risks go back to the obligor's corporate risk with no diversification of counterparty risk as typically seen with project financings.

In addition, while we look to the economic feasibility of a project, the approach taken to the Sukuk ratings so far has relied more on the economic fundamentals of the obligor. None of the Sukuk financing documentation included financial ratio covenants linked to the financing itself. The Tabreed Sukuk, for instance, only contained financial covenants linked to the corporate performance of the obligor, Tabreed.

Thus far, we have rated Sukuk on the basis of either a purchase undertaking provided by a rated parent or implicit government support. In one case, the Sukuk rating is based on a corporate credit analysis of the parent; in the other, a sovereign analysis of the government, rather than upon full dependency on the project.

What is the potential for project finance Sukuk to achieve investment-grade ratings?
As with any other transaction, a Sukuk rating would ultimately depend on the fundamental economics of the transaction as well as the ability of the transaction structure to permit the full and timely payment of scheduled debt service on the rated obligation.

The Tabreed and DP World Sukuk achieved investment-grade ratings more for their structural features (enhancement and sovereign support) than economic fundamentals of the underlying transaction. More specifically, Sukuk supported by an appropriately-worded purchase undertaking from an investment-grade counterparty (effectively allowing for credit substitution of the counterparty rating) may, all other considerations being equal, allow for an investment-grade Sukuk.

For Sukuk not supported by a purchase undertaking, the likelihood of attaining an investment-grade rating will depend largely on the economic fundamentals of the transaction. Given the lack of experience in enforcing creditors' rights in jurisdictions where many Sukuk financings are based, there may be challenges that would need to be addressed for such financings to reach investment grade.

What is the growth potential for project finance Sukuk?
Project Sukuk appears to be growing in popularity not only in the Middle East, but also in the west. Several large companies such as Qatar Petroleum have announced their willingness to explore this type of asset funding as a means to diversify their funding base.

We expect the issuance of project finance Sukuk to continue growing, although there are challenges that may first have to be addressed, including Shariah compliance, enforceability of security in local courts and subordination features of debt instruments.

STANDARD & POOR'S
The authors are credit analysts with S&P.
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Islamic Finance *news* talks to leading players in the industry

Name: Prof Dr Mohd Ma'sum Billah

Position: Group executive chairman

Company: Middle Eastern Business World (MBW) Group of Companies

Based: Malaysia, Dubai, Libya, Jakarta and Iran

Age: 39

Nationality: Malaysian

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

I have been actively contributing to several universities, international conferences, research and publications in the areas of applied Islamic banking, finance and commerce throughout the years.

Besides that, I also delve into Islamic corporate and financial advisory services and am very involved in global Islamic trade, investment, construction and tourism, especially among the OIC (Organization of Islamic Conference) countries.

What does your role involve?

In my capacity as group executive chairman, I am responsible for decision-making, global networking, planning and observing overall management of the group.

What is your greatest achievement to date?

Having been able to convey the true contemporary applied paradigm of Islamic banking, finance and halal businesses, as well as trade activities within both Muslim and non-Muslim nations across the globe.

I have achieved this through writing, lectures, publications, advisory services, global connections, planning and operations for the contemporary benefits of the global ummah.

Which of your products/services deliver the best results?

My research and publications on applied Islamic banking, finance, and trade and commerce have benefited different parts of the Muslim and non-Muslim world so far.

Besides that, our commitment to meet the true spirit of Islamic globalization is constantly embedded in our services in halal trade, investment and tourism among the global Muslim communities.

What are the strengths of your business?

Wisdom, rationalism, sincerity, cooperation, friendship, smart planning, networking/ connections, discipline in terms of time management, commitment.

Last but not least, less talk, more action.

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

Dynamism, cooperation/friendship, smart planning, customer satisfaction, sacrifice, discipline, commitment and management all within the concept of brotherhood.

What are the obstacles faced in running your business today?

Poor commitment among some of the clients, moral discrepancies among certain parties, as well as poor planning in some cases.

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

I foresee the Islamic banking and financial industry to appreciate by 90% to 95% globally in the next five years, with a steady growth rate of 35% to 40% annually.

I expect this to occur out of both Muslim and non-Muslim countries, in light of the constant expansion and growth of products.

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

Islamic investment in multi-sectors may lead to more global investment avenues in the next five to seven years, along with the achievement of a working system of halal trade across the globe.

The Middle Eastern Business World Group (MBW) conducts consultation in the following areas of Islamic Finance: Shariah compliance of banking & financial products & technicalities, Islamic banking, Islamic finance, Islamic investment, Islamic capital markets, Sukuk, Takaful & reTakaful, wealth management, property & asset management, corporate Muamalat, Income tax, financial planning, unit trust, fund management, venture capital, equity markets, e-Commerce, securitization, hedge funds, Islamic debt capital markets, Islamic financial derivatives (Futures & Options), Islamic corporate risk management, Islamic on-line banking & financial services, project finance, corporate governance, as well as other contemporary Islamic financial & commercial matters with practical considerations.

Saudi Telecom Financing

TYPE OF FACILITY	Structured Commodity Financing-i Term Finance Facility
FINANCIER	Al Rajhi Banking & Investment Corporation, Malaysia, Ltd
CUSTOMER	Saudi Telecom Malaysia Holding Limited
PRINCIPAL ACTIVITIES	Special purpose vehicle company incorporated in British Virgin Islands for Saudi Telecom Company's investment in Binariang GSM
FUNDING SIZE	US$450 million available in equivalent in RM
PURPOSE OF FINANCING	To finance Saudi Telecom's investment in the US$900 million non-convertible junior Sukuk issued by Binariang GSM
TENURE	10 years from the drawdown date
DRAWDOWN DATE	28th December 2007
MATURITY	27th December 2017
PAYMENT SCHEDULE	Six-monthly installment covering profit portion with a principal bullet repayment at maturity
IDENTIFIED ASSETS	Palladium and Platinum commodities for purposes of raising funds
COMMODITY BROKERS	Dawnay Day Co Ltd and HVB Trading Ltd
LEGAL COUNSEL	Hisham Sobri & Kadir
GUARANTOR	Saudi Telecom Company, Saudi Ltd
SHARIAH ADVISOR	Shariah Council of Al Rajhi Bank
GOVERNING LAW	Laws of Malaysia

For more term sheets visit www.islamicfinancenews.com

Takaful news
www.islamicfinancenews.com

BRUNEI

Takaful IBB has ACB covered

Takaful IBB will provide group personal accident Takaful to officers of the Anti Corruption Bureau (ACB), following an agreement signed between the two parties. The scheme will provide 24-hour coverage worldwide.

