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UAE

Nakheel to raise US$762 million in REITs

Nakheel, the real estate arm of Dubai World, will raise more than AED2.8 billion (US$762 million) through two real estate investment trusts (REITs) by the end of this year, said Nakheel CEO Chris O'Donnell.

The company, which has AED220 billion (US$60 billion) worth of development projects in its portfolio, will raise AED800 million (US$218 million) through a residential REIT and another AED2 billion (US$545 million) through an infrastructure REIT, with both of them being listed in Dubai and Singapore.

BAHRAIN

Islamic bank for energy sector

First Energy Bank, the latest strategic business concept from Gulf Finance House, is now under formation with a paid-up capital of US$750 million. It is the first Shariah compliant bank which focuses on the investment, financing and service needs of the energy sector.

Chairman of the founding committee for the bank, Esam Janahi, said First Energy Bank is the answer to the demand projected for the investment in the global energy sector over the next 25 years. The formation of the bank has been approved by the Central Bank of Bahrain in principle.

Natural gas demand is expected to rise by 2% per year over this period. Hence, US$4.3 trillion of new investment will be required globally in the oil sector through 2030, and approximately US$3.9 trillion is projected to be invested in the gas sector to meet this demand.

MALAYSIA

CIMB -Daewoo Securities Co Strategic alliance

A strategic partnership between CIMB Investment Bank (CIMB) and South Korea's Daewoo Securities Co (Daewoo) signed this week will see the two financial institutions collaborating on investment banking, stockbroking and asset management, said Nazir Razak, group CEO of CIMB Group.

He said CIMB and Daewoo will channel brokerage activities to one another on an immediate basis. Both envisaged co-developing funds for distribution in each other's market as well as preferred partnerships in all investment banking deals involving their respective clients.

The alliance is expected to launch something in the form of co-developed products in the second quarter of 2008. The two are set to explore and develop all areas of collaboration including Islamic finance.

Nazir said discussions have been held with Daewoo president and CEO Sung Tae Kim on the way they could collaborate in a third country, such as in the UK, where both have operations. Daewoo is South Korea's largest securities firm, offering services from 117 branches.

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KUWAIT

KIA targeting US financials

Kuwait's US$225 billion sovereign wealth fund is interested in investing in financial services and real estate companies in the US and Europe to benefit from lower asset prices.

The Kuwait Investment Authority (KIA), which last month agreed to invest US$5 billion in Merrill Lynch & Company and Citigroup, considered France's Société Générale at one point, managing director Bader Al Saad said on the sidelines of a seminar last Tuesday. He did not elaborate, however, only saying, "We are interested in financial and real estate."

BAHRAIN

GFH declares 95% dividend

The board of directors at Gulf Finance House (GFH) has approved a dividend payout of US$227 million for the fiscal year 2007 — 95% of the par value of the paid-up capital — on the back of the excellent results last year with net profit up 61% at US$340 million, said GFH chairman Esam Janahi.

On GFH's plans for 2008, Esam said they will continue to build on their core strengths in the area of economic infrastructure development while pioneering exclusive and innovative investment opportunities for our partners and clients. The energy and Islamic financial services sectors will continue to be GFH's main area of focus this year.

KUWAIT

Going easy on foreign banks

Kuwait is considering a move to allow foreign banks to open more than one branch, reported a newswire. Kuwait Central Bank governor Salem Abdul Aziz Al Sabah said the restriction on foreign banks was "wrong" and is a significant obstacle to them.

France's BNP Paribas was the first foreign bank to get a license to operate in Kuwait, about three decades after the country forced out foreign lenders. Other foreign banks that have since opened in Kuwait are HSBC Holdings, Citigroup and National Bank of Abu Dhabi.

KUWAIT

Alafco eyes US$900 million loan

Kuwait's Aviation Lease and Finance Company (Alafco) is looking to raise about US$900 million in loans to finance previous purchases and plans to buy up to 10 second-hand aircraft this summer. The firm has secured US$210 million of a total of US$1.1 billion it had been seeking to finance pre-delivery payments for 66 aircraft it had ordered.

"We achieved part of this US$1.1 billion by securing the pre-delivery payments for the aircraft to be delivered in 2009 and 2010," Ahmad said, adding that Alafco had secured US$210 million from major financial institutions. He did not give further details about the loans.

Alafco has confirmed orders to buy 66 aircraft from Airbus and Boeing for an estimated US$7 billion, Zabin said last December. They include 22 Boeing Dreamliners, six 737-800s, 12 Airbus 350s and several A320-200s. The aircraft will be delivered between 2009 and 2017.

PAKISTAN/UAE

Abu Dhabi, Karachi bourses ink deal

Abu Dhabi's bourse has signed an agreement with the Karachi Stock Exchange to encourage cross listings of securities.

The agreement "is designed to facilitate procedures of cross-listing of companies", said Tom Healy, director-general of the Abu Dhabi Securities Market.

The exchange gave no further details. Abu Dhabi's stock market signed a cross-listing agreement with the Lahore Stock Exchange in 2006, and had also discussed cross-listings with exchanges in Tokyo, Hong Kong and Singapore.

QATAR

UDC sets up management subsidiary

United Development Company (UDC) is establishing a wholly owned subsidiary with an initial capital of QAR5 million (US$1.37 million).

The proposed subsidiary would undertake activities in the fields of management, operations and other similar activities, said a UDC spokesman.

The diversified conglomerate's other subsidiaries/associates/affiliates include Turkey-based water management company Millenya, in which UDC has a 60% stake; Ronautica Middle East (60%); Qatar District Cooling Company (50.5%); Qatar Dredging Company (45.90%); Ready-mix Concrete Facility (32%) and Seef Company (20%), according to Zawya database.

UAE

Investors drawn to Islamic equity funds

With an excellent record for Islamic equity funds in 2007, Dubai has been attracting global investors to Islamic investment funds, according to fund monitoring company, Failaka.

Failaka reports that 2007 was a good year for Islamic equity funds, with GCC markets performing well compared to 2006. By end-2007, the industry approached US$20 billion in assets for the first time. Funds investing in GCC markets represent over half the whole Islamic equity fund industry.

