Islamic Finance news
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Pakistan: Polishing a Gem

While Pakistan has been persistently associated with violence and unrest, US investment bank Goldman Sachs has this to say about the Muslim nation: "Superficially, Pakistan does not look that attractive for investment, but when you study the country, you see the possibilities." With a total population of 170 million and a GDP per capita of around US$2,900, its economy has been growing at about 7% annually since 2004.

Pakistan is seen as a member of the "Next 11", a group of emerging markets with the potential to become the world's largest economies, alongside Brazil, Russia, India and China. In this respect, Islamic finance has great potential, especially with it also being home to some of the most respected Shariah scholars.

"We regard Pakistan as the Islamic finance causeway between the GCC and the Far East," declared Rushdi Siddiqui, global director of the Dow Jones Islamic Market Index Group, when he launched the Dow Jones JS Pakistan Islamic Index.

As our country reports reveal, Pakistan was among the first countries to build a financial system according to Shariah principles, as far back as the 1970s. It has, however, turned out to be tough going, especially with several changes in government. The result is that GCC countries and Malaysia have sped past Pakistan in putting Islamic finance into active practice.

However, the surge in interest in Islamic finance around the world has sparked a revitalization of advances in this field in Pakistan. The State Bank of Pakistan has declared that it wants to develop a progressive and sound Islamic banking system that is in line, and compatible, with the global financial sector, providing innovative Shariah compliant products and services to achieve equitable economic growth. The pace is indeed picking up: There are six full-fledged Islamic banks and 12 conventional banks with standalone Islamic banking branches, while applications by a few more players are under consideration.

Our focus article, on how Shariah governance empowers Islamic finance, explains why the requirements, while being religious in origin, are a boon to all participants in the financial sector who prefer ethical, above board practices that promote good business. It also tells of how strong political will set the pace in enabling the emergence of Malaysia, Singapore, London and Hong Kong as the newest Islamic financial centers.

Even so, it speaks of the difficulty in convincing regulators to adopt Shariah governance as a policy tool, as they cannot fathom the significance of Shariah governance in setting the design for Islamic financial regulatory and supervisory work. The article warns that allowing Shariah governance to run its own course will undermine the integrity of the Islamic financial system, and says this is why government agencies need to have regulatory and supervisory duties to ensure Shariah governance in an Islamic finance framework.

An IFN Report reveals that the US government's takeover of Fannie Mae and Freddie Mac shows no immediate effect on Shariah compliant mortgages there. Both the Federal National Mortgage Association and the Federal Home Mortgage Corporation were Islamic finance intermediaries. They had purchased Shariah compliant mortgages from financial institutions which enabled providers to originate further mortgages.

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AMERICAS

Government takes over Freddie Mac, Fannie Mae

US: The US government has taken over the Federal National Mortgage Association, also known as Fannie Mae, and the Federal Home Mortgage Corporation, or Freddie Mac. The takeover places both mortgage giants under a conservatorship under the new Federal Housing Finance Agency, and the move is expected to stabilize the US financial market, especially in easing the mortgage crisis.

Treasury Secretary Henry Paulson said both firms are so interwoven in the country's financial system that the failure of one of them will cause difficulties in the US financial market as well as the global market.

Both Freddie Mac and Fannie Mae have dabbled in Islamic financing. Freddie Mac has bought several Shariah compliant mortgages from a number of institutions since 2001, Brad German, the mortgage institution's director of media relations, told Islamic finance *news*.

(Also see IFN Report on page 11)

ASIA

SBP sets US$130 million target for Sukuk

PAKISTAN: The country has set a target of PKR10 billion (US$130.6 million) for its three-year Sukuk Ijarah issuance, said the State Bank of Pakistan (SBP). The tender for the Sukuk will be issued on the 15th September, while settlement will be on the 26th September. It was reported last week that the Islamic bond will be used to help bridge a budget deficit that has widened to a 10-year high.

The bond will also help mobilize funds which are with Islamic banks and help the government diversify its debt, said Shamshad Akhtar, governor of the central bank.

QNB's office is now a full-fledged branch

SINGAPORE: Qatar National Bank's (QNB) representative office in Singapore has been upgraded into a full-fledged branch, effective the 10th September, said the bank in a statement.

The first bank from Qatar to operate in Singapore, it received its license as a representative office in April last year. As a branch, it holds a wholesale banking license and will provide a full range of banking services and products including fixed deposits, current accounts, corporate loans, project finance and trade finance.

According to the statement, QNB's presence in Singapore further bridges the economies of the two countries and boosts bilateral trade as well as between Qatar and other Asian countries.

Singapore is also one of Qatar's major exporting countries, and provides the pipeline for trade and capital flows between the MENA region and Asia.

QNB's operations have expanded this year, with its reach extending to countries such as Yemen, Libya and Oman in addition to its investments in banks in Tunisia, Syria and Jordan. QNB has also obtained licenses to operate in Sudan and Mauritania.

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ASIA *(continued)*

IFSB admits new members

MALAYSIA: The Islamic Financial Services Board (IFSB) has admitted 11 new members, said the board in a statement. They are the Financial Services Commission & Financial Supervisory Service from Korea, Mitsubishi UFJ Securities from Japan, Unicorn International Islamic Bank from Malaysia, Commercial Bank of Dubai, Deutsche Bank, Emirates Islamic Bank and Tokio Marine Insurance Middle East from the UAE, Khaleeji Commercial Bank from Bahrain, Sudanese French Bank from Sudan, Kuwait International Bank and Gatehouse Bank from the UK.

IFSB now has 175 members or organizations from 34 jurisdictions, comprising 42 regulatory and supervisory authorities, six international inter-governmental organizations and 127 market players and professional firms. In the statement, IFSB said the new admissions reflect the continuing interest of the Islamic financial services industry in the work undertaken by the board.

ING Funds launches a new Islamic fund

MALAYSIA: ING Funds has launched a new fund, the Shariah compliant ING Annual Income Climate Structured Fund. The fund will be invested in Australian dollar-denominated underlying assets and also provide total capital protection at the maturity period, said ING Fund's CEO, Steve Ong.

The closed-end fund offers 5% annual income distribution for three years and potential capital upside returns, he added. It has 500 million units of approved fund size. Entry price is RM0.98 (US$0.28) per unit with a minimum initial investment of RM5,000 (US$1,440), said Ong.

At the launch, the CEO said ING Funds was set to be an exporter of Islamic products, with the launch of its first Global Shariah Fund within the first quarter of next year. The fund will be managed from Malaysia and be distributed globally through its investment offices. ING has 13 investment offices across the Asia-Pacific and 33 worldwide.

More than 60% of ING Funds' RM2.6 billion (US$748 million) asset portfolio under management is Shariah compliant, said Ong.

KFHM leads consortium in condo buy

MALAYSIA: Kuwait Finance House Malaysia (KFHM) is leading a consortium of companies to buy a 41-storey high-end condominium block, The Pearls @ KLCC, in Kuala Lumpur for about RM550 million (US$160 million).

The consortium, Flora Bliss Development, acquired the block from developer Ceramic Home Tiles. The purchase is funded by KFHM, marking the second major asset acquisition in the prime KLCC area by the banker. Flora Bliss is expected to either re-sell the block later or sell units to individual buyers.

HwangDBS IM declares income distribution

MALAYSIA: HwangDBS Investment Management has declared the annual income distribution of its Fahim Fund and Izdihar Fund at RM0.04 (US$0.011) and RM0.05 (US$0.014) respectively. The Fahim Fund is an Islamic growth and income type

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fund while the Izdihar Fund is an Islamic growth type fund. The distributions are for the financial year ended the 31st August.

The gross income distribution for the Fahim Fund was its third and final distribution since its launch on the 28th June 2004, while for the Izdihar Fund, this is its sixth and final distribution since being launched in October 2002.

BMI to set up First Islamic Investment Bank

MALAYSIA: Bank Muamalat Indonesia (BMI) plans to set up First Islamic Investment Bank in Malaysia next month, said its president director, Andi Buchori.

He added that the Indonesian bank has received the license from Malaysia's Labuan Offshore Financial Services Authority as well as the letter of consent from the central bank, Bank Indonesia.

First Islamic Investment Bank will have its main office in Kuala Lumpur, while the secretariat office will be located in Labuan, said Andi. He also said that BMI will add US$100 million to its capital, while investment for its infrastructure development is expected to be around US$1 million.

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EUROPE

EIIB returns to profit in the first half

UK: The European Islamic Investment Bank (EIIB) reported an operating profit of GBP2.8 million (US$5 million) for the first half of 2008, reversing the GBP3.65 million (US$6.5 million) loss in the previous corresponding period, which the bank attributed to the impairment of its investment properties.

With revenue increasing by 14% to GBP7.3 million (US$13 million), the bank said it has continued to progress in the first six months of the year despite the challenges in the credit markets.

Express Bank to introduce Islamic card nationwide

RUSSIA: Express Bank has introduced an Islamic debit card in the predominantly Muslim region of Dagestan, and is working on introducing the card to Muslims across Russia. A bank spokesperson assured customers that any interests gained on the card accounts will be donated to charitable causes. Express Bank had decided on the terms for the card in cooperation with the Spiritual Council of Muslims in Dagestan.

Stating that currently, no other bank in the country offers Shariah compliant services of any kind, the spokesperson claimed that the Islamic card is popular with Christians and Jews as well in the region. There have been attempts to develop an Islamic financial services industry in the country, such as by Badr-Forte Bank, the only Islamic bank established in Russia, in 1991. However, the Russian Central Bank revoked its license in 2006.

Renat Bekkin, an Islamic finance expert and professor at the Moscow State Institute of International Relations, called the new card a step in the right direction, but felt that other Islamic financial services such as insurance and mortgages are more in demand than a debit card, especially in Moscow.

EFH to launch range of mutual funds

LUXEMBOURG: European Finance House (EFH) will launch its Luxembourg regulated fund range as part of its strategy to offer

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investors a full range of Islamic fund products. The new mutual fund range will provide investors, from individuals to sovereign wealth funds, access to EFH's fund management products in a simple and transparent manner.

Mark Watts, head of asset management at EFH, said Luxembourg was chosen as the home of its first mutual fund range due to its strong regulatory framework, excellent investor protection and high recognition across multiple jurisdictions.

MIDDLE EAST

Jasper completes mandate for transaction

UAE: Jasper Corporate Finance has completed its mandate to raise AED200 million (US$54 million) of Shariah compliant financing on behalf of Osus Facilities Management. Jasper acted as the financial adviser to Osus, while HSBC Amanah and Qatar National Bank were the arrangers, agents and security agents for the transaction. Both banks each contributed AED100 million (US$27 million).

The proceeds of the transaction will help Osus fund the STARGATE project, a high-quality family "edutainment" center and themed mall to be located in Za'abeel Park in Dubai. The development will be a unique mixed-use, multi-attraction venue, with both indoor and outdoor facilities.

Special Ijarah promotion for Ramadan

QATAR: Qatar Islamic Bank has launched an Ijarah promotion for its property financing customers during the month of Ramadan. The promotion offers customers a flat rate of 3.99% for the first three years for property financing options during Ramadan, and the grace period for the Ijarah will be extended to six months instead of three.

CEO Salah Jaidah said the promotion is an example of QIB's dedication to Qatar and its clients, adding that it is the bank's responsibility to encourage growth in the economy and offer personal financial growth options and opportunities to its clients.

Region's most business-friendly economy

SAUDI ARABIA: The kingdom is the most business-friendly economy in the Middle East, said the World Bank. It ranks at No 16, ahead of Bahrain, Qatar and the UAE, which are placed at 18th, 37th and 46th, respectively.

The bank said Saudi has made it easier to start a business, with improved administration and registration fees reduced by 80%. It also strengthened protection for minority shareholders, accelerated the registration of property and introduced strict deadlines for bankruptcy procedures, added the World Bank in a report.

Saudi is the largest Arab economy and exporter of oil internationally. It relies on the hydrocarbons industry for 60% of its gross domestic product.

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MIDDLE EAST
(continued)

Citibank arranges Al Faisal's syndicated loan

QATAR: Citibank has arranged a seven-year syndicated loan facility for Al Faisal Holding worth US$850 million in its capacity as the sole bookrunner for the transaction. The multi-currency facility, available in US dollar, UAE dirham and Qatari riyal, comprises both conventional and Islamic tranches, and will be used to finance the company's expansion plans and growth needs.

Other banks involved in the transaction are al khaliji, Badr Al Islami, Commercialbank and Qatar Islamic Bank as the mandated lead arrangers, while Qatar International Islamic Bank, Arab Bank and Doha Bank are the lead arrangers. United Bank and Masraf Al Rayan are also involved.

Al Faisal is a well-diversified business base and is involved in a number of industries including real estate, trading, transportation and excavation, entertainment, education, services and the construction sector.

Law firm moves partners and associates

SAUDI ARABIA/UAE: Allen & Overy is moving 20 of its partners and associates to its offices in Dubai, Abu Dhabi and Saudi Arabia. The associates moving to the region come from New York, Paris, London, Milan, Frankfurt and Brussels and work across the banking, corporate, international capital markets and real estate practices.

The move by the law firm will bring the total number of its lawyers in the Gulf to more than 100.

Nakheel eyeing property assets abroad

UAE: Nakheel Properties will be launching a US$1.2 billion syndicated loan that includes a conventional as well as an Islamic tranche. The facility will mature in January 2011 and may be funded in US dollar or dirham, said Nakheel in a statement.

The developer added that the size for each tranche would be finalized after syndication, and the proceeds to be used for its general corporate funding needs. Emirates NBD, Mashreq Bank, Noor Islamic Bank and SAMBA Financial Group were appointed as the initial lead arrangers, underwriters and bookrunners of the facility.

In a separate report, Nakheel CEO Chris O'Donnell said that the company is looking into purchasing assets in the US, the UK and Australia within the next 12 to 18 months following a drop in property prices. Nakheel will also decide on a public listing within the next year as it expands in the Gulf and abroad.

Launch of The Sukuk Fund

UAE: Algebra Capital and Elaf Bank launched The Sukuk Fund on the 7th September. The open-ended fund is seeded by Elaf and managed by Algebra Capital, and has an initial target size of US$100 million and returns above 8%.

It is expected to provide exposure to Islamic securities issued in the Mena (Middle East and North Africa) and Asian regions. Ziad Makkawi, founder and CEO of Algebra Capital, said the fund is the second that the company manages in its fixed income line of business.

Elaf's general manager for investment banking, Ahmad Tayara, said the bank hopes that investors will consider The Sukuk Fund as a unique financial product that provides diversification for their portfolios through the addition of Shariah compliant income-generating issues such as Islamic bonds.

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MIDDLE EAST
(continued)

A first for the Middle East real estate sector

UAE: The Dubai and Abu Dhabi offices of law firm Clifford Chance have advised on the first ever securitization of installment sales receivables. The transaction involving this brand new asset class was also Shariah compliant. The Sukuk certificates are asset backed by installment sales receivables from the sale by Sorouh Real Estate of plots of land on the Shams and Saraya developments in Abu Dhabi and have been awarded the highest credit rating to date for a non-sovereign instrument issued in the MENA region.

According to Clifford Chance, the transaction is also unique in many other ways, but notably, it marks the first asset-backed securitization out of Abu Dhabi. It is also the world's largest Shariah compliant securitization to date, includes Shariah compliant tranches and represents one of the few fully distributed asset backed transactions since the advent of the credit crunch.