The coverage comes in the form of compensation in the event of death or permanent disability due to an accident or illness occurring within 12 months after the accident or illness. The Takaful scheme also covers temporary disablement by paying weekly benefits.

The ACB is the second government agency — after the Royal Brunei Police Force — to have its employees officially covered under the group personal accident Takaful scheme.

MALAYSIA

Fraud cases still rampant

According to the president of the Malaysian Chapter of the Association of Certified Fraud Examiners president (ACFE), Akhbar Satar, almost 80% of fraud that occurs is not being reported each year.

"The reasons individuals and corporations do not report are because they are afraid to get involved and they themselves are involved," he added. Akhbar was alluding to the insurance and Takaful sector, which falls prey to fraud cases each year.

According to the association, there are typically two types of fraud — soft and hard fraud, with the former involving inflating or exaggerating a genuine claim, and the latter, staging accidents and crime.

PAKISTAN

Takaful Pakistan-Al Baraka MoU

Takaful Pakistan has signed a memorandum of understanding with Al Baraka Islamic Bank to provide an array of Takaful services to the Bahrain-based bank and its customers.

Takaful Pakistan is a joint venture between six local and international organizations providing services related to Takaful, while Al-Baraka is an international Islamic bank which operates in 12 countries including Pakistan.

HONG KONG/MALAYSIA

Fitch sets its sights on Malaysia

Fitch Ratings has expressed interest to rate Malaysian Takaful issuers. Jeffrey Liew, head of insurance for Fitch Ratings (Asia-Pacific), said that Malaysia was at the forefront in the region with nine Takaful providers start-ups ripe for rating.

He is also confident that a rating by a recognized international rating company would make a company more attractive to foreign investors.

UAE

Daman ensures speedy renewal

The National Health Insurance Company — Daman is working with its members to adopt steps and procedures to ensure smooth renewal of health insurance policies.

To ensure speedier processes, Daman has set up a team to facilitate the renewal process, ensuring applicants a more timely renewal of policies, and reducing their risk of being uncovered. The existing UAE law requires health insurance policies to be renewed annually.

INDIA

Parsoli awaiting license

India could soon see its first Shariah compliant insurance scheme, thanks to Pune-based Bajaj Allianz Life Insurance in association with Parsoli Insurance Broking, a wholly owned insurance subsidiary of broking firm Parsoli Corporation.

Bajaj Allianz currently has a "pure fund", which does not invest in breweries or other industries perceived as "unethical" under Shariah, said a senior Bajaj Allianz official.

Parsoli Insurance Broking is awaiting insurance regulatory and development authority approval for both its life and non-life segments. CEO Syed Alauddin said that pending such approval, which should come within the next four months, the company will offer a unit-linked insurance plan (Ulip) in association with Bajaj Allianz. Ulip would not have any bank-linked interest component.

IRAN/SAUDI ARABIA/YEMEN

CII, JWZ Insurance launch CII Arabia

The CII Group and JWZ Insurance Solutions have launched a new partnership in the Middle East, to be called CII Saudi Arabia. The joint-venture insurance training and educational consultancy firm will see its services being distributed throughout Saudi Arabia, Yemen and Iran.

The JV will also see CII qualifications which will help address the growing skills shortage in the region's insurance and Takaful insurance companies as well as raise standards.

MALAYSIA

Foreign revenue to boost MRe

Overseas business is expected to account for a fifth of Malaysian Reinsurance's (Malaysian Re) revenue by 31st March 2010, following the company's move to boost its physical presence in existing overseas markets that have historically outperformed its local operations.

Overseas business currently makes up 13% of revenue in Malaysian Re, the main revenue source of its parent company MNRB Holdings, which also offers Takaful under Takaful Ikhlas. According to sources, Malaysian Re's foreign revenue rose 40% in the financial year to 31st March 2006, and 50% in the first six months of fiscal 2007.

Performance and Retention of Sales Staff

By Abdulqader Ismail

Takaful has become one of the hottest financial topics today: Everyone seems to be abuzz about its tremendous potential growth globally. However, many have questioned the need for certified Takaful personnel or an extensive professional training system to develop the skills and capabilities of those working in this industry aiming to match it with the growing expansion of Takaful.

The training and development provided in Takaful has so far failed to match the growth of the industry and increasing demand for these unique products, particularly in the Middle East. The majority of training and development initiatives focus on Islamic banking and a few are being conducted on Takaful. In fact, Takaful experts have identified several reasons contributing to the mismatch between the growth of Takaful and the development of a professional workforce. Performance and retention are merely two of the factors that are hampering Takaful operators in their efforts to send qualified Takaful professionals out into the global market.

Matching candidates to the available sales opportunities works best when it is viewed and understood as part of an integrated process made up of six distinct phases:

1. Recruiting: attracting the right candidates and selling career path opportunity.
2. Screening: Exclude those who will not fit the career requirements.
3. Selection: Choose the best or most qualified candidates.
4. Hiring: This phase is handled by human resources and includes licensing, certification and contracting.
5. Training and development: covers company orientation, product knowledge and sales skills.
6. Coaching and management: performance management, reinforcing efforts and results through field visits and one-to-one meetings.

Each phase has its own objectives and criteria, not to mention approaches and strategies. Each component contributes, in varying degrees, to both performance and retention. Using only one component in the system to select new sales personnel means only one-sixth efficiency. Some managers try to use short cuts and eliminate or reduce the phases and they end up with poor selections and poor performance.

How frequent should managers do recruiting?

Do they start only when they need to expand the sales team or replace underperformers with new recruits or should it be done on an ongoing basis? The goal of recruiting is to provide the selection process with a continuous stream of qualified candidates to choose between applicants on the basis of very specific requirements. The goal of recruiting, then, is to attract a substantial number of qualified candidates so the selection system always has the best chance of making good matches. The number of interviewees for a sales representative position varies from industry to industry.

Insurance companies may interview as many as 20 candidates to fill one position while other companies interview only one. Without a steady flow of qualified candidates, the companies themselves often end up being screened and selected by the applicant. When it is the candidate who does the picking and choosing, the selection process becomes a selling process, not a buying process. The main goal of screening is to eliminate candidates who are obviously a poor match for the sales position or sales culture.

> "Although performance-based evaluations are essential, they only provide part of the picture and should be supplemented by other kinds of reviews"

Screening employees to arrive at a simple "Yes"/"No" decision on whether to proceed with a candidate. The selection process, however, is designed to choose the candidate who best fits the position and culture. It involves profiles and interviews to spot the candidate's weakness and strengths.