Some of the highflying Islamic equity funds are from global investment firms operating from Dubai, such as Permal and DWS, a division of Deutsche Bank.

UK

Specialist Islamic mortgage panel

eConveyancer is launching a specialist panel of solicitors to deal with Islamic mortgage applications. The panel will be available nationwide, with a focus on law firms that understand the requirements of Shariah compliant mortgages.

Vanessa Blount, sales and marketing director of eConveyancer, said the firm would be focusing on the development of other targeted services, with emphasis on ensuring that intermediaries had full access to specialist legal support.

Current estimates put the number of small and medium-sized Muslim businesses in the UK at around 100,000, with more than 2.5 million Muslims.

UAE

Shuaa Capital investor conference

Thirty leading companies in the Gulf region will participate in an investor conference in Dubai. Shuaa Capital is organizing the conference scheduled for the 23rd February to the 25th. Dr Nasser Saidi, chief economist of Dubai International Financial Centre, will deliver the keynote speech.

QATAR

Investors parking funds in oil

Flush with funds, investors from the GCC and the Middle East as a whole are increasingly putting their money into currencies and oil. Gold also continues to be an investment of choice, said Wahb Ahmed, manager of sales trading (Middle East) at Saxo Bank.

"The majority of European banks are looking at China, India and the Middle East, where there is more liquidity. We are an investment bank and offer multi-product banking. An investor or trader with liquid assets would want to diversify to reduce risk," he said.

Ahmed said Saxo has a good client base in Qatar as in the rest of the region, although he declined to give numbers or approximate figures invested by nationals.

Saxo is headquartered in Copenhagen but conducts most of its Middle East business out of its London offices. It offers Islamic funds that are looking into the emerging markets.

LIBYA

Arab Bank wins Libya bank tender

Arab Bank has won a tender for 19% of the capital of Libya's Al-Wahda bank for €210 million (US$309 million), a source at Rothschild bank in charge of the privatization said last week.

Three other foreign banks had been left in competition after the troubled Société Générale of France pulled out at the last minute for "technical reasons". Its withdrawal followed its exposure in the subprime crisis and the loss of €7 billion (US$10.3 billion) blamed on rogue trader Jerome Kerviel.

The three banks left in the bid apart from Amman-based Arab Bank were Italy's Intesa Sanpaolo, the Bahrain-based Arab Banking Corporation and Morocco's Attijariwafa Bank.

Al-Wahda is Libya's fifth-largest bank in terms of assets, at €1.7 billion (US$2.5 billion). It has 20% of the local market and 71 agencies throughout the North African country.

UAE

Mashreq top employer of nationals

Mashreq said one-third of its employees were Emiratis at the end of 2007, making it one of the leading employers of UAE nationals in the banking industry, reported an English-language daily.

CEO Abdul Aziz Al Ghurair said the bank is focused on achieving the annual 4% recruitment target for nationals stipulated by the central bank.

UAE

Dubai investor acquires Light Group stake

A Dubai-based investment firm said last Wednesday it had bought a 50% stake in Las Vegas-based hospitality company The Light Group to expand its hotel and restaurant business into the Middle East.

Zabeel Investments, which was part of the emirate's purchase of a stake in Airbus parent EADS last year, did not say how much it paid for the stake. "Our goal is to develop the hospitality industry in the UAE and across the region," Zabeel executive chairman Mohammed Al-Hashimi said.

MALAYSIA

Tune Money Capital granted license

Tune Money Capital is set to start its fund management business, which may include offering Shariah compliant products, after being granted the license for fund management from the Securities Commission of Malaysia recently. CEO Tengku Zafrul Aziz said the company is eager to participate in the unit trust industry as it is huge, amounting to RM169 billion (US$52 billion) in 2007.

It will now be applying to deal in securities restricted to unit trust products, which is another regulated activity. Tune Money Capital will only be allowed to deal in unit trust products in Malaysia when it has received the second approval.

SAUDI ARABIA/US

Slippery deal for Aramco, Jadwa and ExxonMobil

Saudi Aramco and the Shariah compliant Jadwa Investment Company have signed an agreement with Mobil Petroleum Company Inc (ExxonMobil) to acquire ExxonMobil's 30% interest in the Saudi Aramco Lubricating Oil Refining Company (Luberef).

Luberef was founded in 1976 as a joint venture between Saudi Aramco (holding 70%) and ExxonMobil (holding 30%). Luberef operates refineries in Jeddah and Yanbu for producing lubricating base oils. The combined design capacity of Luberef's two refineries is 550,000 metric tons per year.

Jadwa chairman Prince Faisal bin Salman said: "Jadwa's new partnership with Saudi Aramco and our common interest in expanding Luberef will meet national policy goals of job creation for Saudis and the expansion of private sector involvement."

Jadwa Investment had also earlier received permission from the Saudi Arabia Capital Market Authority to launch a Global Sukuk Fund.

MALAYSIA/UAE

Limitless JV to develop world halal center

Dubai World unit Limitless LLC, in a joint venture with Mihap Holdings and Selangor Agricultural Development Corporation (SADC), is developing a fully integrated world halal center in Selangor to turn Malaysia into a global gateway for the industry.

The Malaysia International Halal Park (MIHAP), an 80:20 joint venture between Limitless and a Malaysian investment company comprising Mihap Holdings and SADC, will include more than 800ha of residential units, food manufacturing plants and logistics ports.

The facility will also accommodate training and research centers as well as offices, entertainment and retail facilities. Work on MIHAP will start towards end-2008, with phased completion over eight years.

Last December, Limitless announced it would undertake the masterplan for a waterfront development of luxury homes at Puteri Harbour in Malaysia's Iskandar Development Region.

GCC

Gulf banks set for double-digit growth

The 22 Islamic banks in the Gulf have in excess of US$300 billion of Shariah compliant assets and are set for double-digit growth over the next 10 years, leading global financial services firm Morgan Stanley has said.

The company predicted strong growth for the Islamic banking sector, driven by a robust outlook for the region and an increasing share of system assets.

Morgan Stanley also initiated coverage on Dubai Islamic Bank and Kuwait Finance House in a report that forecasts that Islamic assets in the GCC would grow to 18% of system assets by 2012 from its current 13%.