Clifford Chance represented Citigroup Global Markets (Citi) which was the global coordinator, and also Abu Dhabi Commercial Bank, Citi, First Gulf Bank, National Bank of Abu Dhabi and Noor Islamic Bank in their capacities as joint lead managers and joint bookrunners.

Debashis Dey, head of Capital Markets and Structured Finance (Middle East), said: "The transaction brings together our market leading expertise in securitization, Shariah structuring and our UAE law knowledge, each at the cutting edge of the product areas. It was a key factor in our appointment that we were able to advise and lead the transaction in all three areas."

Qudeer Latif, head of Islamic finance, said: "The transaction demonstrates that Shariah principles and securitization techniques can be brought together in harmony. It is also a return to the Mudarabah structure in a Shariah compliant manner which is unique in the current market."

Al Hilal enters partnership with Etihad

UAE: Al Hilal Bank has entered into a strategic partnership with Etihad Airways, which also happens to be the bank's first customer from the airline industry. Mohamed Jamil Berro, CEO of the new Islamic bank, said that the agreement is a step forward in its quest to become a major player in the growth and economic development of the UAE.

Etihad is confident the partnership will meet the airline's financial objectives, said its CEO, James Hogan. Hogan said Etihad is keen to work with the bank in developing its Islamic banking activities, especially in finance and investments.

RBS plans for Islamic bank

UAE: Royal Bank of Scotland (RBS) is planning for an Islamic banking operation that will be announced soon. This will be in addition to plans to expand across the Gulf and in the UAE, said its regional head for the Middle East, Colin Macdonald. He didn't elaborate.

The bank is expecting revenue from its Gulf operations to double over the next two years, he said. RBS' Gulf expansion will involve retail banking, wealth management and wholesale financial services, with Macdonald targeting sovereign wealth funds (SWFs) as an important part of the group's business as well. SWFs such as the Kuwait Investment Authority and the Abu Dhabi Investment Authority are important clients to banks like RBS, Macdonald noted.

Meanwhile, all of ABN AMRO businesses in UAE will now be known as RBS, following the acquisition of the Dutch ABN AMRO by a consortium led by RBS in October 2007. Macdonald said that customers can look forward to better efficiency in the bank's operations.

One of RBS' strategies is to target the 140,000 British expatriates living in the Emirates, as RBS is a brand that they would recognize, said Julian George, head of Middle East and Asia, international personal banking at RBS International. He added that the bank will provide a seamless service through the local experience of ABN AMRO and the strong branding of RBS.

QFIB gets the nod from Qatari regulator

QATAR: The Qatar Financial Centre Regulatory Authority (QFCRA) has given the green light to Qatar First Investment Bank (QFIB) to set up operations at the QFC. Chairman and CEO of QFCRA, Phillip Thorpe, said that the regulator recognized the importance of attracting Islamic financial institutions as part of its plan to broaden Qatar's financial services base.
QFIB is a Qatari-based Shariah compliant investment bank with a GCC-wide shareholder base and embodies Qatar's ambition, energy and imagination.

S&P: Sukuk market is picking up

GCC: The Sukuk market is picking up pace after a slow start in 2008, according to a Standard & Poor's Rating Services (S&P) report. Total issuance stood at about US$14 billion until the 31st August, down from US$23 billion reported in the same period of 2007.

However, the rating agency still expects the issuance of Islamic bonds to exceed US$20 billion this year, said S&P's credit analyst, Mohamed Damak. Noting a lot of interest from issuers in a larger number of countries, both Muslim and non-Muslim, the agency expects the Sukuk market to continue globalizing.

More than 50% of Sukuk issued in the first half of 2008 were Ijarah-structured, said S&P. The rating agency has rated about 30 Islamic bonds, most of them structured in Ijarah or Musharakah, it said.

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MIDDLE EAST
(continued)

QIB keen to list global units on local bourses

QATAR: Qatar Islamic Bank (QIB) plans to list its international units on their local exchanges as part of the bank's strategy to develop Islamic banking hubs across the world, CEO Salah Jaidah was reported as saying. No timeframe has been given for the listings as this would depend on the units' appropriate reaching scale.

QIB's international units include European Finance House in London, Asian Finance Bank in Malaysia and Arab Finance House in Lebanon. It recently announced plans to expand operations in countries such as Turkey, Egypt and Kazakhstan.

EIB expanding to Al-Mizhar

UAE: Emirates Islamic Bank (EIB) is setting up a branch in Al-Mizhar. It recently signed an agreement with Aswaaq, UAE's largest retail trading company, to lease part of the latter's second community center there. The branch is slated to be open by December.

GFH arranges resort sale

BAHRAIN: Gulf Finance House (GFH) has arranged the sale of Banyan Tree Desert Spa and Resort to a Singaporean investor. GFH chairman Esam Janahi described the sale as an indication of GFH's strength and appeal to investors in the wider marketplace.

The spa and resort is part of the Islamic investment bank's Al Areen project that is being built in the southern region of Bahrain. It comprises 78 villas, and offers five-star amenities such as restaurants, meeting and banquet facilities, as well as a fitness and wellness center.

EIB launches vehicle finance promotion

UAE: Emirates Islamic Bank (EIB) has launched the INTALEQ (Vehicle Finance) Promotion that will run until the 2nd October, providing an easier way for customers to purchase cars during Ramadan.

The promotion offers benefits and features such as no salary transfer, zero downpayment and an option to start the monthly repayment after 90 days. It also includes a 72-month repayment period and a higher finance amount that is designed to suit a customer's budget.

DFM suspends trading in DIB shares

UAE: The Dubai Financial Market (DFM) said it has suspended trading in Dubai Islamic Bank (DIB) shares until the bank releases a disclosure related to a report that it bought the assets of Plantation Holdings, a real estate developer.

DIB is the largest Islamic bank in the UAE. Earlier this month, the bank said that it plans to buy a majority stake in the Industrial Development Bank of Jordan and convert it into Shariah compliant institution.

Amlak Finance Qatar gets green light

QATAR: Amlak Finance Qatar, the joint venture between Dubai-based Amlak Finance and Barwa Real Estate, has received the license to operate from Qatar Central Bank.

The company has QAR500 million (US$137 million) in authorized capital. Barwa owns 60% of the venture, with Amlak Finance holds the balance. The new company has appointed its first board of directors comprising three representatives from Barwa and two from Amlak Finance.

Deyaar plans Sukuk for global expansion

UAE: Deyaar, a leading Dubai-based real estate developer, will launch a Sukuk program worth AED5 billion (US$1.4 billion) to fund its aggressive local and global expansion plans, said its chairman, Nasser Al-Shaikh. The Sukuk will either be initiated in the fourth quarter of this year or the first quarter of 2009, he added.

Nasser added that Deyaar is looking to expand aggressively in the region. He is confident that the company will not face any challenges in raising the money for the Sukuk.

Established in 2002, Deyaar is one of the largest real estate companies in the region. Its international footprint spans across Lebanon, Turkey and UK with impending forays planned into Saudi Arabia, Kazakhstan, Qatar and India.

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ASIA

HSBC launches investment product

MALAYSIA: HSBC Bank Malaysia has launched a new Islamic structured investment-linked plan, HSBC Amanah Takaful Structured Investment-Linked Plan. The product will be on offer until the 10th October.

The single contribution and principal-protected plan offers its customers potentially higher returns on their investment, as well as Takaful protection throughout the term of investment. It also has a surplus sharing potential at the end of the tenure where any surplus arising from the fund will be shared equally among eligible participants and the Takaful operator. Investments start at an initial minimum payment of RM20,000 (US$5,820).

Takaful Puteri for women

MALAYSIA: Prudential BSN Takaful (PruBSN) has launched its latest product, Takaful Puteri rider, which is specially designed for women and offers protection against the financial impact of expensive treatment.

PruBSN said the product offers two plans. Benefits include the Lady Care Benefit, which covers illnesses and specified treatments such as skin grafting due to skin cancer and burns and facial reconstructive surgery due to accidents. Takaful Puteri Plus, on the other hand, has the Mother Care Benefit that covers pregnancy complications and infant congenital illnesses.

PAMB announces growth

MALAYSIA: Prudential Assurance Malaysia (PAMB) has announced a 13% growth in its new business sales for the first half of the year. Its new business annual premium equivalent (NBAPE), which included Takaful sales, stood at RM270 million (US$78 million) as of the 30th June. PAMB also said that it has a 21% market share, also including sales from Takaful, an increase from the 19% share garnered in the first half of last year.

Its CEO, Bill Lisle, said the company was able to build on the strong momentum from last year to achieve a double-digit growth rate, outpacing the aggregate growth of 1.3% recorded by other players in the market. He also expressed confidence that PAMB will be able to finish the rest of the year robustly.

PAMB is a subsidiary of Prudential, based in UK.

MIDDLE EAST

SALAMA collaborates with BNP Paribas

UAE: SALAMA Islamic Arab Insurance, one of the leading Takaful and reTakaful providers in the UAE, has teamed up with BNP Paribas Investment Partners to offer the bank's Shariah compliant Global Equity Optimizer Fund. The fund offers investors returns linked to Islamic global equity markets, including Asia, Europe and the US.

SALAMA is offering customers Islamic insurance with value added investment services that cater to clients' long-term investment needs. BNP Paribas said it was the first to develop a Shariah compliant global equity optimization strategy that has historically always outperformed the benchmark, the Dow Jones Islamic Market Titans 100 Index, even during the recent market conditions.

Noor Takaful appoints BSFF to manage IPO

SYRIA: Bemo Saudi Fransi Finance (BSFF) will manage Noor Takaful Insurance's upcoming initial public offering (IPO). The IPO will be available in the next few months, pending the approval of the Syrian Commission on Financial Markets and Securities (SCFMS).

The IPO is targeted to raise SYP751.5 million (US$14.6 million) through the issuance of 1.5 million shares at SYP500 each (US$10).

In its role as the IPO manager, BSFF will be the liaison between Noor Takaful Insurance, the SCFMS and other participating banks. It will be responsible for preparing the prospectus, coordinating the promotional campaign and monitoring the subscription process at the appointed banks.

Takaful market stands at US$170 million

GCC: Takaful can play a big part in increasing insurance awareness in the GCC, which is currently very low, said a report by Standard & Poor's (S&P).

It said that Islamic insurance may be the key to deliver on customers' expectations and capitalize on the positive economic dynamics of the region. The market, it feels, has the potential to reach US$4 billion at the current level of development, but at the moment it stands at a mere US$170 million.

S&P spoke of the real opportunities for Takaful which lie in the market which conventional insurance firms are unable to penetrate.

Although the GCC Takaful market is growing at a pace of 40% annually, the agency stressed that the main challenge is creating awareness insurance, both social and individual, among retail customers.

The GCC insurance market is also known for being underdeveloped, but according to S&P, the economic boom in the region has led to infrastructure investments, with the resulting need to insure these risks.

The agency said that there are a number of insurers in each GCC market that are capable of participating in the new arising risks.

ASIA

Sabah Port affirmed

MALAYSIA: The 'AA3/P1' ratings on the RM150 million (US$43.27 million) Islamic debt securities by Sabah Port have been reaffirmed, with a stable outlook, by RAM Ratings. These are based on Sabah Port's strategic importance and monopolistic position in Sabah, its commendable operating track record and robust cash flow, as well as the continued financial flexibility it derives from the Sabah state government. However, the ratings are moderated by the capital-intensive nature of the port business and its exposure to economic cycles.

Sabah Port is the sole operator of all port facilities in Sabah following a privatization agreement in 2004. It is wholly owned by Suria Capital Holdings.

Evermaster Group's BaIDS remains on MARCWatch

MALAYSIA: MARC has received confirmation from Prokhas, the sole holder of Evermaster Group's RM50 million (US$14.41 million) Al-Bai Bithaman Ajil Islamic Debt Securities (BaIDS), of the group's proposed rescheduling of the BaIDS.

The BaIDS and the long-term and short-term rating of the Murabahah multi-option notes issuance facility (MONIF) worth RM40 million (US$11.53 million), which is at 'BBB-ID' and 'MARC-3ID' respectively, remain on MARCWatch Negative, said the rating agency. This is pending the details of the final restructuring proposed and conclusion of MARC's annual review on Evermaster Group.

MARC said it will continue to monitor Evermaster Group's progress and will issue rating updates as more information on the proposed restructuring becomes available.

MIDDLE EAST

Fitch affirms IDRs of five Kuwaiti banks

KUWAIT: Fitch Ratings has upgraded the long-term issuer default ratings (IDRs) of five Kuwaiti banks following the upgrade of the country's long-term foreign currency IDR to 'AA' from 'AA-' earlier this month. The outlook remains stable. According to Fitch, the ratings are reflective of the agency's view of Kuwait's improved ability to provide support to the banking system, if required.

The long-term IDR of National Bank of Kuwait is upgraded to 'AA-' from 'A+' and short-term IDR to 'F1+' from 'F1' to reflect the bank's leading domestic franchise. The long-term IDRs of Kuwait Finance House, Commercial Bank of Kuwait and Gulf Bank are upgraded to 'A+' from 'A' to reflect their important domestic franchises. The long-term IDR of Industrial Bank of Kuwait is also upgraded to 'A+' from 'A', reflecting the bank's role in promoting the development of Kuwait's industrial sector and the bank's large government shareholding. All other ratings are affirmed.

All banks' long-term IDRs in Kuwait are at their respective support rating floors and all Kuwaiti banks rated by Fitch have a '1' Support rating, reflecting an extremely high probability of support. The agency differentiates between banks in Kuwait, when assigning the support floor, based on the size of each bank's domestic franchise and the size of the government shareholding. Banks with a larger franchise and significant government ownership are, in Fitch's view, more likely to be supported than banks which are smaller or have less significant government stakes.

Arab Bank looks stable

JORDAN: Arab Bank's long-term issuer default rating (IDR) was affirmed at 'A-' with a stable outlook by Fitch Ratings. The short-term IDR is at 'F1', individual rating at 'B' and support rating at '5'. The support rating floor is 'no floor'. The outlook is stable.

The IDRs and individual ratings are reflective of Arab Bank's leading position in the Middle East, global presence, consistent profitability, sound asset quality and strong capital base. The bank's stable customer funding, diversification of risk and revenues and prudent balance sheet management, with a strong focus on liquidity, are factored in the ratings as well.

The group is geographically diverse and has widely spread equity within the group. Support from the Jordanian government is possible, but Fitch Ratings felt this cannot be relied on due to the size of the bank.

Arab Bank has a comprehensive international network of branches, subsidiaries and associates spanning the Middle East and North Africa, West Europe, the US, Australia and Singapore, as well as representative offices in the Far East. Arab Bank is looking to leverage on its strong brand and franchise through both organic growth and selective acquisitions.

Fitch affirms IDB at 'AAA'

SAUDI ARABIA: Fitch Ratings has affirmed Islamic Development Bank's (IDB) long-term issuer default rating IDR at 'AAA' with a stable outlook, and its short-term (IDR) at 'F1+'. The ratings are testament to the strong support the bank gets from its shareholders, its limited recourse to leverage and its established track record in terms of asset quality.

IDB is based in Jeddah, Saudi Arabia. The bank was established in 1975 with the aim of fostering economic development and social progress. It provides project and trade finance as well as technical assistance to its 56 member countries.

