Islamic Finance news
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Focus on Islamic finance

This week sees Muslims celebrating their triumph over tribulations, following a month of fasting. Practitioners of Islamic finance were likewise in a chipper mood this week as the financial woes in the centers of conventional finance continued to cause their players to reel in their self-made turmoil. Why? Because the rest of the financial world is finally showing signs of appreciating the positive aspects of Islamic finance.

More and more of the mainstream media are relating to how the ban on earning interest, or money from money, has brought far less exposure to the elements that have driven banks and mortgage lenders over the edge. In the past year, the Dow Jones Islamic Titans 100 index has fallen 7%, whereas the FTSE 100 index has plunged by three times that amount. It may be puerile to believe that Islamic finance firms will never experience drastic downturns; they could happen if national and regional economies shift into reverse, or if some of the people in the sector are wayward in their business practice. Still, the requirement under Shariah law that wealth should be generated by legitimate trade and investment in assets will ensure that any slide will be limited.

It was reported this week that the Middle East has become a haven for foreign banks as the bank lending in the region is rising exponentially, thanks to the corporate sector and growing mortgage. The Middle East, according to the report, represents one of the world's fastest growing markets for the banking and capital market.

This reflected in news that Dubai Bank plans to sell some US$500 million in Sukuk this year as part of a US$5 billion program designed to create growth to help it become a global source of Islamic loans by 2013. It is banking on the premise that in times of mortgage crises and global financial turmoil, investors are increasingly betting on Islamic finance.

Financial advisers BDO Stoy Howard believe that Islamic banks are set to benefit from the recent volatility in the financial markets, and that it will still have funds to finance individual and finance companies unlike its Western counterparts which have been forced to restrict lending. Of course, it is folly to think that Islamic principles alone can stave off a banking panic. Islamic bankers are perfectly capable of the same kind of madness that engulfed the western banking community, says John A Sandwick, managing director of Encore Management in Geneva.

Rahail Ali, partner and global head of Islamic finance at Lovells rightly points out that the core foundation of safety in any banking system, whether Islamic or not, is in credit standards. Bankers who release money without fully understanding and allocating for risks will face the same hazards. And he cautions that Islamic banking still has a long way to go to fully employ world-class credit analysts. Many Islamic banks still do not have deep, experienced, professional credit analytic staff, but have ever-increasing volumes of capital under their control. "If Islamic banks generally do not learn from the current crisis then they too can develop their own crisis without anyone's help," he says.

These and other interesting thoughts on Islamic finance versus conventional finance in these times can be found in our Forum section.

Due to this week largely being a holiday, today's issue is a shortened version. We will return in full force next week. Eid-ul-Fitr greetings!

In this issue

AFRICA

Islamic finance to come Morocco's way

MOROCCO: The country is determined to develop its Islamic financial services, said Abdellatif Jouahri, the chief of Morocco's central bank. The kingdom has yet to allow full-fledged Islamic banks to operate in the country, and currently only conventional banks offer Ijarah, Murabahah and Musharakah products and services.

There is also a problem with the higher tax on Shariah compliant financial products than on conventional ones, which Jouahri said will be resolved soon. He dismissed claims that he and other financial officials hinder the development of Islamic banking deliberately out of bias against Islamist groups.

Logistics structures to sell these services have been set up by banks and staff are being trained, he added, inline with the country's aim to develop Islamic banking.

Islamic funds alternative for Mauritania

MAURITANIA: The country will turn to Arab partners for aid and development funds if western donors slash their assistance to the Saharan Islamic state as a result of the August coup there, the military-appointed prime minister said. The takeover had prompted a freeze in World Bank lending and threats of sanctions by some Western powers and the African Union.

Moulaye Ould Mohamed Laghdaf said in an interview he hoped major donors like France and the US will not shut off assistance. "If that unfortunately has to happen, we'll have to turn to other partners, the Arab countries and Arab social and economic development funds, or even the Islamic Development Bank — these have not suspended their aid," he added.

ASIA

Analysts: BII still an expensive buy

MALAYSIA: Malayan Banking (Maybank) finally completed the acquisition of Bank Internasional Indonesia (BII) at a discount of about RM758.9 million (US$220 million) on the original price of RM8.8 billion (US$2.54 billion). Both are involved in Islamic finance while being major conventional players in their countries.

Maybank had in March agreed with Singapore's Fullerton Financial Holdings and Kookmin Bank of South Korea to buy the entire equity of Sorak Financial Holdings, which owned 55.6% of BII. Fullerton, a unit of Singapore's Temasek Holdings, controls 75% of Sorak while the balance 25% is owned by Kookmin. Maybank will make a mandatory offer for the remaining shares.
Earlier, the Malaysian central bank had rejected the deal because it was concerned that Maybank may incur heavy losses as the Indonesian regulator, Bapepam, required Maybank to sell down 20% of BII within two years upon the completion of 100% equity of BII. And last week, Bank Negara had also asked Maybank to renegotiate the purchase price, its governor Zeti Akhtar Aziz attributing this to concerns that the deal may have systemic implications on Malaysia's overall financial system. Malaysian deputy prime minister Najib Razak, who is also finance minister, said Maybank's decision to acquire BII was made prior to the global financial

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crisis and therefore could not back out from its agreement.

Analysts maintain that despite the rebate, it is still an expensive buy as it is more than four times BII's book value."Historically, Indonesia's mergers and acquisitions are priced between two and 2.5 times book value," one of them was reported as saying.

AFB plans to expand

MALAYSIA: Asian Finance Bank (AFB) plans to tie up with the Islamic investment banking fraternity both local and foreign as part of its expansion plan, said CEO Mohamed Azahari Kamil. Strategic partnerships and the ability to offer innovative products are important in ensuring the bank's success, he added.

Another key area is to move into niche markets, especially when servicing institutional investors, said Mohamed Azahari. This is because AFB could act as a bridge for local companies to penetrate the markets in the GCC countries and vice versa, he added. The CEO also said the bank plans to set up a wealth management division to meet the needs of high net worth individuals.

AFB is looking into expanding to Brunei by opening a representative office there, besides moving into Indonesia, said Mohamed Azahari.

Ingress is given time to redeem Sukuk

MALAYSIA: Ingress Corp has been given an extension until the 26th December by the holders of its RM160 million (US$46.4 million) Sukuk Ijarah to obtain financing to redeem the Islamic bonds. Ingress said the agreement is subject to documentary evidence that the syndicate lenders are committed to provide the amount to fully redeem the Sukuk at par.

It added that the Sukuk holders want the documentary evidence to be furnished to CIMB Trustee no later than the 30th September. The Sukuk holders also want Ingress to furnish a copy of the letter of offer from the syndicate lenders by the 26th October.

First Global Investments granted SEC approval

SRI LANKA: First Global Investments (FGI), a Sri Lankan-based Islamic financial institution was recently granted approval by the Securities and Exchange Commission (SEC) of Sri Lanka to function as an investment manager. The approval by the country's leading security market regulatory authority should considerably help FGI gain the confidence of investors in its move towards entering the capital market.

FGI is a boutique investment institution providing Islamic financial services with a vision to bringing global opportunities and best practices to the local markets. Its objective is to provide clients with the broadest possible range of products in the Islamic finance market including the development of tailor-made investment products to suit different risk/return profiles of clients.

FGI has also sought to transform the local Islamic financial landscape by coming in as co-lead arrangers with Investec for the first Sri Lankan Sukuk for the Islamic Services Unit of People's Leasing Company. FGI also provides financial advisory services including investment management, restructuring of organizations, structuring of complex transactions and setting up of independent Islamic financial units in compliance with Shariah principles.

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Dhaka seeks US$554 million IDB loan

BANGLADESH: The country is seeking a US$554 million loan from the Islamic Development Bank (IDB) for four power and energy projects. Finance and planning adviser AB Mirza Azizul Islam said he handed the proposal to IDB president Ahmed Mohammad Ali in Jeddah.

He said US$96 million is for a 150 MW power plant at Bhola, US$191 million for upgrading Eastern Refinery, US$90 million for deep sea petroleum extraction, and US$177 million for the second phase of the Teesta barrage. He said the IDB president was also handed a proposal to increase the bank's annual US$1 billion crude oil purchase loan to Bangladesh and lower the rate of interest on the amount.

Penang plans Islamic real estate development

MALAYSIA: The state of Penang is expecting to get at least RM100 million (US$29 million) in investments from the Middle East to develop a halal hub, said the chairman of the state domestic trade and consumer affairs committee, Abdul Malik Abdul Kassim. He added that investors from the region are also keen to invest in real estate development and Islamic resorts in Penang.
From the 6th October, several Saudi-based companies will be coming to the state to continue talks initiated by the state government during a visit to the Middle East recently, Abdul Malik said.

Companies interested to engage in halal-related activities will be offered space at the Penang Development Corp industrial park, he said, adding that several sites need to be identified for the development of the hotels.

Meanwhile, Lim Guan Eng, the chief minister of Penang, said he intends to go to the Middle East on an investment mission and meet those in the financial sector, especially in banking and insurance.

Indonesia persists with Sukuk sales

INDONESIA: Despite Sukuk seeing a US$10 billion drop in sales since early 2008 and an average price fall of 1.51%, Indonesia's finance minister Sri Mulyani Indrawati said the government still believes that its plan to sell Sukuk remains relevant and will get positive response from Gulf markets.

Her reasons include the facts that the Sukuk is fully guaranteed by the government; the government has a good track record in fulfilling bond obligations; many investors are waiting the issuance of Sukuk; with Indonesia being the biggest Muslim country; and the Sukuk is a tool to enhance the brotherhood between investors in Gulf countries and Indonesia.

"I think liquidity in the Gulf is still abundant and requires secured investment instruments such as our Sukuk," she added. Given the large infrastructure needs of Indonesia, she said the government is designing special Sukuk offerings for financing infrastructure projects. "In future, such offerings may become an alternative instrument for investors in the Gulf to invest in Indonesia."