MALAYSIA

AFB seeks foothold in Islamic finance

Asian Finance (AFB), which is on an aggressive expansion program, believes it is in a strong position to further penetrate the growing local Islamic finance market, said its CEO Faisal Alshowaikh.

Faisal said although the bank was a relatively new player in this market, it was confident of making further inroads by leveraging on its institutional shareholders, distribution capability and product innovation.

He said AFB was also on the lookout for a number of real estate projects and power plant financing for its Middle East clients, as well as opportunities to team up with local Islamic banks on transactions in the Gulf states.

TURKEY

Islamic banking moving ahead

Turkey's Islamic banks saw assets grow 27% in the first nine months of last year, albeit from a low base. By comparison, Turkey's leading conventional financial institutions Akbank and Isbank increased their assets by 13% and 2% respectively.

Islamic banks only control 3% of Turkey's overall banking assets, but this is expected to more than treble, according to Mustafa Boydak, deputy head of the company which sold the Islamic lender Türkiye Finans for a record price last year.

"We want it to reach 10%; of course that's possible. As a first target we want to reach 5% and then 10%", Boydak said. He expects the sector's assets to grow more than 2.5 times in the next five or six years.

This year, Mustafa said he expects Türkiye Finans, whose 0% sale to Saudi National Commercial Bank (NCB) is awaiting official approval, to see asset growth at least match last year's 36%. Boydak Holding and the industrial group Ulker set a record in Turkish banking when they sold their stake in Türkiye Finans to NCB at 5.8 times book value after strong interest from Gulf and Asian institutions.

UAE

US$114 million profit for Al Mazaya

Kuwait-based Al Mazaya Holding has posted a net profit of AED417,871,453 (US$114 million), up from AED300,246,107 in 2006. Earnings per share jumped to 136 fils. Company assets increased from AED2.11 billion in 2006 to AED3.58 billion this year, while shareholders' equity rose to AED1.47 billion, from AED1.11 billion during 2006.

UAE

Innovative DIB products for energy sector

The wealth management division of Dubai Islamic Bank (DIB) has launched two innovative investment products linked to the fast-growing alternative energy sector. Both products are linked to the DWS New Resources Fund, which targets companies active in water, agrochemicals and renewable energies.

The two products are a 10-year non-capital-protected certificate and a five-year capital-protected note. Both are priced in euros with a minimum investment of €10,000 (US$14,730) are structured with and issued by Deutsche Bank and offer biweekly redemption.

QATAR

Alaqaria Sukuk for domestic growth

Qatar Real Estate Investment Co (Alaqaria) has revealed plans to borrow funds by the third quarter of this year, most likely in the form of Sukuk. Proceeds will be used to finance QAR3 billion (US$824.6 million) worth of projects in Qatar.

Alaqaria is also mulling securitization or bank loans, CEO Osama Abu Baker affirmed. According to a newswire, Osama is concerned about choppy market conditions, and is willing to wait until mid-year for the Sukuk's launch.

UAE

DIC looks to Asia

Dubai International Capital (DIC) has revealed plans to increase its Asian investments to US$5 billion, focusing on India, China and Japan. The move is set to take place within the next three to four years.

According to Anand Krishnan, chief operating officer of DIC in the Gulf, the company aims to capitalize on the current market turmoil, with restructuring situations and more attractive valuations becoming more evident.

UAE

Omniyat to raise US$500 million

Omniyat Holding, which runs a property firm in the UAE, wants to raise US$500 million in bank loan and by selling Sukuk to finance expansion in Dubai and abroad, said chief financial officer Tony Manning.

He said Omniyat is in talks with two international banks to raise the funds, adding that in 2007, the firm's plan to raise US$200 million by selling Sukuk did not materialize due to market conditions.

Spreads on more than US$15 billion of Islamic bonds on the HSBC-DIFX GCC Sukuk Index more than doubled to 217 basis points from June to 23rd January.

Omniyat CEO Mehdi Amjad said Omniyat Properties plans to quadruple its Dubai property portfolio to AED21 billion (US$5.72 billion) by investing AED15 billion (US$4.08 billion) in new projects this year.

Omniyat, which wants to expand into Saudi Arabia and Bahrain, also plans to set up a Shariah compliant mortgage finance company this year, Mehdi said.

BAHRAIN

Pioneering Islamic banking in Italy

Italy's first Islamic bank will open before the end of this year, it was revealed at a high-profile meeting between Italian and Gulf bankers. Work is already underway on a €100 million (US$147 million) institution, Union of Arab Banks chairman Adnan Yousif revealed.

Speaking on the sidelines of the opening of the three-day Italo-Arab Finance and Banking dialogue in Manama, Adnan said the bank could be part of the existing London-headquartered European Islamic Investment Bank and its shareholders would be Middle Eastern banks.

Italy accounts for roughly 12% of both the population and GDP of the EU but there are currently no Italian banks operating in Bahrain.

UAE

Al Qudra seeks US$1 billion IPO

Abu Dhabi-based Al Qudra Holding, with businesses ranging from real estate to transport, plans next month to sell shares to the public for the first time in what will be the second-biggest IPO in the UAE.

Al Qudra, which has 30 units in industries including infrastructure, will offer 55% of the company in the first week of March to finance expansion, chairman Salah al-Shamsi told shareholders at a meeting late last Tuesday.

UK

European leader in Islamic finance

The UK leads Europe in providing Islamic financial services to the Muslim population, a study by London-based financial services company International Financial Services (IFS) revealed.

The UK provides Islamic financial services through 23 banks, the majority of which are in Europe. It is followed by Switzerland with five banks, France with four and Germany with only three. In comparison to the UK, the US has 20 Islamic banks, including the Lariba American Finance House and Citigroup.

The Islamic Bank of Britain, European Islamic Investment Bank, Bank of London and The Middle East plc and Barclays Bank all provide Shariah compliant products in the UK. Additionally, there are nine fund managers and a number of law firms specializing in Islamic finance.

UK minister for trade and investment Lord Digby Joes said London's position as the premier western center and partner of choice for Islamic finance is a huge step in the right direction.