Fitch affirms OIB's ratings

OMAN: Fitch Ratings has assigned 'BBB+' and 'F2' respectively to Oman International Bank's (OIB) long-term and short-term issuer default rating (IDR). The rating agency also assigned a 'C' to the bank's individual rating, support rating at '2' and support rating floor at 'BBB+'. The outlook is stable.

The IDRs, it said, are reflective of the high probability of support OIB would get from the Omani authorities, if needed. Fitch's assessment of support is based on OIB's systemic importance and the Central Bank of Oman's past history of support for the sector.

The individual rating is based on OIB's good franchise, improving asset quality and comfortable profitability, capital and liquidity ratios, and also reflects its relative size, slow revenue and profit growth, its past problems in retaining senior management, as well as risks inherent in the Omani economy.

OIB's profitability indicators remain satisfactory, while its operating profits are supported by good cost control and high loan provision reversals. Asset quality is improving due to large recoveries and the bank benefits from strong customer deposit funding and has ample liquidity.

US

Freddie Mac: Takeover has no effect on Shariah compliant mortgages yet

The Federal National Mortgage Association, also known as Fannie Mae, and the Federal Home Mortgage Corporation, or Freddie Mac, which have been taken over by the US government, are both Islamic finance intermediaries. Freddie and Fannie were initially created as government entities, Fannie in 1938 and Freddie in 1970, but were converted into private corporations. The takeover places both companies under a conservatorship under the new Federal Housing Finance Agency, and the move is expected to stabilize the US financial market, especially in easing the mortgage crisis.

"Fannie Mae and Freddie Mac are so large and so interwoven in our financial system that a failure of either of them would cause great turmoil in our financial markets here at home and around the globe," Treasury Secretary Henry Paulson had said when announcing the takeover. He added the failure will affect the ability of Americans to get home loans, auto loans and other consumer credit and business finance.

Freddie and Fannie have both dabbled in Islamic financing; they purchased Shariah compliant mortgages from financial institutions which enabled providers to originate further mortgages. Freddie Mac first bought Islamic contracts from American Finance House Lariba, based in Pasadena in California, in 2001, said Brad German, the mortgage institution's director of media relations. Since then, Freddie had expanded its initiatives and had purchased contracts from several other institutions, namely Guidance Residential in Virginia, Devon Bank in Illinois, and University Bank in Michigan, he told Islamic Finance *news*.

German said that so far, no announcements have been made regarding the purchase of the Islamic housing contracts that meet Freddie's underwriting guidelines. "Each company has its own specific contract which was approved by their own religious authority," he explained. "Freddie Mac buys contracts that meet its underwriting guidelines and which are written on standard real estate documentation," he added. This means that Freddie can protect its investment by taking the property to foreclosure and selling it to offset losses.

When asked about the effect the current market condition may have on its Islamic finance activities, German said that in general, the takeover does not have any effect, and the housing contracts Freddie had purchased are performing well in the current environment.

German also noted that since the takeover, so far there have been no changes in its operations. The immediate effect of the takeover of the two mortgage giants are the stepping down of both its CEOs; Dick Syron and Daniel Mudd of Freddie and Fannie, respectively.

David Moffett will take over as Freddie's CEO, while Herb Allison will be replacing Mudd. The goal of the takeover is to reduce the size of the institutions' mortgage holdings from a combined total of US$1.5 trillion to about US$250 billion each.

By Elmira Azlan

GLOBAL

Middle East funds attract RBS

Not much has been heard of the Royal Bank of Scotland (RBS) since its buyout of ABN Amro last year, until the bank's claim this week to double its Middle East revenue by 2010. The bank's acquisition of ABN Amro had boosted its position in the Middle East markets, riding on ABN Amro's strong foothold in the region. According to Colin Macdonald, head of RBS in the Middle East, the bank continues to be bullish in revenue gains despite growing its personnel to 2,700 this year from the previous 1,500.

However, Middle East gains do not necessarily involve Islamic finance, and to clarify the matter, Islamic Finance *news* spoke to a senior banker at RBS, who revealed the bank's Islamic finance plans and the benefits of being a multinational player in the nascent industry. "In terms of Islamic finance, all our operations are currently based in Pakistan. However, we are planning to expand our product reach and windows to the UAE and Indonesia by the end of this year, and Malaysia by 2009."

It was also revealed that the bank will be opening Islamic banking windows under their conventional umbrella in Dubai, Fajr and Abu Dhabi by end of 2008. "There will be two phases. The first phase is now, with the opening of the windows, and the second phase will involve standalone Islamic banks," the banker said.

Product-wise, RBS currently offers Islamic home and vehicle financing. However, the banker affirmed that the product base will expand from the current asset financing to cater to market demand, and that the bank's product menu will differ by country.

Part of RBS' grand Middle East plan is to serve Sovereign Wealth Funds (SWFs), which are becoming more popular in the Middle East with the likes of the Kuwait Investment Authority and Abu Dhabi Investment Authority in the Gulf. According to the senior banker, the bank's SWF endeavors have been hugely successful all over the globe, including Asia, with products such as BancaTakaful gaining "really good response" so far, with plans to expand its product reach to Indonesia, specifically.

The bank has also affirmed its commitment to its Middle East clientele by significantly increasing its resources in the region. RBS is looking to significantly expand its Gulf footprint with operations in retail banking, wealth management and wholesale financial services, apart from SWFs. On the retail banking front, RBS is looking to drive growth by targeting UK expatriates, UAE residents who have been educated in the UK and those with children in the region.

On the issue of difficulties in gaining operating licenses for its Abu Dhabi, Dubai and Fajr Islamic banking windows, the banker cited no significant difficulties, with all issues being processed accordingly and falling in place with the set timeline. "Just the usual permit and licensing process, nothing significantly challenging," the banker stated.

What edge then, does RBS or any multinational bank for that matter, have over the others? RBS believes that it brings something new to the table, with world-class service and an alternative perspective on Islamic financing.

By Nazneen Halim

The Mudarabah Companies and Mudarabahs in Pakistan

By Bilal Rasul

The establishment of Mudarabah companies and Mudarabahs was a pioneering attempt by the Government of Pakistan to bring Shariah compliant financing into vogue in Pakistan in the 1980s and give Islamic finance a launch pad by introducing riba-(interest) free business. As non-banking Islamic financial institutions (IFIs), the Mudarabahs were envisaged to create an Islamic financial market for Shariah compliant securities. The enabling law for the Mudarabahs, the Mudarabah Companies and Mudarabah (Floatation and Control) Ordinance (the Ordinance), was promulgated in 1980. Specific rules and risk management prudential regulations were subsequently formulated.

History, definition and concept

The Mudarabah concept is derived from the Islamic traditions of trade and finance. The word Mudarabah is based on Bab-al-Mufa'alah whose inherent quality is the Musharakat, that is, the minimum two persons or parties joining together in a certain act or deed. The word Mudarabah has been derived from its root "darbun".

The word darb in its several derivatives has been used in various verses of the Quran. Under the Ordinance "Mudarabah" means a business in which a person participates with his money, the *Rabb-ul-Maal*, and another with his efforts or skill or both his efforts and skill, the Mudarib, and includes unit trusts and mutual funds by whatever name called; and "Mudarabah company" means a company engaged in the business of floating and managing a Mudarabah.

The Mudarabah company, or Mudarabah management company (MMC) as it is interchangeably called, has allocated capital for the management of the Mudarabah as well as for doing any other business aside from managing the Mudarabah but cannot engage in any business which is of the same nature and competes with the business carried out by a Mudarabah floated or controlled by it.

It is well known that the fundamental difference between the Islamic financial system and the conventional financial system is riba which is against the injunctions of Islam. According to the Shariah, riba technically refers to the premium on a loan that must be paid without any consideration. Riba encourages vice and is the simplest method to earn profit through charging interest on a loan without sharing any risk, resulting in exploiting the weak. Islamic finance, on the other hand, preaches equity and justice through a profit and risk sharing formula so that every contributor earns in proportion to the threshold of the risk that can be assumed by each.

In the pre-Islamic period, the Mudarabah contract was prevalent on the condition that profit was to be shared on the basis of an agreed ratio between the *Rabb-ul-Mal* and the Mudarib. However, in the case of a loss, it was to be borne by the *Rabb-ul-Mal* only.

This basic and fundamental principle of Mudarabah was maintained by the Prophet. There were, however, added or imposed conditions to the contract of Mudarabah in the light of the teachings of Islam, which have been discussed in detail by the jurists and are to be found in the books of *Fiqh* (Islamic Jurisprudence).

A vehicle for financing

True to the definition, the Mudarabah is also a mutual fund that can invest in the stock market, though restricted by prudential limits. It is based on a trust-like structure with a MMC controlling the interests of the Mudarabah fund or pool of resources contributed by the *Rabb-ul-Maal*. The mainstay of the Mudarabah is to act as a vehicle for providing finance under a prescribed set of financing contracts/ agreements. Under the Ordinance, the Mudarabah is a legal entity and maintains separate financial statements and is obliged to abide by the same reporting standards as other listed companies. Therefore, the MMC and the Mudarabah are two distinct entities.

The MMC has a statutory holding of a minimum of 10% in the Mudarabah fund and is responsible for the day-to-day operations. The MMC is entitled to a management fee but can only charge up to a maximum of 10% of the net annual profits. The MMC is expected to distribute 90% of the profits to the Mudarabah certificate holders in order to realize the tax-free advantage. The MMC owners are entitled to the dividends on their statutory holding as well.

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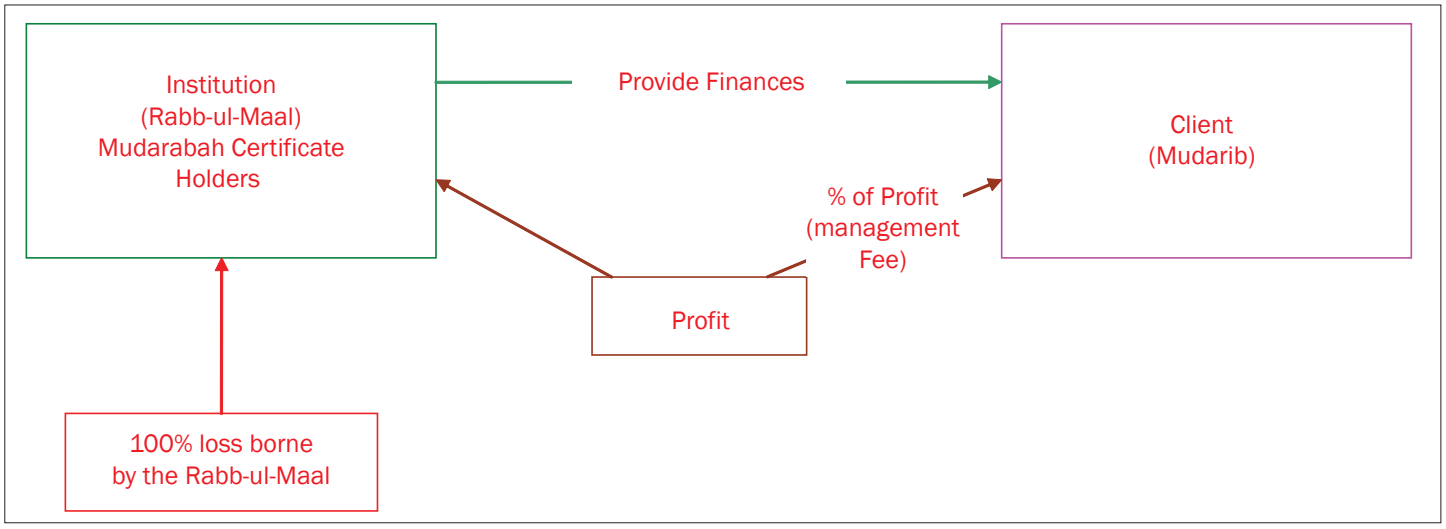
Mudarabah transaction



The Mudarabah Companies and Mudarabahs in Pakistan (continued)

The Mudarabah is a versatile vehicle for financing with the scope to indulge in any type of business that is not opposed to the tenets and injunctions of Islam. The Religious Board, a Shariah certification authority, ensures that the business stated by the Mudarabahs in their respective prospectuses does not in any way conflict with the Shariah. The Registrar for Mudarabahs is entrusted with the function of regulating the Mudarabahs and authorizing new entrants.

In Pakistan there are 27 Mudarabahs listed on the stock exchanges. The total asset base of these institutions is approximately US$350 million — not a sizeable amount in the overall market but significant for the Islamic financial industry.

> "The new model agreements are expected to change the landscape of the existing Mudarabah sector in Pakistan"

Shariah compliant products

Islamic financial institutions offer a spectrum of products that cater to the needs of this growing market segment. Although many products have been introduced, there is still a dearth of pure risk-sharing products where the gains and losses are equally distributed between the investor and operator.

However, many countries have undertaken initiatives to provide a better opportunity to Islamic financial institutions as well as Islamic windows in the conventional banks to actively participate and contribute to the economy.

In an effort to provide impetus to the Mudarabah sector the existing financing agreements (prescribed in the early 90s) were recently overhauled so as to bring them to a level playing field with those launched by the Islamic commercial banks in Pakistan.

In March 2008 twelve new model financing agreements were drafted and presented to the Religious Board for Mudarabahs for certification. The Board certified the agreements as Shariah compliant. These financing agreements provide the structure and form of lending/borrowing by the Mudarabahs. These institutions intending to extend a facility or obtain borrowing can do so only on the specified format of the Shariah approved financing agreements. The agreements are, in essence, alternatives to the interest-based form of financing.

The new model agreements are expected to change the landscape of the existing Mudarabah sector in Pakistan. The previous agreements had failed to cater to the varied financial transactions per Shariah standards and also did not provide the environment to induce innovative and diversified products in the Islamic financial services industry.

The following is a brief description of the recently approved 12 model Islamic financing agreements for the Mudarabahs vetted by the Religious Board in Pakistan:

- **Ijarah (Leasing)**: In Ijarah, owners hand over the equipment/vehicle to another person for an agreed period at an agreed consideration. After the completion of lease payments, ownership of asset may or may not transfer to the client.

- **Istisna (Progress financing)**: A contract to manufacture goods, assemble or process them, or to build a house or other structure according to exact specifications and a fixed timeline. Payments are made after each stage of work is completed.

- **Mudarabah**: Briefly again, Mudarabah is a kind of partnership in which one partner (Rabb-ul-Maal) gives money to another (Mudarib) for investing in commercial enterprises. The investment comes from Rabb-ul-Maal (Investor) and the management which executes having exclusive responsibility of the other, who is called Mudarib (Management). The profits generated are distributed on a predetermined ratio while the loss is assumed by the investor in money terms and management in service provided/effort terms.

- **Musawwamah**: Musawwamah is entered into when it is difficult to determine the cost of a particular goods or service, or when the goods comprise a pool of products. Provided that:
  1. The underlying asset must be in existence and in the sellers' possession at the time of the sale.
  2. The sale must occur instantaneously, future sale dates are void.
  3. The asset must be of value and usable.

- **Musharakah (Partnership financing)**: It means a joint enterprise (sharing) formed for conducting a business in which all partners share profit according to a specific ratio while the loss is shared according to the ratio of their contribution. It is an ideal alternative for the interest-based financing with far reaching effects on both production and distribution.

