Islamic Finance news

A REDmoney Product

Vol. 5, Issue 20 23rd May 2008

The World's Global Islamic Finance News Provider

UAE

Landmark redemption for convertible Sukuk

Aabar Energy's US$833 million convertible Sukuk with its repayment due in June 2010, has been redeemed two years early.

In what is believed to be the first ever early redemption in the industry, the process was triggered by Abu Dhabi-based upstream oil and gas company Aabar's sale of PEARL Energy shares to Mubadala Development Company, an Abu Dhabi government owned investment vehicle. PEARL Energy is a Singapore based oil and gas exploration and production company.

Aabar's shareholders had decided in March 2008 to accept Mubadala's offer to purchase Aabar's PEARL shares and in order to redeem the Sukuk early, approval was obtained from the Sukuk-holders at an Extraordinary General Meeting on the 9th April 2008.

Simmons & Simmons advised Aabar on all aspects of the PEARL share sale and the early Sukuk redemption process. Allen & Overy advised Mubadala and Lovells advised Aabar Sukuk (the issuers of the Sukuk).

BAHRAIN/SINGAPORE

IB Asia expands to Gulf region

The Islamic Bank of Asia (IB Asia) announced its plans to expand to the Gulf region, and to eventually sell shares in an initial public offering (IPO).

Vince Cook, chief executive of the bank said it aims to bridge two of the biggest Islamic banking markets – the Gulf and Asia, since there has been minimal integration between banks from both regions. He wishes to open more offices in Saudi Arabia, the UAE, Kuwait and Qatar.

Singapore's DBS Bank holds the majority share in IB Asia. Singapore aims to be a global powerhouse for Islamic finance. It recently announced the issuing of its first sovereign Sukuk.

(Also see IFN report page 10)

MIDDLE EAST

Arab investment companies go Latin

Bahrain-based companies Ithmaar Development Company and Arab Ventures and Kuwait-based Al Safat Investment Company on Thursday announced the launch of a US$500 million Shariah compliant real estate fund targeting real estate assets in Latin America.

The Latin American Real Estate Fund provides sophisticated investors in the GCC with the opportunity to participate in the growth these developing markets are currently experiencing.

The Fund is expected to provide a financial boost to local real estate markets in Latin America, and also benefit GCC regional investors by delivering profitable returns.

The closed-ended Fund will have an initial term of five years.

In this issue

UAE

Tabreed raises US$272 million

National Central Cooling (Tabreed) reported that it has raised AED1 billion (US$272 million) through its Islamic financing facility, which will be used to refinance existing loans as well as fund the company's expansion plans.

The 12-year Ijarah facility was lead-arranged and managed by HSBC Amanah, the Islamic banking arm of HSBC Group. Abu Dhabi Commercial Bank, Dubai Islamic Bank, National Bank of Abu Dhabi, Standard Chartered Bank, First Gulf Bank, Abu Dhabi Investment Company, Badr Al Islami, BBK and United Arab Bank participated in the transaction.

QATAR

Central bank gives green light to al khaliji

The country's central bank has given the green light to al khaliji to start Islamic banking branches, with the first to be located at its head office in the West Bay area. It will emphasize on Shariah compliant wholesale activities before moving on to other segments.

Al khaliji has also completed a transaction as the lead manager for the AED600 million (US$163.4 million) Sukuk issuance by Almana Group, which is the first non-US$ corporate Sukuk from Qatar. The Sukuk is listed on DIFX.

UAE

RAK Chamber tie-up with NIB

A MoU has been signed between Ras Al Khaimah Chamber of Commerce and Industry (RAK Chamber), and Noor Islamic Bank (NIB) for the development of small and medium enterprises (SMEs) in the UAE. Under the agreement, NIB agrees to provide RAK Chamber members with Shariah compliant financial solutions such as working capital, cash flow management, business analysis, strategic and operational support, and reviewing assumption for business plans. RAK Chamber, on the other hand, will promote NIB as the choice financial provider to its members and users.

The group CEO of NIB, Hussain Al Qemzi said that the MoU will allow the bank to offer its products and services to more SMEs in its network, and to help RAK Chamber members identify its opportunities. He added that this will hopefully further expand the overall growth of Ras Al Khaimah, a view shared with Yusuf Obaid Al Nuaimi, chairman of RAK Chamber. Yusuf added that his organization looks forward to the opportunities in its first tie-up with a bank.

BAHRAIN/SINGAPORE

CBB and MAS meet on Islamic finance

The Central Bank of Bahrain's (CBB) governor Rasheed Al Maraj, and Heng Swee Keat, the Monetary Authority of Singapore's (MAS) managing director, held a discussion last week in Manama on the growth of the banking and financial sectors in both countries. In the meeting, Rasheed expressed CBB's willingness to help MAS in structuring Singapore's Islamic finance sector.

The governor also mentioned about the ties between the two countries, mainly in education and training. He said that CBB is looking forward to further strengthen the relationship between the countries.

UK

ICIEC supports Sukuk summit

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) will be participating in the 2008 London Sukuk Summit, on the 25th and 26th June. The corporation hopes to discuss its proposal to further develop Sukuk in the international market through the provision of credit and political risks mitigation tools.

The theme for the summit this year is 'Gearing Up for UK Sukuk Originations'. The UK Treasury, the Financial Services Authority (FSA), the City of London Corporation, the Islamic Financial Services Board, and the UK Trade & Development will also be supporting the event.

Also lending its support for the summit is the International Financial Services London (IFSL). IFSL plays a big part in promoting Islamic finance services in UK through its Islamic Finance Working Group, which involves both the government and the private sector.

UAE

UNB to launch Islamic fund

Union National Bank (UNB) will launch its first Shariah compliant fund which will be invested mainly in the UAE, but has the flexibility to look for opportunities in the GCC, MENA and other equity markets as well. The Al Samaha Islamic Fund aims to invest in a balanced portfolio that is Islamic in nature, and can promote both long-term and short-term capital growth.

The fund has a minimum subscription of AED10,000 (US$2,722) with multiples of AED1,000 (US$272) available subsequently. The open-ended fund will have its net asset value calculated on a weekly basis. Subscription and redemption forms are available at all UNB's branches in the UAE. It has been open for subscription since the 18th May, and will close on the 11th June 2008.

LEBANON

Blom plans Islamic funds

Blom Bank is expanding, and plans to launch several Shariah compliant funds that will be marketed in and out of Lebanon, revealed its vice chairman and general manager, Saad Azhari. Saad added that the funds will be available within the next three months through Blom Development Bank.

As part of its expansion strategy, Blom is now waiting for the Algerian authorities' approval to set up a branch in Algeria. Saad also said that the bank has recently received the green light to operate in Saudi Arabia and Qatar, which will start its businesses in October.

He added that Blom is now looking into the Syria, Egypt and Jordan markets. The bank is broadening its horizons by offering new services such as corporate banking, trade finance banking and retail banking.

UAE

ETA's Sukuk plan on hold

ETA Star Holding is putting its Sukuk plan on hold as it has enough cash to sustain itself, said an officer from the company. Its director of finance, Arif B Rahman had announced last year that it planned to raise funds that would be used to develop the real estate and property business, as well as expanding other activities by the group.

UAE

Dewa Sukuk makes a comeback

State-owned Dubai Electricity & Water Authority (Dewa) is returning to market with a dirham-denominated benchmark Sukuk after a short break due to the global credit crunch and lack of investor appetite for dollar securities in the Middle East region. It had initially planned to sell as much as US$2.5 billion of bonds in November until the credit crunch struck pushing borrowing costs higher.

Dewa is aiming to invest more than US$19 billion to increase electricity capacity by 150% by 2012 from 5,000 megawatts and 255 million gallons per day of water, a prospectus given to investors last year showed. The five-year sale of the floating rate Sukuk, will be managed by Barclays Capital, Citigroup, Dubai Islamic Bank and Emirates Bank International.

PAKISTAN

Meezan on SMS

Meezan Bank has launched Meezan SMS Alert Service for the convenience and safety of all its customers in the country, proving its commitment in providing the best and latest services. The service will notify customers on savings or current account transactions such as debit and credit transaction, low balance and bounced check. The notification will only take a few minutes following the transaction.

The bank is the largest Islamic bank in Pakistan, and has 102 branches covering 31 cities.

INDONESIA

State ups Sukuk backup assets

The government is considering increasing the amount of backup assets for its planned issuance of sovereign Sukuk, says finance minister director general Hadiyanto. The value of the backup assets has already reached IDR18.8 trillion (US$2.02 billion).

Hadiyanto said that the current amount was the result of using assets from 20 government offices as a guarantee, and using more assets was under consideration. He added that the state can include the assets of 57 government offices, such as the Education Ministry, the Defense Ministry and the Religious Affairs Ministry.

The country plans to issue its first sovereign Sukuk to the domestic market in August and to the international market in October which will be based on Ijarah.

UAE

NBF launches fifth Fujairah branch

The National Bank of Fujairah (NBF) has launched a new branch in Tawain, Fujairah as part of its strategy to strengthen its presence on the home front. It is the 12th branch nationally, and the fifth in Fujairah.

The launching was officiated by NBF's chairman, Sheikh Saleh bin Mohammed Al Sharqi.

NBF started its operations in 1984, with the government of Fujairah and the government of Dubai holding 39% and 10% stakes in the bank, respectively.

AFRICA/SAUDI ARABIA

Jadwa goes freestyle on equity

Africa's first Shariah compliant investment was launched by Saudi-based Jadwa Investment on Wednesday. Jadwa's chairman Prince Faisal Bin Salman launched the product at the presence of John Davies, the South Africa ambassador to the Kingdom.

Davies praised Jadwa for seeing the brighter side of African countries. "Last year, five out of the top ten fastest growing economies of the world were from Africa, which itself proves a lot. I believe that this Fund will lead to more exciting opportunities for investors who are always seeking to enhance their returns."

The offering of the Africa Fund placed Jadwa in a leading position in the investment banking industry. Jadwa has launched as many as 13 investment funds since June last year.

UAE

HSBC Amanah deposit records 209%

HSBC Amanah has confirmed savings deposits are up by 209% since January, with income from home finance products rising by 60%. Amjid Ali, head of HSBC Amanah, said the figures were encouraging as they were boosted by recurring business. However, he did admit the sector had not escaped unscathed from market turmoil.

"The key difference between ourselves and conventional banking is that we work on the basis of shared values. However, our customers are just as nervous about the current volatility and house deals are taking longer to put through as our clients continue to try and negotiate over prices even after we have organized the financing," said Amjid.

UAE

Al-Futtaim appoints Volaw as funds administrator

The Dubai office of Volaw Trust & Corporate Services Limited has been appointed as the administrator of Al-Futtaim Capital's Al-Futtaim MENA Real Estate Development Fund and Al-Futtaim MENA Real Estate Shariah. The funds have recently closed, and accumulated US$500 million collectively.

Director of Volaw's Middle East and Islamic finance group, Trevor Norman said that its appointment is a testament of its expertise in administering both Islamic and conventional financial structures.

BAHRAIN

GHC's Sukuk begins trading

Gulf Holding Company (GHC) has started the trading of the US$190 million Sukuk issuance by its subsidiary, Villamar Sukuk Limited, on the Dubai International Financial Exchange (DIFX).

The five-year international Sukuk closed successfully on the 18th April. It was arranged by Merrill Lynch International, which also acted as its bookrunner. Al Rajhi Banking and Investment Corporation was the joint lead manager. The floating rate trust certificates will be at 275 basis points profit rate over the three-month London Interbank Offered Rate (Libor), and is secured by a charge over GHC's mixed-use project, Villamar Harbour.

UAE

SALAMA's profits surges in first quarter

Islamic Arab Insurance (SALAMA) reported a 10% increase in profits during the first quarter of 2008. Net income went up to AED35.1 million (US$9.6 million), from AED31.8 million (US$8.7 million) in the same period of last year.

The surge is due to a 50% increase on gross premiums, to AED298.8 million (US$81.4 million), and AED28.8 million (US$7.8 million) in investment income, a raise of 38% from the first quarter of last year.

SALAMA is the world's largest Takaful provider.

GCC/KAZAKHSTAN

QIB, Ithmaar to enter Kazakh market

Qatar Islamic Bank (QIB) will be setting up shop in Kazakhstan, while Bahrain's Ithmaar Bank will be working with the Kazakh government to set up a US$1 billion energy fund.

In a statement, Ithmaar said that Kazakhstan is an appropriate choice for investment as it holds 3.3% of the world's proven oil resources, and has a stable political condition, skilled workforce as well as favorable economic outlook.

BAHRAIN

BIsB, Tameer signs Murabahah agreement

Bahrain Islamic Bank (BIsB) has signed a US$32 million global commodity Murabahah agreement with real estate company Al Khaleej Development (Tameer).

The bank acted as the syndicate manager for Ahli United Bank and BBK, and had arranged the 18 month syndicated Islamic financing facility for Tameer's listing on both Kuwait and Bahrain's exchanges.

BAHRAIN

VC Bank to invest in The World

Venture Capital Bank (VC Bank) has formed a new company, World Development Company Limited, solely to develop a luxury resort on Nakheel's The World project, following an invitation to invest by Nakheel.

The estimated value of the investment is AED1.5 billion (US$408.4 million), and is expected to complete by the end of 2010. The resort will be located at the 'Northern Asia' region of The World, consisting of 113 villas with different characteristics to suite different needs.

Bahrain-based VC Bank is the first Islamic investment bank in the GCC and MENA regions that specializes in venture capital investment opportunities.

UAE

Unicorn Capital license upgraded

Unicorn Capital Limited Dubai has successfully upgraded its category three license from Dubai Financial Services Authority (DFSA), to category two. The upgrade allows the subsidiary of Unicorn Investment Bank to become the parent company's direct investment arm.

Unicorn Investment is an Islamic investment bank that mainly deals with corporate finance, capital markets, private equity, asset management, strategic mergers as well as acquisitions and treasury.

KENYA

Platform to attract more investors

Gulf African Bank, the country's first Shariah compliant bank will provide a platform to attract more Middle Eastern investment in Africa, said its CEO, Najmul Hassan during an interview with Reuters, on Wednesday. The bank targets Muslim consumers as well as non-Muslims who are interested in participating in ethical banking, he added.

At the moment, the bank is focusing more on building its consumer deposits, but is planning to venture out to Tanzania and Uganda in the future, said Najmul. He also mentioned a possible Sukuk issuance sometime in the future.

Shareholders in Gulf African Bank include Bank Muscat from Oman, Dubai's investment firm Istithmar, and the Eastern and Southern African Trade and Development Bank.

MALAYSIA

Johor's port to issue Sukuk

Tanjung Langsat Port will be issuing RM250 million (US$78 million) worth of Musharakah and RM135 million (US$42 million) Musharakah commercial papers/medium-term notes (CP/MTN) to refinance its loans and expansion purposes. The issuances will be underwritten by MIDF Amanah Investment Bank, Bank Rakyat and Bank Islam.

The port is a unit of Johor Corporation. It has invested around RM260 million (US$81 million) for land development, tank farm, jetty infrastructure and dredging.

UAE

Three new Sukuk on DIFX

The Dubai International Financial Exchange (DIFX) announced the listing of three new Sukuk issuances; from Qatar's Almana Group, worth US$163 million, Malaysia's Paka Capital worth US$550 million, and from Villamar Sukuk Company worth US$190 million. There are now 18 Islamic bonds listed on the exchange.

DIFX also revealed its plan to add derivatives of active stocks from the Dubai Financial Market (DFM) and Abu Dhabi Securities Exchange (ADX) by the end of the year, but will first start with listing equity derivatives from DIFX.