UAE

Newer arbitration center in Dubai

The London Court of International Arbitration (LCIA) and the Dubai International Financial Centre (DIFC) recently signed an agreement to launch a dedicated arbitration center in the Middle East. The Dubai initiative is a further bid by the UAE city-state to cement its reputation as the region's business hub.

One DIFC official said many contracts in the Gulf now include international arbitration clauses, prompting calls for a globally recognized center in Dubai. "The Chamber of Commerce and Industry in Dubai already has an arbitration center, but some international firms doing business in the emirates remain concerned about the ability to secure a fair hearing— hence the need for another forum," he said.

MALAYSIA

CIMB group reduces network

CIMB Bank and CIMB Islamic announced that the group has closed 21 banking branches across Malaysia, reducing its network to 362 branches. Affected customers' accounts will be transferred to the nearest branch and the account number changed. However, they can still use their current ATM cards and checkbooks, said CIMB Bank head of customer sales and distribution, Sulaiman Mohd Tahir.

"We are right-sizing our branch network by merging, closing or relocating branches that are close to each other or within the same business area," he said. He explained that in addition to promoting efficiency and reducing costs, the move would allow the bank to set up branches in under-served areas.

The exercise also marks the second phase of CIMB Bank's plan to optimize its distribution network after acquiring Southern Bank in March 2006.

UAE

Sukuk market unfazed by slow growth

The slow rate of growth in all other financial sectors does not pose any threat to the Sukuk market as they continue to accrue a year-on-year increase, with the global volume of Sukuk issued rising by 73% to US$47.1 billion during 2007. The number of issues rose to 53 from 38 in theGCC countries, with a big portion of the growth coming from the UAE.

However, a decline in growth rates has been noted as in 2007, the increase was lower than the previous year as it stood at 125.75%. The total number of Sukuk issued was 207 in 2007 and 199 in 2006. In terms of value, the number of Sukuk issued in 2007 added up to US$47.09 billion compared with about US$25 billion in 2006.

In Southeast Asia, there was a drop in terms of the number of Sukuk issued due to a fall in Malaysian corporate medium-sized issuance. This does not affect the country's status as the world's leader in Sukuk issuance by both number and value, with 2007 trade totaling about US$25 billion.

The number of issuances is expected to continue to increase for corporate borrowers and sovereign borrowers, especially in the GCC.

BAHRAIN

Arab banks post robust growth

Despite the impact of the global credit crunch triggered by the subprime mortgage crisis from the US market, Arab banks showed robust growth last year, said Adnan Ahmed Yousif, chairman of the Union of Arab Banks.

The Arab banking sector is booming with consolidated balance sheet rising to US$2.3 trillion and expected consolidated profits to US$35 billion at end-2007, indicating the robust growth of the financial sector across the region.

UAE

First Shariah hotel in Dubai

KM Holding, part of the Al Rostamani Group, launched the first of its four planned Islamic hotels last week. The 55-storey Tamani deluxe serviced apartment hotel in Dubai Marina is aimed at Muslim tourists who want to stay in a Shariah compliant location.

The company plans to roll out 15 Islamic hotels in the region over the coming five years. Although alcohol is banned from the restaurant, it can be consumed in guestrooms. The company said it makes up lost revenues from not serving alcohol though lower staffing costs because all rooms are apartments.

BAHRAIN

Sico brokers largest BSE transaction

Securities & Investment Company (Sico) has concluded the largest transaction to date on the Bahrain Stock Exchange (BSE). Sico's brokerage unit was involved in the purchase of approximately 147,637,621 ordinary shares of Bank of Bahrain and Kuwait for one of its institutional clients.

The transaction had a total trade value of BH$122.8 million (US$325.8 million). It reflects Sico's position as a leading broker of GCC equities and reinforces its place as the most active broker on the BSE in terms of trading value/value of stocks traded, a spokesman said.

KUWAIT

BBK stake sold to Ithmaar

Commercial Bank of Kuwait (CBK) sold its stake in Bank of Bahrain & Kuwait (BBK) to Bahrain's Ithmaar Bank for KWD122.83 million (US$450 million), the Bahrain bourse said.

CBK, BBK's largest shareholder, said last Tuesday it was selling its stake in BBK for at least KWD103.35 million (US$378.2 million), generating a profit of KWD22.15 million (US$81 million). Monday's sale makes the profit KWD41.63 million (US$152.3 million).

Ithmaar's purchase seems to scuttle an attempt by Kuwait's Global Investment House to secure 40% of BBK, in which it has a 13.15% stake.

Global said last Tuesday it agreed to pay a total of BH$205 million (US$546.5 million) for a 40% stake in BBK. The country's largest investment bank by market value was raising its stake in the Bahraini lender from 8.81% by buying shares.

KUWAIT

Burgan Bank sells BBK stake

Kuwait-based Burgan Bank has sold its stake in BBK, formerly known as Bank of Bahrain and Kuwait. Burgan Bank sold the 33 million shares it owned in BBK and made a profit of KWD9 million (US$33 million), the bank said in a filing to the Kuwait stock exchange.

The company did not disclose how much it received for the 33 million shares.

GCC

Latham's three-office launch

Latham & Watkins is to simultaneously launch three offices in the Gulf as the top five US firm finalizes its long-awaited Middle East launch.

Latham is set to open in Dubai, Abu Dhabi and Doha in the next few months with partner Rindala Beydoun joining the firm to head the practice across the region. Beydoun, who was a corporate partner at Vinson & Elkins, was recruited to lead Latham's Middle East push.

Its Middle East practice will focus on mergers and acquisitions and private equity as well as project development and finance. Three Latham partners and another 12 associates will also transfer to the Middle East later this year.

Latham's core clients in the region include Qatar Gas Transport Group, Qatar Investment Authority and global energy company Taqa.

UAE

Dubai Bank profit up 102%

Dubai Bank reported an AED211 million (US$57.5 million) profit in 2007, up 102% over that of 2006, it has been reported. Since its conversion into an Islamic bank on the 1st January 2007, the bank's total assets grew 98% from AED5.5 billion (US$1.5 billion) in 2006 to AED10.9 billion (US$3 billion) last year.