- **Murabahah (Cost- plus financing)**: It is a kind of sale on cost-plus-profit basis, where the seller specifically declares the cost of the commodity he has incurred, and sells it to another person by adding some profit thereon. Under this agreement the institution discloses the cost and profit margin to the client — it is actually advancing money to the borrower to buy goods from a third party and sell it to the customer on a pre-agreed price. Thus, Murabahah is not a loan given on interest but a sale of a commodity for cash/deferred price. In the Islamic financial industry almost 60% of transactions are conducted through Murabahah Financing Agreements.

- **Salam (Trade Finance)**: In Salam, the seller undertakes to supply specific goods to the buyer at a future date in exchange for an advanced price fully paid on the spot. The price is in cash but the supply of purchased goods is deferred. Financial institutions are normally using this for agricultural products and for trade finance business.

- **Diminishing Musharakah Agreement**: This concept encompasses the joint ownership feature — a financier and his client participate either in the joint ownership of a property or equipment, or in a joint commercial enterprise. The financier's share is divided into a number of units and the client will purchase these units of shares from the financier one by one

continued...

The Mudarabah Companies and Mudarabahs in Pakistan (continued)

until the financier's units are totally diminished. As the client owns units, his share in the property increases and on the completion of all payments all units stand transferred to the client eventually deeming him to be the sole owner of the property, equipment or commercial enterprise, as the case may be.

- **Syndicated Mudarabah**: Two or more investors (Rabb-ul-Maal) contributing their investment to a project run by a management (Mudarib) is a syndicate Mudarabah. The profits will be distributed on an agreed profit ratio. The loss, if any, will be assumed by the investor in terms of money and by the management company in terms of service provided/effort.

- **Syndicate Musharakah**: Two or more parties entering into an agreement to share ownership of property or equipment is known as a syndicate Musharakah. Each partner is responsible for his part of investment and profit will be shared on an agreed ratio of all parties.

- **Islamic CFS Murabahah (continuous funding system)**: This is for a credit facility to the client for the purchase of shares through a Master Murabahah Agreement. At the time of investment the client deposits an agreed margin to buy scripts as an agent of Islamic financial institutions from whom he takes credit, the purchased shares are blocked at the central depository company account and a lien is marked on them by the IFI. When the sale proceeds are realized and paid to the client, the IFI releases the script. The client is authorized to sell the shares at any time, subject to settlement of the full Murabahah price.

- **Sukuk (Islamic Bonds)**: Sukuk are the certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services or (in the ownership of) the assets of particular projects or special investment activity. These certificates establish the claim of the certificate owner over the financial rights and obligations represented by the certificate.

For mobilization of resources, the Mudarabahs can also issue short-term Musharakah certificates and Mudarabah Sukuk in order to fill the liquidity gaps. The Musharakah certificates are redeemable instruments that have been used for many years now to raise deposits while the Mudarabah Sukuk have been a recent addition in the evolution of Islamic financial instruments for the Mudarabahs.

IFSB and AAOIFI compliance

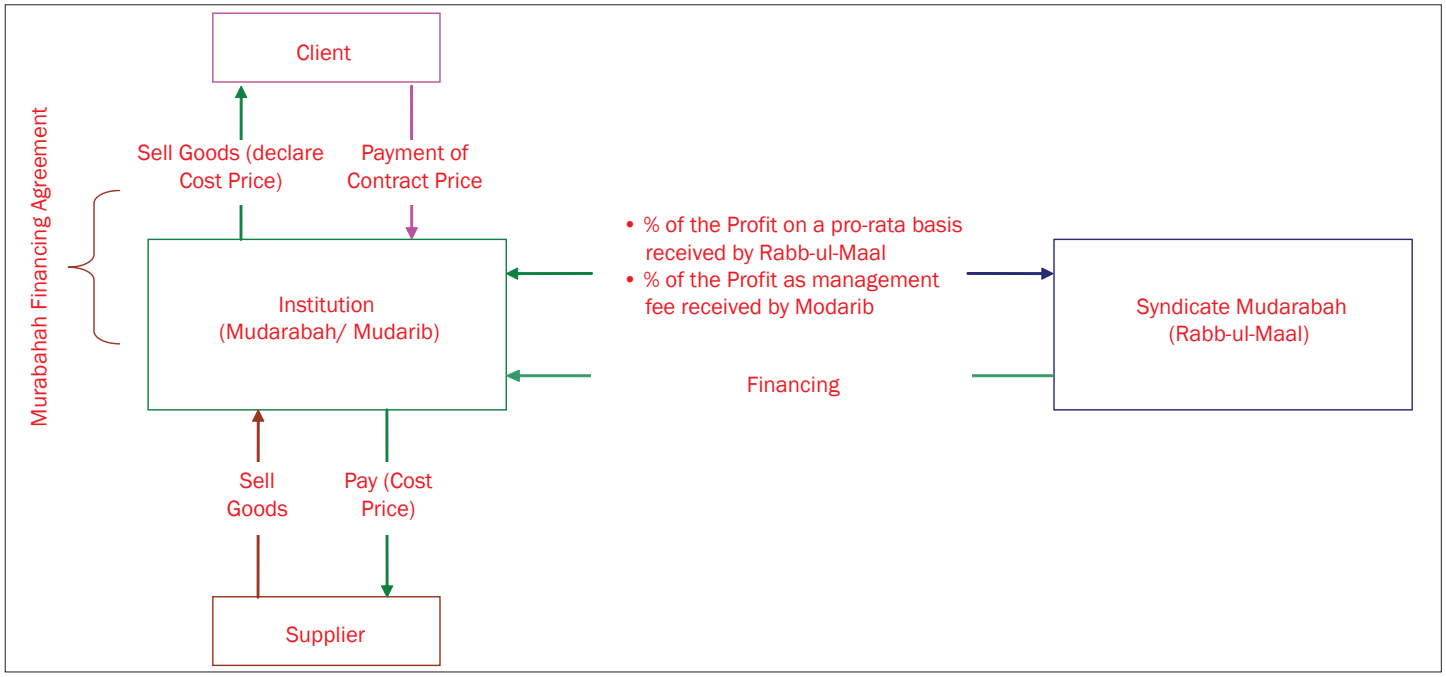
The focal points for Islamization of our financial systems and for seeking direction and guidance are the Islamic Financial Services Board (IFSB) and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The Securities and Exchange Commission of Pakistan is an associate member of the IFSB and has initiated a program for the adoption of the IFSB standards and its principles. It encourages the Mudarabahs to become members of IFSB. Similarly, the standards issued by AAOIFI are also being studied and are gradually being adopted by the Mudarabahs.

Other IFIs

The other constituents of the Islamic financial market in Pakistan are the Islamic Mutual Funds, Takaful (insurance companies) and Islamic commercial banks. The Islamic commercial banks are the mandate of the State Bank of Pakistan.

While Bilal Rasul is the Registrar (Mudarabah Companies and Mudarabahs) at the Securities & Exchange Commission of Pakistan, his views and opinions in this article do not represent the Commission's views.

Syndicated Mudarabah transaction



Evolution of the Islamic Banking Industry in Pakistan

By Aisha Khalid

Pakistan was among the first countries to build a financial system according to Shariah principles. The formal progress towards the Islamization of the financial system and banking in Pakistan began in late 1970s. However, as it was a massive task, the switchover plan was implemented in several phases. The Islamization measures included introduction of multiple regulations aimed at eliminating or, at least, reducing the element of interest (riba) from the operations of specialized financial institutions managed by the government and commercial banks during early 1980s.

Meanwhile, the legal framework of Pakistan's financial and corporate system was amended to permit issuance of an interest-free instrument of corporate financing. The most noticeable step was the permission to establish Mudarabah companies and floatation of Mudarabah certificates to raise risk-based capital. Amendments were also made to the banking regulations to include a provision for bank financing through profit and loss sharing accounts, leasing and hire purchase.

Meanwhile, separate counters were started in all the nationalized commercial banks and one foreign bank to mobilize deposits on a profit and loss sharing basis. Regarding investment of these funds, banks were instructed to provide financial accommodation for government commodity operations under Islamic principles.

During that same period, financing of import and inland bills for the government commodity corporations were shifted to mark-up basis. Simultaneously, necessary amendments were made to the related laws permitting the State Bank to provide finance against Islamic instruments. Meanwhile, banks were allowed to provide finance to meet the working capital needs of trade and industry on a selective basis under the principles of Musharakah.

During the 1980s, almost all Pakistani rupee financing transactions conducted by the banking industry was Shariah compliant with a crude

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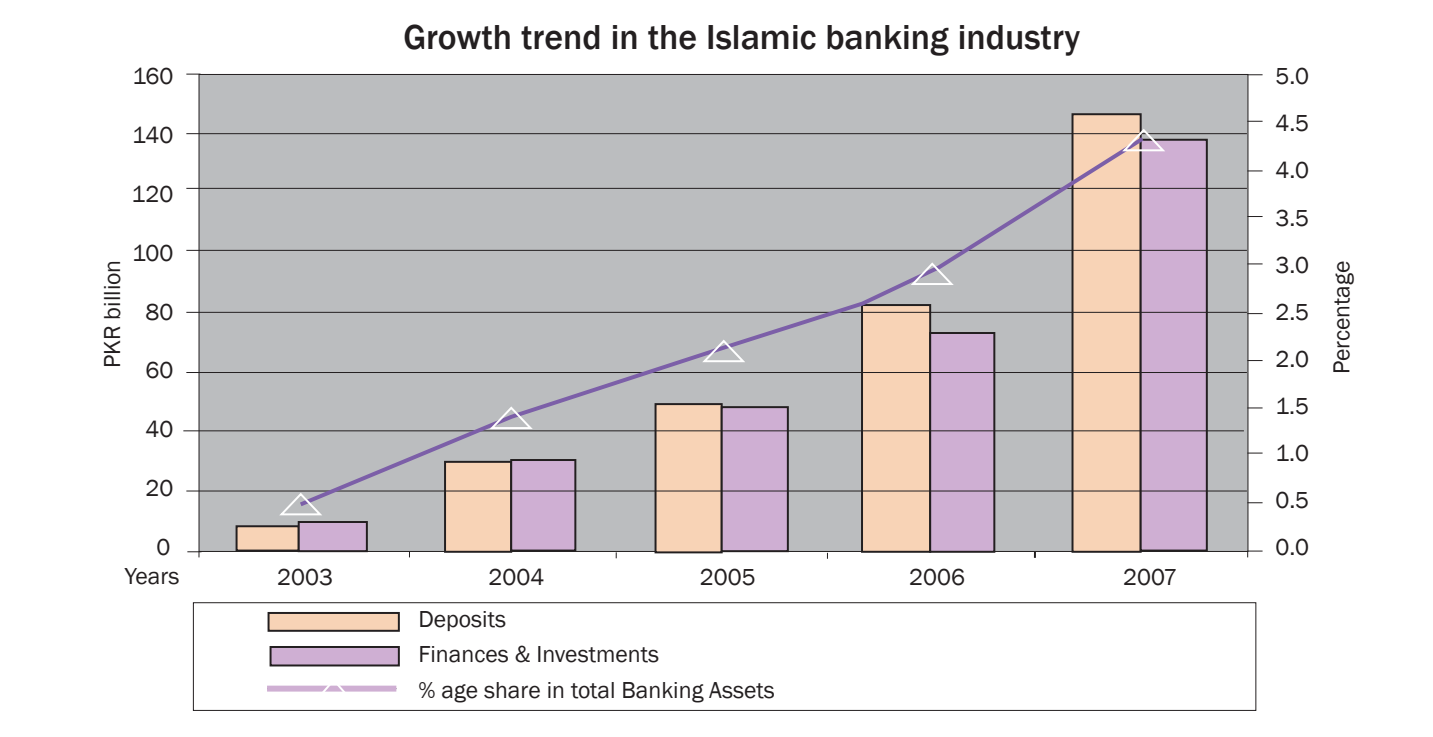

(Pakistani Rupees in billions)

Description	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07
Total Assets	13	44	72	118	206
% age of Banking Industry	0.5%	1.4%	2.1%	2.9%	4.3%
Deposits	8	30	50	83	147
% age of Banking Industry	0.4%	1.2%	1.9%	2.8%	4.1%
Financing & Investment	10	30	48	72	138
% age of Banking Industry	0.5%	1.3%	1.8%	2.4%	3.6%
Full-fledged Islamic Banks	1	2	2	4	6
Conventional Banks with Islamic Banking Branches	3	7	9	12	12
No. of Branches	17	48	70	150	289

Evolution of the Islamic Banking Industry in Pakistan (continued)

explanation of Islamic finance. However, this was merely a change of nomenclature but, in essence, nothing really changed. Moreover, foreign currency deposits in Pakistan and on-lending of foreign loans continued as before. However, after a few years, the procedure adopted by the banks in Pakistan, based largely on 'mark-up' technique with or without 'buy-back arrangement', was declared unIslamic by the Federal Shariat Court (FSC).

Nevertheless, appeals were made in the Shariat Appellate Bench (SAB) of the Supreme Court of Pakistan, which rejected the appeals and directed that laws involving interest be eliminated by 2001. In the judgment, the court concluded that the present financial system had to be subjected to radical changes to bring it into conformity with the Shariah. It also directed the government to set up, within a specified timeframe, a commission for transformation of the financial system and two task forces to plan and implement the transformation process.

It was decided later that the shift to an interest-free economy would be made in a gradual and phased manner and without causing any disruptions. Accordingly, the State Bank of Pakistan (SBP) issued detailed criteria for the establishment of full-fledged Islamic commercial banks in the private sector. SBP issued the first Islamic commercial banking license in 2002 to Meezan Bank, which started its operations in the same year.

Regulatory structure of the Islamic banking industry

The SBP wants to develop a progressive and sound Islamic banking system that is in line, and compatible, with the global financial sector, providing innovative Shariah compliant products and services to achieve equitable economic growth. Its Islamic banking department, established in 2003, has been entrusted with promoting and developing Shariah compliant Islamic banking as a parallel and compatible banking system in the country.

Currently, the Islamic banking department four divisions: policy; Shariah compliance; business support; and Shariah board secretariat. The SBP has issued detailed instructions and guidelines for Shariah compliance and risk management, whereas work on similar rules for corporate governance, prudential regulations, accounting & Shariah standards etc regarding Islamic banking is underway.

Pakistan's Islamic banking industry

Islamic banking is one of the emerging fields in global financial markets, having tremendous potential and growing at a very fast pace. The progress of Islamic banking in Pakistan has likewise been commendable in the last few years. Currently there are six licensed full-fledged Islamic banks and 12 conventional banks with standalone Islamic banking branches with the total branch network of over 280 branches, while applications by a few more players are under consideration.

Islamic banking is a high priority area for the SBP. Steps are being taken to make the Islamic banking industry in Pakistan robust enough to offer a viable alternative to conventional banking, should the market decide that Pakistan should have an exclusive Islamic banking system in the country.

One of the biggest challenges being faced by this growing industry is the dearth of professional Islamic bankers and capacity building in this regard is one of the top most priorities for the promotion of Islamic banking.

Recently the SBP has also issued guidelines for Islamic microfinance and draft guidelines on Islamic financing for agriculture.