Here are just a few of the mistakes some managers make:

1. Deal with recruiting as an occasional activity driven by immediate managerial needs, rather than an ongoing function governed by long-term organizational needs. Potentially, the best salespeople may already be employed elsewhere. We may not be able to identify and attract them at short notice.
2. The system should be implemented fully. For instance, it's not always correct that the applicant who comes from a good position in a well-known company must be good. The applicant's background is part of the system (selection phase) but other aspects should not be neglected.
3. Although training and coaching are not parts of the selection process, feedback from the training manager and the coaching manager is important to avoid passing over applicants who lack the necessary qualifications but possess the required talent.
4. Relying too heavily on training and coaching and neglecting other phases of the system (screening and selection) will produce applicants with limited knowledge and learning ability.

Performance and retention

Performance and retention are the main criteria managers use to gauge the success of the recruiting and selecting process. Performance in sales teams is easily measured through income generated and deals closed. It can be easily monitored on a day-to-day basis. Performance figures are a convenient means of evaluating and comparing sales representatives. Although performance-based evaluations are essential, they only provide part of the picture and should be supplemented by other kinds of reviews.

Performance figures are a good tool to evaluate an individual, a team or a department against objectives planned by management.

continued...

Performance and Retention of Sales Staff (continued...)

Performance encourages internal competition. Retention of successful top performers, balancing good performers and maintenance of good performers pose a big challenge to successful organizations. Focusing on retention should not replace job satisfaction among sales representatives.

Performance evaluations are essential and allow managers to recognize specific problems and design effective solutions. The criteria must be balanced with retention ratings. By tracking retention, managers can identify other opportunities for the company and improve on its recruiting, selection and training processes.

Sales managers know that both performance and retention are important but it is hard to balance both. In some situations, top performers may be attracted to higher commission rates somewhere else. The qualities that make them the best performers often make them harder to retain.

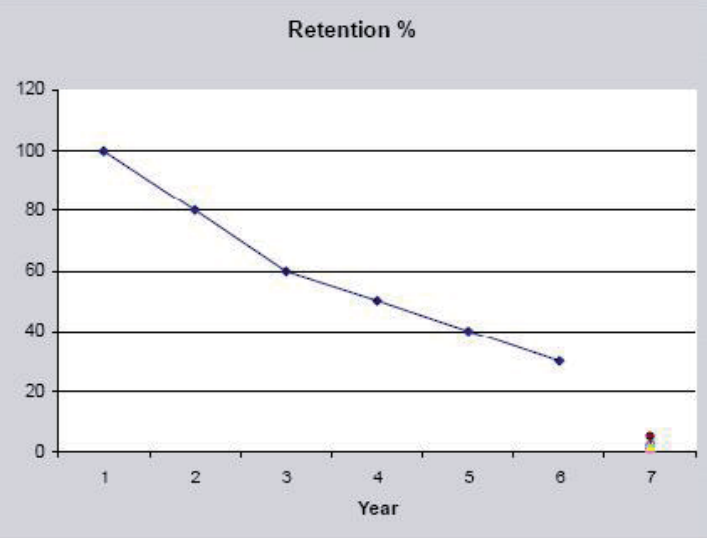
Are there clear-cut criteria and standards managers should follow in evaluating performance and retention? It's not enough to say we need high performance and high retention. Some companies tolerate lower performance if it is offset by high retention rates. For other companies, performance is more important. The nature of the product sold and the nature of the customers are important factors managers should consider when evaluating performance and retention. For example, organizations whose customers require ongoing service and frequent contact want high retention. Companies that need to project an image of stability and reliability will also value retention.

> "The nature of the product sold and the nature of the customers are important factors managers should consider when evaluating performance and retention"

Companies selling services place more emphasis on high retention than companies that sell goods. The less tangible the product, the more important the relationship with customers. Life insurance and Takaful products need such strong customer relationships and a higher rate of retention among sales representatives. Companies with high-volume products sales can offset lower retention with higher performance. In the case of one-time sales of non-consumable products, when salespeople must close the sale on their first contact with the customer, performance may be the only factor that sales managers consider. Company culture and the nature of the products sold are other main factors to decide the degree and importance of performance and retention.

Quantification of retention

Most managers concentrate their efforts and attention on performance goals contrary to planning for retention, which receives less attention. Calculating retention rates is a complex matter and needs to be refined throughout the phases of the selection system. Insurance companies usually calculate on a rolling, multi-year basis. A five-year evaluation system is used. They track new recruits over a five-year period, monitor how many sales representatives are retained on a cumulative five-year plan, and might look for the following pattern.



The analysis of retention ratios indicates where improvements are required. If the first-year ratio is less than 80%, the earlier phases of the selection system are not working. This means a review of the recruiting and screening process is necessary. Any issues that arise in the early years can usually be related to the first phase, while long-term issues tend to be associated with the later aspect of training, development or coaching.

Sales managers should probably heed the following:

- You should have clear performance standards. Remember, keeping a poor performer in the sales team is the same as keeping a rotten apple in an apple box.
- Recruiting should be on an ongoing basis that helps to attract and identify the most valuable potential candidates.
- Screening and selection should be done on a comprehensive basis using structured interview techniques.
- Training and coaching should also be considered part of the selection system, and not as a consequence.

In short, performance and retention in sales represent the main challenges faced by Takaful operators, hence leading to a gap between the significant growth of this industry and the development of human resources.

Additionally, by employing well-trained Takaful professionals, employers can ensure the individual or business gets accurate financial advice that best suits their needs. Overall information on Shariah principles in relation to Takaful products and technical aspects will certainly improve the overall image of Takaful and enable us to advance to higher levels of professionalism.

سوليدرتي SOLIDARITY

Abdulqader Ismail is the regional distribution manager at Solidarity Takaful in Bahrain. He can be contacted at +973 1757 8777.

BNP PARIBAS — GCC

BNP Paribas in the Gulf has appointed of Khalid Humaidan as regional head of treasury. He will coordinate the asset liability management policies of BNP Paribas' comprehensive Gulf network.

The 34-year-old Bahraini national, a graduate of Lehigh University in Pennsylvania, the US, joined BNP Paribas Bahrain in 2001 as a proprietary trader. His last position was head of Bahrain treasury desk.

CREDIT SUISSE — Europe

Credit Suisse has promoted Eric Varvel, who succeeds Michael Philipp as European CEO. Varvel, who will retain his job as co-head of global investment banking in addition to being made CEO of Europe, Middle East and Africa, is relocating from New York to London and will start his new job at the beginning of next month. He will also join Credit Suisse's executive committee.