Shareholder equity increased 219% from AED639 million (US$174 million) to AED2.04 billion (US$555 million). The bank last year tripled its capital from AED500 million (US$136.1 million) to AED1.5 billion (US$408.4 million).

UK

Sukuk plans to proceed despite outcry

Outcry against comments made by Archbishop of Canterbury Rowan Williams, who called for a limited application of Shariah law in Britain in resolving marital and financial disputes, will not derail the British government's plan to introduce Shariah compliant bonds. Williams' comments were rejected by Prime Minister Gordon Brown and led to sharp criticism from other clerics and lawmakers, insiders claimed.

It is learnt that Treasury chief Alistair Darling plans to issue the Sukuk when making his inaugural annual budget on the 12th March. The department is of the view that faith should not dictate access to various financial services in the UK, especially since London is vying to be one of the global gateways for Islamic financial products.

(Also see IFN Reports on page 12)

SAUDI ARABIA

NBP in Saudi soon

National Bank of Pakistan (NBP) will soon open a branch in Saudi Arabia to have a competitive advantage over the banks, it has been reported. This branch in Saudi Arabia will enable NBP to capture the market of Hajj and Umrah pilgrims.

BAHRAIN

UGB rakes in US$221 million

United Gulf Bank-Bahrain (UGB) announced a record net profit of US$220.9 million for last year compared to US$101.5 million in 2006. This marked an increase of 117%.

The result exceeded forecast of US$195 million made at Kuwait Projects Company's (KIPCO) Shafafiyah Investors' Forum in May last year. The board of directors is recommending a dividend of 65% in cash, or 16.25 US cents per share. Total revenues of US$441.3 million last year were 82.5% higher than US$241.8 million in 2006.

UAE

BMI posts US$13 million profit

BankMuscat International, BankMuscat's Bahrain-based affiliate, posted a net profit of US$12.9 million for the year ended 2007, without giving a comparative figure for the year-earlier period.

Net interest income increased 32% and total assets grew 41% to US$1.35 billion, it said last Wednesday.

Net loans and advances rose 16% to US$867 million. The bank, in which Oman's largest lender by market value owns a 49% stake, said last July it had received permission to open a branch in Qatar, its first in a foreign country.

KUWAIT

NBK's ninth edition of Ijarah series

With its ninth edition of its Ijarah series, National Bank of Kuwait (NBK) grants its private banking clients the opportunity to invest in a diversified portfolio of leasing contracts structured according to the Shariah, said NBK Capital CEO Salah Al Fulaij.

He said the contracts involve various types of equipment, which include manufacturing, IT hardware, construction materials and telecommunication equipment.

Its returns following the initial rate will increase or decrease yearly by 30% of the change in the US Treasury Note. The good news is, it will not be less than the initial rate which is expected to be 6.5% yearly distributed monthly.

BAHRAIN

Al Salam assets reach US$1 billion

Yousif Taqi, CEO of Al Salam Bank-Bahrain, said the bank's total assets have reached almost BH$398 million (US$1.06 billion), crossing the US$1 billion mark. He noted few banks in Bahrain and in the region have been able to achieve this level within a period of less than two years since inception. Earnings per share in 2007 reached 19.3 fils compared to 15.1 fils in 2006.

UAE

Ajman importing talent from Saudi

The eighth and latest Islamic bank being set up in the UAE, Ajman Bank, will mostly rely on the Saudi Arabian and Bahrain markets for its human resources, said CEO Yousif Khalaf, as getting talent for Islamic banks has become difficult.

Yousif said getting the right people may be the biggest challenge faced by banks, especially Islamic institutions, where talent shortage is a critical issue. He added that Ajman will introduce a new range of products, including mortgage finance products.

While Ajman will not look at venturing outside the UAE during the first two years of operations, it does not rule out the possibility of expanding overseas later.

INDIA

Shariah equity indices unveiled

Rating agency Standard & Poor's (S&P) has launched two Shariah complaint equity indices in the country in partnership with India Index Services & Products Ltd.

The indices have been derived from the top 50 and top 500 stocks traded on the National Stock Index and covers 80% of the traded volume on the exchange, it said.

KUWAIT

Markaz posts US$99 million profit

Kuwait Financial Centre (Markaz) has posted a net profit of KWD27.03 million (US$99 million), a 405% increase over last year's results of KWD5.35 million (US$20 million), the bank announced.

The bank made an earning per share of 65 fils.

MALAYSIA

Westports to issue Sukuk

Westports Malaysia has proposed a RM800 million (US$248.37 million) in Sukuk Musharakah via medium-term notes. The tenure of the Sukuk is slated for 15 years, and is rated AA+IS by the Malaysian Rating Corporation (MARC).

The Sukuk's first tranche is expected to be issued in mid-March, and will be on a book build basis. The structure of the remaining tranches have yet to be determined.

Proceeds from the Sukuk will go to financing the company's existing bank borrowings, construction of new container terminals and the acquisition of machinery and equipment.

INDONESIA

RAKIA to grow infrastructure

The government of South Sumatra has signed a memorandum of understanding with the Ras Al Khaimah Investment Authority (RAKIA) and RAK Minerals and Metals Investments (RMMI) to develop the province's industry and infrastructure.

(Also see IFN Reports on page 13)

KUWAIT

Al-Ola profit up 26%

First Investment Co, the Kuwaiti Islamic finance company known as Al-Ola, said full-year profit surged 26%. Net income rose to KWD25.3 million (US$92.4 million) from KWD20 million (US$71.13 million) in 2006, said chairman Mohammed Al Alloush, who did not elaborate on the rise.

TURKEY

Bank Asya aims for 40% asset growth

Bank Asya, the largest player in Turkey's fast-growing Islamic banking sector, is aiming for a net profit of YTL300 million (US$251 million) in 2008 and asset growth of 40%, said CEO Unal Kabaca.

Full-year results for 2007 have not been published, but the lender had targeted net profit of YTL225 million (US$188 million).

UAE

Dubai investing US$5 billion in Asia

Dubai International Capital, the investment arm of Dubai Holding, plans to invest about US$5 billion in China, India and Japan over the next three years, it has been reported.