SC approves country's first foreign VCC

MALAYSIA: The Securities Commission (SC) has approved the application by Japan Asia Investment (JAIC) to undertake activities in Malaysia, marking the first entry of a foreign venture capital company (VCC) in the country.

The presence of foreign VCCs will hopefully add depth and breadth to the pool of players in the industry, said Zarinah Anwar, chairman of the SC. As of the 31st August this year, there were 57 VCCs registered with the SC.

JAIC's entry also increases the pool of private equity funding available in the country. The company has more than 15 years experience in venture capital investments, and is also an active player in private equity-related businesses such as buyout investments, restructuring financing, and secondary investments.

It was established by the Japan Association of Corporate Executives in 1981 and became an independent VCC in 1989. JAIC is listed on the Tokyo Stock Exchange and is currently managing US$1.4 billion investment funds across 11 countries including China, Singapore and the US.

Cagamas raises US$591 million in two tranches

MALAYSIA: Cagamas, the national mortgage firm, has raised RM2.03 billion (US$591 million) in papers with yields of between 4.05% and 6.25%. The notes were available in two tranches; a RM215 million (US$63 million) Islamic tranche and conventional bonds amounting to RM1.82 billion (US$530 million).

The issue has a tenure of up to 20 years, and the papers were taken up within 24 hours. Insurance companies took about 30% and the rest by a mix of asset management companies, banks, government agencies and corporate entities, said Cagamas CEO Steven Choy.

Though the yields were quite good and are important, credit is just as important, he stressed. Investors, he said, now realize that the quality of bonds and credit of the issuer need to be taken into consideration, not just how low the yields are.

BankIslami opens three new branches

PAKISTAN: BankIslami Pakistan has opened three new branches in Karachi, expanding its online network to 40 branches in 24 cities. The moves are part of the bank's plan to have 102 branches operating in 48 cities by 2008.

BankIslami said it is committed to provide a portfolio of Shariah compliant products and services. It now offers the Islami Mahana Munafa Account with one, two, three, five and 10-year investment option, offering attractive halal profit on a monthly basis with no penalty on early encashment of investment.

EUROPE

BDO: Islamic banks to benefit from market turmoil

UK: Financial advisers BDO Stoy Hayward believes that Islamic banks are set to benefit from the recent volatility in the financial markets, and that it will still have funds to finance individual and finance companies unlike its Western counterparts which have been forced to restrict lending.

Dan Taylor, head of banking at BDO Stoy Hayward, pointed out that the risk profile of Islamic banks are generally lower, which presents a more solid option for both retail and institutional investors. He added that this also suggests that dealings with Islamic financial institutions will grow further as people choose more secure products.

Islamic banking also has a more conservative approach to financing, explained Taylor, as risks are shared with the investor. He noted that the risk profile is also

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lower as it is difficult for Shariah compliant financial institutions to use leverage.

He sees the number of standalone Islamic financial institutions doubling over the next three years as a result of the market conditions.

King & Spalding helps UIB buy water treatment firm

UK: International law firm King & Spalding represented United International Bank (UIB), a Shariah compliant investment bank headquartered in Bahrain, on the Shariah compliant financing and structuring of UIB's acquisition of UK-based BWA Water Additives. The transaction was completed on the 29th September.

UIB raised funding for the acquisition of the provider of industrial water treatment solutions under a senior Murabahah facilities agreement with The Royal Bank of Scotland and HSBC Bank as well as a mezzanine Murabahah facilities agreement with The Royal Bank of Scotland Equity Fund. King & Spalding said it represented UIB on the holding structure put in place for its equity investment, the entry into the Murabahah facilities agreements and all aspects of Shariah compliance, including all discussions with UIB's Shariah board.

"UIB's acquisition of BWA through a senior and mezzanine financing structured in accordance with the Shariah was a remarkable achievement in the current economic climate," said King & Spalding partner Jawad I Ali, who led the legal team on the transaction.

UBS to reposition its investment bank

SWITZERLAND: UBS, which is also involved in Islamic financing, is repositioning its investment bank in the wake of the current financial crisis that has spread from the US to Europe. "The ongoing crisis in the financial markets and dramatically changed industry dynamics require us to recalibrate our business," said Jerker Johansson, chairman and CEO of UBS Investment Bank.

"While the revenue outlook is uncertain, these measures will allow us to focus on our strengths, reduce the cost base to a more sustainable level and position our core businesses for growth once fundamentals improve," he added.

The investment bank will reprioritize its business portfolio to preserve its core strengths and client franchises in equities, investment banking as well as the fixed income, currencies and commodities (FICC) businesses while downsizing or exiting certain business activities. This will lead reduce the staff count to about 17,000 by year-end, a reduction of around 6,000 since the peak in third quarter 2007.

"A right-sized investment bank, positioned alongside the world's premier wealth management and leading institutional asset management business, will enable UBS to position itself as one of the core group of universal banks that are likely to dominate in this redrawn landscape," said Johansson.

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AGI offers Shariah compliant equity funds

GERMANY: Allianz's investment arm, Allianz Global Investors (AGI), has added two new equity funds that are Shariah compliant to its list — Allianz RCM Islamic Global Equity Opportunities and Allianz RCM Islamic Global Emerging Markets Equity. Allianz RCM Islamic Global Equity Opportunities enables investors to build up a global equity portfolio while Allianz RCM Islamic Global Emerging Markets Equity concentrates on companies from emerging countries.

The portfolios of both funds include equities where investment is allowed under Islamic law. A special advisory company as well as a Shariah Board will watch over the funds to make sure that the strict guidelines are complied with.

Allianz RCM Islamic Global Emerging Markets Equity combines the approaches of top-down country allocation and fundamental bottom-up equity selection to build up an actively managed portfolio of securities from emerging markets while Allianz RCM Islamic Global Equity Opportunities will integrate the most successful ideas and topics from RCM global equity products into its management strategy.

MIDDLE EAST

ADIB implements special security measures

UAE: Abu Dhabi Islamic Bank (ADIB) has implemented new security measures following the recent alert circulated by the Central Bank of the UAE on a possible breach of security from outside the country affecting all UAE banks.

The measures include getting customers to change their personal identification numbers (PIN) for electronic transactions, blocking all ATM withdrawals from outside the GCC and blocking all card transactions in certain countries outside the GCC. ADIB also lowered the daily cash withdrawal limits, which the customers can increase again by contacting the branches directly.

The bank has also created a new section on its website with tips on how customers can better protect themselves from illegal breaches of their bank accounts. It also lists what the bank is doing to safeguard customers' accounts from fraudulent use, including the new security precautions.

Dubai Bank sets US$5 billion business target

UAE: Dubai Bank plans to sell some US$500 million in Sukuk this year as part of a US$5 billion program designed to create growth to help it become a global source of Islamic loans by 2013. It is banking on the premise that in times of mortgage crises and global financial turmoil, investors are increasingly betting on Islamic finance.

The unlisted bank, part of the Dubai Banking Group (DBG), could sell its first tranche in the "next couple of months," depending on market conditions, CEO Salaam al-Shaksy said. The Shariah compliant bank has chosen Swiss UBS and Britain's Standard Chartered as pilot banks for the placement and has already received from the potential investors a good response for the sale of the Sukuk, he added.

The bonds will be listed on the London and Dubai Stock Exchanges. According to him, the first tranche will finance part of the asset development of the bank. It is also considering the possibility of Islamic loans.

Under Dubai Bank's program of banking acquisitions and partnerships in various countries (Indonesia, Senegal, Nigeria), al-Shaksy said, it can become the world's

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largest Islamic financial services company by 2015.

Al Salam oversubscribed

BAHRAIN: The monthly issue of Sukuk Al Salam has been oversubscribed by 108.3%, said the Central Bank of Bahrain (CBB). The bank received BHD6.5 million (US$17.2 million) for the BHD6 million (US$16 million) issue.

The Sukuk carries a 91 days maturity, beginning the 1st October until the 31st December this year, and the expected return on the issue is 2.3%. CBB issued the Sukuk on behalf of the government.

Dana Gas included in S&P Shariah indices

GCC: UAE-based Dana Gas, the first regional private sector natural gas company, has been approved by the Shariah board of Standard & Poor's (S&P) to be included in the S&P Pan Arab Shariah Index and the S&P GCC Shariah Index. The company had achieved US$158.2 million in revenues in the first half of 2008, and its convertible Sukuk offering in late 2007 was upsized twice to US$1 billion due to strong demand from regional and international investors.

Dana Gas' executive chairman Hamid Jafar said the inclusion in the indices establishes the company's Islamic credentials and underlines its commitment to investors and stakeholders to conduct its businesses in a Shariah compliant manner.
The S&P Shariah Indices comprise leading equity indices that have been screened for Shariah compliance following the standards observed by several Middle Eastern countries. All the indices are liquid and investable, and are periodically re-examined to ensure that they maintain their Shariah compliant status.

Ratings Intelligence Partners (RI), a London/Kuwait-based consulting company specializing in solutions for the global Islamic investment market, provides the Shariah screens used and its team of Islamic researchers work directly with a Shariah supervisory board to filter the stocks based on these screens.

Dubai Group acquires 51% of Acacia

BAHRAIN: Dubai Group has announced the acquisition of a 51% stake in Bahrain-based Acacia Real Estate through a capital increase. The acquisition is worth US$76.9 million and was undertaken through its subsidiary, Dubai Ventures Group.

The investment will provide the group with access to real estate deals, knowledge in structuring real estate financial, as well as a network of partners across developed markets, said Dubai Ventures Group CEO Abdulhakeem Kamkar.

Acacia will use the proceeds from the capital increase to expand its portfolio to include real estate investments in emerging markets, such as the GCC, Turkey, India, and South-east Asia. It will also be used to capture attractive deals in the US and the UK.

Zakat online service

UAE: The Zakat Fund has launched an online service for Muslims who want to pay Zakat, or alms, via credit card, said Abdullah Agedah Al Muhairi, secretary general of the Zakat Fund. The website is sponsored by the Dubai government and is in Arabic and English, with French and Urdu versions coming soon, he added.