PAKISTAN

Agriculture gets new finance products

A two-day workshop on "Islamic Agriculture Finance" held at the State Bank of Pakistan, beginning on Tuesday, discussed the need to facilitate Islamic banks in meeting the agriculture requirements of farmers in accordance with the Shariah.

It was suggested that products like Bai Murabahah are designed to help in the procurement of seeds, fertilizers and pesticides, and Ijarah for operating lease of tractors, agriculture machinery or harvesters whereas Musharakah is meant for purchase of seeds, fertilizers and pesticides along with assisting irrigation facilities, crop storage godowns and marketing.

UAE

Hospital's construction completed

The construction work on Saudi German Hospital has been completed. The US$200 million hospital is the result of a joint venture between the Islamic Financial Company and Bait Al Batterjee Holding, which hold 49% and 51% stakes in the hospital respectively. The project was undertaken by Emirates Healthcare Development Company.

Emirates Healthcare Development is currently looking to acquire US$40 million worth of medical supplies and equipment in preparation for the hospital's opening in 2009.

Saudi German Hospital aims to be the best medical service provider in the UAE, and is located in Al Barsha, Dubai.

MALAYSIA/US

Malaysia calls for US to invest in Islamic

The minister of international trade and industry in Malaysia has urged American bankers to work together with their Malaysian counterparts in penetrating the Islamic financial services sector. Muhyiddin Yassin said that demand for Shariah compliant financial and investment products is on the rise, even in non-Muslim nations.

Malaysia, he said, has one of the most effective Shariah regulatory systems, as well as a workable legal framework for Islamic banking and finance. The country has placed itself as the international hub for Islamic banking, Muhyiddin added.

The minister spoke during the Malaysia-US Business Opportunities seminar in New York.

BAHRAIN

Banking assets set to grow 25%

Bahrain's banking sector is set to continue its growth momentum, driven by buoyant regional economies and the investor-friendly regulatory regime.

Securities and Investment Company forecasts that the total assets of Bahrain's wholesale banks will grow at a rate of 15% to 20% over the next three years, while retail banking assets are expected to grow at a faster pace of 20% to 25% over the same period, driven by domestic liquidity, an increase in the expatriate population and a rise in average wages.

UAE

Noor Islamic Bank gets tutorial

Dubai government and Noor Islamic Bank struck an agreement for the former to provide a full range of eLearning courses to the bank's employees. The move is part of initiatives by Dubai eGovernment to improve efficiency among business units by helping them achieve 100% adoption of eServices. Abdul Rahman Fekri, the bank's head of human resources said that the course will maximize its efficiency and motivate the employees' productivity.

BAHRAIN/INDIA

Khaleeji raises US$163 million

Khaleeji Commercial Bank raised US$163 million for Danat India Investment from investors all over the GCC, revealed its CEO, Ebrahim H Ebrahim. This marks the bank's first venture in India. The funds will be used to invest in real estate development projects in New Delhi.

QATAR

Successful Sukuk issuance

Almana Group's AED600 million (US$163 million) Islamic bond issuance has been successful. Gulf International Bank (GIB) acted as the mandated lead manager and sole bookrunner.

The Sukuk was structured by GIB's capital markets team in accordance to the guidelines produced by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). It was issued by Almana Sukuk Limited, a special purpose vehicle created in the Cayman Islands, and will mature in 2013.

It is listed on the Dubai International Financial Exchange (DIFX), and is the first dirham denominated financing facility from a Qatari company.

Almana is a Qatar-based group that is involved in various industries such as automotive, contracting, real estate, manufacturing, as well as international trade and investment. Capital Intelligence assigned a 'BBB+' rating to the group.

UAE

Sorouh to launch Sukuk

Sorouh Real Estate is planning to issue Sukuk to help finance its projects, revealed Mounir D Haidar, the firm's CEO. It is expected to be launched by the end of the year, although the amount has yet to be set.

Mounir said that Sorouh has a few investments in projects located in Morocco, Egypt and Abu Dhabi, all of which exceed US$16 billion in total. He noted that the land for the projects is owned and bought by Sorouh, or co-developed with other firms. The company is also looking for opportunities in Dubai and other emirates.

Sorouh, a public joint stock company listed on the Abu Dhabi Exchange Market, reported a net profit of more than US$327 million in 2007.

HONG KONG

Sukuk in planning

Borrowers from the island plan to issue Sukuk, if the credit condition improves, in the last quarter of this year, revealed Frank Kwong See-wah, chairman of the Hong Kong Capital Market Association. No potential buyers have been named.

It was reported that the Hong Kong Mortgage Corporation, Airport Authority Hong Kong and MTR Corporation may be the first few companies to issue Islamic bonds.

UAE

Amlak to sell Sukuk

Amlak Finance is planning to issue Sukuk in the third and fourth quarter of the year that will be used to fund expansion plans. Its chairman, Nasser bin Hassan Al Shaikh revealed that the financing house is in talks with three local banks and four international banks to help with the fundraising.

In March, Amlak's shareholders have approved a plan to sell convertible Sukuk worth AED1.8 billion (US$490 million), and AED3 billion (US$817 million) of non-convertible Islamic bonds.

Amlak is the second largest home mortgage provider in the UAE.

UAE

ADIB plans for Algeria

Abu Dhabi Islamic Bank (ADIB) has submitted its application to set up a unit in Algeria to penetrate the country's developing economy, said Khamis Buharoon, its managing director. Buharoon, who referred to the country as 'a virgin territory', expects to get an answer from the Algerian Central Bank within a year.

ADIB is also planning to enter the markets in Libya, Saudi Arabia and Qatar. The bank reported a 46% increase in its first quarter profits, and hopes to do better in the second quarter.

KUWAIT

FIC to issue Sukuk

First Investment Company (FIC) plans to issue US$200 million worth of Sukuk once market conditions have improved, said Fahd al-Aloush, manager in its department of business development. No further details were revealed. In the meantime, the investment firm is issuing a one year Murabahah facility of US$100 million, bringing the total to US$300 million.

Fahd noted that the firm is looking into expanding in the South Asia and North Africa regions.

INDIA

Islamic mutual funds under way

Four asset management companies in the country are planning to launch Islamic mutual funds within the next few months, although approval from regulators may not come easy. Reliance Mutual Fund, UTI Asset Management, Way2Wealth and Edelweiss Mutual Fund made the decision to attract affluent Muslims in India who do not deal with conventional funds to invest in stocks that are Shariah compliant.

The Securities and Exchange Board of India (SEBI) is still skeptical over a few issues, such as the conduct and the screening process of these funds. Authorities also feel that Shariah compliant funds are only attractive to a selected group of people.

UTI is currently managing an offshore Islamic fund, and is planning to launch the mutual fund with Parsoli Corporation, which has a Shariah board to certify the scheme. Reliance Mutual Fund, on the other hand, is already in the final stages of discussion with an Islamic institution to launch the fund and is filing its application to market regulators soon.

UK

Ushering of British Sukuk

Britain is moving towards its plan to become the first non-Muslim nation to issue sovereign Sukuk. According to treasury minister, Kitty Ussher, no decision has been made on when to issue the bonds, and noted that some issues are currently being addressed.

Observers of the financial market said that the Sukuk could set a new pricing benchmark. Britain is looking to compete with countries such as Malaysia and the UAE in becoming a hub for Islamic finance.

BAHRAIN/PAKISTAN

AlBaraka Islamic to be domesticated

The State Bank of Pakistan has recently approved Bahrain-based AlBaraka Islamic Bank's plan to be fully converted into a local commercial bank with US$80 million in paid-up capital. In that respect, the Islamic banking arm of AlBaraka Banking Group (ABG) will perform the compulsory conversion process by offering 40% of its stake for public subscription on the Pakistani Stock Exchange.

AlBaraka Islamic Bank's CEO, Mohamed Al Mutaweh, expressed the bank's confidence that it will get positive responses from Pakistani investors due to its positive track record. Adnan Ahmed Yousif, the bank's vice chairman and president of ABG, said that the move is part of the group's strategy to fully utilize the benefits from its vast banking units all over the world.

UAE

Amlak re-submits application to convert

Amlak Finance has renewed its application to convert into a bank to the UAE Central Bank, but no further details were released. The financial institution made its first application to the central bank two years ago.

Tamweel also has a similar application pending. Converting into a bank will allow these institutions to enter the public deposits market, and not depend solely on debt or equity markets.

MALAYSIA

Lafarge's CP/MTN get A1, P1 ratings

Lafarge Malayan Cement's RM350 million (US$109 million) Al-Murabahah commercial papers/medium-term notes (CP/MTN) have been assigned 'A1' and 'P1' for its long-term and short-term ratings, respectively by RAM Ratings.

The ratings are reflective of the group's credit strength, which is supported by its position as the largest cement company in Malaysia, and its strong financial profile. Lafarge's balance sheet remains stable even after taking additional debts amounting to RM249 million (US$77.3 million), which will be used to partially finance its RM566.46 million (US$176 million) capital repayments to shareholders in the fourth quarter of the year.

UAE

DIB downgraded to 'neutral'

Merill Lynch has downgraded the rating on Dubai Islamic Bank (DIB) due to the corruption probe affecting the CEO of its real estate unit Deyaar, Zack Shahin, and two other officials. DIB was previously placed on a 'buy' rating, and has now been cut to 'neutral'.

According to analysts Munir Shahin and Karthik Shankaran, the situation is still unclear and the bank's performance can't be judged yet, but the agency expects at least considerable damage to fall on the bank's reputation. Merrill Lynch also said that DIB's increasing bad loans is another reason for the downgrade. DIB owns 41% shares in Deyaar.

QATAR

QNB's outlook is stable

Qatar National Bank's (QNB) ratings have been assigned by Fitch Ratings. The agency gave the bank an 'A+' for its long-term issuer default rating (IDR), short-term IDR gets a 'F1', individual a 'B/C', support a '1' and support rating floor a 'A+'. The outlook on the long-term IDR is stable. Qatar Investment Authority owns 50% stakes in QNB. The bank is the largest bank in the country.

SAUDI ARABIA

Fitch released new report on Saudi banks

Fitch Ratings, in its special report on Saudi Arabian banks, said that the condition of the banks in the country came to a standstill briefly, but is expected to improve its profitability this year due to increased prices of oil and government's investments that will promote growth in assets and economic expansion.

In the report titled Saudi Banks: Annual Report and Outlook, Mahin Dissanayake, associate director of the rating agency's financial institutions team also said that there are signs of decreased performance in asset quality, most prominently in the retail sector.

PAKISTAN

Banks downgraded

The ratings on National Bank of Pakistan, Habib Bank, MCB Bank and United Bank have all been downgraded from 'B2' to 'B3' by Moody's Investors Service. The outlooks have also been reduced from stable to negative, while the banks' financial strength ratings are still stable.

This is reflective on the currently deteriorating fiscal and political developments in the country although Moody's noted that the banks franchises and financial conditions are still strong. All four banks reported a healthy performance during the first quarter of this year.

QATAR

Fitch affirms Doha Bank's ability

Fitch Ratings has affirmed Doha Bank's long-term and short-term issuer default ratings at 'A' and 'F1' respectively, individual a 'C', support a '1', and support rating floor an 'A'.

The ratings are testament to the bank's ability of meeting financial commitments on time, high possibility of support from the authorities in Qatar should the need arise, strong financial conditions, expansion strategies, improving asset quality and high profitability, said the agency. But problems could occur in the future due to its increasing growth in loans, it added.

THIS TIME LAST YEAR

- The **Islamic Development Bank** allocated €10 million (US$13.55 million) to the Pars Aluminum Company in Iran.
- **BankIslami** sought partners to fund a tenfold expansion of its local branch network in Pakistan, and to tap overseas markets.
- **Haisan Resources** proposed issuing a RM200 million (US$58.79 million) asset-backed Sukuk Ijarah.
- **Emirates Bank Group** signed a cooperation memorandum with **Bank TuranAlem**.
- **i-flex Solutions** developed a customized version of FLEXCUBE to cater to Shariah compliant financing.
- The Debt Capital Market Committee of the **Securities and Exchange Commission of Pakistan** reported on the higher taxes on profit on debt or interest, putting off foreign investors.
- **Trans-Peninsula Petroleum** chairman, Rahim Kamil Sulaiman extended an invitation to prominent Middle Eastern oil producers, Islamic funds and major consumers in East Asia to invest in a US$7 billion pipeline in Malaysia.

SINGAPORE

The Lion Roars the Shariah Way

The city-state is on track in positioning itself as a new major player in the Islamic finance industry, following the recent move by the Monetary Authority of Singapore (MAS) to create a facility offering Shariah compliant local currency sovereign-rated bonds.

Market observers are bullish the new facility will serve as an added lubricant to smoothen Singapore's entrance into the booming Islamic finance sector, enabling them to effectively tap into the pool of much sought-after Gulf Cooperation Council (GCC) wealth.

A Kuala Lumpur based merchant bank senior official, when contacted, viewed the move as a good strategy to leverage on the booming Islamic finance sector and, eventually, to further spur the growth of the sector both in Singapore as well as regionally.

Based on the country's AAA ratings and strong currency, the Malaysian merchant bank is optimistic that there will be overwhelming response to the first Singapore government-backed Sukuk, which would then encourage the corporate sector to follow suit.

"Looking at its position as an internationally recognized financial center, Singapore's sovereign rated Sukuk could be used as a benchmark for future corporate Sukuk to be issued there. The success of this would be seen as motivation for the corporate sector to capitalize on the booming Sukuk market," he added.

Meanwhile, another analyst told Islamic Finance *news* that coupled with Singapore's robust currency and reputation as a major financial center, the new facility serves as an added boost of confidence for the republic to move into the Islamic finance sector.

He explained such combination of factors would provide the much needed pull factor to reel in investors, particularly those from the GCC, which in turn would encourage more companies to issue Sukuk via Singapore.

The fact that Singapore is a new player in Islamic finance is not such a big issue because it has already established itself as one of the top financial centers in the world. Going into Islamic finance is merely another step to diversify its range of financial products.

"Singapore has already laid down the necessary building blocks to succeed in this particular sector. They are indeed serious about becoming a regional hub for Islamic finance and the recent facility is just one of many initiatives it has taken to achieve its goal. This goes to show that Islamic finance is booming and Singapore does not want to miss out on this," the analyst added.

Last week, MAS announced the setting up of a facility offering Shariah compliant local currency sovereign-rated bonds which will be sold on a "reverse enquiry" basis.

In addition, the central bank has addressed several crucial issues — particularly those concerning regulatory and tax treatment — in an effort to create a conducive environment for Islamic finance and subsequently facilitate the growth of the industry.

Despite the encouraging development taking place in Singapore, there were concerns that this would steal the limelight from Malaysia, which is seen as among the prominent players in the global Islamic finance sector for the past 30 years.

In response to this, the merchant banker is optimistic Malaysia's 20-plus years of experience in the industry — as well as its mature framework — will continue to serve as an edge to effectively compete with new emerging markets such as Singapore.

"Competition is really not an issue here as we have all the while been competing with other major financial players such as Dubai and Hong Kong," he explained.

He also pointed out the Malaysian government's clear vision on the direction of Islamic finance in the country as well as the huge Muslim population there that serves as an added advantage in retaining its lead in the sector.

"Looking at its experience and expertise in Islamic finance, I think Malaysia would be able to handle competition. Nevertheless, this does not mean that it can afford to be complacent and I think the government realizes this. That is why it is continuously looking into ways to further improve the sector," he added.