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Asset and Cash Management in Islam

By Zulkifli Ishak

The complete framework of Islamic finance essentially encompasses non financial institutions, the banking industry, money markets, Takaful, equity capital markets, asset management, debt capital markets, private equity, REITS, wealth management and other financial products. The basic tenet of Islamic finance is prohibition of riba' or interest, liquor, pork, gambling, pornography and others which the Shariah deems as haram (unlawful).

Although Islamic banking remains the most common platform for Islamic finance available globally, increasing efforts are now seen to institute other services within the Islamic financial reach such as offering Islamic fund management expertise that involves asset and cash management.

The Islamic finance industry only came into official existence with the profit-sharing Musharakah investments pioneered by Egypt's Mit Ghamr Savings Banks in 1963. Since then it has grown into an insurance, banking, mortgage, capital markets and asset management business worth between US$1 trillion and US$1.5 trillion, growing at an annual rate of 10-15%.

Asset and cash management in Islam can be categorized into five categories or the '5 Ws' — wealth creation, wealth accumulation, wealth protection, wealth distribution and wealth cleansing. Besides this concept, Islamic banking and fund management companies, either full-fledged or through their Islamic windows, have in the last decade introduced another Islamic instrument aimed at assisting investors interested in cash management — Islamic cash fund.

The foundation for the Islamic cash fund began with the introduction of the Islamic money market in Malaysia in the early 1980s. Bank Negara took the first step by introducing Islamic banking in the same period. The niche industry continues to evolve with the establishment of the Interest-Free Banking Scheme in 1993. This scheme has enabled Islamic banking to leverage on conventional banking services to create a large number of Islamic financial instruments.

The Islamic cash fund refers to investments in Shariah compliant short-term instruments, namely Islamic fixed deposits, short-term Sukuk, Islamic private debt securities, Islamic accepted bills and commodity Murabahah. To qualify as an Islamic cash fund, 90% of the investments must be made in instruments maturing in less than one year and a maximum of 10% can be in papers/instruments of more than a year but less than two years.

Investment instruments embedded in Islamic cash management must go through scrupulous screening to ensure that they abide by the Shariah principles. For this reason, all Islamic cash management activities should be approved by the appointed Shariah advisor to ensure that investments made by the fund managers are Shariah compliant.

Naturally, all forms of investments come with adjustable risks. The fund is subjected to several forms of risks. One is income risk that occurs when short-term interest rates decline. Another type of risk that may affect the fund is inflation risk which refers to a situation where inflation increases faster than short-term interest rates. However, the inflation risk is relatively limited as short-term interest rates usually incorporate inflation. Lastly, the fund is also prone to credit risk which takes place when an underlying security defaults or its credit rating is downgraded.

However, investments made by Islamic cash funds in Islamic money market instruments come with minimal or low risk when compared with other investment instruments since the investment horizon of these instruments is shorter than other investment offerings.

The primary objective of the Islamic cash fund is to provide investors with a regular stream of income and capital preservation. The investment instruments i.e. Islamic money market declares daily dividends although the accumulative sums are only paid monthly to investors. It also provides ample liquidity to investors as redemption can be done within a day without investor being penalized as opposed to fixed deposits that restrict investors to the agreed investment period.

Investments in Islamic cash funds are tax-efficient as companies investing in Islamic cash funds in Malaysia have the privilege of being exempted from tax, enabling them to enjoy net returns. Another interesting feature of the Islamic cash fund is that investors are not subjected to any upfront charges and are only required to pay an average minimum annual management fee of 0.5% a year, which is calculated daily.

For example, assuming a return of 3.5% a year from an investment made in a Islamic cash fund minus the annual management fee will provide investors with a net return of 3% which is better than the return on 3.5% a year before tax exemption. The ultimate net return for a taxable investment avenue will be exposed to a 26% a year corporate tax surcharge, bringing total net return of only 2.59% a year, which is 0.41% lower than the return provided by the investment made in an Islamic cash fund.

This instrument is suitable for companies averse to participating in high risk investments but at the same time have excess cash and are eyeing higher returns than Islamic fixed deposits.

The volatilities of other asset classes like equities, bonds and commodities as seen in the last 12 months have caused unease among investors, with some retreating from the investment scene.

Moving forward, especially in the next couple of years, investors can bank on the favorite adage 'cash is king' as the Islamic cash fund will be one of the most desirable investment avenues as it has both diversification and 'safe haven' features.

PRUDENTIAL Fund Management

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A Must Know Factor for an Investor: Formation of an Investment Entity

By Ulanddy Uyob

Business start-up, the process of developing the infrastructure needed to support growth, involves engaging in three basic processes — develop/refine the offering and strategy to go to market; obtain initial funding to begin operations; and build a capable management team to handle operations.

Sources of funds for early stage financing include the public equity market, which is available only to high-potential large-scale ventures, and the venture capital market for venture capital firms which are keen to invest in high potential ventures with equity participation.

> "They are long term investments in the creation of early-stage companies, expansions, and leveraged buyouts"

Venture capital, broadly defined, is a professionally managed equity pool formed from resources of wealthy limited partners, pension funds, endowments and other institutions, typically managed by a general partner i.e. the venture capital firm. Venture capital is equity invested to finance a new firm.

Since the success of a new firm is highly dependent on the effort of the managers, restrictions are placed on management by the venture capital company and funds are usually disbursed in stages, after certain milestones are achieved.

They are long term investments in the creation of early-stage companies, expansions, and leveraged buyouts. Venture capitalists take equity participation through stocks, warrants, and convertible securities and have active involvement in the companies. Private venture capital firms emerged in the 1960s. Venture capital firms are usually private partnerships or closely held corporations that raise money from a group of private investors.

The advantages of venture capital firms are that, among others, they typically invest in a business in exchange for 30%-40% equity stake and a seat on the board of directors while the start-up receives cash and guidance. Venture capital firms typically charge management fees of 1%-5% of the capital investment in a start-up and seek opportunities that will return 10 times the original investment within five years — but only 10% of them succeed.

Venture capital is usually for high risk business or cases where normal bankers will be reluctant to invest in. Due to the unascertained duration for return on investment, such investments are mainly by way of equity participation.

Individuals may use their own resources to make investments. In addition to providing finance, they may also contribute valuable experience to an organization. These are wealthy individuals who invest their personal capital in start-ups in exchange for equity or a seat on the board of directors.

What is critical for the entrepreneur is to develop a network of individuals within the industry because "angels" seldom look at unsolicited business plans. Business plans are evaluated based on the quality of the management team, market potential for the business idea, and track record of the entrepreneur.

Typically such an investor is flexible in accepting changes to the original business plan if required and is reasonable. He tends to get more involved in the day-to-day operations. These individual investors may be best source for first-stage financing. This market consists of a group of wealthy "business angels" who are looking for equity investment opportunities. Angels generally prefer manufacturing of both industrial and consumer products. Firms receiving investment funds are generally within a day's travel. Angel investors find their deals through referral sources such as business associates, friends and brokers.

Depending on their own resources, appetite for risk and tax situation, the parties may contribute various types of finance using different types of vehicles to hold their interest. This can involve the use of trusts, particularly in the case of the individual investor, or setting up special purpose vehicles (SPVs) to act as joint venture holding companies.

There are four types of suppliers of venture capital i.e. wealthy families with inherited wealth; private partnerships and corporations; large industrial or financial corporations which have venture capital subsidiaries; and individuals. Often these "angels" have substantial business experience and are able to tolerate high risks.

Large corporations sometimes set up venture funds as a subsidiary to make investments on behalf of the parent company. Corporate venture funds invest in complementary businesses for strategic reasons. In exchange for cash, corporate ventures seek an equity stake in the company and access to the company's technology or product.

Established corporations provide operational expertise, credibility and visibility. Because investments are strategic rather than financial, the pricing of deals with corporations tends to favor the entrepreneur more than deals with venture capital firms.

- A business plan provides the following information to a potential investor.
- A description of the product or service that will be offered and the value proposition for the customer.
- A summary of the size and nature of the market opportunity.
- Explanation of the revenue model.
- Summary of profiles of the management team, advisory board, and board of directors describing specific relevant skills and expertise.
- Clear articulation of the start-up's core competencies and sustainable competitive advantage.
- A summary of financials and financing needs.

continued...

A Must Know Factor for an Investor: Formation of an Investment Entity (continued)

A mechanism called valuation normally tries to determine the worth of a company via four methods of application. The first refers to the comparable method where the firm is compared to other similar companies and should be similar with respect to industry focus, income statement ratios, location, relations with suppliers, customer base, potential growth, growth rate and capital structure. This is on the assumption that similar companies exist and that the information for comparison is available.

An alternative is the financial performance method which is used for the company's earnings or potential earnings, which is used to project future cash flows and applies a discount rate to determine the present value of those cash flows.

> "A takeover happens when a company or person acquires the voting shares of a target company for the purpose of controlling its business and operation"

Another is the discounted cash flow where the pro forma income statements — projections about the company's future income based on growth assumptions for cost and revenues — is the determinant factor of the company.

For venture capital, the method used is a hybrid, looking at both comparables and free cash flows to compensate for their high risk investments, where venture capital applies a very large discount rate to estimate the company's present value. On top of that, to compensate for future dilution, venture capital requires a higher percentage ownership.

This valuation method is necessarily subjective. Since the success of a new firm is highly dependent on the efforts of the managers, restrictions are placed on the management by the venture capital company and funds are usually disbursed in stages, after certain milestones are achieved.

Being a smart investor does not necessarily mean just knowing when and where to invest, but knowing what it means to own a part of a company, and the decisions a company has to make. Since takeover and merger exercises are part and parcel of the business world, it is important for the investor to know what some of these terms mean.

Whenever a company announces a takeover exercise, it means that this acquirer is going to buy a substantial amount of shares of another company (the acquiree) or to buy the assets of the acquiree.

A takeover of a company usually denotes a situation where the acquirer obtains control over the assets of an acquiree either directly by becoming the owner of those assets, or indirectly by obtaining control of the management of the acquiree.

As opposed to takeovers, a merger is actually a marriage between two companies, usually of roughly more or less equal size. Normally, the decision to merge is mutual between both companies.

There are several reasons for a company to undertake a takeover or merger exercise and the common ones are market positioning, to expand the market share/geographical reach or to enter into a new market; and a broader strategy, where there are companies that will undertake the takeover/merger exercise to access new technology or to secure a source of supply or raw materials.

Then there are cost savings as a reason, where a company can save costs and achieve economies of scale by taking over or merging with another company.

Enhancing earnings quality by the companies' joint efforts would not only develop a competitive edge but also introduce additional earnings streams while reducing dependence on unreliable earnings sources.

Another reason is opportunism: an opportunity, such as an increase in distressed or poorly managed companies in the market, will surely prompt a strong company to take advantage of the situation to undertake a takeover or merger exercise.

In Malaysia, certain laws and regulations have been put in place to protect the interests of shareholders in certain takeover situations. One form of this protection is embodied in the Securities Commission Act 1993 and the Malaysian Code on Takeovers and Mergers 1998.

The takeover code has similar standards and practices to those of other jurisdictions, namely in London, Hong Kong and Singapore. The aim of these regulations is basically to ensure that all takeovers shall take place in a competitive, informed and efficient market, and to ensure the fair and equal treatment of all shareholders of a company involved in a takeover situation.

In today's dynamic business environment, many companies often face difficulty in making decisions about this issue. As it is the management's job to maximize shareholders' value, in most cases undertaking a takeover or merger exercise can increase a company's competitive advantage and ultimately increase shareholders' wealth.

An investor or shareholder of a company must be well-informed of the company's activities or decisions so that his rights as a shareholder will not be compromised.

A takeover happens when a company or person acquires the voting shares of a target company for the purpose of controlling its business and operation. In Malaysia, a takeover could take place in the following situations:

- An acquirer has an agreement with the controllers of a target company to acquire their shares.
- An acquirer purchases enough shares from the open market to control the target company.
- An acquirer makes a takeover offer for the voting shares of the target company.

Generally, there are two types of takeover offer:
Mandatory offer, which is carried out to fulfill a regulatory obligation

continued...

A Must Know Factor for an Investor: Formation of an Investment Entity (continued)

when the acquirer obtains control of the target company. The mandatory offer is triggered by an acquirer obtaining more than 30% of the voting shares of a target company; or an acquirer's shareholding in the target company is more than 30% but less than 50% and has acquired more than 2% shares in any six months. In this situation, the acquirer is required by law to make an offer to the rest of the shareholders to acquire the remaining voting shares, at the highest price paid for the acquired shares.

Voluntary offer, which is an offer carried out voluntarily by an acquirer to the shareholders of a target company to acquire their shares. But there is no obligation by the acquirer to carry out the offer.

In a takeover situation, the moment the acquirer/offeror proposes to carry out a mandatory or a voluntary offer, the offeror is required to announce and subsequently submit a written notice to the Securities Commission, Bursa Malaysia and the board of directors of the target company. The press will also be informed. The board of directors of the target company will then notify its shareholders of the potential take-over plan.

Subsequently, the offeror will send an offer document to all the target company's shareholders within 35 days from the date of the written notice. The offer document should provide detailed descriptions of the offer including (i) the identity of the offeror; (ii) the offeror's financial standings and capability to carry out the offer; (iii) terms and conditions of the offer, including the offer price; (iv) the offeror's shareholding in the target company; and (v) other information specified by the Code Of Takeovers and Mergers, such as disclosure of dealings by the offeror and persons acting in concert.

The board of directors of the target company will then appoint an independent adviser, usually a merchant bank, to advise the board and the shareholders on whether they should accept or reject the offer. The advice will be distributed in the form of an "independent advice circular" to all the shareholders of the target company.

In essence, the circular contains the recommendation from the board of directors and the independent adviser about the offer. Normally, the offer period will remain open for at least 21 days from the date the offer documents were sent. The offeror must announce the status of the offer, such as the level of shareholders' acceptances and any revisions to the offer during the offer period. Subsequently, after the offer period is closed, the offeror will announce the outcome of the takeover exercise.

Shareholders will be offered either cash or shares in another company in exchange for their shares in the target company. Sometimes they will be offered a combination of shares and cash. This will be stipulated in the offer documents.

In a share exchange situation, shareholders should find out more about the company whose shares are being offered as consideration. In any takeover, the shareholders of a target company must ensure that they get the best possible deal.

In a mandatory offer, the offeror must include a cash alternative as consideration for the offer. The consideration to be paid is based on the highest price paid for shares of the target company in the six months prior to the beginning of the offer period.

If, during the offer period, the offeror has acquired shares of the target company at a price higher than the offer price stated in the offer document, a revision to the offer price will be made to reflect the highest price paid.

The Malaysian Code on Takeovers and Mergers 1998 governs all takeover activities in Malaysia. In essence, the code's principles are to ensure that (i) there is fair dealing and equity between all shareholders involved in a takeover offer; (ii) adequate information, sufficient time and advice are given to all shareholders, especially the minority, of a target company to make decisions on the merits of the offer; and (iii) minority shareholders can make decisions that will benefit them.

Since a takeover exercise can be a difficult and an unsettling experience for a company, especially its minority shareholders, it is wise for shareholders to keep abreast with the latest development of their company by reading the reports sent by the company and in the business sections of newspapers. Minority shareholders are as important as the majority shareholders.