Philipp becomes chairman of the Middle East and Africa, with a focus on the bank's top clients in the region. He has been active in the Middle East for more than 15 years and oversaw the establishment last year of Credit Suisse's joint venture in Saudi Arabia, as well as expansion of its business in Qatar and Abu Dhabi. He also oversaw Credit Suisse's joint venture in South Africa with Standard Bank.

Varvel, who has been with Credit Suisse for 17 years in a variety of senior roles, will be responsible for the firm's investment banking, private banking and asset management businesses in the region. He will run Credit Suisse's global capital markets business while his co-head Marc Granetz, who is based in New York, is in charge of the mergers and acquisitions business.

FRESHFIELDS BRUCKHAUS DERINGER — Middle East

Freshfields Bruckhaus Deringer's former London finance head, Bob Charlton, is being transferred to the Middle East in a significant boost to the magic circle firm's presence in the region.

Charlton, who is on sabbatical until February, is set to take up a post in the firm's Dubai office. He will be the firm's first finance partner in Dubai. Projects partner Joseph Huse is currently the only other partner in the office.

Freshfields has also transferred arbitration head Jan Paulsson and London corporate partner Bruce Embley to its Dubai office.

HSBC — Singapore

HSBC has appointed Wout Kalis as head of Singapore operations for its alternative fund services business. His responsibilities will include client service, portfolio valuation, client relationship management, business development and implementation in Singapore of the business' global strategy.

Kalis was previously an executive at Citco, where he had been part of the management team and helped set up a client-relationship team across multiple divisions. He has been involved in securities services for eight years.

BBK — Bahrain

Mudit Mathur has joined Bank of Bahrain and Kuwait (BBK) as its new head of NRI business. He succeeds M K Antony, who has opted for retirement after serving BBK for more than 23 years.

Mathur was country head of UTI International, Bahrain, and has 16 years' experience in the mutual fund industry. He started his career as a banker and had served in various banks before joining UTI.

FULBRIGHT & JAWORSKI — Middle East

Texas-based firm Fulbright & Jaworski has ramped up its Middle Eastern capabilities with the hire of one partner and the reassignment of another to its Dubai office.

Litigator David Silver, who has been based in the Emirates for the last decade, joins from Qatar firm Hassan Al-Khater. He assumes his position as partner in Dubai later this month.

Meanwhile, partner David Moroney will relocate from London and serve as head of the firm's Middle East energy practice.

JPMORGAN — UK

US investment bank JPMorgan has signed up Tony Blair as a part-time senior adviser, on a salary said to exceed US$1 million a year. The former British prime minister would provide "strategic advice and insight on global political issues and emerging trends", the company said.

Since leaving Downing Street last June, Blair has acted as an envoy to the Middle East. In moving from No 10 to the financial sector, Blair is following the example of his predecessor, John Major, who joined private equity firm Carlyle Group in 1998.

FINANCIAL SERVICES AUTHORITY — UK

The Financial Services Authority (FSA) has made a series of appointments to its organization, with the appointment of a head of wholesale and the creation of a new role to address concerns over banking supervision.

Sally Dewar, the director of markets, will succeed Hector Sants as head of its wholesale division. Sants was promoted to CEO in July last year.

Thomas Huetas will take up the newly created position of banking sector leader in February. The role was created to enable the FSA to ensure it has the necessary focus and resources to deliver the tripartite authorities' initiatives to improve regulatory architecture of the banking industry.

HSBC — Global

Samir Assaf will replace Mike Powell as HSBC's head of global markets, following Powell's resignation to complete his MBA and pursue private business interests.

John Flint will take up Samir's role as deputy head of global markets.

Deal *tracker*

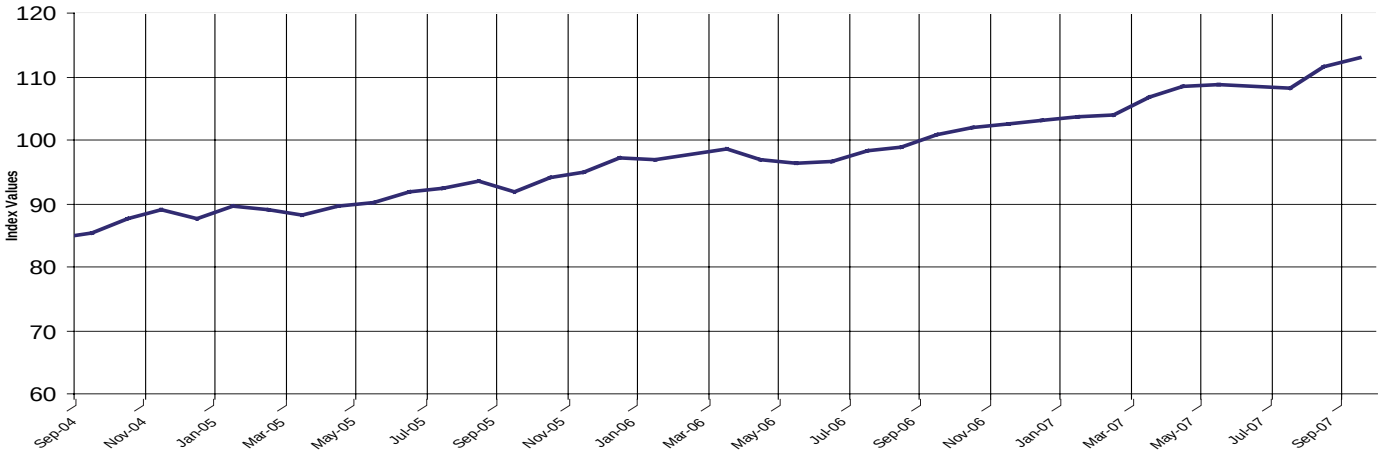
Keeping you abreast of the world's upcoming Shariah compliant deals