Islamic finance has a current market size of around US$300 billion internationally and is growing rapidly at about 15% per annum. The strong performance of Middle East economies, high energy prices and rapid financial innovation have set the stage for Islamic finance to flourish.

Capitalizing on this growth, Singapore is encouraging the growth of Islamic finance to widen the array of financial services and consolidate its status as an international financial center.

Other initiatives the republic has embarked on to capitalize on growth include the setting up of The Islamic Bank of Asia (IB Asia) — a joint venture between DBS Bank and 34 investors from prominent families and industrial groups based in the GCC — in May last year.

To date, IB Asia has signed more than 20 significant cross-border capital transactions worth over US$500 million in its first year of business.

By Anna Maria Samsudin

Rising Sun's Halal Stocks Decline

By Raphael Wong

Islamic finance has been gaining attention in Asia Pacific, with Japan opening its stock market to Islamic investors following FTSE's introduction of its Shariah Japan 100 Index on the 30th July last year.

The index contains the 100 largest Japanese companies by market capitalization derived from the FTSE Japan Index that have been screened by UK-based research firm Yasaar Research.

The stocks are also screened for liquidity to ensure that the index is tradable with a strong weightage given to automobile stocks. The top five components are Toyota Motor, Canon, Matsushita Electric Industrial, Takeda Pharmaceutical and Nippon Steel. The index is the first of a family of Shariah compliant FTSE Indexes that will encompass 23 countries as well as regional indices.

Looking at the stocks' performance during the first quarter of 2008, markets across the board fell year-to-date but recovered from their lowest point as at the 17th March. Over this period, the Shariah indices of five global FTSE funds outperformed their conventional counterparts except for the FTSE Shariah Japan Index.

The total return performance of the FTSE Shariah Japan Index from the 31st December 2007 to 30th April 2008 recorded a growth of -9.3% compared with -6.97% in the conventional index.

Islamic Finance *news* spoke to FTSE managing director Paul Hoff (*pic*) on the reasons behind its lackluster performance in the world's second-largest economy.

Finance leads first quater

Hoff revealed that during the first quarter of 2008, finance was the best-performing industry, which in turn helped boost the conventional index (FTSE Japan Index) with its large weightage.

However, the Shariah Japan Index underperformed due to its large weightage in the consumer goods industry. The Shariah Index has a high weightage in two industries: industrials, at 27.86% and consumer goods, at 27.8%.

"The banks did quite well during the first quarter in the market. Not having the banks meant it (the Shariah Japan Index) did not do as well as the conventional index. This is due to the payment of interest (riba), which is not accepted and it is the riba-associated rules and the financial analysis which contributes to the low weightage in the finance industry," he said.

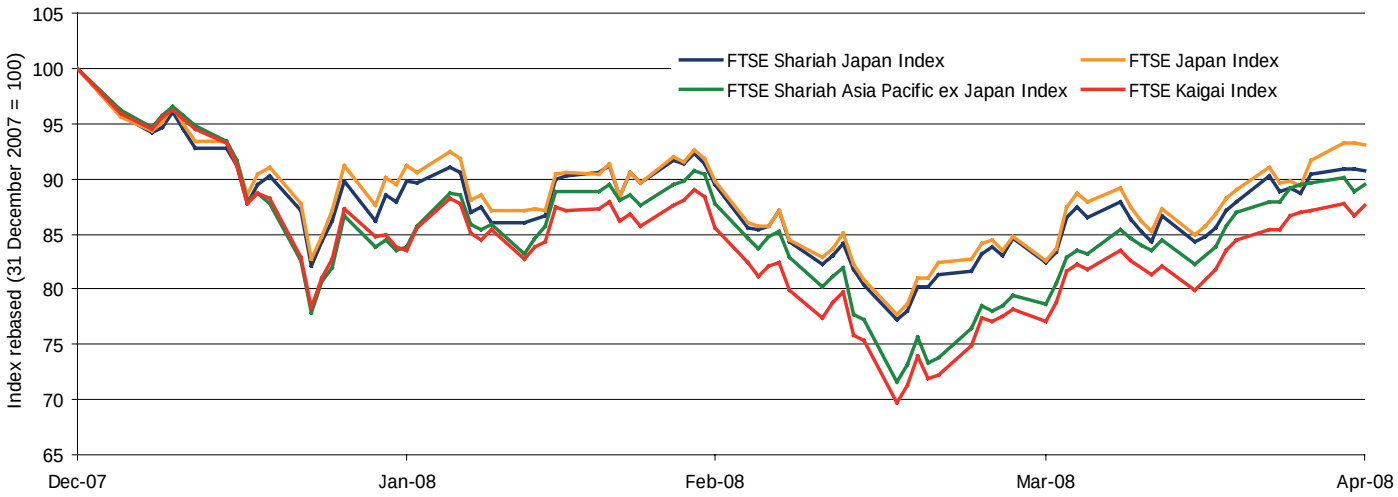
He said in particular, the automobiles sector was the major contributor to the underperformance of the Shariah Japan Index, which was overweight by more than 2.5%.

Sanyo Electric was the best-performing stock at 68.18% in the Shariah Index but this was cancelled out by each of the bottom five performers being all overweight relative to the FTSE Japan Index.

Hoff also said that companies involved in alcoholic beverages, tobacco, weapons, entertainment, pork and non-halal food, conventional finance

continued...

Total Return Performance in Japanese Yen from 31st December 2007 to 30th April 2008



Source: FTSE Group, data as at 30th April 2008

Rising Sun's Halal Stocks Decline (continued...)

and insurance are excluded from the Shariah Japan Index. However, companies included must meet financial standards regarding debt, interest, non-compliant income, cash and accounts receivable.

> "A weighted contribution analysis can be done and with that, you can look at change over a period of time and see how it contributes to the particular index. To compare the Shariah and conventional indices, you are going to get a different answer every time because you have so many different factors excluding companies," he said

Resilient utilities

Utilities industry stocks are regarded as especially resilient besides paying high dividends. It is also one of the sectors that easily qualify as Shariah compliant. However, in the Shariah Japan Index, the lowest weightage was given to this industry at only 0.93%.

Hoff said that there are exceptions to the general rule in Japan due to the financial analysis on the rule of riba. He said that is because Japan had a low interest rate environment.

"When a company issues a bond, it does not need to pay a lot of interest. When they take out a bank loan, they have very low levels of interest. So it is not important whether the industry is halal or not, it is again looking at the riba rule on the financial analysis," he said.

Hoff also explained that the omission of the financial industry in the Shariah Japan Index created the outperformance. He said a large number of consumer product companies were also excluded from the index because they were not Shariah compliant.

"Often, performance comes from what is not as well as what is in the index and I think the most recent outperformance was caused by the financials not being in it. Otherwise, you will see the same results in both indices," he said. "If healthcare goes down, you will see a decline in both. But it would also depend on the gearing factor, which I think is the wild card. The gearing does not apply based on sectors. It is based on a company-to-company basis."

Hoff also attributed the decline in the Shariah Japan Index to the subprime crisis in the US. He said the whole market is going down with the financial industry facing a sharp decline.

"A weighted contribution analysis can be done and with that, you can look at change over a period of time and see how it contributes to the particular index. To compare the Shariah and conventional indices, you are going to get a different answer every time because you have so many different factors excluding companies," he said.

Hoff added that FTSE also faced the same issues with its Good Index which uses environment and human rights as criteria to exclude companies. He said companies were excluded for completely different reasons in their industry and these factors could not be attributable to specific industries.

However, Hoff was confident that the Shariah Japan Index had a lot of potential, saying it represented a high capacity product.

"We have screened the stocks for liquidity as well so it means an investor would be able to invest and take the money out easily, unlike investors of mutual funds or other types of funds. That makes it a much more interesting fund for investors."

Industry Weights - Year-to-Date

ICB Industry	FTSE Shariah Japan Index (%)	FTSE Japan Index (%)	Difference (%)
Oil & Gas	1.72	1.07	0.47
Basic Materials	11.84	8.07	3.74
Industrials	27.86	19.49	7.92
Consumer Goods	27.80	24.42	2.59
Health Care	6.80	4.42	2.28
Consumer Services	7.65	7.48	0.38
Telecommunications	4.18	3.04	1.19
Utilities	0.93	4.20	-3.24
Financials	1.91	21.71	-17.91
Technology	9.32	6.09	2.57
	100.00	100.00	

Source: FTSE Group, data as at 30th April 2008

Daiwa Brings ETFs to a New Level

By Arfa'eza A Aziz

In 1995, Japan saw its first exchange-traded fund (ETF) with the setting up of the Nikkei 300 Index Fund. However, it was only in 2001 that the ETF became the talk of the town among investors.

This was after the Japan government undertook a major reform of the Investment Trust Act, which triggered the expansion of the ETF market in the second-largest economy in the world.

According to Yuta Seki of Normura Institute of Capital Market Research in a paper on Japan's ETFs and real estate investment trusts (REITs), the ETF market was initially formed to be utilized as a means of dissolving cross-shareholding by financial institutions or as a vehicle to switch stocks in the portfolio.

From 2001 onwards, the Japan's ETF market grew steadily and by 2006, it had become the second-largest ETF market in the world after the US.

This month, Japan's ETF sector will set a precedent when Daiwa Asset Management launches the Shariah ETF index, which is to be traded on the Singapore Exchange (SGX). The fund is based on the FTSE Shariah Japan 100 Index and will contain the 100 largest stocks in FTSE's Japan universe that qualify as acceptable investments according to the requirements of Islam. Renowned UK-based Yasaar Research is to screen the potential components for compliance.

Still, Shariah compliant ETFs are a rarity. The UK and Malaysia are the only countries that have ETFs listed on their stock exchanges. Even so, Islamic indices have proliferated in the past several years, with all of the major index providers launching their own families; a response in part to rising wealth in the Middle East.

Recently Islamic Finance *news* spoke to Masaru Arai (*pic*), Daiwa Asset Management's chief investment officer, on the new fund. Apart from giving a detailed explanation on the fund, Masaru shared his views on the prospects of Shariah ETFs in Japan.

He believes that in providing Islamic investors direct access to a matured Japanese stock market, the fund will play an important role in becoming the nexus for the convergence of conventional Japanese investors and Islamic investors. Masaru foresees that the success of the fund will prompt Japanese asset management companies to follow Daiwa's trail in setting up similar funds.

Daiwa Asset Management is to launch a Shariah compliant Japanese equity ETF on the SGX. Can you tell us more about the product? When exactly is the listing?
Daiwa FTSE Shariah Japan 100 (ETF) seeks to track the performance of the FTSE Shariah Japan 100 Index (the index) which measures the investment return of the largest and most liquid Shariah compliant listed companies in Japan.

This ETF allows investors instant access to the top 100 Shariah compliant Japanese listed companies (by market capitalization) at relatively low cost. It is designed to meet the investment requirements of both Islamic and conventional investors internationally.

This ETF will be managed by Daiwa Asset Management (Singapore) while Daiwa Asset Management (Tokyo) will act as the investment adviser. The participating sealer function will be performed by Daiwa Securities SMBC Singapore.

Both the index and the structure of the ETF are screened by the panel of Shariah scholars at Yasaar.

The listing of the ETF is scheduled for next week.

Why did you choose SGX for the product?
We chose SGX for our first Shariah ETF mainly for the following reasons:

1. As an international financial center, Singapore is keen to play a role in the development of Islamic finance with its experience and capabilities in wealth management, project financing and trade financing.
2. Singapore is an open market, with efficient infrastructure and transparent regulations that allow financial institutions to provide a range of Islamic products as well as give conventional and Islamic investors flexible access to those products.

What industries will be predominantly featured in the index? How have these fared so far?
As a result of Shariah screening, the Food & Beverage, Banks and Insurance sectors (on the basis of ICB supersector category) are excluded from the index. The top three industries (by ICB supersector weight) in the index as at the end of March 2008 were industrial goods & services, automobiles & parts, and personal & household goods.

The index has been consistently outperforming FTSE Japan Index since the summer of 2006 and has been doing well since last year. We believe this outperformance is a positive outcome of the industry selection with strictly rule-based Shariah screening.

Can you name the companies that are likely to be listed in the index?
The top 10 constituents of the index as at the end of March 2008 are as follows:

Rank	Constituent
1	Toyota Motor
2	Canon
3	Nintendo
4	Matsushita Electric Ind
5	Takeda Pharmaceutical
6	Komatsu
7	NTT DoCoMo
8	Mitusi & Co
9	Nippon Steel
10	Mitsubishi Estate

continued...

Daiwa Brings ETFs to a New Level (continued...)

What are your thoughts on Shariah screening for the index?
The Shariah screening for the index is undertaken by Yasaar, a global Shariah consultancy firm comprising renowned Shariah scholars.

In compliance with their Shariah investment guidelines, companies involved in businesses such as alcohol, tobacco, pork-related products, financial services, defense/weapons and entertainment will be excluded.

> "Currently, the number of Shariah ETFs is limited but we see great potential in the business, especially with the growing interest Islamic investors have shown in Asian markets"

Companies must also meet certain financial requirements on debt, interest income, non-compliant income, cash and accounts receivable.

With Yasaar's experience as a pioneer in the industry and Dr Mohd Daud Bakar as a key member of the Shariah board, we are confident that the Shariah screening for the index as well as our product will meet the stringent investment requirements of Islamic investors.

Which markets/countries is the product targeting?
The ETF is designed to meet the investment requirements of both Islamic and conventional investors internationally. Therefore, our target markets are global, with special focus on Islamic investors in the Middle East and Asia.

What are your general views on Shariah ETFs?
Currently, the number of Shariah ETFs is limited but we see great potential in the business, especially with the growing interest Islamic investors have shown in Asian markets.

To be listed on a very flexible market of the SGX, our ETF would allow Islamic investors instant access to the Japanese stocks, readily traded during SGX trading hours and in US dollar.

With our success in Shariah ETF as a Japanese pioneer in this market, we believe other Japanese asset management companies will gradually follow us in the near future.

Do you think Shariah ETFs can be attractive to investors amid the global credit crunch?
In compliance with the Shariah, companies involved in financial services are excluded from the investment universe. Only those that meet the stringent financial requirements on debt, interest income, non-compliant income, cash and accounts receivable are considered Shariah compliant.

Therefore, we believe Shariah ETFs have been relatively unscathed from the impact of the global credit crunch.

In your view, how big is Japanese interest in Shariah finance?
Taking the fact that the Muslim population is small, interest in Shariah finance is still low among Japanese investors. But we strongly believe our first Shariah ETF, providing direct access to a matured Japanese stock market for the Islamic investors, will play an important role in becoming the nexus for the convergence of conventional Japanese investors and Islamic investors.

True Sale and Bankruptcy Remoteness in Sukuk Issuance

By Shabnam Mokhtar

The issue whether Sukuk are asset backed or asset-based has been in the air for some time. Recognizing a need for this distinction, the Islamic Financial Services Board (IFSB) issued an additional exposure draft (ED) last year, the Capital Adequacy Requirement for Sukuk Securitization.

It was meant to address, among others, the capital adequacy requirement for non-ABS (asset backed securities) Sukuk structures. More importantly, it aimed to provide a clear guideline on the asset de-recognition criteria for an ABS.

First and foremost, the ED distinguished between three types of Sukuk structures — one ABS and two non-ABS (pay-through and pass-through) structures. This article aims to review important points highlighted in the ED relating to the asset de-recognition criteria for a Sukuk to qualify as an ABS.

The ED also discussed four criteria to attain true sale and three conditions to achieve bankruptcy remoteness, both being vital ingredients for the asset de-recognition provision.