The fund also launched another free service that makes calculations and Zakat payments possible by using mobile phones.

Bank to open new offices in Kurdish region

IRAQ: Kurdistan Islamic Bank plans to open 13 new offices in the Iraqi Kurdistan region in the next two months, said managing director Ibtisam Nijm Abboud. This will increase the number of offices to 30, and is part of the bank's plan to cover as many districts in the region as possible with basic banking services, he added.

DBG to buy 32% stake in troubled SHUAA

UAE: Dubai Banking Group (DBG) will take a 32% equity stake in SHUAA Capital through the conversion of AED1.5 billion (US$408

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million) worth of bonds into shares, said a report. While this follows the US$950,000 fine imposed by the Dubai Financial Services Authority last week on the investment bank for manipulating the shares of DP World, the report said negotiations on the purchase had begun much earlier.

Unicorn to acquire BFC

BAHRAIN: Shariah compliant Unicorn Investment Bank has acquired all of Bahrain Financing Company (BFC), a leading foreign exchange and remittance house in the GCC. Unicorn in a statement did not disclose the purchase price, but termed it a lucrative deal as BFC has no debts and had become a profit-earning entity over the years.

The acquisition includes Kuwait-based Bahrain Exchange Company and EzRemit in the UK. The stake was acquired through The Strategic Acquisition Fund, a financial services acquisition fund promoted by Unicorn.

The Islamic investment bank also said that it plans to spend up to US$2 billion to buy banks in Europe, Southeast Asia and the Gulf region. Conventional banks that it acquires will be converted into Shariah compliant banks, said Fred Stonehouse, head of strategic mergers and acquisitions at Unicorn. He said the bank has already identified two opportunities in Southeast Asia, one in the UK and four in the Gulf.

Unicorn is also planning to arrange US$1.5 billion worth of Sukuk by the end of the year, said managing director and CEO Majid al-Sayed Bader al-Refai.

Tight liquidity is the culprit for Sukuk decline

UAE: Tight liquidity in the global and regional markets is responsible for the decline in Sukuk issuance this year, not the comments made about the Shariah compliance of some Sukuk by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Islamic bonds issuance in the first eight months of 2008 were reported at AED51.42 billion (US$14 billion), against US$23 billion recorded in the same period last year.

Yavar Moini, executive director for global capital markets at Morgan Stanley, said the fall in Sukuk cannot be attributed to the organization's announcement. He added that while AAOIFI's standards need to be respected, they are not binding on Islamic financial institutions outside of Bahrain.

"No scholar has ever stated that his views would be applied retroactively. Certain scholars are merely expressing a view of how they would like Sukuk to be structured, going forward," said the CEO of Mashreq Capital, Abdul Kadir Hussain. He added that the Islamic banking community needs to formally address these issues.

EIS to launch third real estate fund

UAE: Emirates NBD Group's investment arm will launch a third real estate fund as soon as the negative market sentiment dies down. Emirates Investment Services (EIS) senior executive officer Deon Vernooy said the unit is also looking at a specialist equity fund in the Gulf region as well as a "special fund", which could either be Islamic or conventional, to be launched late this month or in November.

"We'll wait for the market to settle down because the sentiment now is negative, otherwise investors may pull their money out and wait for stability," he said, adding that market conditions has to be conducive for investments while fund managers must be able to convince investors about potential returns before a product is launched.

Vernooy also called for a self-regulating body for fund managers, saying a better regulated asset management sector will hasten its growth as a formal industry and protect investors better.

He saw a need for fund managers to sit down and discuss the creation of a mutual fund industry body to represent and govern the industry by organizing the collection of data and standardizing best practices.

In April, EIS launched the Emirates Islamic Global Property Fund, which focuses on properties in Asia and Europe while shunning those in the US due to the subprime mortgage crisis.

Requiring a minimum US$25,000 investment for individuals and US$1 million for institutions, this is the seventh fund complying with Islamic rules launched by EIS. In June 2005, the company launched the Emirates Real Estate Fund, its first Islamic fund that has since provided returns of about 16%.

AFRICA

BAI launches first Islamic insurance policy

MAURITIUS: British American Insurance (BAI), the leading life insurance company in Mauritius, has launched its first Islamic insurance policy called BAI Takaful. It aims to provide the citizens of the country, especially Muslims, a product offering the benefits of a conventional insurance policy without compromising their faith, said BAI CEO Sansjiv Nuckchady.

BAI Takaful is a unit-linked endowment insurance cover that enables customers to pay a single minimum premium of MUR50,000 (US$1,770) into a pool called the Takaful Fund. Contributions will be invested in Shariah compliant investments and profits will be distributed back to the Takaful Fund. The fund will be used to pay claims, and maturity benefits are paid to shareholders at the end of the policy term, which is between five and 30 years.

ASIA

MNRB plans Egyptian, Indonesian ventures

MALAYSIA : MNRB Holdings will actively pursue overseas expansion as part of its plan to penetrate the growing Takaful and reinsurance businesses globally. Its wholly owned subsidiary, Takaful Ikhlas, is eyeing Takaful opportunities in Egypt and Indonesia, among others.

Egypt has a population of 70 million with only a 1% Takaful penetration rate, so there is potential for growth in the country, said MNRB president and CEO Anuar Mohd Hassan. The group is in the process of identifying possible Takaful partners in Egypt and will hopefully launch the product there by next year, he added.

For Indonesia, MNRB is banking on the country's large Muslim population, low penetration, fragmented market and limited players to push its Takaful business. The group's main concern, said Anuar, is the lack of legislation in Shariah compliant insurance. He noted, however, that once a framework is established, nothing will stop MNRB from venturing into the market.

Meanwhile, the group targets to widen its reinsurance reach via its reinsurance arm, Malaysian Reinsurance, to the Asia-Pacific region, especially Japan and the Middle East, as well as North Africa and Eastern Europe. It plans to expand its reinsurance foreign business to more than 20% of its total revenue by its financial year 2010, said Anuar. Currently, the foreign reinsurance business makes up about 18% of the total portfolio.

Muang Thai to offer Takaful services

THAILAND: Insurance provider Muang Thai Group and the Islamic Bank of Thailand have partnered to offer Takaful services to the more than eight million Muslims in Thailand. Eight types of Muang Thai Takaful life insurance policies will be promoted by the group's sales agents through 28 of the bank's branches.

The group also plans to launch Shariah compliant non-life insurance products, said Muang Thai Life Assurance president Sara Lamsam.

Islamic insurer eyes overseas market

MALAYSIA: Takaful Ikhlas is in talks to sell its products in the Middle East and North Africa, according to managing director and CEO Syed Moheeb Syed Kamarulzaman. The subsidiary of insurer MNRB Holdings will also apply for a license next year to allow it to set up an international currency business unit.

The company seeks to distribute its products through strategic business partners in the GCC and MENA regions but he did not say which parties Takaful is talking to. An international currency business unit enables Islamic insurers to undertake Islamic insurance and reinsurance business with non-Malaysian residents in foreign currencies. Income from these operations is tax-exempt for 10 years.

Global premiums in Takaful total about US$2 billion to US$3 billion a year and are expected to reach more than US$7 billion by 2015, according to industry figures.

EUROPE

Shariah compliant insurer launches new system

UK: Salaam Halal Insurance, the UK's first independent Shariah compliant insurance company, has implemented the ISO Claims Outcome Advisor (COA) expert personal injury motor claims processing system from Insurance Services Office. COA provides Salaam Halal Insurance, which uses a mix of in-house and outsourced handlers to evaluate its claims with accurate personal injury motor claims information.

It said this ensures greater control and transparency over the entire personal injury claims handling process and enables it to offer fair and consistent settlements to claimants. All of Salaam Halal Insurance's claims handlers can access and navigate the COA system via the Internet, with the system streamlining the existing processes between doctors, insurers and lawyers to reduce personal injury claims lifecycles. This will benefit the insurance industry and claimants alike.

"ISO Claims Outcome Advisor will enable Salaam Halal insurance's handlers to input complete information from medical reports and help settle claims accurately and consistently with information from COA's encyclopedia of more than 18,000 injuries and medical conditions and 14,000 occupations," said Joe Pendle, director of client services for ISO. "This, together with increased levels of visibility, will provide Salaam Halal with consistent and fair claims evaluations and enable more effective management of personal injury claims."

ASIA

Cagamas' Sukuk gets 'AAA'

MALAYSIA: RAM Ratings has reaffirmed the 'AAA' rating of Cagamas MBS' RM2.11 million (US$614,000) Islamic residential mortgage-backed securities, also known as CMBS 2007-1-i.

The Musharakah-structured Sukuk is secured by a static portfolio of government staff Islamic home financing (GSIHF) serviced via monthly deductions from public sector employees, including a small portion from the pensions of former employees.

According to RAM, the reaffirmation reflects the overall quality of the collateral pool, which has performed well and within expectations. It also takes into account the credit support derived from the collateralization ratio of 121.16% (as at the 31st January 2008), based on the outstanding GSIHF principal balance of RM2.44 million (US$710,000), together with RM112.22 million (US$33 million) of cash balances and permitted investments.

The agency added, however, that the rating of the Sukuk does not reflect the likelihood of early and sequential redemption of Tranche 2007-1-i/6 and Tranche 2007-1-i/7 (as allowed under the transaction structure) prior to their scheduled maturity dates. Based on the current portfolio performance, RAM expects the transaction to be able to accumulate sufficient cash to partially redeem Tranche 2007-1-i/7 in 2012, should Cagamas choose to exercise this option.

External liquidity erosion decreases outlook

PAKISTAN: The outlook for the Pakistani government's 'B2' bond ratings has been changed to negative from stable by Moody's Investors Service. The rating agency has also lowered the outlook on its 'B3' foreign currency bank deposit ceiling to negative. Meanwhile, the outlook for the 'Ba3' foreign currency bond ceiling remains negative.

The rating actions were taken due to erosion in the country's external liquidity position, which is not likely to be adequately reversed by prospective external assistance or ongoing efforts at macro-economic stabilization. The negative outlook on the government's bond ratings reflects, in particular, a worsening in access to foreign currency, raising a heightened prospect of arrears and missed repayments.