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How Shariah Governance Empowers Islamic Finance

By Suapi Shaffaii

Strong political determination will significantly set the pace for Islamic financial services in any country, notwithstanding the complexities of its legal system or the size of its Muslim population. We see that this has catapulted the emergence of Malaysia, Singapore, London and Hong Kong as the newest Islamic financial centers. The same political trend has also driven interest in Islamic finance in Japan and South Korea.

While political support is central to the survival of Islamic finance, we cannot discount the substantial elements that form the mechanics of Islamic finance: an accommodative regulatory and supervisory framework and effective Shariah governance.

> "Overall compliance of Islamic financial business will rest solely on the adequacy and efficiency of Shariah governance"

In this age of transparency and good corporate governance, perhaps it does not conform to the best practices to operate Islamic financial services by adopting one element and shunning the other.

Unfortunately, this has always been the prerogative of financial policymakers and, sometimes, no amount of politics may influence this.

Brain behind the infrastructure

Shariah governance is the nexus for a comprehensive regulatory and supervisory infrastructure. It is the brain of the Islamic financial regulatory and supervisory infrastructure, as the overall compliance of Islamic financial business will rest solely on the adequacy and efficiency of Shariah governance.

Policymakers need to zoom in on the components of Shariah governance to appreciate the complete link that Shariah governance provides to the oversight of Islamic financial services in their countries.

Shariah governance comprises two vital components — a Shariah apex body as appointed by regulators or supervisors, and a Shariah body as set up by a financial institution.

- *Apex body*

This component is intended to assist the Islamic finance industry in the interpretation of Shariah issues. Just as Shariah issues are never the expertise of the regulator, this body will never intervene in the regulation and supervision of the industry as it deals strictly with the mandated role of attending to Shariah compliance issues.

Regulators may impose rules on how this body will operate and also on the appointment of the Shariah scholars. The efficacy of this apex body will be subject to these elements. It becomes a central reference point on Shariah issues where industry players and authorities alike may refer to it for advice.

The opinions it issues will be binding upon the regulator and financial institutions so as to accord respect to the body as the highest authority on Shariah issues.

Apart from lending credibility to the Islamic financial system, it provides guidance on interpreting Shariah issues relating to Islamic financial transactions in a court of law.

The court may not be bound to follow the opinions offered as it only acts as an expert witness. Furthermore, the judicial authorities, particularly in a common law country, would strictly apply the doctrine of binding precedent, i.e. the inferior courts will only be bound by their superior courts.

- *Institutional body*

The institutional Shariah body is appointed by the individual financial institution. The rationale behind this set-up is to ensure that Shariah governance is managed efficiently at the institutional level.

Under this component, each financial institution is required to have its own Shariah unit. While this internal body will be responsible for the Shariah compliance issues that arise at its own institution, it may seek the assistance of the apex Shariah body for the resolution of more complex Shariah issues as they emerge.

As explained before, the opinions issued by the apex body will be binding. There could be as many as 20 Shariah bodies if indeed there were 20 financial institutions in a country. All these bodies are accountable to the central Shariah body.

Think about how systematically the Shariah compliance issues will be handled under these components of Shariah governance. The regulator may come up with rules on the appointment and vetting of proposed Shariah officers for this internal Shariah body.

Note, however, that the components of Shariah governance are merely facilitative in nature. They may exist alongside the regulator but will

continued...

Next Forum Question

The takeover by Commerzbank of Dresdner Bank from Allianz SE closes the book on yet another failed attempt at bancassurance in the conventional markets. Should this raise alarm bells for those entering bancaTakaful, or can the Shariah version buck the trend and be a best seller?

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, 17th September 2008.

How Shariah Governance Empowers Islamic Finance (continued)

never disrupt the existing pattern of the regulatory and supervisory framework.

In fact, they will greatly assist the regulator in overseeing an aspect of compliance that they are not familiar with which happens to be a Shariah requirement. This has worked well in Malaysia and Indonesia has followed suit.

Notwithstanding this, it may be an arduous task to convince regulators to adopt Shariah governance as their potent policy tool. They do not envision the significance of Shariah governance in setting the design for the Islamic financial regulatory and supervisory work. The writer submits that it's all about awareness.

> "Allowing Shariah governance to run its own course will undermine the integrity of the Islamic financial system"

Shariah governance is never engaged as part of a comprehensive financial framework as the only immediate focus is the specific legislative amendments to empower regulators to oversee Islamic financial services. They cannot fathom the regulatory and supervisory oversight over Islamic finance beyond licensing requirements and surveillance duties.

As such, Shariah governance in their countries is often at best decided by the industry players. Here, we have the Shariah people being accountable only to the institutions that hired them.

Shariah compliance is the utmost crucial requirement and this cannot be left entirely in the hands of the industry players. Conflicts of interest may arise, as the compliance will be framed with a business priority in mind.

In this regard, as with other compliance requirements, the rules on Shariah compliance must be standardized for an effective control mechanism. The Shariah governance components in the form of the Shariah apex body and the institutional Shariah body are intended to maintain order in the Islamic financial services industry.

All these warrant that the Shariah governance system comes under the purview of the regulator. But how can this be done?

Legitimate platform

Islamic finance needs a legitimate platform to operate with greater efficiency and for seamless integration with the existing financial system. Otherwise, the regulator will find its authority to be vague in overseeing the Islamic financial services industry.

Likewise, Shariah governance needs to be legitimized. In some countries, it will be a straight case of amending the existing financial legislation. In others, that will attract some constitutional issues. The point is, as long as Shariah governance employs a kind of legislative effect under the main financial legislation, it will play its mandated role effectively.

Malaysia is ahead in terms of Shariah governance for the Islamic financial services industry. The Central Bank of Malaysia Act 1958 provides for the setting up of the Shariah Advisory Council (SAC), which plays the role of a Shariah apex body.

The Islamic Banking Act 1983 and the Takaful Act 1984 provide for the establishment of the institutional Shariah body for the Islamic banking and Takaful industries. The body will refer to SAC for its resolutions on a Shariah issue. Indonesia molded its Shariah governance system after the Malaysian module in its recently legislated Shariah Banking Act.

Allowing Shariah governance to run its own course will undermine the integrity of the Islamic financial system. The autopilot mode will create a vacuum where the regulator would be toothless to consider circumstances that necessitate immediate remedial action.

The Shariah governance components will help the regulator fill the gap, leading to more effective regulation and supervision of Islamic financial institutions.

More and more countries have shown their interest in leveraging on the potential growth of Islamic finance as a springboard to elevate their respective status as international financial centers.

However, while enthusiasm is to be expected for a new pursuit, it is disappointing to see that little has been done or seen to be carried out in creating a comprehensive Islamic finance framework. This includes Shariah governance.

This, therefore, highlights the vital role played by government agencies entrusted with the regulatory and supervisory duties. Ignore this, and their credibility and the integrity of the Islamic financial services industry may be at stake.

Suapi Shaffaii works for a prominent Southeast Asian financial regulatory agency. He also writes on Islamic capital markets and banking in his website at www.islamicfinanceupdates.wordpress.com

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

Name: Paul Hoff
Position: Managing director, Asia-Pacific
Company: FTSE Group
Based: Tokyo
Age: 57
Nationality: American

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

One of the first things I did was to work in the US Peace Corps in South Korea. That two-year voluntary program gave me an appreciation for the Asian culture. From that assignment, I went to Japan, at a time when it was going through many changes, and I was presented with many opportunities to continue to work there. When the Japanese government allowed foreign banking institutions to set up their securities institutions, I was hired to assist mainly British companies create their branches and develop their facilities. I ended up being with HSBC for 17 and a half years, performing a number of different roles including administrative, Japanese equity research, sales, setting up futures and bond trading and eventually going into the capital market area. The final stage was in mergers and acquisitions. All this gave me a broad background. In January 2003, I was approached to join FTSE and I saw that as a great opportunity.

What does your role involve?

Going into countries with no contacts whatsoever and building relationships with the fund management industry, regulators and the stock exchange to allow FTSE to create indices or to buy certain products, create partnerships with the stock exchanges and thereby grow the company business in the Asia-Pacific. Therefore, I have many different hats that I might wear on any day because working with regulators is different from going to fund managers and selling them something. The past 5½ years have been a very active period for me. We started with four people in the Hong Kong office; and now we have offices in Tokyo and Sydney as well. We have stock exchange relationships with Taiwan and other Asian markets, and we are looking to more stock exchange relationships going forward.

What is your greatest achievement to date?

I think this is an ongoing thing because my greatest achievement so far has been in developing an approach to partnerships and working with a wide variety of partners both in countries and across the region to grow our business. Collaborating requires special skills and it is not just a win-win approach; we also have to have a high level of self-disclosure. There is the trust element that comes into a partnership and requires a forward-looking approach.

Which of your products/services deliver the best results?

We are diversifying our offerings by growing our partnerships, getting partners to work together with other partners as well, producing new growth and creating new opportunities for clients. We have been increasing the number of clients, not just growing revenue with a variety of products. Some of them have conventional finance business and we have been advancing the returns by inputting additional methodology into the indexes.

What are the strengths of your business?

Partnership. It creates the opportunities, making your business more appealing to certain kinds of clients; it brings new products that you have not had.

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

The follow-on from the sub-prime crisis has sent markets into turmoil and as people begin to see how the crisis has affected each market, we will see how our business is affected in each of these markets. It appears to be a market-by-market situation. We have partnerships in some markets, some markets are developed markets and some are emerging markets where we have to spend more time on education. Therefore, it depends on the kind of markets and the stage of development. I think we have an offering virtually in any market. It is a matter of working with the people and helping them discover what we have and showing them how to use it.

What are the obstacles faced in running your business today?

We are a very conservatively run company with very good margins and very strong growth. What that means for me is that I do not have a budget to spend. We are very much driven by going into a new market, establishing a revenue stream, then putting more resources on top of it. That is a bit of an obstacle. You would want to spend a little more money up front and hope the returns would come. We also have competitors for various kinds of products but not all of them have the same product mix that we have. In developing relationships with exchanges, we help them appreciate the additional value that we bring to them and that is one of the key features.

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

There could be a little bit of consolidation of all kinds of products that are going to be viable. We have to remember that the Shariah is quite strict, but this does reduce the number of things that you can do. We need to make sure that within those confines, Shariah finance per se has as many different kinds of things they can use as possible. We need to continually work with the conventional products and services and see how much of them we can make Shariah compliant. To see Shariah finance grow is to see that it continues to have diversity and a realistic approach to which asset class it can invest in.

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

Well, it is not so much change that will continue to evolve because as the market evolves, it will become clearer as to its requirements. Right now, there are a number of us trying to assemble products that cater to the more sophisticated Islamic market. However, that is a very small market. I would like to see people become proactive in asking for customized indices that would help them better.

MENASIA Sukuk Fund Company's The Sukuk Fund

THE FUND	The Sukuk Fund is a Shariah compliant open-ended collective investment undertaking. It is domiciled in Bahrain and is established as an absolute return fund focusing on Shariah compliant securities and similar instruments with its primary focus on the MENASIA region.
FUND COMPANY	MENASIA Sukuk Fund Company
BOARD OF DIRECTORS	Ziad Makkawi, Hamed Kazim and Jacques Visser.
INVESTMENT COMMITTEE	Jamil Abdul Karim El Jaroudi, Ahmad Tayara, Ziad Makkawi and Mohieddine Kronfol.
ADVISER TO THE INVESTMENT COMMITTEE	Elaf Bank
SEED INVESTOR	Elaf Bank
INVESTMENT MANAGER	Algebra Capital
ADMINISTRATOR, REGISTRAR AND CUSTODIAN	HSBC Bank Middle East
SHARIAH ADVISERS	Sheikh Nizam Yaqoubi and Abdel Sattar Abu Ghudah
LEGAL COUNSEL	Dewey & LeBoeuf
AUDITORS	Ernst & Young
INITIAL OFFER PERIOD	the 28th July 2008 until the 14th August 2008
INITIAL SUBSCRIPTION PRICE	US$100 per unit
BASE CURRENCY	US dollars
INVESTMENT OBJECTIVES AND STRATEGY	The fund's investment objective is to generate returns by investing in a diversified portfolio of Shariah compliant income-producing investments and securities and will invest in the entire spectrum of MENASIA Islamic instruments. The fund has no benchmark and will pursue an absolute return (total return) strategy with an initial targeted profit rate of 8% to 10% per annum.
MINIMUM FUND SIZE	The minimum size of the fund is US$30 million or any lesser amount confirmed to the investors by the directors, acting in the best interest of the investors.
MINIMUM INVESTMENT AMOUNT	The minimum investment amount is US$100,000, and thereafter in increments of US$10,000.
TERM	Unless the fund is earlier dissolved, the term of the fund shall be 10 years from the initial closing date. The directors have the option, upon prior written notice to the unit holders and the Central Bank of Bahrain, to extend the life of the fund to one or more 10 year terms.

For more termsheets, visit www.islamicfinancenews.com

ASIAN FINANCE BANK

MALAYSIA: Daud Vicary Abdullah has confirmed that he will be leaving his position as the bank's chief operating officer. He did not elaborate.

Vicary was previously the managing director of Hong Leong Islamic Bank, and has extensive experience in banking operations and consulting, having assisted banks in their restructuring for greater efficiency, cost control, and to better meet customer expectations. His areas of expertise include enterprise transformation, technology implementation, process control, treasury back office operations and change management including Islamic finance.

SIMMONS & SIMMONS

UAE: Eric Milne has joined the law firm as a partner to head its banking and finance practice, covering the MENA region. He will be based in Dubai.

Milne has extensive experience in the region. He joined Simmons & Simmons from Freshfields, which he had joined in 1996. He specializes in international banking, international finance, project and asset finance, advising commercial and investment banks and corporate borrowers, with particular emphasis on mergers and acquisitions as well as leveraged financings.

AXA REIM

SINGAPORE: AXA Real Estate Investment Managers has named Frank Khoo as its Asia head, based in Singapore. His employment will take effect in mid-September. He had previously worked at Pacific Star Fund Management.

The property investment arm of French insurer AXA officially opened its new Asia headquarters in Singapore on the 5th September.

MIDF

MALAYSIA: Malaysian Industrial Development Finance (MIDF) has appointed Zulkifli Hamzah as the head of research at its Islamic finance unit, MIDF Amanah Investment Bank. He was previously the head of wealth management at Maybank Islamic. Zulkifli has 13 years of sell-side and buy-side experience in the capital markets.

JPMORGAN CHASE & CO

INDIA: Kalpana Morparia is the new CEO for JPMorgan's Indian operations. She will also be a member of its Asia-Pacific executive committee, and will be involved in the development of global initiatives driven from the firm's New York office.

Prior to her appointment, she was with the ICICI Group as vice chairman of insurance, securities and asset management as well as chief strategy and communications officer. She had spent 33 years in the company and was key in building ICICI's well-diversified financial services business.

ADIC ASSET MANAGEMENT

UAE: David Sander has joined ADIC Investment Management as chief investment officer.

He has been in the UAE market for almost five years, and has held executive positions as senior fund manager at the National Bank of Abu Dhabi and as a senior analyst at Abu Dhabi Investment Authority.

CITIGROUP

US: Alberto Cribiore is the new vice chairman of Citi's institutional clients group. He will play a key leadership role in leveraging Citi's global network, creating access and building relationships at the highest levels of management among existing and potential clients.

Cribiore was most recently a member of the board of directors and the lead director of Merrill Lynch, where he had served as Merrill's interim non-executive chairman and chairman of the search committee prior to the appointment of John Thain.