Sukuk structures

Although most Sukuk seem to have real assets underlying them, not all Sukuk issued today are truly ABS. Rather, most Sukuk issued today are asset-based. The ED therefore recognized three Sukuk structures: asset backed, pay-through and pass-through structures (see chart below).

Both the pay-through and pass-through structures are non-ABS structures where the credit rating does not depend on the underlying asset but on the originator's rating via the undertaking (for pay-through structure) and the issuer's guarantee (pass-through structure).

IFSB-1 (the Capital Adequacy Standard for Institutions Offering Only Islamic Financial Services) addresses the capital adequacy requirement for ABS type Sukuk, where the capital requirement will be based on the underlying contracts of the Sukuk. Nonetheless, IFSB-1 did not elaborate on the asset de-recognition criteria which are the backbone of an ABS. The ED, therefore, filled this gap.

Asset de-recognition criteria

An originating Islamic financial institution (IFI) may exclude the securitized exposures from its risk weighted asset, if **ALL** these conditions are met:

1. Substantially all credit risks (and price risk, where applicable) associated with the securitized assets have been transferred to third parties; true sale.

2. The transferor (that is, the originator) does not maintain effective or indirect control over the transferred assets. The assets are legally isolated from the transferor, that is, they are bankruptcy remote. A legal opinion from a qualified counsel is needed to demonstrate this condition.

continued...

Types of Sukuk structures

Asset Backed

- ABS as recognized by the rating bodies (i.e. similar to a conventional ABS)
- Exposes the Sukuk holders to **losses due to impairment of asset**
- Credit risk is based on the **underlying exposure/asset**, not that of the originator

Pay through

- A Sukuk structure with a **repurchase undertaking** by the originator
- Normally involves the sale and leaseback structure, with originator undertaking to purchase the asset at maturity
- Credit risk is based on **originator's rating** due to the undertaking made and issuer may provide credit enhancements
- Referred to as pay-through because the income from the assets is paid to the investors through the issuer

Pass through

- A separate issuing entity (issuer) purchases the underlying asset form originator (financial institution), packages them into a pool of asset and issues Sukuk
- **No repurchase undertaking**
- Issuer require originator 's recourse, but provides credit enhancement by **guaranteeing repayment** in case default by originator

True Sale and Bankruptcy Remoteness in Sukuk Issuance (continued...)

3. Holders of the Sukuk (investors) have a claim only to the underlying pool of assets, and not against the transferor (no recourse to the originator or issuer). Thus the pay-through and pass-through Sukuk would not qualify for asset de-recognition.

4. The immediate transferee is a special purpose entity (SPE), and the holders of the beneficial interests in that entity have the right to pledge or exchange such interests without restriction.

5. Clean-up calls (as the Sukuk are called before all capital payments have been made) must be at the discretion of the originating IFI. They must not be structured to provide credit enhancement and must be exercisable only when 10% or less of the purchase consideration for the underlying assets (for example, in an Ijarah Muntahiyyah Bi Tamleek) remains to be paid. If a clean-up call does not meet these conditions, it will be treated as a credit enhancement by the originator and give rise to a capital charge accordingly.

In sum, true sale (condition 1) and bankruptcy remoteness (condition 2) are vital for the asset de-recognition criteria. The ED further explained these points.

Conditions from the Shariah perspective

In order to meet condition 1 and fulfill the Shariah requirement, the Sukuk must transfer **all ownership rights** in the asset from the originator to the investor (via the issuer of course).

Does this then require the transfer of legal title? The answer depends on the jurisdiction and the applicable legal system in which the IFI is operating.

Nonetheless, in some jurisdictions that recognize beneficial/equitable title, ownership rights do not necessarily require the transfer of registered/legal title. In these jurisdictions, the transfer could represent a simple collection of ownership attributes; for example, rights granting access to the assets (subject to notice) and rights of collateral over the asset in case of default. These attributes would allow the investors to step into the shoes of the originator and perform the duties related to ownership.

In sum, true sale refers to the transfer of the economic value of assets from one party (vendor) to another (the buyer) and the transfer is bankruptcy remote. This means that once the asset has been truly transferred, the creditor or liquidator (of the vendor) cannot claim the asset from the buyer.

Although true-sale criteria are subject to legal judgment in the relevant jurisdiction, the ED listed four from a Shariah perspective that serve as a guide in classifying a transaction as a **true sale that transfers beneficial title**. This means that although legal title has not been transferred, if these criteria are fulfilled, the transaction would qualify as a true sale. The criteria are as follows:

1. The transfer must be such that it cannot be re-characterized by a court or any other body as a secured loan, or otherwise be avoided in a bankruptcy or insolvency proceeding involving the originator of the assets (such as pursuant to a fraudulent transfer in anticipation of bankruptcy or a preference payment).

2. The bankruptcy or insolvency of the originator should not affect the assets that have been transferred to the issuing SPE. This, in turn, means that the issuer will be able to enforce collection and other rights against the source of the income (the payer) without hindrances resulting from the bankruptcy or insolvency of the originator.

3. The transfer must then be perfectible at the election of the issuer.

4. The sale must be free and clear of all prior overriding liens.

"Although true-sale criteria are subject to legal judgment in the relevant jurisdiction, the ED listed four from a Shariah perspective that serve as a guide in classifying a transaction as a true sale that transfers beneficial title"

True sale and bankruptcy remoteness are interdependent concepts. One condition to achieve true sale is bankruptcy remoteness. Thus, the ED expounded further on the conditions to attain bankruptcy remoteness:

a. If there were bankruptcy in the case of the issuer, its assets would be distributed in accordance with **law or a court order,** rather than in accordance with the contractual arrangements involving the issuer.

b. **Separateness covenants** will be required to ensure bankruptcy remoteness (as well as non-consolidation).

c. Another provision to ensure bankruptcy remoteness relates to **non-competition and bankruptcy declarations**. The originator, investors, credit enhancers and others agree in the transaction documents not to initiate involuntary bankruptcy proceedings against the issuer. The issuer also provides, in both its constitutive documents and the transaction documents, not to initiate voluntary bankruptcy proceedings.

In conclusion, although the issues of true sale and bankruptcy remoteness require legal interpretation, IFSB has initiated a proactive step to provide clear guidelines to the industry.

As this is still at the ED level, complemented by last week's public hearing in Amman, Jordan, further inputs regarding important practical considerations may have been included in what is soon to become standard practice. Watch this space.

Prospects for Islamic Banking in Lebanon

By Arab Finance House

Lebanon is a small country of 10,452 km² located on the shores of the Middle East sea, with 13 different religious ideologies, mainly distributed between Islam and Christianity.

This diversification of these religions gives Lebanon an opportunity to look towards Islamic finance. Compared to other countries in the Middle East and the Gulf region, Lebanon is known to have the most attractive, stable and solid banking system. It also has an environment which is ready to contain the concept of Islamic finance.

Statistics show that a big section of Muslim Lebanese prefer to invest their money according to Shariah rules, and keep their money with them rather than opening a current or savings account in conventional banks.

Young industry

The Islamic banking concept is not new in Lebanon. The first Islamic bank was launched in 1992, followed by the Arab Finance House (AFH) that was founded in 2003.

It is true that it is still a young industry but in line with the impressive boom of Islamic finance operations not only in the Middle East but worldwide, we can assume there is a high potential to develop Islamic finance in Lebanon.

Development of Islamic finance industry is related to two main factors:

1. Public acceptance & support
   Demand for Islamic services in Lebanon is growing rapidly. The Lebanese are craving for ways to obtain investment returns that are interest free. Not only that, they also realized that it is possible to make considerable profits when they choose trustful projects or investments. After being involved in the Murabahah, Mudarabah, Musharakah or other forms of Islamic investment, clients will appreciate having the bank as a partner particularly when the funds placed are allocated for the benefit of the community they live in.

   Most of the creditable conventional banks in Lebanon, have "in their drawers'', drafts for an Islamic subsidiary but they are just waiting for the right moment. In the meantime, their projections for Islamic banking are aimed at Arab and the Gulf markets, where the Islamic banking experience is well established.

   Today, Islamic banking is estimated to manage funds to the tune of more than US$800 billion and expected to reach US$2 trillion in 2010. Its clientele are not only confined to the Muslim countries but spread across Europe, the US and even the Far East.

   Islamic banking continues to grow at a rapid pace because of its value-orientated ethos that enables it to draw finances from both Muslims and non-Muslims alike.

2. Legal & governmental backup.
   Without these backups, we cannot function. The Central Bank as well as government authorities are doing their best to support the expansion of Islamic banks by issuing a special law that structures Islamic operations, in addition to the distribution of many circulars to provide a better understanding on the Islamic finance.

Despite the minimal slice of Lebanese community that continues to ignore Islamic banking, we have a good share of the public who are waiting to participate in new fruitful investments.

"Islamic banking is a new concept so it is still considered strange, where some people cannot while others refuse to understand it. Most of them cannot stop comparing both aspects. That is completely wrong because Islamic and traditional banks work in two different pools"

Lebanese mindset

The conflict between Islamic and commercial banks in people's mind is due to the thinking and the beliefs they inherited from the last generations. Islamic banking is a new concept so it is still considered strange, where some people cannot while others refuse to understand it. Most of them cannot stop comparing both aspects. That is completely wrong because Islamic and traditional banks work in two different pools.

continued...

Next Forum Question

Toyota, which came in eighth on this year's *Forbes* list of top corporations worldwide, plans to raise capital Islamically for their operations. Do you think other major top 100 companies are likely to make the switch from conventional to Shariah financing, and why?

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, 28th May 2008.

Prospects for Islamic Banking in Lebanon (continued...)

The Islamic financial system employs the concept of participation in the enterprise, utilizing the funds at risk on a profit-and-loss-sharing basis. This, by no means, implies that investments with financial institutions are necessarily speculative. This can be excluded by careful investment policy, diversification of risk and prudent management by Islamic financial institutions. Lending money and getting it back with compounding interest is the fundamental function of the conventional banks.

Another main difference is that the functions and operating modes of conventional banks are based on fully man-made principles, whereas the functions and operating modes of Islamic banks are based on the principles of Islamic Shariah, thus one must refrain from making a direct comparison between Islamic banking and conventional banking (an apple to an apple comparison). This is because they are extremely different in many ways.

That is why Islamic institutions should not be considered a threat to the commercial banks. They both offer services, but the products and demands are different. It is a competitive and challenging environment where Islamic banks proved their ability to stand and satisfy the publics' needs in a fierce, small and well established sector. However, obstacles faced by Islamic operators here are slowing down the pace of its growth, such as restrictions set by the Central Bank and Ministry of Finance in order to 'protect the banking system' that included:

1. Preventing Islamic banks from becoming owners of goods in a 'Murabahah' and treat him as Dealer.
2. Absence of an environment to attract extra liquidity coming from the Gulf markets, such as Sukuk.

AFH's initiatives

On the other hand, we should look at things on the bright side, by appreciating the help and support provided by the Central Bank as well as the Ministry of Finance, which have worked tirelessly to establish the Islamic Banking Law as well as issuing the many operating circulars followed by corrective amendments. With the assistance of AFH's management, considerable progress has been achieved to cancel charges on the Legal Reserve.

AFH is widely contributing to the growth of this industry in the Lebanese market. Recently, AFH signed an agreement with Iskan Corporation for home financing while a new leasing program is currently being examined.

In addition to that, a new investment product has been invented to allow customers to invest in commodities and metals Murabahah. Customers can also benefit from monthly profit returns by investing their money in a one-month time deposit.

There are many other services created by the AFH team, keeping pace with sophisticated techniques and the latest developments that are not only profitable but are also ethically motivated.

Arab Finance House (AFH) was founded in Lebanon in 2003.

Albaraka Türk Aims High

By Paul Wouters

In December 1983, the Turgut Özal government introduced a new regulatory framework for the banking sector. The new legislation paved the way for the establishment of Albaraka Türk Participation Bank. In fact, it is the first financial institution to be granted the "Finance House" license in Turkey.

Since it began its operations in 1985, Albaraka Türk has not looked behind. Its current head office in Istanbul reflects the image of the bank: quality and trust. Supported by the financially-strong Bahrain-based Albaraka Banking Group (ABG), Albaraka Türk does not build its clients' profile based on high publicity stunts or "fashionable" financial products.

It merely relies on good banking that provides competitive pricing and the strategy proved to be successful. The bank is currently enjoying continuous growth while adhering to high standards.

In May 2007, Albaraka Türk conducted a successful IPO. It received overwhelming response from individual and institutional investors, and was oversubscribed by 60 times in Turkey and 21 times overseas. The bank had offered 22.22% of its capital for public subscription totaling 54.5 million shares with a value of TRY4.1 (US$3.3) each, which amounts to TRY223.45 million (US$170 million).

The number of shares applied for totaled 1.7 trillion shares with a total value of TRY7.4 billion (US$5.4 billion) which equates to a subscription of 32 times by 23,894 investors of whom 22,731 investors were Turkish individuals and the remaining were foreign institutional investors.

Recalling the successful transaction, CEO Adnan Büyükdeniz (*pic*) told Islamic Finance *news* that despite the lengthy process and stringent requirements, the bank did not encounter any problems and the IPO was completed in record time.

It is well known that IPO is a lengthy process. We had to meet the requirements of different government departments. Since we also targeted international investors, we had to adhere to certain procedures of several jurisdictions. We had to work with three international legal companies and two external auditors for the IPO.

We did not encounter any specific problems due to the nature of the participation banks. We had to work harder to comply with the US financial markets' regulations, which required more effort.

Below are Adnan's views on the successful IPO:

What was the composition of the subscribers group to the IPO?
We had an allotment of 63% of international investors and the rest was allocated to local institutional and retail investors, our customers and our staff. On the domestic front, we had an oversubscription of 60 times, while it was 21 times oversubscribed on the international level. The results confirmed our standing in Turkey and internationally.

"Right after the IPO, we saw a major increase in the size of the funds that we collected in the participation pools. We are proud to say that Albaraka Türk is now more of a public institution, rather than being just a niche player."

We currently have many funds and our investors are from diverse geographical regions including the GCC countries, the US, UK, Scandinavian countries and Germany.

What was the bank's main goal for issuing the IPO and have you achieved it?
Like any other companies, we issued the IPO to raise capital and this target has been reached as we had expected. We raised about US$170 million through the IPO by selling at the ceiling price level of TRY4.1 (US$3.3) of the price band. However, the publicity that surrounded the IPO also provided us with the opportunity to become more visible and known in the market.

Right after the IPO, we saw a major increase in the size of the funds that we collected in the participation pools. We are proud to say that Albaraka Türk is now more of a public institution, rather than being just a niche player.

One other advantage of being a publicly listed company is the "market discipline". We have fine-tuned our corporate governance committee and now have a full disclosure responsibility to the public. We share our targets and past performance with our investors and get a good idea of their reactions. In all, the IPO proved to be a good opportunity for a general upgrade of our own standards.

continued...

Albaraka Türk Aims High (continued...)

What are the goals of Albaraka Türk for the near and mid term future?
The mid term goal of Albaraka Türk is to establish itself as a major mid-tier bank of Turkey, accessible in all cities and major towns in Turkey. We are also targeting to become a chief player in the commercial and financial linkages of Turkey with the Middle East, North Africa and the GCC countries. We firmly believe that those aims will be met.