Chief operating officer Anand Krishnan said the fund may boost its stake in existing holdings like Sony and was looking for potential investments in other Japanese shares.

BAHRAIN

KHCB declares 15% dividend

Shareholders of Khaleeji Commercial Bank (KHCB) have approved the recommendation to declare a 15% dividend on the back of excellent results for 2007. KHCB chairman Dr Fuad Al Omar said the dividend is the direct outcome of the bank's ability to create value for its customers and shareholders. It expects to widen and diversify its shareholder base by listing on regional stock exchanges, subject to regulatory approvals.

KHCB recently announced a net income of BH$21 million (US$56 million), an increase of 164% over the previous year, in addition to increasing its assets by 180% to BH$269 million (US$715 million). The return on average equity was 23.4% for 2007, following an increase in paid-up capital from BH$30 million (US$80 million) to BH$100 million (US$266 million).

Shareholders also elected a new board of directors for a three-year term.

QATAR

Qatar fund buys Credit Suisse stake

Qatar has bought shares in Credit Suisse, and plans to spend as much as US$15 billion on European and US bank stocks during the next 12 months. A news report quoted Qatar's Prime Minister and Foreign Minister Sheikh Hamad bin Jassem bin Jabor Al Thani as saying the country is creating US$1 billion funds in Finland and Malaysia, similar to the one the Qatar Investment Authority announced last December that it was starting in Indonesia.

KUWAIT

GIC ratings unaffected by writedowns

Standard & Poor's Ratings Services said that its counterparty credit ratings on Kuwait-based Gulf Investment Corporation GSC (GIC; A-/Stable/A-2) were unaffected by significant mark-to-market writedowns on its securities portfolio.

Although they weakened the bank's financial performance for 2007, improved core operating earnings and exceptional revenues softened the impact.

GIC made a net profit of US$253 million in 2007, after allocating US$246 million of provisions on its securities portfolio — mainly for structured investment vehicles and structured credits.

The ratings remain supported by the institution's ownership structure, adequate capitalization, consistent strategy, and improvement in core profitability. Negative rating factors include GIC's limited customer franchise and revenue diversification and wholesale funding profile.

GIC is equally owned by the six states of the Gulf Cooperation Council. The long-term rating on GIC, a government-related entity, is one notch higher than its stand-alone creditworthiness, reflecting its ownership structure and S&P's expectation that it is highly likely to receive extraordinary support in case of need.

BANGLADESH

Four state banks affirmed

Fitch Ratings has affirmed the Individual and Support ratings of Bangladesh's Sonali Bank (SB), Janata Bank (JB), Agrani Bank (AB) and Rupali Bank (RB) at 'E' and '5', respectively.

The ratings of these government-owned banks, with a significant outreach and market share in Bangladesh, however, continue to be at the lowest end of the scale due to their negative capitalization, poor profitability and the sovereign's fiscal weakness which makes support unreliable.

Given the structural problems pertaining to governance, management and the lack of capital, all four banks showed negligible growth in 2006, thereby losing market share to private banks. Fitch expects this deterioration of market share to continue unless a clear roadmap for strengthening capital and resolving legacy NPLs emerges.

MOROCCO

S&P: Risky business here

Despite the strengthening in Morocco's banking sector over the past five years, new risks have emerged relating to rapid loan growth and geographic expansions. This was revealed in a recent report published by Standard & Poor's (S&P), "Bank Industry Risk Analysis: Morocco's System is Improving but New Risks are Emerging".

It found that the Moroccan banking system is becoming increasingly vulnerable to rapid and untested credit growth that is fueling asset prices, geographic expansion by leading players, and the cyclicality embedded in the Moroccan economy. On the positive side, profitability has improved over the past two years at the country's leading banks, and they enjoy a strong funding profile.

BAHRAIN

'A' for CBB International Sukuk

Fitch Ratings has assigned CBB International Sukuk Company (SPC)'s USD trust certificates (Sukuk) an expected 'A' senior unsecured rating. The final rating is contingent on the receipt of final documentation, assuming there are no material changes in the terms and conditions as detailed in the draft documentation.

CBB International Sukuk Company (SPC) is a single person company (SPC) wholly owned by the Central Bank of Bahrain (CBB) whose sole purpose is to participate in this transaction.

The rating reflects Fitch's judgement that the Sukuk can be considered an unconditional, unsubordinated and general obligation of Bahrain, ranking equally with the kingdom's other senior unsecured obligations. The rating is therefore in line with Bahrain's Long-term foreign currency Issuer Default Rating (IDR) of 'A' on which the outlook is stable.

Bahrain's 'A' Long-term foreign currency IDR, which was upgraded in August 2007, is supported by its net external creditor status and current account surplus, high per-capita income, modest public debt and debt service and good track record of growth, on the back of economic and structural reforms and successful diversification strategy.

UAE

NBQ rated 'BBB+'/'F2'

Fitch Ratings assigned National Bank of Umm Al-Qaiwain (NBQ) ratings of long-term issuer default (IDR) 'BBB+', short-term IDR 'F2', individual 'C/D' and support '2'.

The support rating floor is 'BBB+'. The outlook for the long-term IDR is stable.

NBQ's IDRs and support rating reflect the high probability of support from the UAE authorities should it ever be required, based on the government of Umm Al-Qaiwain's 30% stake in NBQ and the strong history of support being provided to UAE banks, the agency said.

The individual rating reflects sound capitalization, good asset quality ratios, improved liquidity and high margins. The rating also considers the bank's small UAE franchise, rapid loan growth from a fairly concentrated portfolio and income statement volatility.

MALAYSIA

EON Cap bonds get A2

RAM Ratings has reaffirmed the A2 rating of EON Capital's RM300 million (US$93.14 million) Secured Fixed-Rate Bonds 2002/2009 with a stable outlook. EON Capital is the holding company of EON Bank. Therefore, the company relies on dividend income from EON Bank as the primary source of revenue. Together, EON Bank and its subsidiaries — including MIMB Investment Bank and EONCAP Islamic Bank — are known as the EON Banking Group.

The reaffirmation of EON Capital's rating mirrors the established franchise of the EBB Group in the automobile-financing arena, with an estimated 9% share of this market as at end-September 2007. This is further supported by the quality of the Group's lending portfolio; as at the end of the third quarter of the 31st December 2007.