SEV's Sukuk Ijarah retains 'AA1' rating

MALAYSIA: The 'AA1' rating of Segari Energy Ventures' (SEV) RM930 million (US$270 million) Sukuk Ijarah has been reaffirmed by RAM Ratings with a stable outlook. The independent power producer (IPP) has maintained a positive operating track record, and has kept its operating parameters within the requirements of its power purchase agreement (PPA) with Tenaga Nasional (TNB), the Malaysian energy utility.

RAM expects SEV to maintain its robust debt protection measures in the future. Its debt servicing ability should remain strong despite the expected one-off windfall tax payment of about RM112 million (US$33 million) in the financial year ending December 2008, supported by its cash pile and strong free operating cash flow. The IPP is also expected to retain sufficient cash to prioritize its debt servicing obligations and potential maintenance expenditure.

Meanwhile, the recent decision by the government to abolish the windfall profit levy on IPPs and suspend PPA renegotiations pending a comprehensive study of the restructuring of the electricity supply industry are viewed positively, and is perceived to have restored some certainty to the domestic power sector. RAM will maintain close monitoring of the relevant developments and will reassess SEV's credit profile, if needed.

RAM reaffirms Glomac Regal's MUNIF/MMTN

MALAYSIA: RAM Ratings has reaffirmed the long-term and short-term ratings of Glomac Regal's RM175 million (US$51 million) Murabahah underwritten notes issuance facility and Murabahah medium-term notes issuance facility (MUNIF/MMTN) at 'A1(s)' and 'P1(s)' respectively. The outlook is stable. The company is a wholly owned subsidiary of Glomac and is the developer of the Suria Stonor condominiums in Kuala Lumpur.

The agency said the ratings are reflective of the structural features of the transaction, which include the obligation to secure a minimum level of sales prior to the initial drawdown of the MUNIF/MMTN, strict conditions for drawdown as working capital, and tight ring fencing of cash flow.

MIDDLE EAST

S&P rates Tabreed Sukuk

UAE: Standard & Poor's Ratings Services (S&P) has assigned a BB long-term debt rating to the proposed non-deferrable, deeply subordinated mandatory convertible Ijarah Sukuk notes to be issued by Tabreed 08 Financing Corp, a special purpose vehicle (SPV) of UAE-based National Central Cooling (Tabreed). The maturity and size of the Ijarah Sukuk notes remain subject to market conditions.

Tabreed plans to use the proposed Sukuk issuance to fund the construction of cooling plants. An Istisna agreement and a lease agreement will govern the Ijarah Sukuk structure. The Ijarah nature of the Sukuk refers to the sale-leaseback aspect of the transaction and Istisna refers to the construction and delivery aspect. On the closing date, the issuer buys the plants or a part thereof from Tabreed and enters into a lease arrangement with Tabreed as lessee.

According to S&P, the Sukuk structure contains weaker security features than seen typically in senior Ijarah Sukuk structures. This includes very broad events of default and a limited right to sell the cooling plants upon an event of default. But it cites a number of positive characteristics to assign high equity content to the notes. These include mandatory conversion of the notes into ordinary shares of Tabreed within three years and subordination of principal and interest payments to all of Tabreed's other debt obligations.

CBK given 'A+' rating

KUWAIT: The Commercial Bank of Kuwait (CBK) has been given a long-term issuer default 'A+' rating by Fitch Ratings. The rating reflects the high probability of support from the government if needed. The bank's net income has increased 16% year-on-year in the first half of 2008 and 20% in 2007, due mainly to loan growth, an increase in fee income and gains on investment securities.

The catastrophic events on Wall Street this week have thrown the global financial markets into turmoil. What effect will this have on the Islamic finance industry and what lessons can be learnt? Would such developments have been staved off had Islamic financing principles been practiced by those concerned?

Moody's Investors Service

Well, yes and no.

On a fundamental level, the crisis was initiated by poor mortgage underwriting, such as lending to those who simply had a very low ability to repay through the cycle. Islamic finance is also susceptible to poor 'investment' decisions in a 'boom'.

A lot of the current crisis is also due to panic and risk uncertainty. Good and bad are being treated indiscriminately. Again the banks in the emerging markets both Islamic and non Islamic are not the most transparent or easy to understand in terms of risk exposure, so maybe they are just as exposed to the emotional reactions of investors as conventional banks are.

Where there may be one difference, however, is leverage. This is another key driver of the current crisis. This is where Islamic principles may result in differences. The observance of asset backed finance or tangible co-investment would likely limit the leverage of Islamic banks.

This would reduce the profitability of Islamic banks but maybe reduce the risk too.

KHALID HOWLADAR: Senior vice president, Moody's Investors Service, UAE

BLME BANK OF LONDON AND THE MIDDLE EAST

The current events on Wall Street are for a small part the result of a normal market correction but are more importantly the result of events that started with defaults in US sub-prime mortgages. The sequence of events violates a few principles underlying Islamic finance:

- Sell something the buyer cannot afford. With the sale of sub-prime mortgages, banks deliberately sold mortgage products to clients who could not afford to pay for them once the housing prices decline or even stagnate.
- Lack of transparency. The banks packaged and repackaged the mortgages and sold them as asset backed securities with a high credit rating and a high return. The actual credit quality of the underlying was not known.

Once the extent of the sub-prime defaults became apparent, the packaging and repackaging led to a situation in which it was unclear who owned what assets. Although a large majority of banks were quick to report their total exposure and write offs, some banks intentionally or unintentionally kept investors in the dark which led to speculation.

The final nail in the coffin was that as a result of all the uncertainty that occurred in the market, speculative short selling resulted in aggregate sell positions in some shares being in excess of the actual number of shares outstanding. Most importantly, it led to excessive reductions in market capitalization.

Behavior more in line with the ethical principles underpinning Shariah would still have resulted in a market correction, but would have less likely resulted in the excessive chaos we see today.

DR NATALIE SCHOON: Head of product management, Bank of London and the Middle East, UK

ENCORE

It is folly to think that Islamic principles alone can stave off a banking panic. Islamic bankers are perfectly capable of the same kind of madness that engulfed the western banking community. Despite the inherent benefits of asset-based finance, no Islamic banker can say he or she has eliminated risks. In fact, just as the roots of the American banking crisis lie in ever-declining home values, so could the same event occur in Islamic banking should any favored asset class lose value at such a rate, which itself has nothing to do with an asset being Islamic or not.

Avoiding financial crises like this one simply requires prudent credit standards. Had major western financial institutions not lowered those credit standards — on both the buying and selling side — we would have not seen the wildly speculative increase in American housing prices and the parallel inflation of asset valuations from loose credit standards worldwide.

The core foundation of safety in any banking system, whether Islamic or not, is in credit standards. Bankers who release money without fully understanding and allocating for risks will face the same hazards. Islamic banking still has a long way to go to fully employ world-class

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credit analysts. Many Islamic banks still do not have deep, experienced, professional credit analytic staff, but have ever-increasing volumes of capital under their control. If Islamic banks generally do not learn from the current crisis then they too can develop their own crisis without anyone's help.

Hope this is useful! It is all true, by the way. There is NOTHING in Islamic banking today that would prevent the same kind of crisis. In fact, the lack of good credit analysts in many Islamic banks means there is probably a future crisis already beginning. Many Islamic banks are throwing cash around without fully understanding the underlying risks.

JOHN A SANDWICK: Managing director, Encore Management S A, Geneva, Switzerland

Day by day it is becoming clearer that the current monetary system based upon money created as interest-bearing debt by credit institutions is no longer viable. There are simple alternatives to the monetization of debt, and these consist of:

- Guarantee Societies — whereby mutual guarantees of bilateral 'trade' credit are backed by provisions made into mutually owned 'default funds'.
- Capital Partnerships — where productive assets in 'co-ownership' of investor and user are 'unitized' into proportional non-redeemable units and/or units redeemable in energy or land rental values.

In both cases, banks need not put capital at risk by creating credit based upon it, but may instead operate profitably as service providers.

Islamic scholars will recognize that both of these "asset-based" techniques are Islamically sound at a deep level, and I believe that the use of these partnership-based mechanisms will continue to spread, simply because they work, and our conventional "deficit-based" mechanisms demonstrably do not.

CHRIS COOK: Principal, Partnerships Consulting

Islamic finance is not insulated from the financial market turmoil, as evidenced by the dramatic fall in Sukuk issuance during 2008 compared with 2007. One reason for this drop is the use of LIBOR as a pricing benchmark for Sukuk, which links the cost of financing using Sukuk with the relative stability in the conventional financial markets. The beginning of the crisis in conventional financial markets corresponds with the fall off in Sukuk at the same time as the economies in the GCC and Malaysia, the leading Sukuk issuers, continued to grow.

The use of Islamic finance principles could have constrained some of the problems created by excess leverage and derivatives (which Warren Buffet called 'financial weapons of mass destruction'). However, one of the reasons why the financial crisis was so severe was that it had been hidden for so long in off-balance sheet Structured Investment Vehicles (SIVs). Although the primary problem with SIVs was what they contained (subprime investments), an investment that is unlikely in Islamic finance, there is still a possibility that over-structuring of Sukuk could create potential problems. Additional oversight provided by Shariah boards represent one area in which the way Islamic finance operates could insulate it from similar problems to those encountered in the conventional financial markets.

BLAKE GOUD: Principal, SharingRisk.org, US

I believe the financial crisis that started in the US, mainly from the sub-prime mortgages, has once again made us think about the viability of an economic system which is based on interest that is artificially inflated by financial assets of speculative nature. The crisis is yet another reminder that the modern capitalist system has gone too far and we must change the basic assumptions that are very foundation of this system.

These alarm bells have given us another chance to review a system that is based on interest and speculations, whether it is better when compared to a system that is equity-based, deals in real assets, does not allow money to generate money without taking risk, prohibits transactions that are speculative, demands elimination of interest and promotes trade and partnership. Indeed, the situation would be much better if the principles of Islamic finance had been used and instead of just focusing on the profit motive.