> "Its strong asset quality, its dedication to financing the real economy, especially the SME markets, its higher than average staff quality and good growth potential on top of a very good profitability make Albaraka Türk a very trusted banking partner"

Why does Albaraka Türk stand out? What are the specific characteristics that make it interesting for the investors and the clients?
Albaraka Türk has established a sound brand presence in Turkey with regard to participation banking. According to several market surveys, the idea of participation banking is almost always associated with Albaraka Türk and this has been reinforced by the view that we have a strong grip on the basic principles of interest-free banking. Its strong asset quality, its dedication to financing the real economy, especially the Small and Medium-sized Enterprise (SME) markets, its higher than average staff quality and good growth potential on top of a very good profitability make Albaraka Türk a very trusted banking partner.

How does Albaraka Türk see the future of Islamic finance in Turkey?
We believe that participation banking still has big growth potential in Turkey. It still has not tapped the full market potential and it is rapidly becoming a mainstream financial trend. The fast establishment of a widespread network of branch offices, the introduction of new products, increased advertising and well respected social responsibility projects all help this niche market grow faster than the banking sector in general.

Albaraka Türk grew 48% after the IPO in June 2007. The bank aims to grow 32% and raise its net profit by 59% in 2008. The number of branches increased from 43 to 80 within two years and they aim to attain 100 branches this year. Corporate and commercial loans constitute 90% of the bank's total credit portfolio and 70% of these are used by SMEs.

BENER LAW OFFICE
Istanbul – Turkey
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Shariah Governance in Islamic Banking and Finance

By Dalila Abu Bakar

The announcement by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), which declared that nearly 85% of all Sukuk structures were not Shariah compliant, could drag the industry from developing as fast as it should be.

It is also claimed that though it may have been made with good intentions, it has inadvertently caused uncertainty in the market especially in the Gulf Cooperation Council (GCC) markets.

"The industry may be growing but whether or not it is at the rate that it should be is the burning question. For a new industry, its growth should exceed 100%, not at only 15% or 20% per year," said Badlisyah Abdul Ghani (*pic*), Executive Director and Chief Executive of CIMB Islamic, the world's largest issuer of Sukuk.

"That's low for a new growing market. As long as there are uncertainties in the markets particularly in the Middle East, many investors would avoid them. It goes back to corporate governance. If we don't have the right regulatory framework in place then, what corporate or Shariah governance is there to talk about?" he said in an interview with Islamic Finance news at his office recently.

Many players will not hesitate to agree with Badlisyah, who is said to be the youngest CEO of an Islamic bank in the world at 34. Following the announcement in November last year, the Sukuk market slowed down in the GCC. In February this year, AAOIFI issued a new advisory on Sukuk issuance but players claim that the new advice is "more expensive" and "lengthier process".

Slow growth

Badlisyah commented that the announcement by AAOIFI begged the question of Shariah governance. "There is nothing wrong in having a debate on Shariah principles but it must be made in a manner that does not disrupt the market. It is always worthy to remember that under Shariah law, a Muslim is encouraged to avoid certain matter if they are uncertain about it (gharar). That is why established Islamic banking and finance jurisdictions such as Malaysia have a properly regulated Shariah management framework to ensure that certainty in the market is protected," he explained.

The CEO observed that the market in Malaysia was managed in such a way that it had a Shariah management guideline established by the Central Bank (Bank Negara Malaysia). As a result, all discussions on Shariah compliancy are done in a very systematic manner without any confusion in the market.

The CIMB Islamic head stressed that he does not disagree with the AAOIFI's role in filling the gaps that exist in the regulatory framework for Islamic finance in the GCC markets. He pointed out that with the exception of Malaysia, no other jurisdiction in the world has a comprehensive regulatory framework that governs all aspect of Islamic banking and finance industry including Shariah.

As such, AAOIFI has a significant role to play in these other jurisdictions and he believes that for as long as market regulators keep saying it is not their role as a regulator to govern Shariah because they are not in the business of regulating religion, AAOIFI will continue to have a role to play.

According to Badlisyah, Islamic banking and finance is a commercial activity, which falls within the Muamalat (man to man dealings) section of Shariah. It is not religious in any form. It is not Tauhid, which looks at man's relationship or religious obligations with God.

> "It is against Shariah law to enforce Islamic banking and finance on everyone from a Tauhid perspective so the regulators are right in saying that they do not and cannot regulate this"

In regulating Islamic banking and finance industry, the regulators would be governing on Muamalat transactions or pure commercial transactions. It is against Shariah law to enforce Islamic banking and finance on everyone from a Tauhid perspective so the regulators are right in saying that they do not and cannot regulate this.

However, regulating Muamalat or the commercial Islamic banking and finance transactions is critical due to its impact on the market stability and enhancing consumer protection. Badlisyah said, "Only indigenous market regulators can do this because AAOIFI does not have the capacity to play this role".

Criticism of AAOIFI

Badlisyah expressed that until Shariah principles on the Islamic banking and finance industry are regulated, the GCC would have to rely on AAOIFI's guidance as to what is Shariah. "On the surface, this is a logical statement. However, the market reality is that nobody really recognizes AAOIFI. The only reason AAOIFI has some degree of influence is because most Shariah experts that sit on the Shariah board of Islamic financial institutions are also involved in AAOIFI".

He said unlike the Islamic Financial Services Board (IFSB) and the International Islamic Financial Market (IIFM), which were founded by governments as international standard setting bodies, AAOIFI did not attain the same status. He added that IFSB and IIFM work within the parameters of an international standard setting bodies and the relationship of member countries with the two bodies are clearly stipulated.

continued...

Shariah Governance in Islamic Banking and Finance (continued...)

"Everybody understands the role of the IFSB and IIFM in the international scheme of things. The former is there to facilitate establishment of a common prudential standards so as to ensure robust market players and good corporate governance. The latter is to facilitate greater market interactions between players across borders through standardized document. AAOIFI's role is somewhat unclear as accounting treatment does not make an Islamic banking and finance transactions more Shariah compliant than it already is.

"I don't even see much from an accounting standard perspective as most jurisdictions would have their own accounting standard setting bodies and also accounting treatment does not make a deal more Shariah compliant that it already is," Badlisyah said."From Shariah standard perspective, I do see AAOIFI filling the gap on what is Shariah for jurisdictions that do not have an effective Islamic banking and finance regulatory framework."

Standardization of Shariah

Badlisyah was of the view that there was no necessity to standardize Shariah principles for the whole world. "Standardization of Shariah already exists because there is only one Shariah and there isn't a need for any one body to tell us what Shariah is because the source of the Shariah: the Quran, Hadith, Ijma and Qias, are available to all."

"What is needed is the harmonization of the Shariah application. This can be achieved by AAOIFI or another body, say, the IIFM enforcing the need of the market to comply with the Shariah principle of accepting and respecting the different applications of Shariah in different jurisdictions".

Badlisyah stressed that under Shariah principles, differences of applications are the norm. In fact, even the Great Imams, namely Maliki, Hambali, Shafie and Hanafi have applied, at one or another, a similar Shariah principle differently in different parts of the world. "If a single person such as one of the Great Imams can apply Shariah principles differently in different parts of the world, then naturally different application of Shariah principles by different people would be more than acceptable. So the act of standardizing Shariah is superfluous".

He said there was also talk of a possible overlap between IIFM and AAOIFI in regards to work on Shariah standards. "Maybe we should rationalize the overlap between AAOIFI and IIFM. Let AAOIFI concentrate on accounting and auditing matters while IIFM take on its mandate of achieving standard documentation for Shariah".

Badlisyah feels that there is a lot at stake in an effort to bring back the Islamic financial market as a mainstream global financial platform. He said, "These efforts should not be weakened by uncertainties in whatever form especially in the Islamic debt capital market or Sukuk market. Uncertainties in the Sukuk market will only cause issuers and investors to avoid it as alluded by some of the international rating agencies. It will not allow Sukuk as a product to replace the Commodity Murabahah products as the main liquidity management tool for the Islamic banking and finance industry".

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

Name: Mohammad Khan

Position: Director of Takaful, Actuarial and Insurance Services

Company: PricewaterhouseCoopers

Based: London

Age: 31

Nationality: British

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

I graduated from the London School of Economics and Political Science in Econometrics and Mathematical Science in 1998. I was then sent to work on a scholarship for the Mahbahul Haq Centre for Human Development for six months where I created the Humane Governance Index. I joined PricewaterhouseCoopers (PwC) in January 1999 advising insurance companies on how to solve their problems and issues.

In PwC we have insurance experts with multi-disciplinary specialisms, for example in underwriting, claims, management information and IT. I have been exposed to working with all of these experts in my career to date.

This has led me to have a much broader understanding of all the issues faced by Takaful and insurance companies which has enabled me to help my clients with all of their Takaful and insurance issues, not just technical actuarial issues which is where I had my initial training.

I have always had an interest in Islamic finance and this has led me to develop our Takaful (Islamic insurance) practice and helping my Islamic finance colleagues with Islamic modeling issues.

What does your role involve?

I help Takaful, reTakaful, conventional insurance and reinsurance clients with their issues whether it is helping them to better understand their pricing and underwriting, helping them assess what controls and processes can help them manage their business better, helping them best utilize their capital, ensure that their reserves are adequate or helping them defend their insurance rating.

What is your greatest achievement to date?

Helping a multinational client save GBP20 million (US$40 million) a year. The client noticed they had a problem with their claims inflation and had not been able to identify the drivers of this issue.

Due to our multi-disciplinary firm, I was able to deploy claim experts to walk through their claims processes and actuarial insurance data mining experts to look at their claims data in detail. By analyzing both their claims processes and data, we were able to identify the key drivers for the claims inflation and suggest a solution which they implemented to save them GBP25 million (US$50 million) a year.

Which of your products/services deliver the best results?

All of our services deliver excellent results. "Best" results for me means ensuring that we give our clients the services that they need to help them solve their issues.

What are the strengths of your business?

Due to our size — we have the largest number of Takaful specialists globally — we can provide an expert on any Takaful, Islamic finance, insurance or financial services issue — be that strategy, underwriting, pricing, reserving, actuarial, policy administration, IT, management information, finance function effectiveness, accounting, regulatory or tax (national and international) issues.

It is also because we have helped so many different clients in the MENA region and globally we can always bring markets' best practice to any part of the Takaful or Islamic finance operation.

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

Our people. I believe we have the best, most experienced people who can help our clients with any element of their business.

What are the obstacles faced in running your business today?

My challenge to our people is always to ensure that we continue to provide the same high quality of service to our clients.

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

I see it growing significantly and starting to mature in the MENA region and starting to break into the EU and American markets. I also see it breaking into mainstream finance that is with a significant proportion of non-Muslim customers as they realize that it is ethical and price competitive (for retail financial products) and innovative and diversifying (for commercial financial products).

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

Marketing to non-Muslims. The potential for Islamic finance to non-muslim consumers and corporations is tremendous. Islamic finance products are ethical by definition, often price competitive, often risk diversifying and are pushing the innovative boundaries to produce new products.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers ("PwC") is one of the world's pre-eminent professional services organizations. As a professional business adviser, PwC plays a significant role in the operation of the world's capital markets.

Paka Capital US$550 million Trust Certificates

INSTRUMENT	Exchangeable Trust Certificates
ISSUER	Paka Capital
OBLIGOR	Khazanah Nasional, the investment holding arm for the government of Malaysia
PRINCIPAL ACTIVITIES	The primary objectives of Khazanah are: i) to manage the investments entrusted to it by the government of Malaysia, and ii) to undertake new investments where there are strategic opportunities, in new sectors and in new markets. Paka Capital is a special purpose vehicle created solely for the purpose of participating in this transaction.
BOARD OF DIRECTORS	For Paka Capital: Emily Liew Fui Lin (resident director) and Ng Lay Leng (alternate director). For Khazanah Nasional: Abdullah Ahmad Badawi (chairman), Nor Mohamed Yakcop, Zeti Akhtar Aziz, Md Nor Yusof, Mohammed Azlan Hashim, Mohamed Azman Yahya, Raja Arshad Raja Uda (directors) and Azman Mokhtar (managing director).
ISSUE SIZE	US$550 million
DATE OF ISSUE	12th March 2008
MATURITY	5 years
JOINT BOOKRUNNERS	CIMB Investment Bank, Deutsche Bank and UBS Investment Bank
LEAD MANAGER	AmInternational
CO-LEAD MANAGER	European Islamic Investment Bank
LAWS	Malaysian, English and Cayman Islands laws
LISTING	Listed on the Hong Kong Stock Exchange and Labuan International Stock Exchange on the 14th March 2008, and is currently listing on Dubai International Financial Exchange since the 22nd May 2008
LEGAL COUNSELS	Clifford Chance Wong, Kadir, Andri & Partners, Linklaters Allen & Gledhill, Adnan Sundra & Low and Turner & Roulstone
TRUSTEES	The Bank of New York, London branch and CIMB Trust
SHARIAH ADVISER	Sheikh Nizam Yakuby, Mohd Daud Bakar and Hussain Hamed Hassan
PURPOSE OF ISSUE	Financing requirements

SAUDI ARABIA

ACE sets local firm

ACE Group and its partner Elkhereiji Group have received a royal decree allowing them to form a local insurance company, ACE Arabia Cooperative Insurance Company. Giles Ward, regional managing director for ACE in the MENA region, said that this is a testament of the confidence of the Saudi authorities in its business, which in turn allows for the formation of the domestic firm.

ACE Group of Companies is an international leader in insurance and reinsurance, and has been in the Saudi market with Elkhereiji Group for more than 30 years.

MALAYSIA

Touch 'n' Go now comes with insurance

Touch 'n' Go and Etiqa will be offering a free insurance package with every purchase of Touch 'n' Go cards until the end of this year. It is valid for one year, and motorists will get RM10,000 (US$3,117) personal accident insurance and up to RM2,000 (US$623.40) reimbursement for hospitalization.

The company hopes that with this offer it will sell up to 10,000 cards per week, said CEO Hasni Zarina Mohamed Khan. She added that this is part of Touch 'n' Go's effort to provide convenience for the public.

UK

Aviva to concentrate on tie-ups

Aviva plans to penetrate deeper into the Asia-Pacific market by focusing more on bancassurance tie-ups. The insurance company entered into partnerships with banks from Malaysia, Taiwan and North Korea last year, and hopes to enter markets in Thailand, Vietnam, Indonesia and Middle Eastern countries as well.

Its CEO Andrew Moss said that it will use Malaysia as the hub for its global Takaful business as well as entering new markets.

AUSTRALIA/MALAYSIA

AXA pulls out from stake's race

AXA Asia Pacific Holdings has withdrawn from the race to acquire up to 49% stakes in MAA Holdings' insurance arm, Malaysian Assurance Alliance. But it revealed its strong commitment through its joint venture with Affin Holdings, AXA Affin.

In September last year, it was revealed by MAA that Kurnia Asia, Nippon Life Insurance and Allianz Insurance Management Asia Pacific were also interested in purchasing the stakes, but Nippon Life and Kurnia Asia have since pulled out from discussions.

MAA Holdings is one of Malaysia's largest life and general insurance firms.

UAE

Daman suggests e-insurance claims

National Health Insurance Company (Daman) has discussed with major health providers in the UAE region on implementing electronic insurance claims, said Daman's COO, Axel Tottenborn. Invoices will be transferred electronically and will no longer be paper-based.

Daman aims to lower the administrative costs, so that more money is available to improve the quality of healthcare, said Tottenborn. He spoke during the Daman Regional Conference which opened on Wednesday.

Daman was established in 2005, and is the first and largest specialized health insurance company in the UAE.

GERMANY/TURKEY

Allianz to buy Turkish insurers?

Allianz is reportedly shortlisted the final four or six bidders wishing to buy Yapi Kredi Sigorta and Yapi Kredi Emeklilik, two insurance companies belonging to Koc Holding based in Turkey.