Another **Islamic Finance** *news* exclusive

ISSUER	SIZE (million)	INSTRUMENT
AREPCO	TBA	Equity-investment Sukuk
Binariang	US$1,190	TBA
Maple Leaf Cement	up to US$131.69	Musharakah
Al Aqar KPJ REIT	up to US$89.95	Ijarah; CP/MTN
Adhi Karya	US$11.1	Mudarabah
Islamic Bank of Thailand	US$189.87	Ijarah
RAKIA	TBA	Sukuk
Al Rajhi Cement	US$595	Straight Sukuk
Century Paper & Board Mills	US$49.38	Private placement
Engro Chemical Pakistan	US$49.38	Private placement
BCHB	US$1.71	ICP/MTN
UEM Group	US$230.66	Musharakah MTN
Sunway Infrastructure	US$579.56	BBA restructuring
Perusahaan Listrik Negara	US$33.97	Ijarah
Dubai Financial	TBA	Sukuk
Thani Investments	US$100	Sukuk
Al Imtiaz Investment	US$75–US$150	Sukuk
Haisan Resources	US$58.79	Sukuk Ijarah
IJM Corporation	US$511.6	Sukuk Istisnah
Ras Al Khaimah Investment Authority	US$400	TBA (Sukuk)
ARAPESONA	US$56.9/US$19.9	ICP/MTN
Bank Syariah Mandiri	US$3.25	Subdebt
Cagamas	US$584.6	TBA
Gamuda	TBA	Murabahah or Musharakah
Saudi Electric Company	US$4,000	Sukuk
MTC	US$1,200	Sukuk
Prolintas	US$240.7	Senior Ijarah/Junior Musharakah
Tomei Consolidated	US$28.5	Islamic Commercial Papers
Sui Southern Gas Co	US$49	Islamic Commercial Papers
JBIC	US$250–US$350	Sukuk
Dynamic Communication	US$143.4	Istisnah/MTN program
GLOMAC	US$50.18	Murabahah MTN program

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

Eurekahedge Global Islamic Fund Index



Monthly returns for Global funds (as of 16th January 2008)

	FUND	MANAGEMENT COMPANY	Performance Measure	FUND DOMICILE
1	Islamic Emerging Markets Equity Certificate	ABN Amro Bank NV	24.26	Not disclosed
2	NBAD UAE Islamic Fund (Al Nae'em)	National Bank of Abu Dhabi	23.28	United Arab Emirates
3	Pakistan International Element Islamic Fund (PIIF)	Arif Habib Investment Management Limited	19.68	Pakistan
4	CIMB Islamic Equity Growth Syariah	PT CIMB-GK Securities	18.16	Indonesia
5	Euro Peregrine Syariah Balanced Plus	PT Eurocapital Peregrine Securities	17.81	Indonesia
6	Islamic Certificate on the LLB Eastern Hilal TR Index	ABN Amro Bank NV	16.84	Switzerland
7	Danareksa Indeks Syariah	PT Danareksa Investment Management	15.61	Indonesia
8	Al Fursan Fund	Banque Saudi Fransi	15.25	Saudi Arabia
9	Amanah Saudi Industrial Fund	The Saudi British Bank	15.17	Saudi Arabia
10	Islamic Certificate on the LLB Western Hilal TR Index	ABN Amro Bank NV	14.55	Switzerland
	*Eurekahedge Islamic Fund Index**		*3.60*	

Monthly Returns for ALL funds (as of 16th January 2008)

	FUND	MANAGEMENT COMPANY	Performance Measure	FUND DOMICILE
1	DWS Noor Precious Metals Securities Fund (Class A)	DWS Noor Islamic Funds	11.55	Ireland
2	Solidarity Global Growth Fund	Solidarity Funds Company BSC ©	5.75	Bahrain
3	Pacific Dana Dividen	Pacific Mutual Fund Bhd	4.50	Malaysia
4	Al Shamekh Islamic Portfolio	Riyad Bank	4.40	Saudi Arabia
5	AlManarah High Growth Portfolio	The National Commercial Bank	4.20	Saudi Arabia
6	Al Shuja'a Islamic Portfolio	Riyad Bank	3.65	Saudi Arabia
7	Credit Suisse Sicav One (Lux) Equity Al-Buraq B	Credit Suisse Asset Management	3.55	Luxembourg
8	UBS Islamic Fund - Global Equities (USD)	UBS Islamic Fund Management Company SA	3.46	Luxembourg
9	AlAhli Islamic Global Equitybuilder Certificates	The National Commercial Bank	3.41	Germany
10	BNP Paribas Islamic Fund Equity Optimiser (Classic)	BNP Paribas Asset Management	3.08	Luxembourg
	*Eurekahedge Global Islamic Fund Index**		*1.26*	

EUREKAHEDGE

Contact Eurekahedge

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

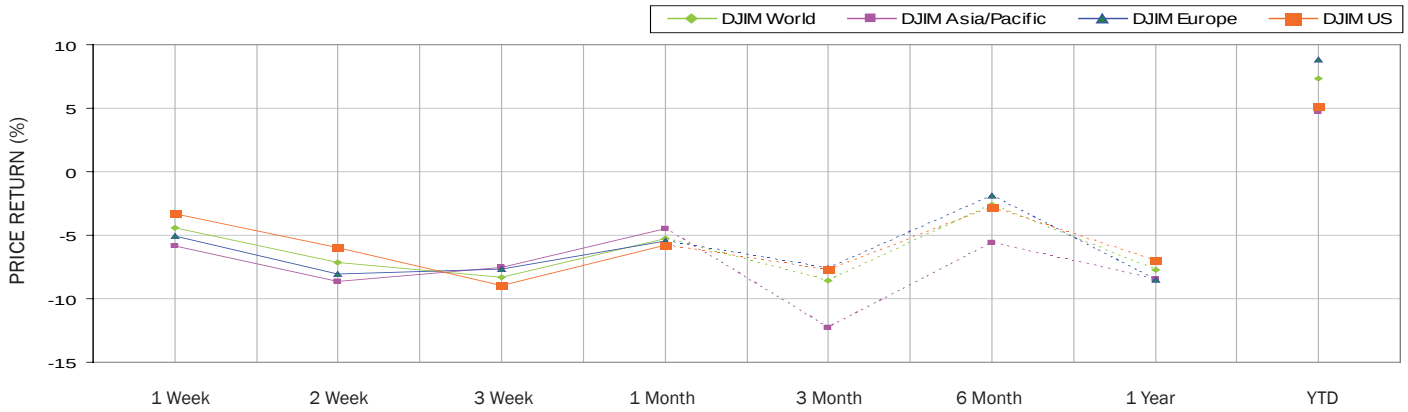
For further details on Eurekahedge: information@eurekahedge.com