We should now give serious consideration to moving to an interest-free economic system and study the guidelines and principles of Islamic financing, trade and business to prevent such happening in the future.

AHMED ALI SIDDIQIU: Executive vice president, Product development and Shariah compliance, Meezan Bank

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Fortunately, no Islamic banks had counterparty exposure to Lehman Brothers. Those with exposure to Morgan Stanley will not have any problems, and although the financial crisis is not yet over, the belated intervention by the US Treasury bodes well for the future once the so called "toxic" debt is finally valued. This should help the market in dollar-denominated Sukuk in 2009.

The crisis resulted from regulatory failure, as the financing structures and incentives for loans to sub-prime clients should not have been allowed. The lesson for Islamic finance is that conservative financing policies are best for long-term sustainability and that the temptation to maximize short-term gain without thinking of the consequences should be avoided. Markets work, but only in the context of a rules based system.

Islamic finance needs rules and regulation and the moral dimension should not be sacrificed for financial gain. It is important that Islamic financial institutions are adequately capitalized, and Basel II principles should be respected. Basel III will incorporate lessons from the 2008 financial crisis, and hopefully Islamic banks and the IFSB can have a significant input into what the new rules will be.

PROFESSOR RODNEY WILSON: Director of postgraduate studies, Durham University, UK

Wall Street this week depicts a boulevard of broken hearts. So far, three of its biggest investment banking names — Bear Sterns, Lehman Brothers and Merrill Lynch — have crumbled. In retrospect, it seems insane that regulators even permitted brokers like Lehman to operate with leverage ratios of 35 times or more. With that much debt perched on a tiny capital base, even the slight deterioration in asset prices would have triggered chaos — and we witnessed this. When prices fell, panic ensued. The Western financial sector has now taken more than US$493 billion of write-downs on structured credit portfolios, rooted in US sub-prime mortgages.

This crisis has magnified interest in the US$1 trillion Islamic finance industry. Investors are lured by a market, awash with liquidity from astronomical oil revenues, and borrowers with strong credit ratings. The Islamic finance industry has been insulated from exposure to the troubled US mortgage market. Investors here benefit from debt instruments, closely linked to underlying assets, and also an emphasis on shared ownership and real assets dealing which are appealing in the current climate.

There are lessons to be learnt from the credit crunch fiasco. Firstly, 'lend' to those that are credit worthy. Secondly, 'promote' an asset-backed approach supported by quality real assets. And thirdly, 'limit' exposure by restricting excessive leverage.

We get these lessons from the principles of the Shariah; which dictate that debts cannot be traded except at par value, (apart from the Shafi'e School of Thought). Similarly, Shariah scholars have capped (interest based) debt/equity ratio to 33%. If we adhere to these two parameters, as well as the obvious prohibition of interest, such credit debacles can certainly be avoided.

MUFTI TALHA AHMAD: Sharia Coordination Associate, BMB Islamic, UK

The credit crunch has witnessed the conventional finance markets being degraded to socializing losses in the arena of wanting the unadulterated privatization of profits. Adherence to Islamic finance principles would have prevented the ills witnessed because the causes are clearly contrary to all that Islamic finance stands for. As a brief testament to that, the recent bans in the UK and US on short selling of banking stocks suffice.

That said, the Islamic banking and capital markets will be affected because of simple demand and supply dynamics — in the long run, the Islamic market needs to distinguish itself, starting by setting up its own benchmarks rather than resort to LIBOR etc.

RAHAIL ALI: Partner, Global Head of Islamic Finance, Lovells

Next Forum Question

The rigorous credit process for asset-backed securitizations in the GCC for trading in the secondary market is time consuming and costly. Will this dampen initiatives for new securitization, and can one counteract such issues?

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, 15th October 2008.

DIB

UAE: Dubai Islamic Bank (DIB) has appointed Abdulla Al Hamli as its new CEO. He was previously the chief of operations and information technology at the bank.

Abdulla has been attached to the bank for nine years, following 16 years in senior positions at public and private sector organizations in Dubai. His experience includes more than a decade and a half as director of information systems at the Dubai Ports Authority and Jebel Ali Free Zone, the bank said in a statement.

NBAD

LIBYA: The National Bank of Abu Dhabi (NBAD) has appointed Hadeel Al Treiki as the regional manager for its representative office in Libya, which is due to begin operations in the last quarter of this year.

She has extensive experience in financial institutions in the African continent and the Middle East. Prior to her appointment, she was the assistant vice president in a major bank in Malta.

RASMALA

UAE: The leading investment banking firm in the region has announced the appointment of Tamer Bazzari as deputy CEO.

He was most recently Rasmala's head of investment banking. Prior to that, Bazzari was the chief financial officer. He joined the company in 2002 from Dubai Financial Market where he was the senior advisor to the director general.

In his new role, Bazzari will support company founder and CEO Ali Al-Shihabi in driving Rasmala's regional and strategic growth.

QFCA

QATAR: The Qatar Financial Centre Authority (QFCA) has announced the appointment of Jon Morton as the director for financial development. He will be spearheading QFCA's project, the Qatar Finance and Business Academy, to support and enhance the country's finance industry.

He will coordinate with the local and international financial services institutions operating in the region to identify activities and services targeted at the development of junior, middle and senior ranking executives. Morton will also establish close working relations with educational institutions around the world that provide recognized training and qualifications specifically for the financial sector.

Prior to his appointment, Morton was attached to Henley Business School in the UK, formerly known as Henley Management College, which merged with the University of Reading on the 1st August 2008.

GIB

BAHRAIN: Antoine L Dijkstra has been appointed as managing director and chief investment & treasury officer, said Gulf International Bank (GIB). He will be based in Bahrain.

Dijkstra has a wealth of experience in international banking, covering investment banking, fixed income, equities and asset management. Prior to joining GIB, he was senior managing director at Bear Stearns, and was based in its London office. He also worked in other financial institutions, including Zurich Financial Services Group and AIG Financial products.

DLA PIPER

UAE: The law firm announced that Tony Holland will join its Dubai finance and projects practice as the regional head of finance. He was previously with Mallesons Stephen Jaques' Melbourne office, where he played a central role in the development of the banking and finance practice group.

Holland brings more than 25 years of experience in banking, project finance and infrastructure finance.

ITHMAAR BANK

BAHRAIN: The Bahrain-based investment bank has appointed Ahmed Abdul Rahim as its new chief operating officer. He has been serving a dual role as deputy CEO at Shamil Bank, a wholly owned Islamic subsidiary, and as managing director of group support for Ithmaar. He will retain his Shamil Bank post following his latest appointment.

In his new position, Ahmed Abdul Rahim will be responsible for the bank's business-critical operations, including financial control, IT and operations, human resources as well as the public relations and corporate communications departments.

SHARIAH CAPITAL

UAE: Shariah Capital has appointed Mohammad Jamjoum as managing director. He was previously a non-executive director at the company. He will continue to serve on the company's board of directors as an executive member.

Mohammad has more than 35 years experience in Middle East banking. His most recent position was as CEO of Trust Bank Algeria.

BARCLAYS WEALTH

UAE: The wealth manager has appointed Tony Sareen as the head of the Middle East, North Africa and Turkey (MENAT) region for its international division. He will be based in Dubai. Sareen will be leading the team in ensuring the development of profitable client relationships and the continued expansion of the business.

He has been attached to Barclays since 2000, previously as a regional director for Barclays Financial Planning. Prior to that, he was in Pearl Assurance, most recently as a district manager.

HSBC QATAR

QATAR: The CEO of the bank died on the 23rd of September due to natural causes. Charles Moncrieff had been appointed to the position in January 2006. Before that, he was the head of HSBC's Abu Dhabi operations.

He was responsible for bringing in several new initiatives related to charity events and training programs, as well as playing leading roles in corporate financing deals and the introduction of new banking products to the local market.

Moncrieff was also a committee member and treasurer of the Qatar British Business Forum.

MOHAMED ISMAIL & CO

MALAYSIA: Mohamed Ismail Mohamed Shariff, partner at Mohamed Ismail & Co, will

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be joining Skrine Advocates and Solicitors effective from the 1st October 2008 as partner. All staff and lawyers from Mohamed Ismail & Co will be joining as well, and the law firm will cease to exist.

The move is expected to enhance Skrine's range of Islamic banking and finance as well as Takaful services.

NBB

BAHRAIN: The National Bank of Bahrain (NBB) has promoted Abdul Aziz Abdulla Al Ahmed as executive assistant general manager in the personal banking group, and Khalid Ali Juma as executive assistant general manager in the corporate services group.

The promotions are in line with the bank's policy to develop the potentiality of Bahraini staff and encourage them to take more responsibility, said NBB's CEO, Abdul Razak Al Qassim.

MORGAN STANLEY

UAE: Morgan Stanley has appointed Hani Nabulsi, Mohammad Odeh and Nadim Shabsogh as executive directors and investment advisers in its private wealth team, based in Dubai.

Nabulsi and Odeh join from Credit Suisse in Dubai, where they were responsible for leading a UAE private banking coverage team. They will both focus on ultra high net worth clients and family offices in the UAE.

Shabsogh was previously attached to Bear Stearns in London, responsible for Middle East private client relationships. He will be focusing on ultra high net worth clients and family offices in Saudi Arabia and Kuwait.

All three have experience in managing large and complex product portfolios across multiple markets for their clients.

DIC

UAE: Dubai International Capital (DIC), the US$13 billion buyout company, has named Alykhan Nathoo as CEO of DIC Emerging Markets from the 2nd November. He will be based in Dubai.

It said Nathoo's appointment is part of its strategy to increase emerging markets exposure and balance its international portfolio. He will be responsible for spearheading direct investments in emerging markets and managing the growth plans of the existing Emerging Markets portfolio.

Nathoo joins DIC from Bain Capital in London, one of the largest global private equity firms, where he had worked for over nine years. He was part of the founding team of Bain Capital Europe and most recently led the US$1.7 billion global acquisition of Ideal Standard Bath & Kitchen from American Standard.