It was stated that the combined value of the two insurers stand at US$1.2 billion.

Malaysian Takaful Industry: A Need to Go Beyond Retail

By Raphael Wong

Malaysia's Takaful industry was conceived with the enactment of the Takaful Act 1984. The first operator was Syarikat Takaful Malaysia, which began operations a year later.

Since then, the industry's tremendous growth has caused a buzz in the industry worldwide with its impressive growth reported at an average growth of 14.2% of the total net contributions of RM1.7 billion (US$530 million) over the past five years. The total assets of the industry also recorded a growth of 13.7% over the last five years, to about RM7 billion (US$2.18 billion) in 2006.

Such growth has attracted foreign entities to Malaysian shores. In 2006, Bank Negara Malaysia (BNM) issued four new licenses and allowed new Takaful operators to have foreign equity of up to 49%, with the aim of liberalizing the financial services industry.

Following the new ruling, MAA Holdings (MAAH), one of Malaysia's leading insurance companies, and Bahrain-based Solidarity, one of the largest Takaful companies in the world, were granted a Takaful license. MAA Takaful was set up last year.

More recently, on the 16th May, ACR Retakaful Holdings was launched as the world's largest reinsurance company with a paid-up capital of US$300 million. The insurance giant is a joint venture between Dubai Banking Group with Malaysia's Khazanah Nasional and Singapore-based Asia Capital Reinsurance.

Winning approach

The first independent reinsurance group based in Dubai will focus on general (non-life), non-cyclical and large specialty risks in infrastructure and transportation industries such as aviation, marine, energy and engineering.

MNRB Retakaful president Ismail Mahbob attributes Malaysia's growth to its structured and methodical approach to the development of Islamic finance.

"Looking from all angles, Malaysia has an enabling environment and is now emphasizing on human capital and of course, the regulatory and supervisory framework. Everything comes in a very integrated approach, unlike in other parts of the world where it is not so integrated because the components are independent of one another."

He said in Asia, Singapore remained Malaysia's closest competitor because its financial structure in conventional financing was already developed and political will was strong. However, he said Indonesia has a lot of catching up to do.

Malaysia Takaful Association (MTA) executive secretary Nasser Mohd Yassin said the key attributes revolved around the regulation, the Malaysian International Islamic Financial Centre (MIFC), the Shariah Advisory Council at BNM and the framework currently in place.

He said Malaysia was trying hard to be the global Islamic financial hub with Takaful being part of it, adding that there was some competition from Singapore but was unsure about Indonesia.

"Looking from all angles, Malaysia has an enabling environment and is now emphasizing on human capital and of course, the regulatory and supervisory framework. Everything comes in a very integrated approach, unlike in other parts of the world where it is not so integrated because the components are independent of one another."

"We view it as a healthy competition. We are always one step ahead as we have the research capabilities compared to the other countries and this gives us the edge. Singapore is striving very hard to reach our level but I am not sure what steps they have undertaken. On our side, we still have a lot to do actually in fine tuning the infrastructure and making sure the industry, regulators and framework are all in place," he said.

On domestic Takaful companies facing the possibility of competing in the near future with foreign counterparts, Nasser said currently he did not foresee any competition as the central bank has not issued new licenses.

"If you look at the financial sector master plan which is expiring in 2010, BNM is looking at the Takaful industry to actually have a 20% share of the entire insurance industry in Malaysia. It currently stands at 7%. That would be a big leap," Nasser noted. "So, if that is not achieved by then, BNM might improve or even issue additional licenses for direct Takaful operators or reTakaful companies to operate in Malaysia. So, as long as they are not granted a license to operate here, local companies have nothing to fear."

He also said there was a need for more reTakaful companies in Malaysia as currently, Takaful companies involved in large or specialized risks such as oil and gas would have to revert to conventional companies. He added such practices were normally allowed only during darurat (emergency).

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Malaysian Takaful Industry: A Need to Go Beyond Retail (continued...)

"We cannot go on using this method. We have to put a stop to it. One of the ways is to look at the larger companies to form a reTakaful company so that that company will be able to take on such risks."

Nasser highlighted the current trend of Takaful operators, which was to focus on investment-linked funds, a single premium with mid-term returns. He said the challenge lies in these operators only being allowed to invest in Shariah compliant instruments.

"Hence, their avenue for investment and obtaining returns are rather limited compared to the conventional banks or insurance companies," he said, adding that they normally looked to Islamic bond or Sukuk, which was open to all. "Therefore, in terms of returns, it is rather low compared to conventional funds as Sukuk, whenever issued, is always over-subscribed."

> "Malaysian Takaful operators should move towards the next phase by concentrating on the various segments of the commercial and industrial community"

Statutory amendments

Nasser also urged the Malaysian government to study and make timely amendments to the Takaful Act. "There are a lot of grey areas in the Act in terms of payment of Takaful benefits because it requires the understanding of Islamic inheritance."

He said there was a need for a level playing field between conventional insurance operators and Takaful operators. "Takaful operators not only have to pay zakat, they are also required to pay company tax. So, compared to the conventional companies, the Takaful operators are at a disadvantage in terms of tax."

Ismail, on the other hand, thinks the presence of more reTakaful companies will bring in additional capacity into the market. However, he argues that Malaysian Takaful operators should move towards the next phase by concentrating on the various segments of the commercial and industrial community.

He said that despite the Takaful industry being over 20 years old, the focus has not changed much as operators were still concentrating on the personal lines of Takaful like motor, householders, house owners, personal accident and life.

"I would say the industry already has sufficient Takaful solutions for this market segment. The products that have been developed can easily be replicated and marketed outside the country through strategic alliances or franchises or operators' sister companies overseas.

"I believe operators should now look into ways of developing a pool for the higher-value and specialized industrial risks to ensure Takaful is relevant to various segments of the commercial and industrial community. Apart from organic growth, one way is for operators to combine resources and work on establishing an underwriting syndicate such as Lloyd's."

Ismail said that Malaysia aspires to be the halal hub for Islamic finance through MIFC and for products, the physical hubs while a lot of financing originated from the government and its related companies and, in some countries, the sovereign wealth fund.

"The focus has always been on the financing aspect but not much emphasis on the Shariah compliant supply chain to include the Takaful of the project. It should be made conditional that any project using Islamic financing instruments or mechanism (say, via Sukuk or Musharakah arrangement) must be required to be supported by Takaful protection instead of insurance. Just a change of the word 'insurance' to 'Takaful' in the finance contract will immediately spur sharp growth of the industry."

Ismail cited the line of credit on halal goods to be insured via marine Takaful and construction projects via CAR Takaful as examples. "For Malaysia to be a recognized leader, it has to have a strong and wide Takaful contribution base and this is the easiest way to expand the base. Coupled with our systematic and integrated approach and an enabling environment in developing the Islamic finance industry, the MIFC aspiration can be achieved sooner than planned."

SOLIDARITY GROUP — Bahrain

Khalid Abdulla Janahi is Solidarity's new board of director's chairman. Other members of the board includes Rashid Ismail Al Meer as the vice chairman, as well as Ziad Hassan Al Rawashdeh, James Beltran, Udo Krueger, Jamil Wafa, Salah Al Jaida, Mansoor Mohamed Al Musleh, Mohammed Bucheerei and Mohamed Hussain.

DEUTSCHE BANK — Taiwan

Ronald Song has been appointed as the head of global banking in Taiwan. He was previously the vice chairman of ABN-Amro's Taiwanese branch. Song will be responsible for corporate finance origination and execution in the country, and will report directly to Peter Tsao, vice chairman of the global telecommunication, media and technology within the global banking division.

HSBC — Singapore

HSBC has elected Sharon Tan as the Singapore's office new senior vice president for structured trade finance. Prior to joining HSBC, she was in Standard Chartered Bank in its structured trade finance business division for Southeast Asia, holding a key position.

AL QUDRA HOLDING — UAE

Investment company Al Qudra Holding has appointed a new board of directors, consisting of Hamad Abdullah Al Shamsi as chairman, Mohammed Abdullah Al Qubaisi as vice chairman and Mahmood Ebraheem Al-Mahmood as CEO and managing director.

Other board members include Salem Rashid Al Niyadi, Amer Abdul Al Jalil Al Fahim, Mohammed Mubarak Al Mazrouei, Hamad Mubarak Al Shamsi, Mohammed Thaloub Al Diri and Khaled Salem Al Muhairi.

BANK OF ENGLAND — UK

Rachel Lomax, a senior figure with the Bank of England's interest rate-setting committee has resigned. Lomax, one of two deputy governors at the central bank, told the Treasury she will leave when her five-year term on the monetary policy committee ends next month.

The 62-year-old economist played a pivotal role in Threadneedle Street as head of monetary policy.

BCG — Gulf

Dr Klaus Kessler, partner and managing director of Boston Consulting Group (BCG), recently joined its operations in the Gulf region.

Kessler, a senior member of BCG's Financial Institutions, Organization and Corporate Development Practice Groups, will oversee offices in Dubai and Abu Dhabi.

His areas of expertise include post-merger integration, growth strategy, due diligence, cost containment and strategic HR management.

NORTON ROSE — Middle East

Jonathan Brufal, projects partner of the firm's London office has been relocated to the same position in its Abu Dhabi office. This is part of Norton Rose's move to increase its partners from the current six to 16 within a year.

HKEX — Hong Kong

Prominent shareholder activist David Webb has resigned as an independent non-executive director of the Hong Kong bourse. He decided to leave following a disagreement with the management of Hong Kong Exchanges and Clearing, operator of Asia's third-largest stock market. Webb's resignation took effect on the 15th May.

UBS — UK

The Swiss investment bank has announced the new co-heads of its financial institutions coverage for Europe, Middle East and Africa regions. Ian Gladman and Edouard de Vitry will be replacing David Soanes, who will be the head of UBS' global capital markets group. They will be based in London. Meanwhile, Phillipe Sacerdot is UBS' new vice chairman. He was previously the bank's head of European banking coverage.

ALCAZAR CAPITAL — UAE

Agility has named Nibras El Fadel as CEO of its private equity arm, Alcazar Capital.

Before this, Nibras was founder and executive chairman of NeF Consulting, a Paris-based consulting practice. He has more than 25 years of experience in various advisory and operational roles in Europe, the US and the Middle East.

MERRILL LYNCH — UK

Merrill Lynch has appointed Rupert Hume-Kendall as chairman of global equity capital markets, replacing Jim Birle. Hume-Kendall will continue as vice-chairman of investment banking for the group in Europe, the Middle East and Africa.

He is the second major equities appointment in London by a US investment bank in two months following Goldman Sachs' appointment of Matthew Westerman as head of global equity capital markets in March.

NBAD — UAE

The financial markets division of National Bank of Abu Dhabi has appointed Ruurd Prins as head of institutional and corporate coverage in northern Emirates, based in Dubai.

Prins has extensive experience in treasury and fixed income products, having represented leading financial institutions in Europe and the GCC for over 13 years. He will focus on providing global markets products to financial institutions and corporate clients in the northern Emirates.

AABAR PETROLEUM — UAE

Aabar Petroleum CEO David Woodward has resigned following the completion of the sale of PEARL Energy to Mubadala Development Company. Senior members of Aabar's management team, Chris Gibson-Robinson, Richard Lorentz and Stephen Giles, have also resigned. However, Mohammad Badawy Al Hussainy will continue as Aabar's chief financial officer and Kelvin Tang will remain as general counsel.

Mohammad Badawy said Aabar will henceforth be known as Aabar Investments, following the approval of the new name by shareholders.

Deal *tracker*

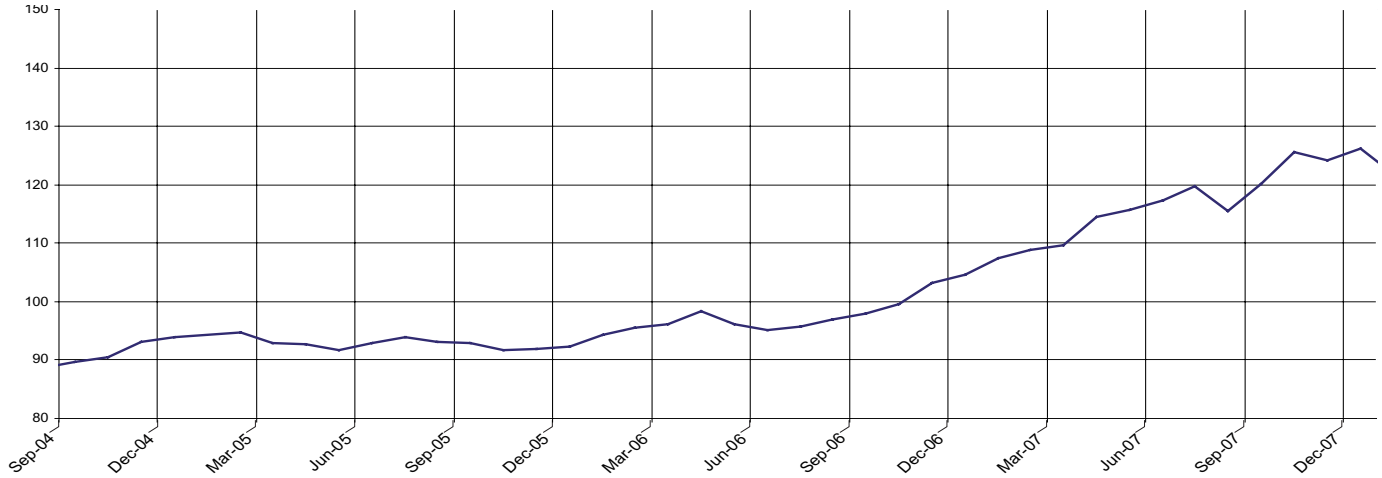
Keeping you abreast of the world's upcoming Shariah compliant deals

Another **Islamic Finance** *news* exclusive

ISSUER	SIZE (million)	INSTRUMENT
Toyota	US$305.3	Sukuk
Projek Lebuhraya Utara-Selatan	US$220	Sukuk; MTN
AirAsia	US$158.5	Sukuk Ijarah
Philippines	Up to US$1 billion	Sukuk
BTA Bank	Up to US$150	Sukuk
Mayora Indah	US$21.54	Sukuk Mudarabah
Bahrain Central Bank	US$500	Sukuk
Qatar Islamic Bank	US$300	Sukuk
Barwa Real Estate	US$800	Sukuk
Doha Bank	US$1 billion	Sukuk Ijarah
RAK Properties	US$2 billion	Sukuk
Tabreed	Up to US$500	Sukuk
Dubai International Financial Center	US$200	Sukuk
Amlak Finance	US$260	Sukuk
Al-Rajhi Cement Investment	US$595	Sukuk
Al-Zamin	US$11.15	Mudarabah
Muhibbah Engineering	US$125.41	Mudarabah
Indonesia	up to US$2 billion	Ijarah
Orient Technology Indonesia	US$120	Islamic and conventional
Perisai	up to US$47.03	2 tranches in 6 series
Ranipur Sugar	US$7.96	Diminishing Mushakarah
Pak Elektron	US$1.9 billion	Diminishing Musharakah
Adhi Karya	US$10.95	Mudarabah
Al Noor Sugar Mills	US$7.99	Diminishing Musharakah
FACB Industries	US$25.11	Murabahah; CP/MTN
Glomac	US$18.83	Murabahah MTN
First Fidelity	US$2.9	Diminishing Musharakah
Aneka Gas	US$26.5	Ijarah alongside US$8.5 million worth of conventional bonds
Prolintas	US$187	US$93.5 million senior Ijarah, US$93.5 million junior
Monetary Authority of	TBA	Sukuk