Tel: +65 6212 0900

EUREKAHEDGE

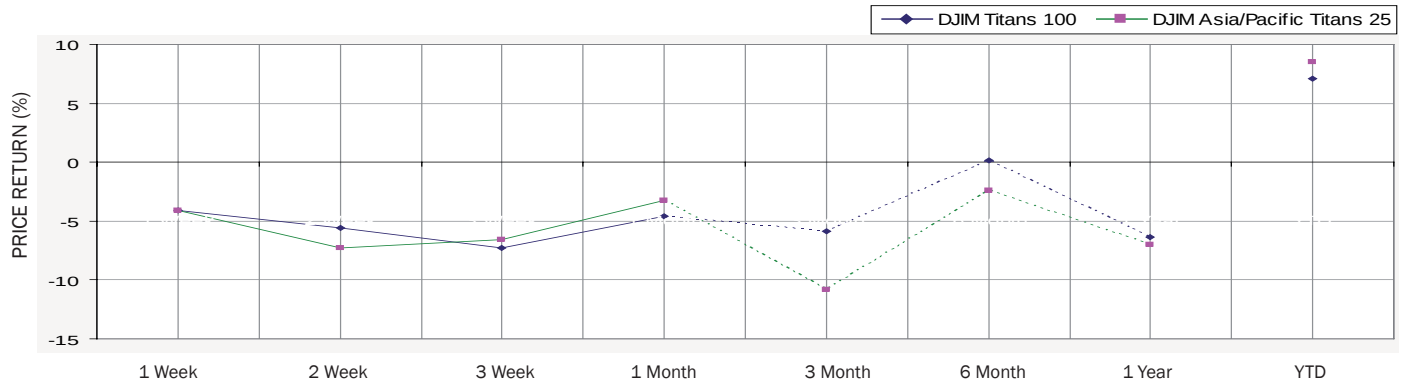
Data as of the 16th January 2008

PERFORMANCE OF DJ INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	-4.41	-7.13	-8.33	-5.25	-8.58	-2.62	-7.71	7.36
DJIM Asia/Pacific	-5.87	-8.63	-7.55	-4.47	-12.28	-5.56	-8.47	4.76
DJIM Europe	-5.09	-8.03	-7.63	-5.47	-7.62	-1.9	-8.52	8.84
DJIM US	-3.32	-5.97	-8.96	-5.78	-7.72	-2.81	-7	5.1

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	-4.11	-5.56	-7.29	-4.56	-5.88	0.15	-6.33	7.09
DJIM Asia/Pacific Titans 25	-4.09	-7.3	-6.54	-3.27	-10.8	-2.38	-6.99	8.53

DESCRIPTIVE STATISTICS		Market Capitalization (US$ billions)						Component Weight (%)	
Index	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Largest	Smallest
DJIM World	2648	19284.55	15775.09	5.96	1.23	472.77	0.03	3	0
DJIM Asia/Pacific	1121	3793.88	2500.27	2.23	0.51	110.42	0.03	4.42	0
DJIM Europe	390	5128.45	3894.09	9.98	2.51	209.81	0.2	5.39	0.01
DJIM US	753	8736.75	8256.69	10.97	2.66	472.77	0.18	5.73	0
DJIM Titans 100	100	8384.21	7530.14	75.3	50.4	448.19	10.39	5.95	0.14
DJIM Asia/Pacific Titans 25	25	1202.9	799.68	31.99	23.4	79	10.39	9.88	1.3

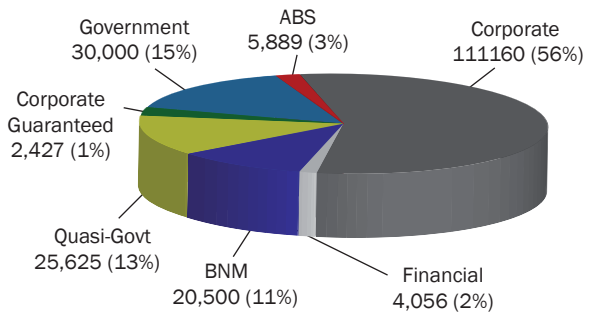
Mean, median, largest, smallest and component weights are based on float adjusted market capitalization, not full market capitalization.

RINGGIT ISLAMIC DEBT MARKET: WEEKLY SNAPSHOT AS AT 9th JANUARY 2008

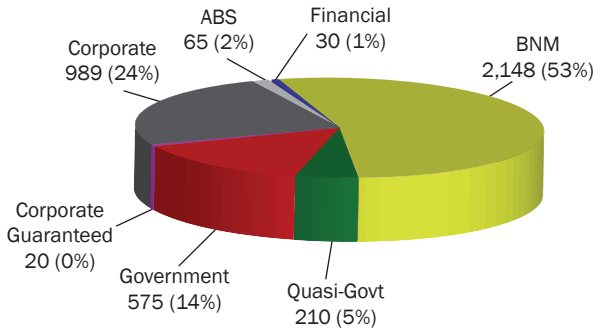
MOST ACTIVE BONDS TRADED BETWEEN 3rd JANUARY and 9th JANUARY 2008

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)		3.32	620		
BNMNI B8 (212D - 261D)		3.31	527.5		
PROFIT- BASED GII 3/2007 14.09.2012		3.32	480		
MITB B9 (262D-311D)	99.43	3.71	280	0.46	98.97
BNMNI B7 (172D - 211D)		3.32	233		
BNMN-IPB 5/2007 24.07.2008		3.35	135		
MISC IMTN 0% 17.12.2009 - MTN 0002	100.31	3.88	110	0.05	100.26
BNMNI B6 (132D - 171D)	100.09	3.37	100	0.1	99.99
KHA1/03 1B 0-CP 5Y 18/6/08	93.6	4.75	75	-0.52	94.09
KHA2/03 1B 0-CP 5Y 18/9/08	99.91	3.31	70	0.09	99.82
MALAKOFCRP IMTN 5.983% 30.04.2015-MTN 003		3.4	66		
RANTAU IMTN 15.03.2011-MTN 1		3.37	60		
SYABAS PRIMARY IMTN 30.09.2013-TRANCHE 1	98.5	3.51	55	0.14	98.36
MALAKOFCRP IMTN 5.783% 30.04.2013-MTN 001	97.65	3.51	50	0.21	97.45
SILTERRA CAP 3.900% 06.06.2014	100.15	3.5	50	0.34	99.81

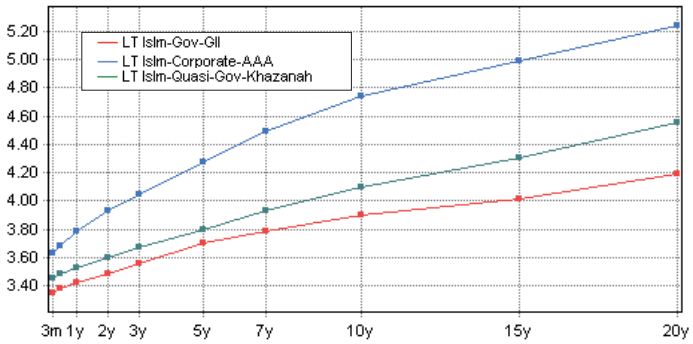
Outstanding Bond by Issuer Class as at 9th January 2008 (RM'000)