DIC has also hired former Merrill Lynch executive Eric Kump as its new managing director of private equity. Appointed as well is Marc Hollander, the former managing director of Investor AB's private equity unit, as DIC's new finance director of private equity.

MERRILL LYNCH

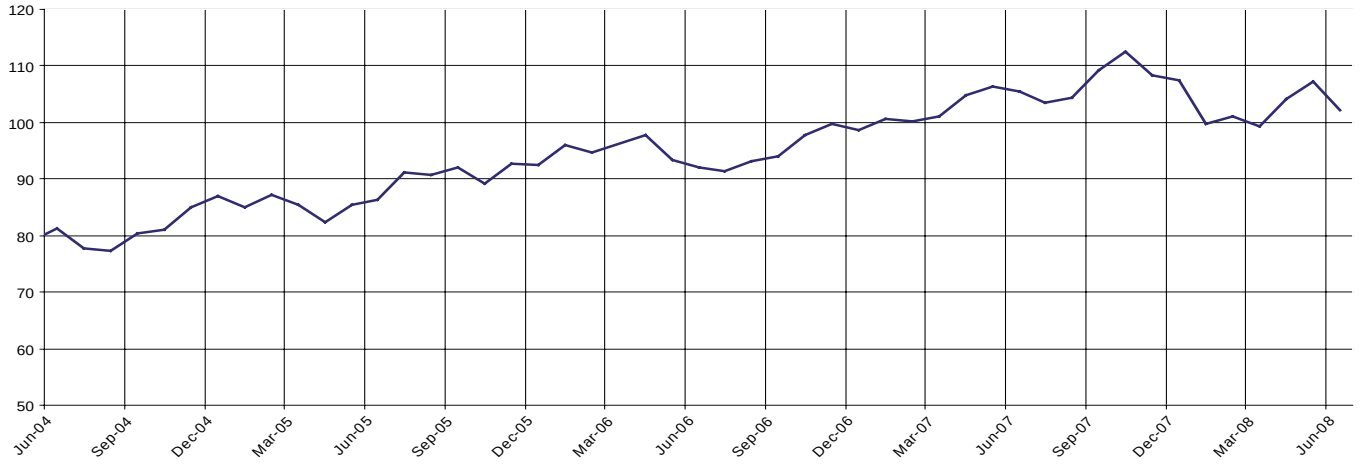
ASIA: Crisis-ridden global investment bank Merrill Lynch, which is being acquired by Bank of America, is hiring six investment bankers from another troubled US financial major, Lehman Brothers, for its Asia operations. It is taking on board James Chapman as director and head of its Asia Power Investment Banking unit, along with a five-member team working previously with Lehman Brothers.

At Lehman Brothers Chapman was responsible for supporting the sourcing and execution of interest rate, foreign exchange and commodities hedging and other risk management solutions across power sector clients.

Others joining Merrill Lynch include Anoop Chaudhry who will join as a vice president, a position he also held at Lehman Brothers. Ken Ng, who will also join as a vice president, has previously worked with Sumitomo Mitsui Banking Corp and Deutsche Bank in addition to Lehman Brothers. Raymond Yu and Robert Smith join as associates while Brian Kelly joins as an analyst.

Besides, Michael Halloran will be joining Merrill Lynch as managing director and head of Pacific Rim FICC (Fixed income, interest rate, currency and commodities) and be based in Tokyo. He joins from another financial services major, UBS, where he was most recently head of fixed income in the Asia Pacific and a member of the UBS Investment Bank board, based in Tokyo.

Eurekahedge Islamic Fund Index



Annualized returns for ALL funds (as of the 30th September 2008)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	Tijari Islamic Money Market Fund	Commercial Bank of Kuwait	89.93	Kuwait
2	Bakheet Saudi Trading Equity Fund	Bakheet Investment Group	55.38	Saudi Arabia
3	Jadwa Saudi Equity Fund	Jadwa Investment	55.07	Saudi Arabia
4	Jadwa Aggressive Allocation Fund	Jadwa Investment	53.08	Saudi Arabia
5	Gulf Islamic Fund	Gulf Investment Corporation	51.23	Bahrain
6	FALCOM Saudi Equity Fund	FALCOM Financial Services	44.15	Saudi Arabia
7	ETFS Physical Platinum	ETFS Metal Securities	42.24	Jersey
8	Jadwa GCC Equity Fund	Jadwa Investment	41.52	Saudi Arabia
9	GCC Al-Raed Fund	Samba	40.56	Saudi Arabia
10	Jadwa Arab Markets Equity Fund	Jadwa Investment	39.91	Saudi Arabia
	Eurekahedge Islamic Fund Index*		*3.55*	

Annualized Standard Deviation for ALL funds (as of the 30th September 2008)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	OSK-UOB Institutional Islamic Money Market Fund	OSK-UOB Unit Trust Management	0.02	Malaysia
2	ING i-Enhanced Cash	ING Funds	0.13	Malaysia
3	PB Islamic Cash Management Fund	Public Mutual	0.13	Malaysia
4	Amwal Islamic Money Market Fund	Kuwait & Middle East Financial Investment Company	0.16	Kuwait
5	Public Islamic Money Market Fund	Public Mutual	0.18	Malaysia
6	Al Rajhi Commodity Mudarabah Fund - EUR	Al Rajhi Bank	0.19	Saudi Arabia
7	AlAhli Euro Murabahat Fund	The National Commercial Bank	0.21	Saudi Arabia
8	MAAKL Al-Ma'mun	MAAKL Mutual	0.22	Malaysia
9	CIMB Islamic Money Market Fund	CIMB-Principal Asset Management	0.23	Malaysia
10	Atlas Pension Islamic Fund - Money Market Sub Fund	Atlas Asset Management Limited	0.23	Pakistan
	Eurekahedge Islamic Fund Index*		*7.79*	

EUREKAHEDGE

Contact Eurekahedge

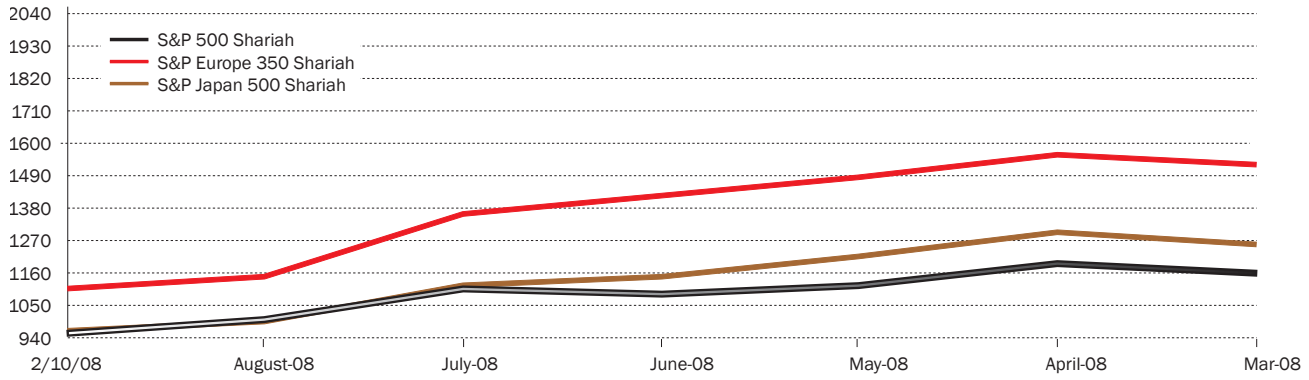
To list your fund or update your fund information: islamicfunds@eurekahedge.com