He was also the managing partner of Brera Capital. He has since resigned from his positions in Merrill Lynch but will remain as Brera's non-executive chairman as the firm continues its liquidation.

CREDIT SUISSE

INDIA: Credit Suisse has appointed Pankaj Kalra as its managing director in the investment banking department. He will be based in Mumbai and will cover large market capitalization clients in the energy, industrial and telecommunications sectors.

He made the move to the Swiss bank from Merrill Lynch, where he had been a director in the general industries group since 2006. He was also attached to Merrill Lynch from 1994 to 2003 in the bank's various offices in London, New York, Hong Kong and Singapore. He joined National Australia Bank in 2003, and stayed until 2005.

BNP PARIBAS

FRANCE: Alain Dib, previously co-head of European high yield capital markets at BNP Paribas, has been appointed as the global head of the bank's newly-formed distressed finance group.

Dib has 16 years experience in leveraged finance and high yield working with financial sponsors, corporate and institutional investors.

GIH

BAHRAIN: Global Investment House (GIH) has appointed a new general manager, Osama Muein.

He has extensive experience in investment and securities, and has a long history of achievements in a number of leading organizations such as Credit Lyonnais Rouse for Middle East, Al Gazeera Research and Development in Cairo, Bahrain Middle East Bank, and Al Ahlia Bahrain.

ING PRIVATE BANKING

CHINA: The bank has appointed Elaine Lai as general manager, wealth management and onshore private banking, for China.

She will be responsible leading the development of the onshore private banking business in China, and provide wealth management expertise to ING and its affiliates, namely ING Vysya Bank in India, TMB Bank in Thailand and the Bank of Beijing.

Lai has more than 15 years experience. Previously, she worked with Standard Chartered Bank as general manager for China wealth management, and helped in the introduction of structured deposits and offshore investments into the mainland China market.

Deal *tracker*

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

Another **Islamic Finance** *news* exclusive

ISSUER	SIZE (million)	INSTRUMENT
Pakistan	Up to US$261.78	Sukuk
City Development	US$708.32	Sukuk
Malaysian Debt Ventures	Up to US$449.07	Sukuk
Bumiputra-Commerce Holdings	US$1.84 billion	Islamic and conventional CP/MTN program
Islamic Bank of Thailand	US$178.77	Ijarah
ETA Star Property Developers	Up to US$150	Sukuk
Abu Dhabi Commercial Bank	US$1.07 billion	Islamic MTN
Dewa	Minimum US$500	Sukuk
Philippines	Up to US$1 billion	Sukuk
BTA Bank	Up to US$150	Sukuk
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
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
Muhibbah Engineering	US$125.41	Mudarabah
Indonesia	up to US$2 billion	Ijarah
Orient Technology Indonesia	US$120	Islamic and conventional
Glomac	US$18.83	Murabahah MTN
Prolintas	US$187	US$93.5 million senior Ijarah, US$93.5 million junior Musharakah
Monetary Authority of Singapore	TBA	Sukuk
Islamic Development Bank	US$122.75	Ijarah

For more details and the full list of deals visit
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Bener

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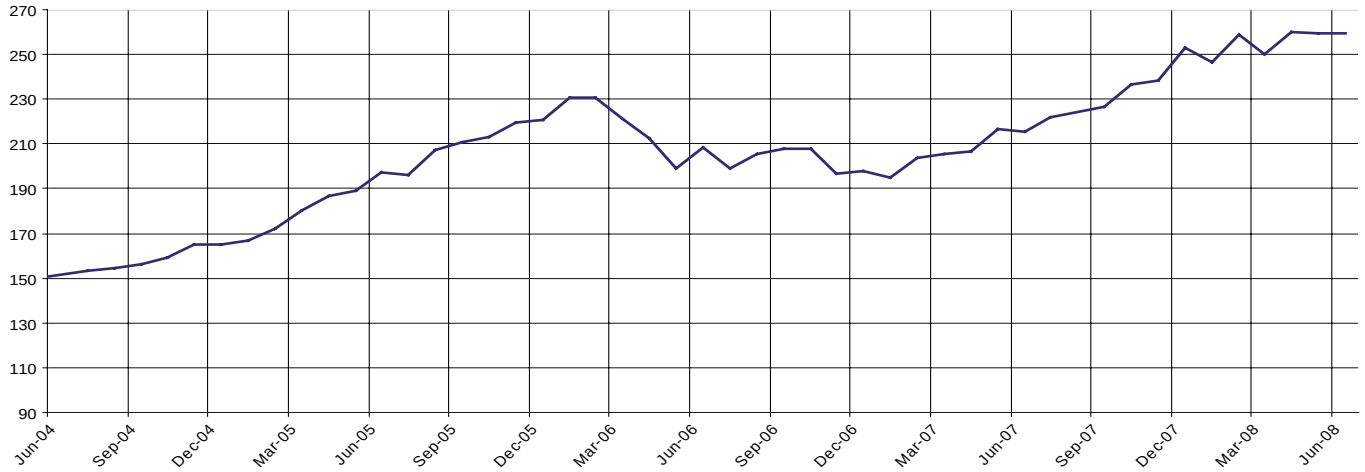
Durham University

Mr Sohail Zubairi
Vice President & Head Shariah Coordination
Dubai Islamic Bank

Eurekahedge Middle East/Africa Islamic Fund Index



Monthly returns for Asia Pacific funds (as of the 10th September 2008)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	KASB Islamic Income Fund	KASB Funds Limited	12.06	Pakistan
2	AmAl-Amin	AmInvestment Management	2.73	Malaysia
3	Meezan Islamic Fund	Al Meezan Investment Management Limited	1.63	Pakistan
4	Atlas Islamic Fund	Atlas Asset Management Limited	1.25	Pakistan
5	Al Meezan Mutual Fund	Al Meezan Investment Management Limited	1.23	Pakistan
6	UTP-Islamic Fund	JS Investments Limited	1.06	Pakistan
7	Atlas Pension Islamic Fund - Equity Sub Fund	Atlas Asset Management Limited	0.97	Pakistan
8	Mega Dana Syariah	Mega Capital Indonesia	0.90	Indonesia
9	Batasa Syariah	BTS Capital	0.83	Indonesia
10	BIG Dana Muamalah	Bhakti Asset Management	0.80	Indonesia
	Eurekahedge Asia Pacific Islamic Fund Index*		*-3.40*	

Monthly returns for Middle East/Africa funds (as of the 10th September 2008)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	Tijari Islamic Money Market Fund	Commercial Bank of Kuwait	6.17	Kuwait
2	Al Rajhi Local Shares Fund	Al Rajhi Bank	6.06	Saudi Arabia
3	HSBC Amanah Saudi Equity Segregated Portfolio	HSBC Investments	4.51	Cayman Islands
4	Al-Beit Al-Mali Fund	Qatar National Bank	3.89	Qatar
5	Riyad Equity Fund 2	Riyad Bank	3.67	Saudi Arabia
6	Al-Durra Islamic Fund	Global Investment House	3.63	Kuwait
7	Gulf Industrial Companies Fund	The Saudi Investment Bank	3.57	Saudi Arabia
8	Jadwa Saudi Equity Fund	Jadwa Investment	3.46	Saudi Arabia
9	Islamic Balanced Income Fund	Riyad Bank	3.16	Saudi Arabia
10	TAIB Islamic GCC Index Fund	TAIB Bank BSC (C)	3.01	Bahrain
	Eurekahedge Middle East/Africa Islamic Fund Index*		*0.07*	

EUREKAHEDGE

Contact Eurekahedge

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

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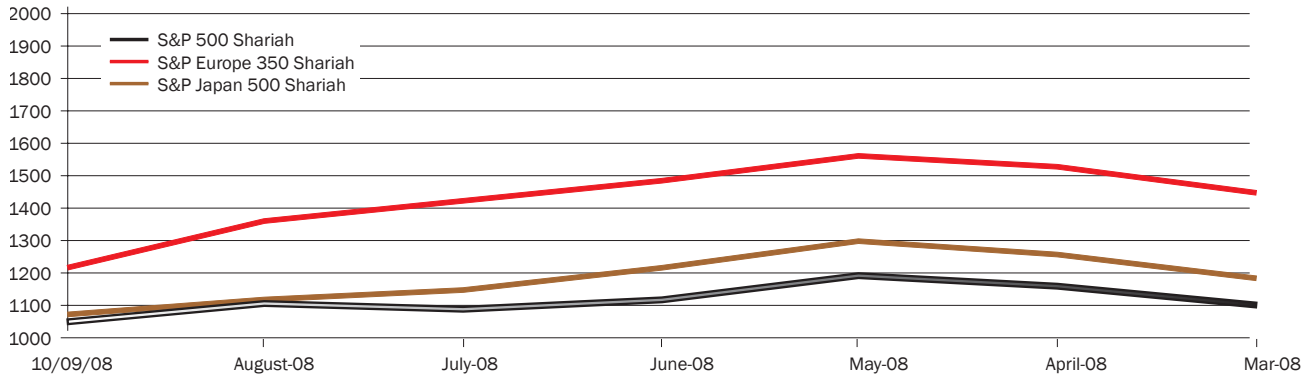
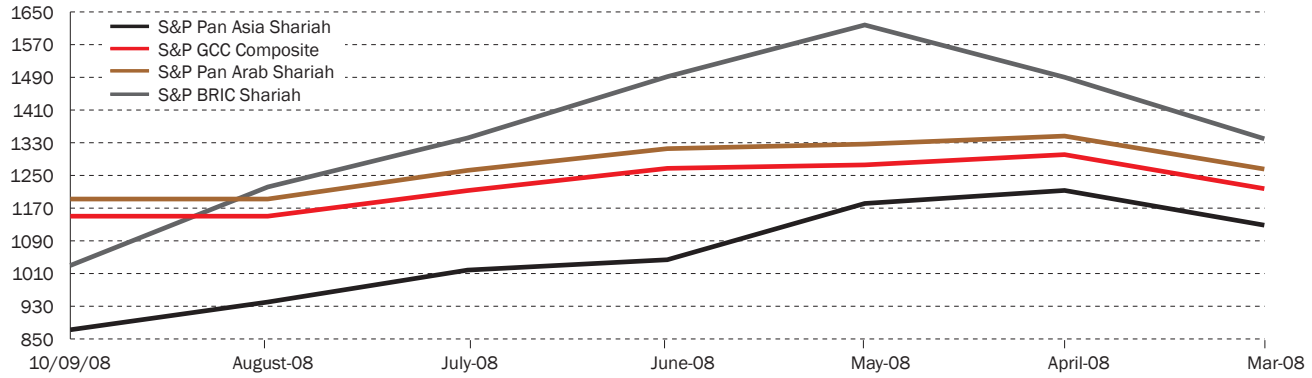
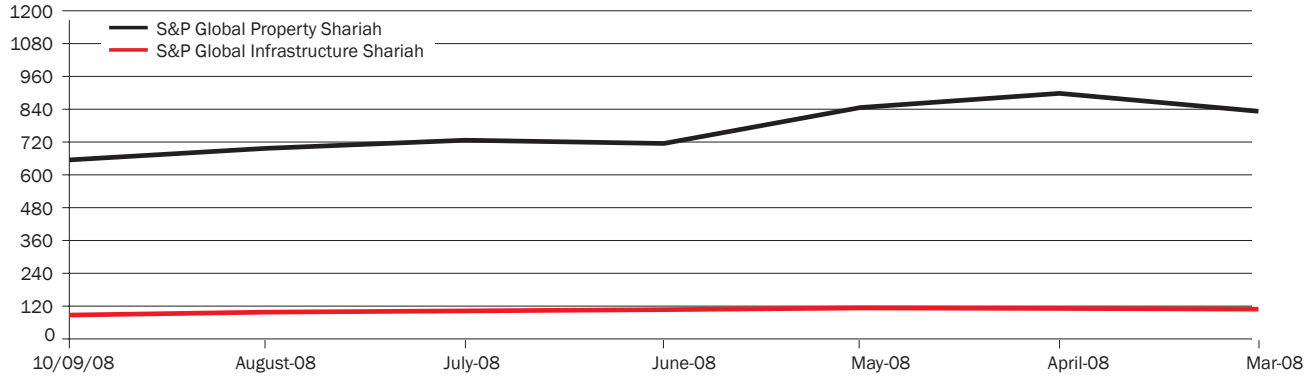
S&P Shariah Indices Price Index Levels



Index Code	Index Name	10/09/08	August-08	July-08	June-08	May-08	April-08	Mar-08
SPSHX	S&P 500 Shariah	1049.337	1105.698	1088.084	1117.006	1191.671	1159.136	1101.027
SPSHEU	S&P Europe 350 Shariah	1216.452	1360.152	1422.505	1484.523	1561.127	1527.614	1447.319
SPSHJU	S&P Japan 500 Shariah	1072.037	1118.087	1147.273	1215.950	1298.106	1256.791	1183.592



Index Code	Index Name	10/09/08	August-08	July-08	June-08	May-08	April-08	Mar-08
SPSHAS	S&P Pan Asia Shariah	872.448	940.242	1018.429	1043.774	1181.396	1213.284	1128.294
SPSHG	S&P GCC Composite Shariah	1150.304	1150.304	1212.987	1267.310	1275.791	1300.940	1217.620
SPSHPA	S&P Pan Arab Shariah	1192.275	1192.275	1262.353	1315.524	1326.664	1346.319	1265.530
SPSHBR	S&P BRIC Shariah	1029.724	1221.728	1341.591	1491.666	1618.083	1490.222	1339.677



Index Code	Index Name	10/09/08	August-08	July-08	June-08	May-08	April-08	Mar-08
SPSHGU	S&P Global Property Shariah	654.640	696.868	726.645	714.774	846.205	897.914	832.467
SPSHIF	S&P Global Infrastructure Shariah	87.235	97.923	102.631	107.070	113.133	111.336	108.755