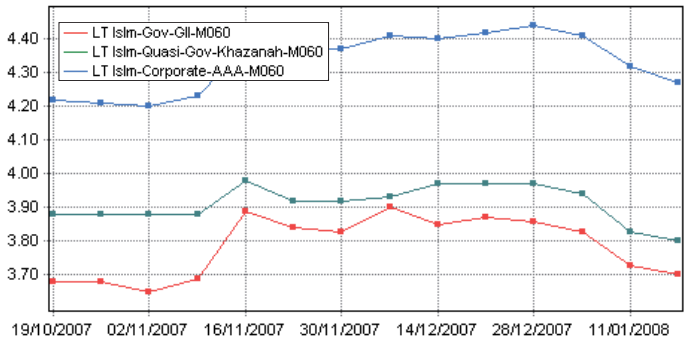
Bond Traded Amount by Issuer Class as at 9th January 2008 (RM'000)



YTM Curves as at 5th December 2007



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



TOP ISSUERS OF ISLAMIC BONDS — JANUARY 2007 – JANUARY 2008

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Binariang GSM	Malaysia	Sukuk Musharakah	4,523	9	12.4	CIMB, RHB Investment, Aseambankers, ABN AMRO Bank, AmInvestment, OCBC Bank (Malaysia)
2	Malaysia	Malaysia	Sukuk	2,863	3	7.9	Malaysia Government bond
3	Aldar Funding	UAE	Exchangeable Sukuk Mudarabah	2,530	1	6.9	Barclays Capital, Credit Suisse Securities (Europe), National Bank of Abu Dhabi
4	Saudi Basic Industries	Saudi Arabia	Sukuk Istithmar	2,133	1	5.8	HSBC Saudi Arabia, Riyad Bank
5	JAFZ Sukuk	UAE	Sukuk Musharakah	2,043	1	5.6	Barclays Capital, Deutsche Bank, Dubai Islamic Bank, Lehman Brothers
6	Nucleus Avenue (M)	Malaysia	Sukuk Musharakah MTN	1,994	9	5.5	CIMB
7	DP World Sukuk	UAE	Sukuk Mudarabah	1,500	1	4.1	Barclays Capital, Citigroup Global Markets, Deutsche Bank, Lehman Brothers
8	Saudi Electricity	UAE	Islamic Sukuk	1,333	1	3.7	HSBC Saudi Arabia
9	Dubai Sukuk Centre	UAE	Sukuk Mudarabah	1,250	1	3.4	Deutsche Bank, Goldman Sachs International
10	Projek Lebuhraya Utara Selatan	Malaysia	Sukuk Musharakah	1,067	10	2.9	CIMB
11	Dana Gas Sukuk	UAE	Sukuk Mudarabah	1,000	1	2.7	JP Morgan
12	Dar Al-Arkan International Sukuk	Saudi Arabia	Sukuk Ijarah	1,000	1	2.7	ABC Islamic Bank, Arab National Bank, Deutsche Bank, Dubai Islamic Bank, Gulf International Bank, Kuwait Finance House, Unicorn Investment Bank
13	Cherating Capital	Malaysia	Exchangeable Sukuk	850	1	2.3	Deutsche Bank (Malaysia), JP Morgan, CIMB
14	Hijrah Pertama	Malaysia	Sukuk Ijarah	847	2	2.3	Citigroup, CIMB
15	Nakheel Development 2	UAE	Sukuk Ijarah	750	2	2.1	JP Morgan
16	DIB Sukuk	UAE	Sukuk Musharakah	750	1	2.1	Barclays Capital, Citigroup Global Markets, Standard Chartered
17	Cagamas	Malaysia	Bithaman Ajil Islamic Securities/Mudarabah MTN	668	10	1.8	Cagamas, Aseambankers, HSBC, CIMB
18	Golden Belt 1 Sukuk	Saudi Arabia	Sukuk Manafaa	650	1	1.8	BNP Paribas
19	Cagamas MBS	Malaysia	Sukuk Musharakah Islamic Residential Mortgage Backed Securities	620	7	1.7	Standard Chartered, National Bank of Pakistan
20	DAAR International Sukuk	Saudi Arabia	Sukuk Ijarah	600	1	1.6	ABC Islamic Bank, Arab National Bank, Standard Bank, Unicorn Investment Bank, WestLB
	Total			**36,471**	**299**	**100.0**	

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TOP ISSUERS OF ISLAMIC BONDS — OCTOBER 2007 – JANUARY 2008

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Binariang GSM	Malaysia	Sukuk Musharakah	4,523	9	44.5	CIMB, RHB, Aseambankers, ABN Amro Bank, AmInvestment, OCBC Bank (Malaysia)
2	Jafz Sukuk	UAE	Sukuk Musharakah	2,043	1	20.1	Barclays Capital, Deutsche Bank (London), Dubai Islamic Bank, Lehman Brothers
3	Projek Lebuhraya Utara Selatan	Malaysia	Sukuk Musharakah	1,067	10	10.5	CIMB
4	Nakheel Development 2	UAE	Sukuk Ijarah	750	2	7.4	JP Morgan
5	Rakia Sukuk Co	UAE	Sukuk Wakalah	325	1	3.2	Credit Suisse Securities (Europe), HSBC, National Bank of Dubai
6	Tamweel	UAE	Convertible Sukuk	300	1	3.0	Barclays Capital
7	Tesco Stores (Malaysia)	Malaysia	Sukuk Musharakah	210	2	2.1	CIMB, Standard Chartered
8	Jimah Energy Ventures	Malaysia	Sukuk Istisna	187	10	1.8	AmInvestment, RHB, MIMB Investment Bank, Bank Muamalat Malaysia
9	Maple Leaf Cement Factory	Pakistan	Sukuk Musharakah	131	1	1.3	Allied Bank
10	Cerah Sama	Malaysia	Musharakah MTN	112	7	1.1	CIMB
11	DRIR Management	Malaysia	Sukuk Ijarah	102	9	1.0	United Overseas Bank (Malaysia), HWANGDBS Investment Bank
12	Sui Southern Gas	Pakistan	Musharakah Islamic bond	82	1	0.8	BankIslami Pakistan, Pak-Brunei Investment
13	Tradewinds Plantation Capital	Malaysia	Sukuk Ijarah	63	8	0.6	OCBC Bank (Malaysia)
14	MNRB Holdings	Malaysia	Musharakah MTN	60	1	0.6	Aseambankers
15	Kuala Lumpur Kepong	Malaysia	Sukuk Ijarah	59	1	0.6	CIMB, Aseambankers
16	Kohat Cement Co Ltd	Pakistan	Islamic Sukuk	41	1	0.4	Standard Chartered, National Bank of Pakistan
17	Mukah Power Generation	Malaysia	Sukuk Mudharabah/Istisna	25	4	0.2	RHB Islamic Bank
18	Sunway City	Malaysia	Sukuk Murabahah	18	1	0.2	HSBC
19	Sarawak Power Generation	Malaysia	Sukuk Musharakah	16	8	0.2	RHB Islamic Bank
20	Aeon Credit Service (M)	Malaysia	Musharakah MTN	15	1	0.1	Aseambankers, CIMB, Bank of Tokyo-Mitsubishi (Labuan)
	Total			**10,157**	**85**	**100.0**	