For further details on Eurekahedge: information@eurekahedge.com

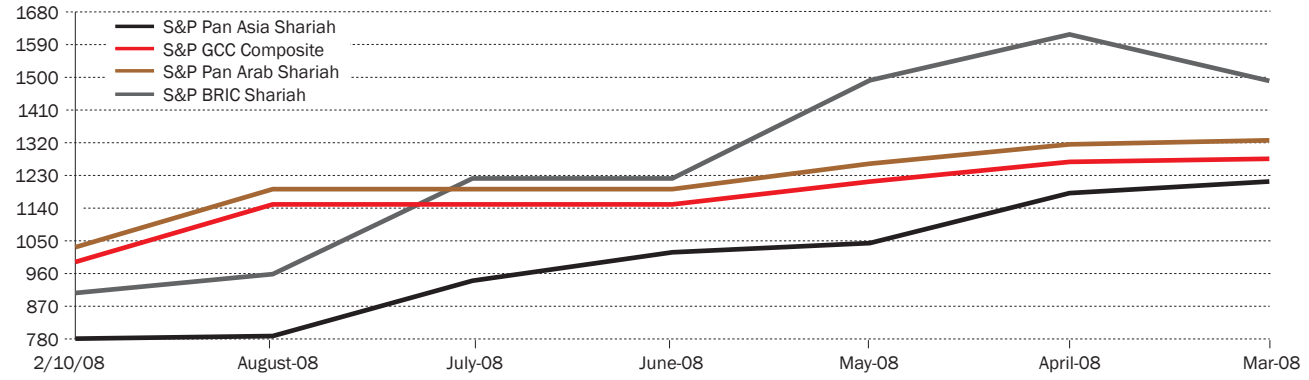
Tel: +65 6212 0900

EUREKAHEDGE

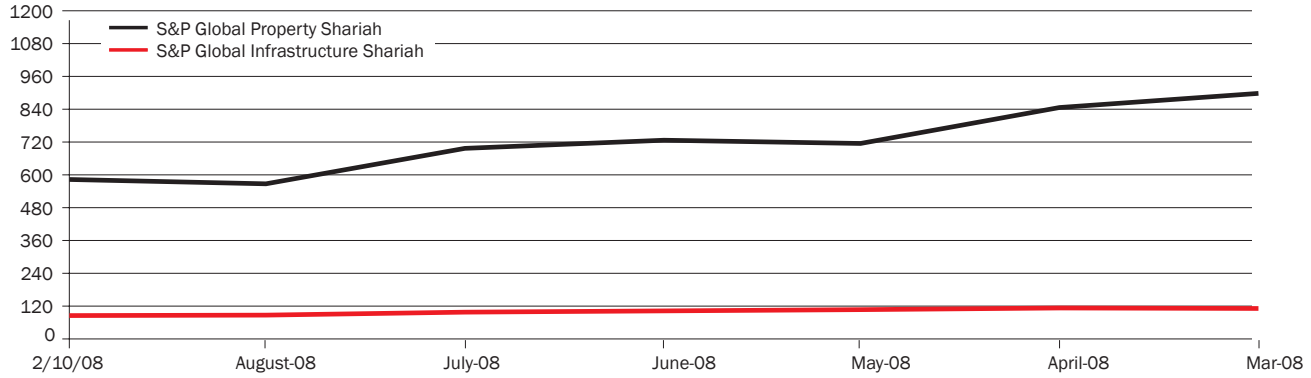
S&P Shariah Indices Price Index Levels



Index Code	Index Name	2/10/08	Sept-08	August-08	July-08	June-08	May-08	April-08
SPSHX	S&P 500 Shariah	955.310	1001.724	1105.698	1088.084	1117.006	1191.671	1159.136
SPSHEU	S&P Europe 350 Shariah	1107.040	1147.329	1360.152	1422.505	1484.523	1561.127	1527.614
SPSHJU	S&P Japan 500 Shariah	963.922	995.079	1118.087	1147.273	1215.950	1298.106	1256.791



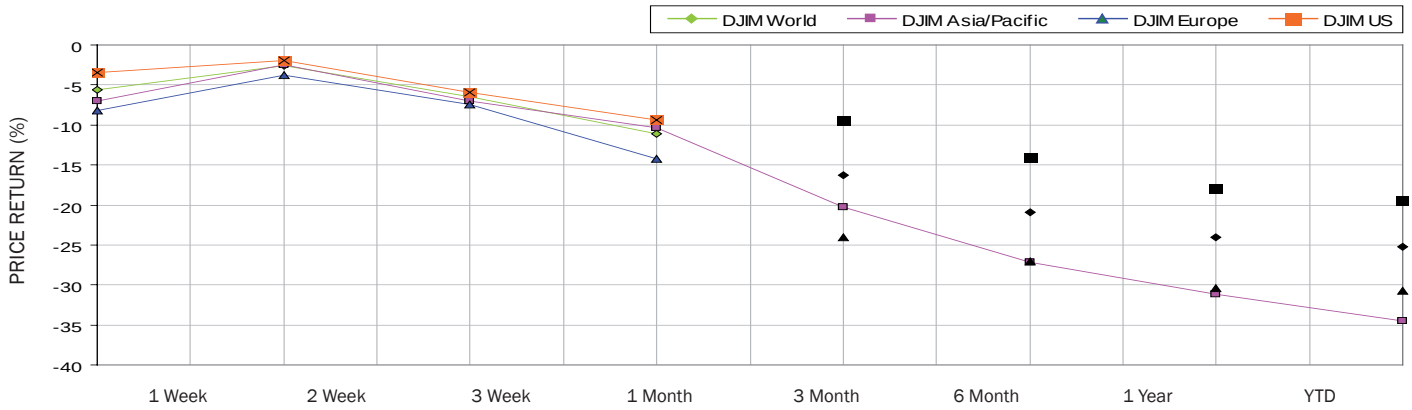
Index Code	Index Name	2/10/08	Sept-08	August-08	July-08	June-08	May-08	April-08
SPSHAS	S&P Pan Asia Shariah	780.820	788.016	940.242	1018.429	1043.774	1181.396	1213.284
SPSHG	S&P GCC Composite Shariah	991.810	1150.304	1150.304	1150.304	1212.987	1267.310	1275.791
SPSHPA	S&P Pan Arab Shariah	1032.470	1192.275	1192.275	1192.275	1262.353	1315.524	1326.664
SPSHBR	S&P BRIC Shariah	906.468	958.353	1221.728	1341.591	1491.666	1618.083	1490.222



Index Code	Index Name	2/10/08	Sept-08	August-08	July-08	June-08	May-08	April-08
SPSHGU	S&P Global Property Shariah	568.025	567.189	696.868	726.645	714.774	846.205	897.914
SPSHIF	S&P Global Infrastructure Shariah	85.401	87.066	97.923	102.631	107.070	113.133	111.336

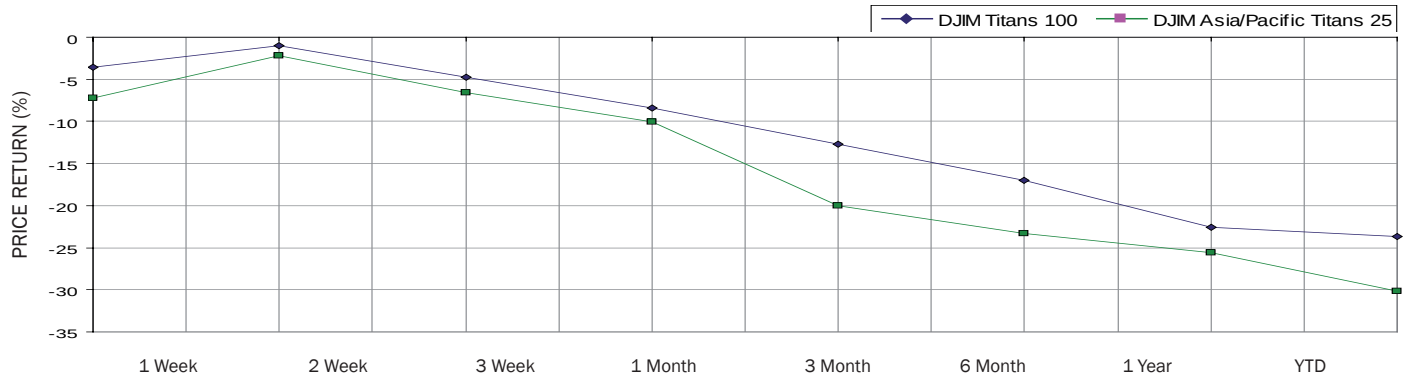
Data as of the 1st October 2008

PERFORMANCE OF DJ INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	-5.65	-2.59	-6.51	-11.13	-16.31	-20.97	-25.22	-24.01
DJIM Asia/Pacific	-7.00	-2.51	-7.05	-10.33	-20.25	-27.17	-34.51	-31.19
DJIM Europe	-8.16	-3.78	-7.40	-14.23	-24.03	-27.07	-30.76	-30.40
DJIM US	-3.44	-1.96	-5.89	-9.33	-9.47	-14.10	-19.41	-18.04

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	-3.60	-0.98	-4.74	-8.41	-12.74	-16.98	-23.64	-22.56
DJIM Asia/Pacific Titans 25	-7.26	-2.22	-6.62	-10.09	-19.99	-23.26	-30.15	-25.62

DESCRIPTIVE STATISTICS		Market Capitalization (US$ billions)						Component Weight (%)	
Index	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Large	Small
DJIM World	2315	14827.63	12157.10	5.25	1.02	408.14	0.01	3.36	0.00
DJIM Asia/Pacific	1004	2652.39	1757.24	1.75	0.36	86.85	0.01	4.94	0.00
DJIM Europe	336	3672.83	2795.52	8.32	1.85	154.15	0.17	5.51	0.01
DJIM US	636	7187.18	6733.81	10.59	2.71	408.14	0.16	6.06	0.00
DJIM Titans 100	100	7098.3	6334.69	63.35	43.53	408.14	10.20	6.44	0.16
DJIM Asia/Pacific Titans 25	25	963.01	626.02	25.04	19.13	56.83	10.20	9.08	1.63

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

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	18.1	CIMB, RHB, Aseambankers, Royal Bank of Scotland, AmInvestment, OCBC Bank (Malaysia)
2	Malaysia	Malaysia	Sukuk	2,753	3	11.0	Malaysia Government bond
3	JAFZ Sukuk	UAE	Sukuk Musharakah	2,043	1	8.2	Barclays Capital, Deutsche Bank (London), Dubai Islamic Bank, Lehman Brothers International (Europe)
4	Saudi Basic Industries Corp	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	4.4	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	4.1	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	Cagamas	Malaysia	Sukuk Murabahah	778	19	3.1	HSBC, CIMB, Aseambankers
10	DEWA Funding	UAE	Sukuk Ijarah	749	1	3.0	Barclays Capital, Citigroup Global Markets, Dubai Islamic Bank, Emirates Bank International
11	Syarikat Prasarana Negara	Malaysia	Sukuk Ijarah	620	3	2.5	CIMB, AmInvestment
12	Perusahaan Penerbit SBSN Indonesia	Indonesia	Sukuk Ijarah	512	2	2.1	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	Rantau Abang Capital	Malaysia	Sukuk Musharakah	381	1	1.5	CIMB
16	Central Bank of Bahrain	Bahrain	Sukuk Ijarah	350	1	1.4	Calyon
17	Rakia Sukuk	UAE	Sukuk Wakalah	325	1	1.3	Credit Suisse Securities (Europe), HSBC, National Bank of Dubai
18	MRCB Southern Link	Malaysia	Sukuk Istisna	320	20	1.3	HSBC, CIMB, RHB
19	Menara ABS	Malaysia	Sukuk Ijarah Asset-backed Securities	307	8	1.2	Citibank
20	Tamweel Sukuk	UAE	Sukuk	299	1	1.2	Standard Chartered, Dubai Islamic Bank, Badr Al Islami
	Total			24,994	289	100.0	

For all enquires regarding the above information, please contact:

Catherine Chu
Email: Catherine.Chu@Hk.Dealogic.com
Phone: +852 2804 1223; Fax: +852 2529 4377