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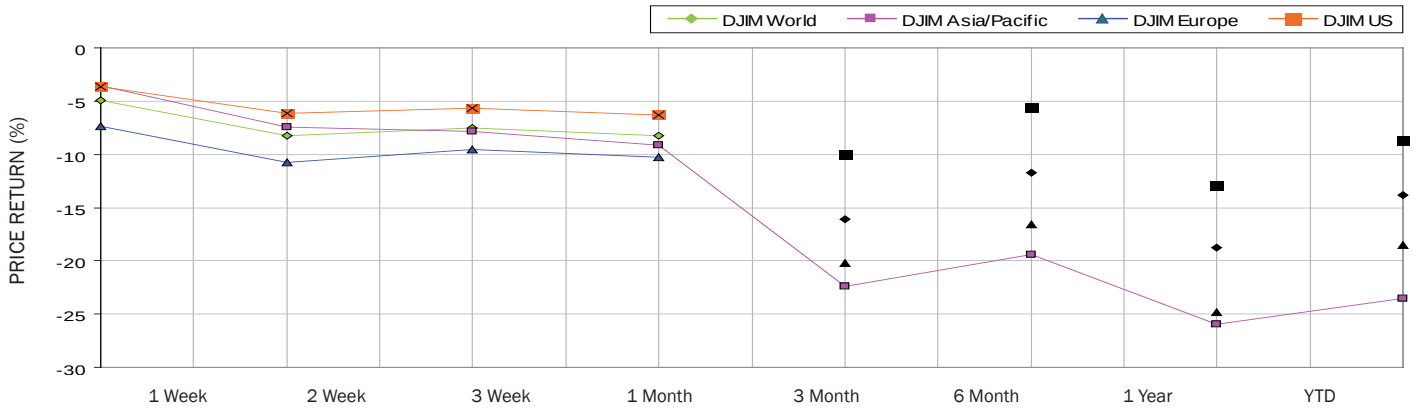
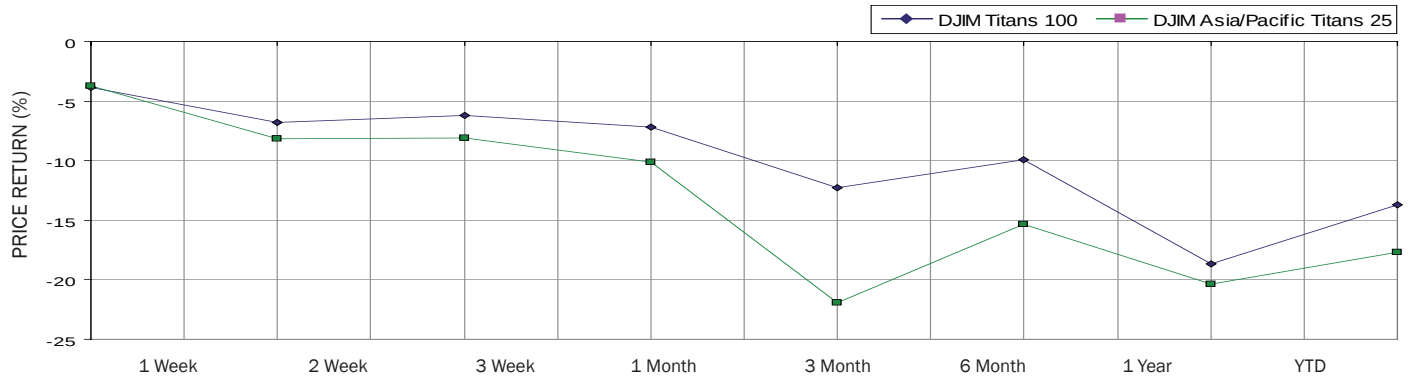
Data as of the 10th September 2008

PERFORMANCE OF DJ INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	-4.94	-8.22	-7.55	-8.21	-16.12	-11.76	-13.83	-18.72
DJIM Asia/Pacific	-3.54	-7.45	-7.84	-9.16	-22.38	-19.40	-23.55	-25.98
DJIM Europe	-7.38	-10.75	-9.56	-10.26	-20.23	-16.55	-18.49	-24.84
DJIM US	-3.65	-6.16	-5.67	-6.34	-10.00	-5.61	-8.71	-12.91

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	-3.86	-6.76	-6.18	-7.18	-12.28	-9.91	-13.69	-18.70
DJIM Asia/Pacific Titans 25	-3.72	-8.14	-8.08	-10.09	-21.90	-15.37	-17.71	-20.35

DESCRIPTIVE STATISTICS		Market Capitalization (US$ billions)						Component Weight (%)	
Index	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Large	Small
DJIM World	2392	15842.30	12992.87	5.43	1.06	405.00	0.01	3.12	0.00
DJIM Asia/Pacific	1080	2901.42	1929.03	1.79	0.38	94.09	0.02	4.88	0.00
DJIM Europe	335	3879.22	2949.24	8.80	2.04	165.94	0.21	5.63	0.01
DJIM US	634	7667.86	7192.71	11.34	2.92	405.00	0.12	5.63	0.00
DJIM Titans 100	100	7507.56	6678.85	66.79	47.61	394.29	11.11	5.90	0.17
DJIM Asia/Pacific Titans 25	25	1027.29	664.96	26.60	19.92	60.72	11.11	9.13	1.67

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

Learn more about the Dow Jones Islamic Market Indexes

DOWJONES Indexes

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DOWJONES Indexes

TOP ISSUERS OF ISLAMIC BONDS — SEPTEMBER 2007 – SEPTEMBER 2008

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Binariang GSM	Malaysia	Sukuk Musharakah	4,524	9	17.8	CIMB, RHB, Aseambankers, Royal Bank of Scotland, AmInvestment, OCBC Bank (Malaysia)
2	Malaysia	Malaysia	Sukuk	3,757	4	14.8	Malaysia Government bond
3	JAFZ Sukuk	UAE	Sukuk Musharakah	2,043	1	8.0	Barclays Capital, Deutsche Bank (London), Dubai Islamic Bank, Lehman Brothers International (Europe)
4	Saudi Basic Industries	Saudi Arabia	Sukuk Istithmar	1,333	1	5.3	Calyon, HSBC Saudi Arabia
5	Projek Lebuhraya Utara Selatan	Malaysia	Sukuk Musharakah	1,160	11	4.6	CIMB
6	Sun Finance	UAE	Mudarabah Sukuk Asset-backed Securities	1,093	3	4.3	Citigtoup Global Markets, Abu Dhabi Commercial Bank, National Bank of Abu Dhabi, First Gulf Bank, Noor Islamic Bank
7	Sukuk Funding (No.2)	UAE	Sukuk Ijarah	1,021	1	4.0	Abu Dhabi Commercial Bank, Barclays Capital, Credit Suisse Securities (Europe), Dubai Islamic Bank, First Gulf Bank, Lehman Brothers International (Europe), National Bank of Abu Dhabi, Noor Islamic Bank
8	Nakheel Development 3	UAE	Sukuk Ijarah	980	1	3.9	Dubai Islamic Bank, NBD Investment Bank, JPMorgan
9	DEWA Funding	UAE	Sukuk Ijarah	749	1	3.0	Barclays Capital, Citigroup Global Markets, Dubai Islamic Bank, Emirates Bank International
10	Cagamas	Malaysia	Sukuk Murabahah	715	11	2.8	HSBC, CIMB, Aseambankers
11	Syarikat Prasarana Negara	Malaysia	Sukuk Ijarah	620	3	2.4	CIMB, AmInvestment
12	Perusahaan Penerbit SBSN Indonesia	Indonesia	Sukuk Ijarah	512	2	2.0	Mandiri Sekuritas, Danareksa Sekuritas, Trimegah Securities
13	Lingkaran Trans Kota Holdings	Malaysia	Sukuk Musharakah	456	13	1.8	Aseambankers
14	Khazanah Nasional	Malaysia	Sukuk Musharakah	453	2	1.8	CIMB, AmInvestment
15	Central Bank of Bahrain	Bahrain	Sukuk Ijarah	350	1	1.4	Calyon
16	Rakia Sukuk	UAE	Sukuk Wakalah	325	1	1.3	Credit Suisse Securities (Europe), HSBC, National Bank of Dubai
17	MRCB Southern Link	Malaysia	Sukuk Istisna	320	20	1.3	HSBC, CIMB, RHB
18	Menara ABS	Malaysia	Sukuk Ijarah Asset-backed Securities	307	8	1.2	Citibank
19	Tamweel Sukuk	UAE	Sukuk	299	1	1.2	Standard Chartered, Dubai Islamic Bank, Badr Al Islami
20	RAK Capital	UAE	Sukuk Ijarah	272	1	1.1	Mashreqbank, Standard Chartered, Arab Bank, Ahli United Bank, Emirates NBD
	Total			**25,404**	**283**	**100.0**	

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TOP ISSUERS OF ISLAMIC BONDS — JUNE 2008 – SEPTEMBER 2008

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Malaysia	Malaysia	Sukuk	2,127	2	35.9	Malaysia Government bond
2	Sun Finance	UAE	Mudarabah Sukuk Asset-backed Securities	1,093	3	18.5	Citigroup Global Markets, Abu Dhabi Commercial Bank, National Bank of Abu Dhabi, First Gulf Bank, Noor Islamic Bank
3	Cagamas	Malaysia	Sukuk Murabahah	619	9	10.5	HSBC, CIMB, Aseambankers
4	Perusahaan Penerbit SBSN Indonesia	Indonesia	Sukuk Ijarah	512	2	8.7	Mandiri Sekuritas, Danareksa Sekuritas, Trimegah Securities
5	Khazanah Nasional	Malaysia	Musharakah MTN	453	2	7.7	CIMB, AmInvestment
6	MRCB Southern Link	Malaysia	Sukuk Istisna	320	20	5.4	HSBC, CIMB
7	Tamweel Sukuk	UAE	Sukuk	299	1	5.1	Badr Al Islami, Dubai Islamic Bank, Standard Chartered
8	PLUS SPV	Malaysia	Musharakah MTN	234	7	4.0	CIMB
9	Tadamun Services	Malaysia	Musharakah MTN	92	1	1.6	CIMB, Standard Chartered
10	Bank Muamalat Indonesia	Indonesia	Sukuk Mudarabah	43	1	0.7	Bahana Securities, Danareksa Sekuritas, Andalan Artha Advisindo, CIMB Securities Indonesia
11	Aneka Gas Industry	Indonesia	Sukuk Ijarah	24	1	0.4	Andalan Artha Advisindo
12	Pak American Fertilizers	Pakistan	Sukuk	22	1	0.4	National Bank of Pakistan, JS Bank, Standard Chartered
13	Arpeni Pratama Ocean Line	Indonesia	Sukuk Ijarah	16	1	0.3	CIMB Securities Indonesia
14	Horizon Hills Development	Malaysia	Murabahah MTN	15	2	0.3	AmInvestment
15	Mukah Power Generation	Malaysia	Mudarabah and Istisna MTN	14	3	0.2	RHB
16	Tanjung Offshore	Malaysia	Istisna or Murabahah MTN	12	5	0.2	AmInvestment
17	Metrodata Electronics	Indonesia	Sukuk Ijarah	11	1	0.2	Andalan Artha Advisindo
18	Aeon Credit Service (M)	Malaysia	Musharakah MTN	9	1	0.2	Aseambankers, CIMB
19	Instacom SPV	Malaysia	Murabahah MTN	2	1	0.0	MIDF Amanah Investment Bank
20	Serrisa Sinar	Malaysia	Murabahah MTN	2	1	0.0	MIDF Amanah Investment Bank
	Total			**5,920**	**66**	**100.0**	

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Catherine Chu
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ISLAMIC BONDS		SEPTEMBER 2007 – SEPTEMBER 2008		
	Manager or Group	Amt US$ m	Iss.	%
1	CIMB Group	4,345	89	17.1
2	Malaysia Government bond	3,757	4	14.8
3	Aseambankers	1,494	46	5.9
4	AmInvestment	1,485	50	5.9
5	HSBC	1,276	43	5.0
6	Dubai Islamic Bank	1,269	6	5.0
7	Calyon	1,016	2	4.0
8	RHB Capital	849	63	3.3
9	Barclays Capital	826	3	3.3
10	Citigroup	713	12	2.8
11	Oversea-Chinese Banking Corp	685	16	2.7
12	Emirates NBD	677	4	2.7
13	Lehman Brothers	638	2	2.5
14	Royal Bank of Scotland	622	8	2.5
15	Deutsche Bank	511	1	2.0
16	Standard Chartered	429	15	1.7
17	Noor Islamic Bank	346	4	1.4
18	National Bank of Abu Dhabi	346	4	1.4
19	First Gulf Bank	346	4	1.4
20	Abu Dhabi Commercial Bank	346	4	1.4
	Total	**25,404**	**283**	**100.0**

ISLAMIC BONDS		JUNE 2008 – SEPTEMBER 2008		
	Manager or Group	Amt US$ m	Iss.	%
1	Malaysia Government bond	2,127	2	35.9
2	CIMB	851	42	14.4
3	HSBC	313	29	5.3
4	AmInvestment	253	9	4.3
5	Noor Islamic Bank	219	3	3.7
6	National Bank of Abu Dhabi	219	3	3.7
7	First Gulf Bank	219	3	3.7
8	Citigroup	219	3	3.7
9	Abu Dhabi Commercial Bank	219	3	3.7
10	Aseambankers	211	10	3.6
11	(Persero) Danareksa	181	3	3.1
12	Trimegah Securities	171	2	2.9
13	Bank Mandiri	171	2	2.9
14	Standard Chartered	153	3	2.6
15	RHB Capital	121	23	2.0
16	Mashreqbank	100	1	1.7
17	Dubai Islamic Bank	100	1	1.7
18	Andalan Artha Advisindo	45	3	0.8
19	Bahana Securities	11	1	0.2
20	National Bank of Pakistan	7	1	0.1
	Total	**5,920**	**66**	**100.0**

ISLAMIC BONDS BY COUNTRY	SEPTEMBER 2007 – SEPTEMBER 2008		
	Amt US$ m	Iss.	%
Malaysia	15,206	243.0	60
United Arab Emirates	6,783	10.0	27
Saudi Arabia	1,333	1.0	5
Indonesia	711	9.0	3
Pakistan	529	15.0	2
Bahrain	350	1.0	1
Total	**25,404**	**283.0**	**100**

ISLAMIC BONDS BY COUNTRY	JUNE 2008 – SEPTEMBER 2008		
	Amt US$ m	Iss.	%
Malaysia	3,897	54.0	65.84
UAE	1,393	4.0	23.53
Indonesia	606	6.0	10.24
Total	**5,920**	**66.0**	**100.00**

ISLAMIC BONDS BY CURRENCY	SEPTEMBER 2007 – SEPTEMBER 2008		
	Amt US$ m	Iss.	%
Malaysian ringgit	15,206	243.0	60
UAE dirham	6,621	10.0	26
Saudi Arabian riyal	1,333	1.0	5
US dollar	1,004	5.0	4
Total	**25,404**	**283.0**	**100**

ISLAMIC BONDS BY CURRENCY	JUNE 2008 – SEPTEMBER 2008		
	Amt US$ m	Iss.	%
Malaysian ringgit	3,897	54.0	66
UAE dirham	1,393	4.0	24
Indonesian rupiah	606	6.0	10
Total	**5,920**	**66.0**	**100**

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DATE	EVENT	VENUE	ORGANIZER
October			
7th - 8th	Islamic Finance Congress	London	IIR Conference
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
15th - 16th	Middle East Investors Summit 2008	Dubai	Worldwide Business Research
17th	London IFN Forum	UK	Islamic Finance Events
20th - 21st	Islamic Real Estate Investment	TBA	Naseba
26th - 30th	Saudi Insurance Summit	Saudi Arabia	IIR Middle East
28th	Istanbul IFN Forum	Turkey	Islamic Finance Events
28th	The World Islamic Infrastructure Finance Conference	Qatar	MEGA
30th - 31st	Middle East Money Summit	Dubai	Arabcom Group
November			
2nd - 4th	Islamic Funds World 2008	Dubai	Terrapinn
4th - 5th	2nd Annual Islamic Capital Markets	London	IFR Conferences
7th	Islamic Financial Intelligence Summit	London	FT Global Events
9th - 10th	BankTech Middle East Congress	Dubai	Naseba
12th	Karachi IFN Forum	Karachi	Islamic Finance Events
23rd - 25th	The World Islamic Banking Conference	Bahrain	MEGA
23rd - 26th	GCC Insurance Summit	UAE	IQPC
December			
3rd - 4th	International Real Estate Finance	London	ICG Events
10th	Brunei IFN Forum	Brunei	Islamic Finance Events
14th - 18th	Debt Capital Markets Summit	Dubai	IIR Middle East

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