AFRICA

HOMES provisional ratings withdrawn

Moody's Investors Service has withdrawn the provisional ratings assigned on the 30th January to all classes of Notes of Home Obligors Mortgage Enhanced Securities (Proprietary) — Series 2 (HOMES — Series 2), following the decision of ABSA Bank (ABSA), the arranger of the transaction and originator of the mortgage loans, to postpone the transaction until conditions in the South African debt capital markets improve.

HOMES — Series 2 is set to be the second residential mortgage backed securitization of ABSA under its home loan securitization program.

UAE

DIB Sukuk gets an A

S&P has assigned a preliminary rating of 'A' to Dubai Islamic Bank (DIB)'s US$ floating-rate Sukuk trust certificates due 2012. The 'A' rating on the floating Sukuk trust certificates is based on the 'A' long-term counterparty credit rating on DIB.

The ratings are based on draft documentation of the Sukuk Musharakah. Proceeds of the Sukuk will be used for the general funding purposes of DIB. The ratings also reflect DIB's guarantee to the issuer to compensate for any shortfalls in meeting its obligations towards Sukuk holders.

MALAYSIA

RAM no longer rating E&O papers

Eastern & Oriental (E&O) will not be issuing its proposed RM150 million (US$46.57 million) Bank-Guaranteed Murabahah Commercial Papers/Medium-Term Notes Program (MCP/MTN) in the near future. Following this, the company's management has decided to allow the previously assigned AA3(bg)/P1(bg) ratings to lapse.

As such, RAM Ratings no longer has any rating obligation on E&O, and the AA3(bg)/P1(bg) ratings of its MCP/MTN are no longer valid. RAM Ratings will however maintain surveillance on the ratings of E & O Property (Penang)'s RM350 million (US$108.66 million) Bank-Guaranteed Commercial Papers/Medium-Term Notes Program.

MALAYSIA

Bank Pembangunan reaffirmed

RAM Ratings recently reaffirmed the AA1 rating of Bank Pembangunan Malaysia's (BPM) Conventional and Islamic Murabahah Medium-Term Notes Program of up to RM7 billion (US$2.17 billion), with a stable outlook. The debt facility carries a Letter of Comfort from the government of Malaysia.

The rating is anchored by the government's direct ownership of BPMB via Minister of Finance Inc (MOF Inc) and the bank's strategic role in national development. BPMB is the largest development financial institution in Malaysia, and represents an integral part of the government's socio-economic agenda. The bank is privy to a strong and supportive relationship with the government, with unstinting financial support, both direct and indirect, from the latter.

On the 25th January 2008, the minister of finance II announced the separation exercise of BPMB and its wholly owned subsidiary, Bank Perusahaan Kecil & Sederhana Malaysia (SME Bank). The separation exercise will lead to SME Bank being placed directly under the MOF Inc. This exercise is slated to be completed by 31st March 2008 with the formal implementation date of the 1st April 2008, and is not expected to have any significant impact on the bank's credit profile.

About 80% of BPMB's lending is currently channeled to government-related projects, reflecting its role in fostering infrastructure and economic development in Malaysia. In this respect, the bank's portfolio is largely concentrated on industries such as infrastructure, maritime, high technology and tourism; hence, many of its loans (primarily infrastructure) are lumpy, with a long-gestation periods.

Furthermore, many of its loans are related to developmental and social projects, and typically entail higher credit risk. Nevertheless, the government provides assistance as and when required, including ongoing compensation funds to cover part of the Bank's financing costs for public infrastructure projects, equity injections and guarantees on BPMB's foreign and local debts amounting to more than RM14 billion (US$4.35 billion). As such, the rating of BPMB's debt facility is anchored by the support of the Government.

THIS TIME LAST YEAR

- **Clifford Chance** and **Linklaters** advised **Dubai Holding Commercial Operations Group** in Dubai's largest debt issuance program, worth US$5 billion. The program was also the first to be exclusively listed on the **Dubai International Financial Exchange** (DIFX).
- The **National Bank of Kuwait** launched its first Shariah compliant Islamic money market fund, dubbed the Watani KD Money Market Fund. The Kuwaiti-dinar denominated fund was the first of its kind in Kuwait.
- **Bank Islam Malaysia** launched the Pewani RealRewards program for women, in a bid to double its account holders and increase deposits to RM50 million (US$14.3 million).
- The Syrian government introduced new laws to encourage foreign investments and establish an investment authority to boost investments in the agriculture, industry, land, transportation, telecommunication, environment, electricity and mining sectors.
- **Doha Bank** proposed a 5% dividend distribution to its shareholders for 2006, in line with the bank's intentions to finance its local and international expansions via consolidation of its reserves.
- **Bank Islam Brunei Darussalam** hosted a presentation on foreign exchange to further promote Islamic banking in the nation.

MALAYSIA/SOUTH KOREA

Korean Sukuk coming soon?

South Korea's largest securities firm Daewoo Securities wants to create a Sukuk market for the country, adding to the growing list of non-Muslim majority countries vying to tap into the burgeoning Islamic capital market.

Daewoo Securities expressed its intention to Malaysian financial services provider CIMB Group, which also owns CIMB Islamic Bank, one of the biggest Islamic banks in Malaysia and Asia.

Last Tuesday, the South Korean company signed a strategic alliance with CIMB Investment Bank (one of the group's financial entities) which would allow them to form an alliance initiative committee to explore and develop all areas of collaboration between the two firms. The alliance which took immediate effect was sealed by CIMB Group chairman Nazir Razak and Daewoo Securities CEO Sung-tae Kim.

Speaking to the media after the signing ceremony, Nazir said: "Daewoo looks at us as also having a strong market share in Islamic finance. There is a lot of interest in Korean investors and companies. We see that as a great opportunity for Korean companies to come to Malaysia, (to be introduced) to MIFC (Malaysia International Islamic Financial Center) in particular."

He said CIMB is also set to send its Shariah experts to South Korea to enable the Koreans to gain a better understanding of Islamic finance and its potential.