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	33.9	Malaysia Government bond
2	Sun Finance	UAE	Mudarabah Sukuk Asset-backed Securities	1,093	3	17.4	Citigroup Global Markets, Abu Dhabi Commercial Bank, National Bank of Abu Dhabi, First Gulf Bank, Noor Islamic Bank
3	Cagamas	Malaysia	Sukuk Murabahah	682	17	10.9	HSBC, CIMB, Aseambankers
4	Perusahaan Penerbit SBSN Indonesia	Indonesia	Sukuk Ijarah	512	2	8.2	Mandiri Sekuritas, Danareksa Sekuritas, Trimegah Securities
5	Khazanah Nasional	Malaysia	Musharakah MTN	453	2	7.2	CIMB, AmInvestment
6	Rantau Abang Capital	Malaysia	Sukuk Musharakah	381	1	6.1	CIMB
7	Tamweel Sukuk	UAE	Sukuk	299	1	4.8	Badr Al Islami, Dubai Islamic Bank, Standard Chartered
8	RIM City	Malaysia	Bai Bithaman Ajil MTN	204	1	3.3	CIMB
9	Malaysia Debt Ventures	Malaysia	Mudarabah MTN	145	2	2.3	Bank Islam Malaysia, RHB Investment Bank, CIMB Investment Bank
10	Tadamun Services	Malaysia	Musharakah MTN	92	1	1.5	CIMB, Standard Chartered
11	Islamic Republic of Pakistan	Pakistan	Sukuk	84	1	1.3	Standard Chartered (Pakistan), Dubai Islamic Bank Pakistan
12	Syarikat Borcos Shipping	Malaysia	Bai Bithaman Ajil and Ijarah Islamic bond	46	3	0.7	Bank Muamalat Malaysia
13	Bank Muamalat Indonesia	Indonesia	Sukuk Mudarabah	43	1	0.7	Bahana Securities, Danareksa Sekuritas, Andalan Artha Advisindo, CIMB Securities Indonesia
14	Aneka Gas Industry	Indonesia	Sukuk Ijarah	24	1	0.4	Andalan Artha Advisindo
15	Pak American Fertilizers	Pakistan	Sukuk	22	1	0.4	National Bank of Pakistan, JS Bank, Standard Chartered
16	Arpeni Pratama Ocean Line	Indonesia	Sukuk Ijarah	16	1	0.3	CIMB Securities Indonesia
17	Horizon Hills Development	Malaysia	Murabahah MTN	15	2	0.2	AmInvestment
18	Amreli Steels (Pvt)	Pakistan	Sukuk Musharakah	13	1	0.2	Faysal Bank, Meezan Bank
19	Aeon Credit Service (M)	Malaysia	Musharakah MTN	12	2	0.2	Amseambankers, CIMB
20	Tanjung Offshore	Malaysia	Istisna or Murabahah MTN	12	5	0.2	AmInvestment
	Total			**6,278**	**51**	**100.0**	

ISLAMIC BONDS		SEPTEMBER 2007 – SEPTEMBER 2008		
	Manager or Group	Amt US$ m	Iss.	%
1	CIMB	4,943	101	19.8
2	Malaysia Government bond	2,753	3	11.0
3	Aseambankers	1,495	47	6.0
4	AmInvestment	1,449	57	5.8
5	Dubai Islamic Bank	1,252	5	5.0
6	HSBC	1,191	41	4.8
7	Calyon	1,016	2	4.1
8	RHB Capital	898	65	3.6
9	Barclays Capital	826	3	3.3
10	Citigroup	713	12	2.9
11	Oversea-Chinese Banking Corp	685	16	2.7
12	Emirates NBD	677	4	2.7
13	Lehman Brothers	638	2	2.6
14	Royal Bank of Scotland	622	8	2.5
15	Deutsche Bank	511	1	2.0
16	Standard Chartered	428	16	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	**24,994**	**289**	**100.0**

ISLAMIC BONDS		JUNE 2008 – SEPTEMBER 2008		
	Manager or Group	Amt US$ m	Iss.	%
1	Malaysia Government bond	2,127	2	33.9
2	CIMB	1,176	28	18.7
3	AmInvestment	285	17	4.5
4	Noor Islamic Bank	219	3	3.5
5	National Bank of Abu Dhabi	219	3	3.5
6	First Gulf Bank	219	3	3.5
7	Citigroup	219	3	3.5
8	Abu Dhabi Commercial Bank	219	3	3.5
9	Aseambankers Malaysia	212	11	3.4
10	HSBC	206	9	3.3
11	Standard Chartered	195	4	3.1
12	(Persero) Danareksa	181	3	2.9
13	Trimegah Securities	171	2	2.7
14	Bank Mandiri	171	2	2.7
15	Mashreqbank	100	1	1.6
16	Dubai Islamic Bank	100	1	1.6
17	RHB Capital	48	2	0.8
18	Bank Islam Malaysia	48	2	0.8
19	Bank Muamalat Malaysia	46	3	0.7
20	Dubai Islamic Bank Pakistan	42	1	0.7
	Total	**6,278**	**51**	**100.0**

ISLAMIC BONDS BY COUNTRY	SEPTEMBER 2007 – SEPTEMBER 2008		
	Amt US$ m	Iss.	%
Malaysia	14,803	250.0	59
UAE	6,783	10.0	27
Saudi Arabia	1,333	1.0	5
Indonesia	711	9.0	3
Pakistan	524	15.0	2
Bahrain	350	1.0	1
Total	**24,994**	**289.0**	**100**

ISLAMIC BONDS BY COUNTRY	JUNE 2008 – SEPTEMBER 2008		
	Amt US$ m	Iss.	%
Malaysia	4,170	39.0	66.43
UAE	1,393	4.0	22.19
Indonesia	596	5.0	9.49
Total	**6,278**	**51.0**	**100.00**

ISLAMIC BONDS BY CURRENCY	SEPTEMBER 2007 – SEPTEMBER 2008		
	Amt US$ m	Iss.	%
Malaysian ringgit	14,803	250.0	59
UAE dirham	6,621	10.0	26
Saudi Arabian riyal	1,333	1.0	5
US dollar	1,003	4.0	4
Total	24,994	289.0	100

ISLAMIC BONDS BY CURRENCY	JUNE 2008 – SEPTEMBER 2008		
	Amt US$ m	Iss.	%
Malaysian ringgit	4,170	39.0	66
UAE dirham	1,393	4.0	22
Indonesian rupiah	596	5.0	9
Total	**6,278**	**51.0**	**100**

For all enquires regarding the above information, please contact:

Catherine Chu

Email: Catherine.Chu@Hk.Dealogic.com
Phone: +852 2804 1223; Fax: +852 2529 4377

DATE	EVENT	VENUE	ORGANIZER
October			
12th - 16th	Middle East Retail Banking Forum	Dubai	IIR Middle East
14th	Middle East Hedge Funds 2008	Switzerland	Jetfin Events
14th - 16th	Islamic Finance Congress	Kuala Lumpur	AVCJ Group
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	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
9th - 10th	BankTech Middle East Congress	Dubai	Naseba
12th	Karachi IFN Forum	Karachi	Islamic Finance Events
13th	2nd International Islamic Capital Market Forum	Kuala Lumpur	Securities Commission Malaysia
18th - 19th	5th Kuala Lumpur Islamic Finance Forum 2008	Kuala Lumpur	CERT Events
18th - 19th	Commodities Trading Summit	Dubai	IIIR Middle East
23rd - 25th	The World Islamic Banking Conference	Bahrain	MEGA
23rd - 26th	GCC Insurance Summit	UAE	IQPC
December			
3rd - 4th	European Forum of Islamic Finance	Italy	Financial Events International

Islamic Finance news team

Published By: REDmoney

21/F, Menara KUB, 12, Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia
Tel: +603 2162 7800 Fax: +603 2162 7810

EDITORIAL TEAM

Managing Editor S.Sivaselvam
Sivaselvam@REDmoneyGroup.com

Editor Raphael Wong
Raphael.Wong@REDmoneyGroup.com

Deputy Editor Dalila Abu Bakar
Dalila.Abubakar@REDmoneyGroup.com

Senior Copy Editor Koay Sook Kuan
Sookkuan.Koay@REDmoneyGroup.com

Copy Editor Sasikala Thiagaraja
Sasikala@REDmoneyGroup.com

Editorial Executive Elmira Azlan
Elmira.Azlan@REDmoneyGroup.com

Features Editor Shabnam Mokhtar
Shabnam.Mokhtar@REDmoneyGroup.com

Staff Writers Nazneen Abdul Halim
Nazneen.Halim@REDmoneyGroup.com

Correspondents Kamal Bairamov, Seelan Sakran
Shirene Shan

Forum Manager Christina Morgan
Christina.Morgan@REDmoneyGroup.com

Production Manager Hasnani Aspari
Hasnani.Aspari@REDmoneyGroup.com

Production Executives Muhammad Najib Abdul Rahim
Najib.AbdulRahim@REDmoneyGroup.com

Nor Hidayah Mohamed
Nor.Hidayah@REDmoneyGroup.com

SALES TEAM

New Business Manager Charles Philip
Charles.Philip@REDmoneyGroup.com
Tel: +603 2162 7800 x 13

Subscriptions Manager Musfaizal Mustafa
Musfaizal.Mustafa@REDmoneyGroup.com
Tel: +603 2162 7800 x 24

Subscriptions Sales Executives Nadjmuddean Mohd Ris
MohammedNadjmuddean@REDmoneyGroup.com
Tel: +603 2162 7800 x 38

MARKETING TEAM

Marketing Manager Deepa Kaliperumal
Deepa.Kaliperumal@REDmoneyGroup.com

Administration & Marketing Assistant Dhana Dorasamy
Dhana@REDmoneyGroup.com

Financial Controller Faizah Hassan
Faizah.Hassan@REDmoneyGroup.com

Deputy Publisher & Director Geraldine Chan
Geraldine.Chan@REDmoneyGroup.com

Managing Director Andrew Tebbutt
Andrew.Tebbutt@REDmoneyGroup.com

Managing Director & Publisher Andrew Morgan
Andrew.Morgan@REDmoneyGroup.com

Individual Annual Subscription Rate: US$575
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