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

Eurekahedge Asia Pacific Islamic Fund Index



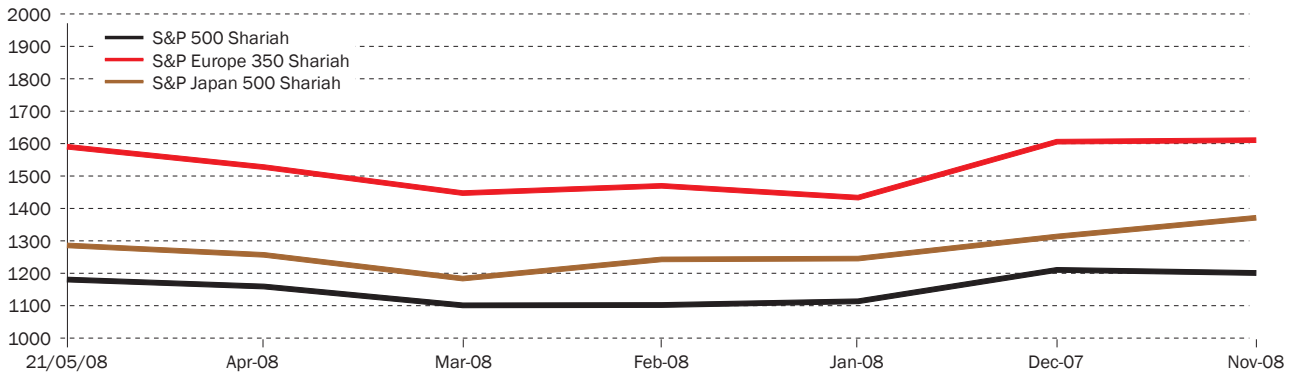
Monthly returns for Developed Markets funds (as of 21st May 2008)

	FUND	MANAGEMENT COMPANY	Performance Measure	FUND DOMICILE
1	Alfanar Europe	TT International	8.94	British Virgin Islands
2	Islamic Ijara Fund IV	Wafra Capital Partners	7.61	Kuwait
3	AlAhli Islamic US Equitybuilder Certificates	The National Commercial Bank	7.58	Germany
4	Islamic Al Yusr Certificate	ABN Amro Bank	6.98	Not disclosed
5	Al Ahli Europe Trading Equity Fund	The National Commercial Bank	4.49	Saudi Arabia
6	Al Rajhi European Equity Fund	Al Rajhi Bank	4.24	Saudi Arabia
7	Azzad Ethical Mid Cap Fund	Azzad Asset Management	3.54	United States
8	Islamic Global Equity Fund	Permal Investment Management Services Limited	3.21	British Virgin Islands
9	Azzad Ethical Income Fund	Azzad Asset Management	2.67	United States
10	Al Ahli Islamic Europe Equitybuilder Certificates	The National Commercial Bank	2.30	Germany
	*Eurekahedge Islamic Fund Index**		***2.54***	

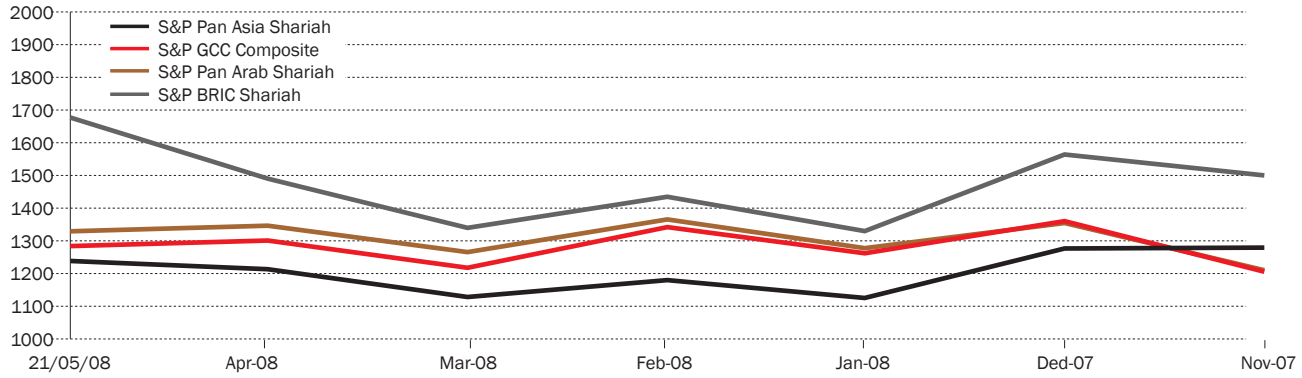
Monthly returns for Emerging Markets funds (as of 21st May 2008)

	FUND	MANAGEMENT COMPANY	Performance Measure	FUND DOMICILE
1	Gulf Industrial Companies Fund	The Saudi Investment Bank	14.52	Saudi Arabia
2	Riyad Equity Fund 2	Riyad Bank	13.28	Saudi Arabia
3	Islamic Certificate on the LLB Western Hilal TR Index	ABN Amro Bank NV	11.25	Switzerland
4	Al Fajer Fund	Wafra International Investment Company	11.00	Kuwait
5	Al Dar Securities Fund	ADAM	10.95	Kuwait
6	Al Rajhi Local Shares Fund	Al Rajhi Bank	10.93	Saudi Arabia
7	Al Rajhi Children Fund	Al Rajhi Bank	10.46	Saudi Arabia
8	Al Naqaa Asia Growth Fund	Banque Saudi Fransi	10.33	Saudi Arabia
9	Saudi Companies Fund	The Saudi Investment Bank	10.31	Saudi Arabia
10	Al-Durra Islamic Fund	Global Investment House	10.05	Kuwait
	*Eurekahedge Islamic Fund Index**		***2.32***	

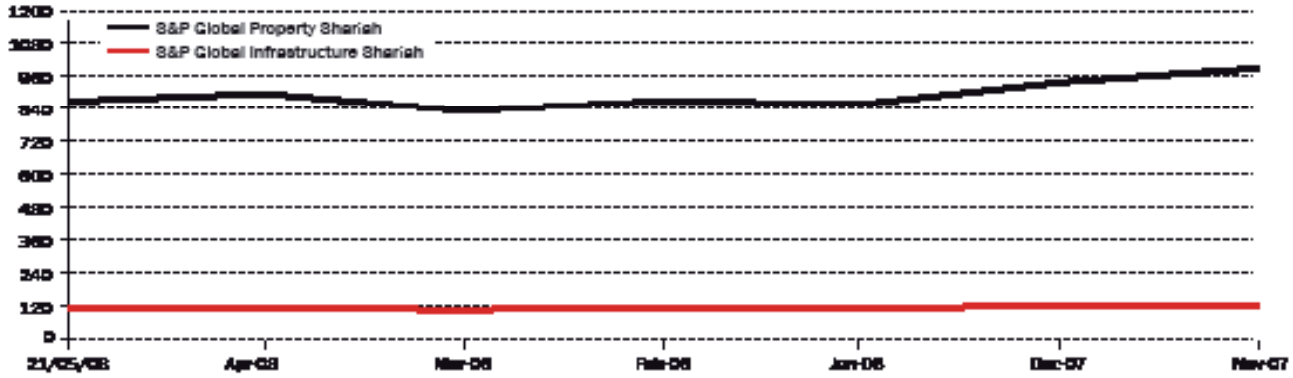
S&P Shariah Indices Price Index Levels



Index Code	Index Name	21/05/08	Apr-08	Mar-08	Feb-08	Jan-08	Dec-07	Nov-07
SPSHX	S&P 500 Shariah	1180.541	1159.136	1101.027	1102.059	1113.559	1210.401	1200.908
SPSHEU	S&P Europe 350 Shariah	1590.194	1527.614	1447.319	1469.692	1433.380	1605.956	1610.581
SPSHJU	S&P Japan 500 Shariah	1285.909	1256.791	1183.592	1242.786	1245.302	1313.474	1371.153



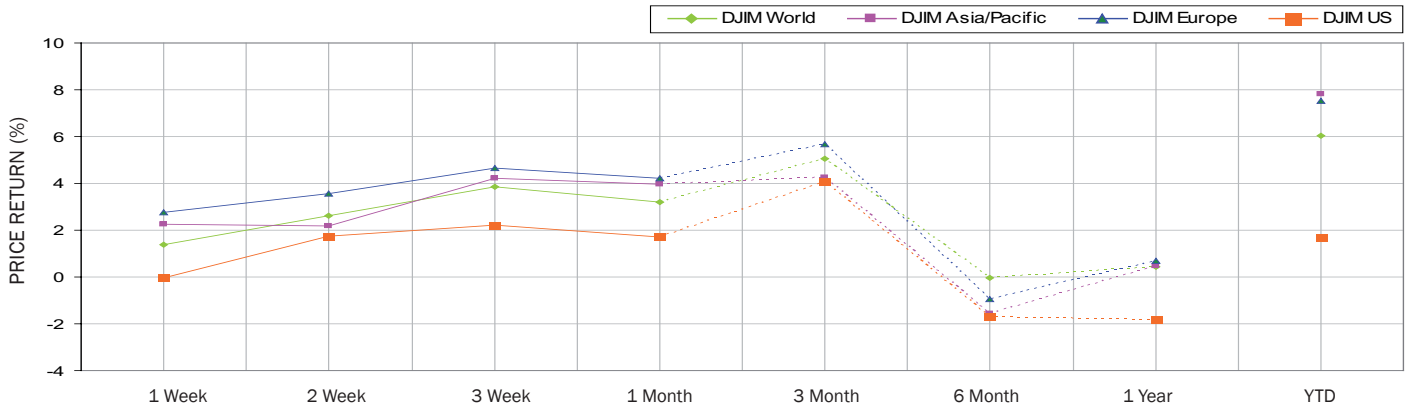
Index Code	Index Name	21/05/08	Apr-08	Mar-08	Feb-08	Jan-08	Dec-07	Nov-07
SPSHAS	S&P Pan Asia Shariah	1238.434	1213.284	1128.294	1179.878	1125.301	1276.625	1279.306
SPSHG	S&P GCC Composite Shariah	1283.956	1300.940	1217.617	1341.970	1261.967	1360.276	1205.592
SPSHPA	S&P Pan Arab Shariah	1329.168	1346.319	1265.531	1365.488	1277.606	1354.519	1210.131
SPSHBR	S&P BRIC Shariah	1677.057	1490.222	1339.677	1434.744	1329.801	1564.039	1500.115



Index Code	Index Name	21/05/08	Apr-08	Mar-08	Feb-08	Jan-08	Dec-07	Nov-07
SPSHGU	S&P Global Property Shariah	869.209	897.914	832.467	870.938	858.447	939.792	990.985
SPSHIF	S&P Global Infrastructure Shariah	114.187	111.336	108.755	112.966	110.419	125.143	125.250

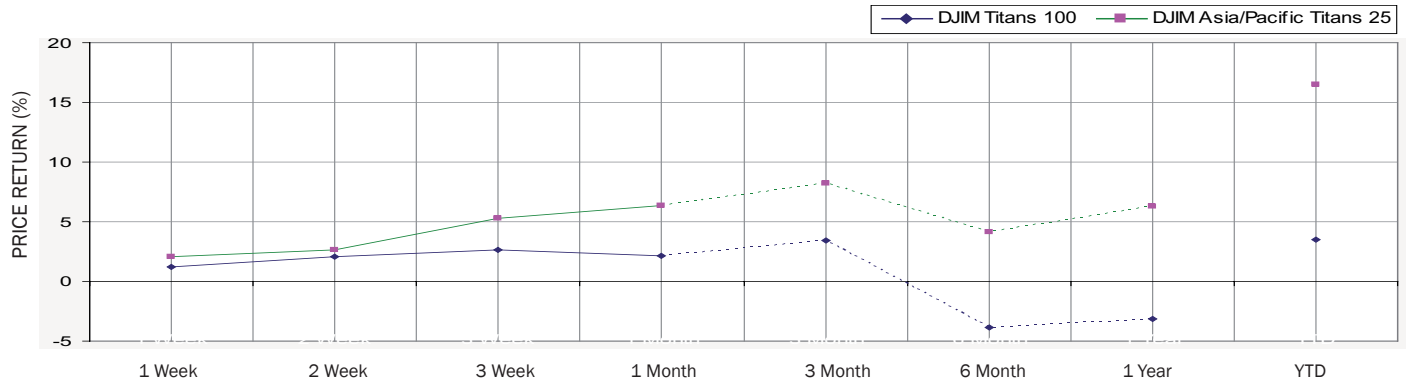
Data as of the 21st May 2008

PERFORMANCE OF DJ INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	1.37	2.62	3.86	3.21	5.07	-0.02	0.42	6.02
DJIM Asia/Pacific	2.24	2.17	4.22	3.97	4.27	-1.58	0.46	7.83
DJIM Europe	2.75	3.57	4.67	4.21	5.66	-0.93	0.69	7.53
DJIM US	-0.03	1.73	2.22	1.70	4.09	-1.72	-1.82	1.66

PERFORMANCE OF DJ TITANS INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM Titans 100	1.23	2.09	2.62	2.14	3.41	-3.86	-3.11	3.49
DJIM Asia/Pacific Titans 25	2.09	2.61	5.29	6.38	8.18	4.12	6.28	16.48

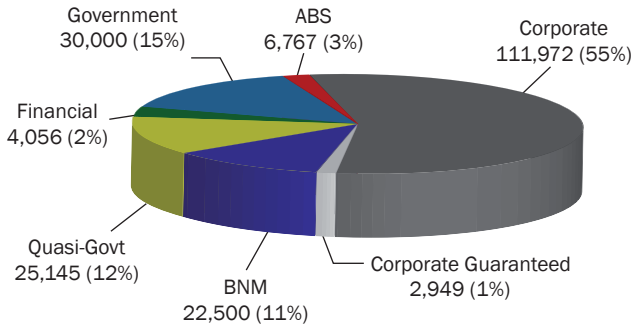
DESCRIPTIVE STATISTICS		Market Capitalization (US$ billions)						Component Weight (%)	
Index	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Largest	Smallest
DJIM World	2623	21206.54	17106.15	6.52	1.40	504.13	0.01	2.95	0.00
DJIM Asia/Pacific	1119	4184.85	2764.34	2.47	0.56	151.53	0.01	5.48	0.00
DJIM Europe	390	5670.42	4228.90	10.84	2.86	240.87	0.25	5.70	0.01
DJIM US	728	9145.94	8630.21	11.85	2.98	504.13	0.13	5.84	0.00
DJIM Titans 100	100	8667.28	7709.21	77.09	47.13	451.89	12.16	5.86	0.16
DJIM Asia/Pacific Titans 25	25	1372.34	905.30	36.21	29.43	98.69	12.16	10.90	1.34

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

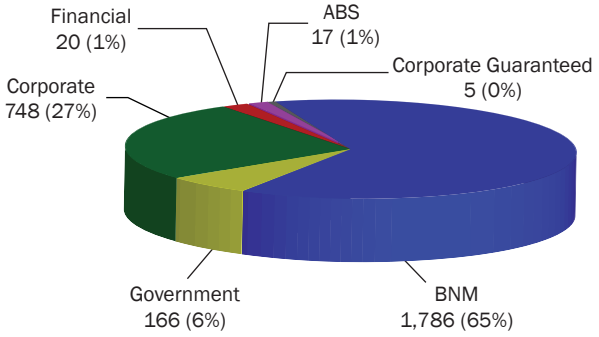
RINGGIT ISLAMIC DEBT MARKET: WEEKLY SNAPSHOT AS AT 21st MAY 2008
MOST ACTIVE BONDS TRADED BETWEEN 15th MAY and 21st MAY 2008