ISLAMIC BONDS		JANUARY 2006 – JANUARY 2008		
	Manager or Group	Amt US$ m	Iss.	%
1	CIMB	6,353	76	17.4
2	HSBC	3,785	31	10.4
3	Malaysia Government bond	2,863	3	7.9
4	Barclays Capital	2,404	6	6.6
5	JP Morgan	2,033	4	5.6
6	Deutsche Bank	1,906	19	5.2
7	Citigroup	1,668	6	4.6
8	AmInvestment	1,309	56	3.6
9	Aseambankers	1,245	33	3.4
10	Standard Chartered	1,173	28	3.2
11	Riyad Bank	1,066	1	2.9
12	Dubai Islamic Bank	1,022	6	2.8
13	Credit Suisse	952	2	2.6
14	RHB Investment Bank	928	68	2.5
15	BNP Paribas	845	3	2.3
16	National Bank of Abu Dhabi	843	1	2.3
17	Lehman Brothers	811	2	2.2
18	Oversea-Chinese Banking	685	16	1.9
19	Goldman Sachs & Co	625	1	1.7
20	ABN Amro	622	8	1.7
	Total	**36,471**	**299**	**100.0**

ISLAMIC BONDS		OCTOBER 2007 – JANUARY 2008		
	Manager or Group	Amt US$ m	Iss.	%
1	CIMB	2,732	29	26.9
2	Barclays Capital	811	2	8.0
3	JP Morgan	750	2	7.4
4	Aseambankers	719	12	7.1
5	RHB Investment Bank	710	30	7.0
6	Oversea-Chinese Banking Corp	685	16	6.7
7	AmInvestment Bank	677	20	6.7
8	ABN Amro	622	8	6.1
9	Deutsche Bank	511	1	5.0
10	Dubai Islamic Bank	511	1	5.0
11	Lehman Brothers	511	1	5.0
12	Allied Bank	131	1	1.3
13	HSBC	126	2	1.2
14	Standard Chartered Bank	125	3	1.2
15	Credit Suisse	108	1	1.1
16	Emirates NBD	108	1	1.1
17	HWANGDBS Investment Bank	51	9	0.5
18	United Overseas Bank	51	9	0.5
19	BankIslami Pakistan	47	2	0.5
20	Pak-Brunei Investment Co Ltd	47	2	0.5
	Total	**10,157**	**85**	**100.0**

ISLAMIC BONDS BY COUNTRY	JANUARY 2007 – JANUARY 2008		
	Amt US$ m	Iss.	%
Malaysia	17,712	254	48.6
UAE	11,018	15	30.2
Saudi Arabia	5,716	5	15.7
Kuwait	775	3	2.1
Pakistan	635	16	1.7
Qatar	300	1	0.8
Total	**36,471**	**299**	**100.0**

ISLAMIC BONDS BY COUNTRY	OCTOBER 2007 – JANUARY 2008		
	Amt US$ m	Iss.	%
Malaysia	6,473	76	63.7
UAE	3,418	5	33.7
Pakistan	266	4	2.6
Total	**10,157**	**85**	**100.0**

ISLAMIC BONDS BY CURRENCY	JANUARY 2007 – JANUARY 2008		
	Amt US$ m	Iss.	%
Malaysian ringgit	16,562	252	45.4
US dollar	13,650	24	37.4
Saudi Arabian riyal	3,466	2	9.5
Emirati dirham	2,043	1	5.6
Total	**36,471**	**299**	**100.0**

ISLAMIC BONDS BY CURRENCY	OCTOBER 2007 – JANUARY 2008		
	Amt US$ m	Iss.	%
Malaysian ringgit	6,473	76	63.7
Emirati dirham	2,043	1	20.1
US dollar	1,375	4	13.5
Total	**10,157**	**85**	**100.0**

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DATE	EVENT	VENUE	ORGANIZER
January 2008			
21st – 22nd	Financial Services Debate Series	Dubai	Interactive Events
22nd – 24th	3rd Annual Islamic Finance IQ	Singapore	IQPC
24th	Seminar on Islamic Capital Market	Maldives	IFSB
February			
5th – 6th	Global Islamic Trade Finance Conference (GITFC 2008)	Kuala Lumpur	GlobalPro
	7th Annual Islamic Finance Summit	London	Euromoney Seminars
12th – 13th	Takaful Conference on Islamic Investment Management	UAE	Asia Insurance Review
17th – 20th	Wealth Management Forum Middle East	UAE	IIR Middle East
19th	Islamic Investment Funds	London	ICG
19th – 20th	The 2nd GCC Regulators Summit	Bahrain	Complinet
20th	Seminar on Ratings	Kuala Lumpur	IFSB
March			
3rd – 8th	Hedge Funds World Middle East 2008	UAE	Terrapinn
10th – 11th	3rd Islamic Banks & Financial Institutions Conference	Syria	Al Salam for International Exhibitions & Conferences
10th – 12th	Islamic Funds Asia 2008	Kuala Lumpur	Terrapinn
11th – 12th	Seminar on Corporate Governance Issues in Islamic Finance	Bahrain	IFSB
	3rd Conference Takaful in Asia	Singapore	MiddleEast Insurance Review
16th – 19th	Securitization World MENA 2008	UAE	Terrapinn
	3rd Middle East IPO Summit	Abu Dhabi	IIR Middle East
24th	Singapore IFN Forum	Singapore	Islamic Finance Events
24th – 25th	3rd International Conference on Islamic Banking and Finance: Risk Management, Regulation and Supervision	Pakistan	IFSB
26th	2nd Public Lecture on Financial Policy and Stability	Pakistan	IFSB

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