Stock Name	Last Traded Price	Last Traded Yield	Total Volume Traded Last 7	% w-o-w Price Change	Last Week Closing Price
BNMNI B4 (68D - 91D)	99.87	3.52	339.90		
BNMN-IDB 73/2007 91D 27.03.2008	98.33	3.43	300.00		
BNMN-IDB 18/2008 182D 11.09.2008	99.92	3.47	274.00		
BNMNI B7 (172D - 211D)	99.80	3.48	190.00		
BNMNI B9 (262D - 311D)	98.36	3.45	175.00		
CAGAMAS IMTN 3.830% 13.03.2009	97.48	3.42	130.00		
PROFIT- BASED GII 3/2007 14.09.2012	99.37	3.51	128.57		
BNMN-IDB 2/2008 90D 10.04.2008	99.88	3.56	100.00	-0.02	99.90
PROFIT-BASED GII 1/2007 15.03.2010	99.46	3.70	95.00		
KHAZANAH 0% 08.12.2016	99.73	4.18	85.00	0.02	99.71
BNMN-IDB 16/2008 182D 04.09.2008	99.88	3.50	67.00		
BNMN-IDB 34/2007 273D 20.03.2008	96.85	3.41	60.00		
RANTAU IMTN 0% 14.08.2013-MTN 2	102.79	4.31	55.00	-0.04	102.83
BNMN-IDB 17/2008 273D 11.12.2008	100.00	3.53	50.00	-0.01	100.01
WESTPORTS IMTN 0% 07.03.2013 (TRANCHE- 3)	99.85	3.64	40.00	0.01	99.84

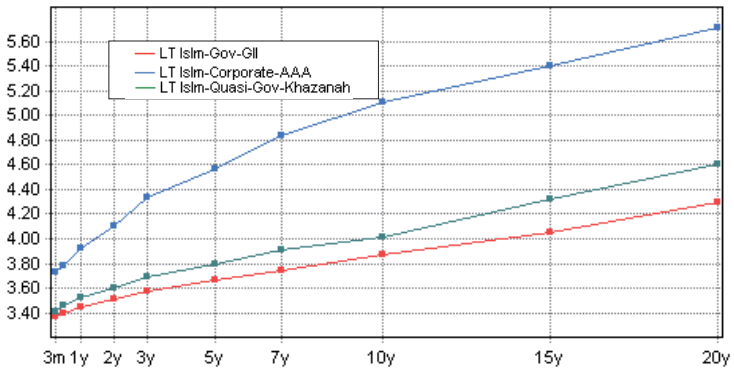
Outstanding Bond by Issuer Class as at 21st May 2008 (RM'000)



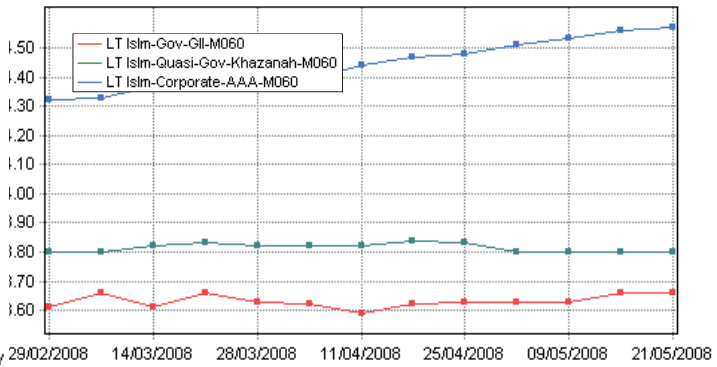
Bond Traded Amount by Issuer Class as at 21st May 2008 (RM'000)



YTM Curves as at 21st May 2008



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



TOP ISSUERS OF ISLAMIC BONDS — MAY 2007 – MAY 2008

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Binariang GSM	Malaysia	Sukuk Musharakah	4,509	9	14.2	CIMB, RHB Investment, Aseambankers, ABN Amro Bank, AmInvestment, OCBC Bank (Malaysia)
2	Malaysia	Malaysia	Sukuk	2,494	3	7.8	Malaysia Government bond
3	Saudi Basic Industries	Saudi Arabia	Sukuk Istithmar	2,133	1	6.7	HSBC Saudi Arabia
4	JAFZ Sukuk	UAE	Sukuk Musharakah	2,043	1	6.4	Barclays Capital, Deutsche Bank (London), Dubai Islamic Bank, Lehman Brothers International (Europe)
5	DP World Sukuk	UAE	Sukuk Mudarabah	1,496	1	4.7	Barclays Capital, Citigroup, Deutsche Bank, Lehman Brothers
6	Saudi Electricity	UAE	Sukuk	1,333	1	4.2	HSBC Saudi Arabia
7	Dubai Sukuk Center	UAE	Sukuk Mudarabah	1,248	1	3.9	Deutsche Bank (London), Goldman Sachs International
8	Projek Lebuhraya Utara Selatan	Malaysia	Sukuk Musharakah	1,067	10	3.4	CIMB
9	Dana Gas Sukuk	UAE	Sukuk Mudarabah	1,000	1	3.1	JPMorgan
10	Dar Al-Arkan International Sukuk	Saudi Arabia	Sukuk Ijarah	1,000	1	3.1	ABS Islamic Bond, Arab National Bank, Deutsche Bank, Dubai Islamic Bank, Gulf International Bank (UK), Kuwait Finance House, Unicorn Investment Bank
11	Cherating Capital	Malaysia	Exchangeable Sukuk	850	1	2.7	Deutsche Bank (Malaysia), JPMorgan, CIMB
12	Hijrah Pertama	Malaysia	Sukuk Ijarah	847	2	2.7	Citibank, CIMB
13	Nakheel Development 2	UAE	Sukuk Ijarah	750	2	2.4	JPMorgan
14	Khazanah Nasional	Malaysia	Exchangeable Sukuk	550	1	1.7	CIMB, Deutsche Bank, UBS
15	Cagamas	Malaysia	Sukuk Murabahah	547	5	1.7	HSBC, CIMB, Aseambankers
16	National Bank of Abu Dhabi	UAE	Exchangeable Sukuk	545	1	1.7	Morgan Stanley, Credit Suisse
17	Silterra Capital	Malaysia	Sukuk Ijarah	530	1	1.7	CIMB, HSBC, Citibank
18	NIG Sukuk	Kuwait	Sukuk Mudarabah	475	1	1.5	BNP Paribas, Citigroup, National Bank of Kuwait, Standard Chartered, WestLB
19	Tabreed 08 Financing	UAE	Istisna & Ijarah exchangeable Sukuk	463	1	1.5	Morgan Stanley
20	National Central Cooling (Tabreed)	UAE	Exchangeable Sukuk	463	1	1.5	Morgan Stanley
	Total			**31,769**	**295**	**100.0**	

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TOP ISSUERS OF ISLAMIC BONDS — FEBRUARY 2008 – MAY 2008

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Malaysia	Malaysia	Sukuk	627	1	14.4	Government bond/no bookrunner
2	Khazanah Nasional	Malaysia	Exchangeable Sukuk	550	1	12.7	CIMB, Deutsche Bank, UBS
3	Tabreed 08 Financing	UAE	Istisna & Ijarah exchangeable Sukuk	463	1	10.7	Morgan Stanley
4	National Central Cooling (Tabreed)	UAE	Convertible Sukuk	463	1	10.7	Morgan Stanley
5	Lingkaran Trans Kota Holdings	Malaysia	Musharakah MTN	457	13	10.5	Aseambankers
6	Central Bank of Bahrain	Bahrain	Ijarah Sukuk	350	1	8.1	Calyon
7	Villamar Sukuk	Bahrain	Sukuk Musharakah	190	1	4.4	Al Rajhi Banking & Investment, Merrill Lynch International
8	Nakheel Development 3	UAE	Sukuk Ijarah	163	1	3.8	Dubai Islamic Bank, NBD Investment Bank, JPMorgan Securities
9	Almana Sukuk	Qatar	Mudarabah Sukuk	163	1	3.8	Gulf International Bank
10	Westports Malaysia	Malaysia	Musharakah MTN	140	3	3.2	OSK Investment Bank
11	Salam Bounian Development Sukuk	Qatar	Sukuk Musharakah	138	1	3.2	Qatar National Bank, Commercial Bank of Qatar, Qatar Islamic Bank
12	Aras Sejagat	Malaysia	Ijarah Islamic bond	133	1	3.1	Bank Islam Malaysia, Kuwait Finance House (Malaysia)
13	Cagamas	Malaysia	Sukuk Murabahah	96	2	2.2	HSBC, CIMB, Aseambankers
14	Tanjung Langsat Port	Malaysia	Musharakah MTN	78	6	1.8	MIDF Amanah Investment Bank
15	Jimah Energy Ventures Holdings	Malaysia	Istisna MTN	76	10	1.8	AmInvestment, RHB Investment Bank, MIMB Investment Bank, Bank Muamalat Malaysia
16	Indosat	Indonesia	Ijarah Islamic bond	62	1	1.4	Mandiri Sekuritas, Danareksa Sekuritas
17	KNM Capital	Malaysia	Murabahah and Mudarabah MTN	42	3	1.0	Aseambankers
18	Hong Leong Industries	Malaysia	Musharakah MTN	32	2	0.7	Hong Leong Bank
19	Sunrise	Malaysia	Murabahah MTN	32	1	0.7	CIMB Investment Bank
20	Serrisa Sinar	Malaysia	Murabahah MTN	27	7	0.6	MIDF Amanah Investment Bank
	Total			**4,344**	**66**	**100.0**	

ISLAMIC BONDS			MAY 2007 – MAY 2008	
	Manager or Group	Amt US$ m	Iss.	%
1	CIMB	3,700	48	11.6
2	HSBC	3,397	20	10.7
3	Malaysia Government bond	2,494	3	7.8
4	Deutsche Bank	2,118	6	6.7
5	JPMorgan	2,088	5	6.6
6	Citigroup	1,800	13	5.7
7	Aseambankers	1,506	41	4.7
8	AmInvestment	1,308	51	4.1
9	Morgan Stanley	1,308	7	4.1
10	Barclays Capital	1,185	3	3.7
11	Riyad Bank	1,066	1	3.4
12	Standard Chartered	953	31	3.0
13	Lehman Brothers	885	2	2.8
14	RHB Capital	852	62	2.7
15	Dubai Islamic Bank	769	5	2.4
16	Oversea-Chinese Banking	683	16	2.1
17	Goldman Sachs	624	1	2.0
18	ABN Amro	620	8	2.0
19	Credit Suisse	381	2	1.2
20	Calyon	350	1	1.1
	Total	**31,769**	**295**	**100.0**

ISLAMIC BONDS			FEBRUARY 2008 – MAY 2008	
	Manager or Group	Amt US$ m	Iss.	%
1	Morgan Stanley	926	2	21.3
2	Malaysia Government bond	627	1	14.4
3	Aseambankers	595	18	13.7
4	Calyon	350	1	8.1
5	CIMB	215	2	4.9
6	Deutsche Bank	183	1	4.2
7	UBS	183	1	4.2
8	Gulf International Bank	163	1	3.8
9	OSK Asia Securities	140	3	3.2
10	Malaysian Industrial Development Finance	106	14	2.4
11	Al Rajhi Banking & Investment	95	1	2.2
12	Merrill Lynch	95	1	2.2
13	Bank Islam Malaysia	66	1	1.5
14	Kuwait Finance House (Malaysia)	66	1	1.5
15	Dubai Islamic Bank	54	1	1.3
16	Emirates NBD	54	1	1.3
17	JPMorgan	54	1	1.3
18	Commercial Bank of Qatar	46	1	1.1
19	Qatar Islamic Bank	46	1	1.1
20	Qatar National Bank	46	1	1.1
	Total	**4,344**	**66**	**100.0**

ISLAMIC BONDS BY COUNTRY		MAY 2007 – MAY 2008	
	Amt US$ m	Iss.	%
Malaysia	15,144	243	47.7
UAE	9,365	17	29.5
Saudi Arabia	4,466	3	14.1
Pakistan	702	19	2.2
Kuwait	575	2	1.8
Bahrain	550	2	1.7
Total	**31,769**	**295**	**100.0**

ISLAMIC BONDS BY COUNTRY		FEBRUARY 2008 – MAY 2008	
	Amt US$ m	Iss.	%
Malaysia	2,302	55	53.0
UAE	1,089	3	25.1
Bahrain	350	1	8.1
Total	**4,344**	**66**	**100.0**

ISLAMIC BONDS BY CURRENCY		MAY 2007 – MAY 2008	
	Amt US$ m	Iss.	%
Malaysian ringgit	13,744	241	43.3
US dollar	9,842	22	31.0
Emirati dirham	3,840	6	12.1
Saudi Arabian riyal	3,466	2	10.9
Total	**31,769**	**295**	**100.0**

ISLAMIC BONDS BY CURRENCY		FEBRUARY 2008 – MAY 2008	
	Amt US$ m	Iss.	%
Malaysian ringgit	1,752	54	40.3
Emirati dirham	1,252	4	28.8
US dollar	1,228	4	28.3
Total	**4,344**	**66**	**100.0**

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DATE	EVENT	VENUE	ORGANIZER
May			
25th - 29th	Private Equity Forum	Dubai	IIR Middle East
26th - 27th	The World Islamic Capital Markets Conference	Bahrain	MEGA Events
	The World Islamic Funds Conference	Bahrain	MEGA Events
26th - 28th	4th Annual Middle East Project Finance Conference	Dubai	Fleming Gulf
26th - 29th	The International Islamic Finance Leadership Summit	Turkey	IQPC
27th - 28th	7th Annual Shari'a Conference	Bahrain	AAOIFI
June			
2nd - 5th	Funds World Middle East 2008	Dubai	Terrapinn
3rd	Cairo IFN Forum 2008	Egypt	Islamic Finance Events
15th - 17th	TradeTech Middle East 2008	Dubai	WorldWide Business Research
15th - 19th	Sukuk World Middle East	Dubai	IIR Middle East
23rd - 26th	4th International Islamic Finance Forum 2008	Hong Kong	Informa
24th - 26th	Islamic Finance & Investment World Europe 2008	UK	Terrapinn
25th - 26th	Sukuk Summit	London	ICG Events
July			
1st - 3rd	Islamic Finance: The India Opportunity	India	IQPC
8th	The World Islamic Banking Conference	London	MEGA
14th - 16th	2nd International Takaful Summit	London	IBFIM
22nd	Innovative Product Development	UK	IGG Events
23rd - 24th	Islamic Real Estate Asia 2008	Kuala Lumpur	IQPC
August			
11th - 13th	MIF 2008 Issuer & Investors Forum	Kuala Lumpur	Islamic Finance Events
25th - 28th	Islamic Finance & Investment World 2008	South Africa	Terrapinn
October			
12th - 16th	Middle East Retail Banking Forum	Dubai	IIR Middle East
14th	Middle East Hedge Funds 2008	Switzerland	Jetfin Events
15th	New York IFN Forum	New York	Islamic Finance Events
17th	London IFN Forum	UK	Islamic Finance Events
20th - 21st	Islamic Real Estate Investment	TBA	Naseba
21st	Islamic Private Equity	UK	IGG Events
26th - 30th	Saudi Insurance Summit	Saudi Arabia	IIR Middle East
28th	Istanbul IFN Forum	Turkey	Islamic Finance Events

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