While conceding that discussions between the two parties to introduce Sukuk for the Korean market would involve MIFC, Nazir declined to elaborate on how far the discussions have gone. He would only say, "Whether it is in the pipeline or not... I think it's sufficient to say that we have a lot of leads on this."

On the strategic alliance, Nazir said it would enable CIMB to establish another platform in North Asia. It also has a strategic alliance with Japan's Bank of Tokyo-Mitsubishi UFJ. "As a global leader in Islamic investment banking and a major Southeast Asian banking franchise, we look forward to contributing our expertise and regional reach to Daewoo and the Korean market generally," he said.

He said there are plans for CIMB to launch a retail fund in South Korea in the second quarter for Korean investors interested in the Malaysian equities market, adding that the two are in the midst of setting up the fund. Details on the fund are not immediately available.

"We'll start channeling brokerage activities from those parts of the world in which we have a presence and market Sukuk opportunities to the Koreans," he said.

Daewoo's interest puts Korea in the queue for non-Muslim majority countries ready to issue Sukuk. Japan and the UK will be launching their first sovereign Sukuk this year.

The global Sukuk market recorded a new high with a market value of US$51.5 billion — a 90% growth from 2006, which saw only a total of US$27.2 billion issuance of the Islamic bond.

By Arfa'eza A Aziz

UK

Sukuk would be a boon

The issuance of Sukuk will strengthen London's bid to be the leading financial provider in Europe and the world, and will have no effect on the superiority of British civil law, said a tax partner at PricewaterhouseCoopers LLP.

Mohammed Amin told Islamic Finance news that although the sovereign Sukuk is structured to be Shariah compliant, the governing law for the issuance will be civil law just like other government investment instruments.

He said this when asked to comment on the concerns raised by House of Commons Public Accounts Committee chairman Edward Leigh, who said he feared issuing Shariah compliant financial products could also cause problems.

Leigh's statement came amid furor over comments made by the Archbishop of Canterbury, Rowan Williams, who has called for a limited application of the Shariah law in the UK.

"Leigh has not fully considered the significant benefits to the international position of London if the UK government does issue Sukuk," said Mohammed, who is also head of Islamic finance at PwC.

"In terms of the role of the city of London in international finance, the UK government is very aware of the growth of Islamic finance internationally. It would like London to be a key player in international Islamic finance, in the same way that London has a central position in international conventional finance. This will create and preserve jobs in London."

When asked if he was confident that the Islamic bonds would actually sell in the event the UK government decides to give it a go, Mohammed replied: "If the UK government decides to issue Sukuk, I would expect them to be structured so that they carry the full creditworthiness of the UK government in the same manner as the UK government's conventional debt.

"Accordingly, if the yield is comparable with the UK government's conventional debt, I would expect them to be purchased by either conventional or Shariah compliant investors," added the tax expert.

Industry players believe that the UK government is likely to approve the plans to sell Sukuk to attract money from the cash-rich Middle East.

The consultation exercise to explore how UK would structure a Sukuk backed government ended on the 21st February.

Meanwhile, news reports stated that chancellor Alistair Darling is likely to announce the decision in his 12th March budget.

By Mohammed Ariffin

INDONESIA

Jakarta's new laws for Islamic finance

With a Muslim population tipping 200 million, overflowing human capital and plenty of room for infrastructure development, Indonesia is the perfect candidate for Middle East investments — especially of the Islamic kind.

This week, the government of South Sumatra had signed a memorandum of understanding with the Ras Al Khaimah Investment Authority (RAKIA) and RAK Minerals and Metals Investments (RMMI) to develop the province's industry and infrastructure. Being one of the largest producers of coal in the country, the UAE entity is expected to gain a handsome return on investments.

Other Middle Eastern investors such as Emaar Properties have also commenced talks with the Indonesian government to initiate investments in the Lombok Islands, to the east of Bali. Islamic Development Bank is also said to be in talks with the Central Bank of Indonesia to set up a local subsidiary.

With such positive developments taking place, why then has the country not passed its Shariah banking bill?

Islamic Finance *news* spoke to an insider within the Indonesian banking circuit to uncover the reasons behind lagging legislations, the much anticipated Sovereign Sukuk, and infrastructure finance in Indonesia.

A senior banker with an international-based financial institution said Islamic finance in Indonesia is a relatively young industry, having picked up pace after the 1998 financial crisis. The central bank had then begun to recognize a dual banking system — conventional and Islamic, with regulations being the most significant variable to begin molding to Islamic requirements.

The banker said not all laws have been changed in Indonesia, and it will "definitely be some time" before major laws — especially those surrounding tax and government securities — are passed in accordance with Islamic jurisdiction.

"Although the 1998 crisis had beckoned a need for alternative financing, the government had also to deal with more urgent recoveries and growth in the financial sector, as opposed to solely growing the Islamic finance industry," he said.

It was claimed that the reason why the much talked about Shariah banking bill has not been passed is due to the bifurcation of responsibilities within the government of Indonesia itself.

Citing the tax laws as an example, he said that while it is regulated and amended by the Ministry of Finance, the regulatory issues are held under Central Bank's jurisdiction. Issues are then raised in parliament, and eventually deliberated.

"The government of Indonesia is also a secular state, thus it is anticipated that Islamic finance laws will take time to be implemented. The concept itself, according to sources, will need to be created from scratch as the existing legal system is entirely different from more Shariah friendly countries such as Malaysia, Singapore, Hong Kong and the UK, he said.

However, there is still hope for Islamic finance in Indonesia. With the government expected to issue a sovereign Sukuk by this year, many more financing avenues are expected to open up, among them being project finance. The Sukuk law has already been passed to parliament, and is "possibly on the fast track", leading to a 2008 issuance.

"Islamic finance in Indonesia is a relatively young industry, having picked up pace after the 1998 financial crisis. The central bank had then begun to recognize a dual banking system — conventional and Islamic. "

He said that the issuance of the sovereign Sukuk will be the biggest boost for the Islamic finance industry, particularly for project finance.

"This is due to the fact that most Middle East investors still perceive Indonesia as unfamiliar terrain, and are dubious of initiating project financing which carries a long-term tenure, thus increasing risk. The issuance of the sovereign Sukuk will create avenues for Islamic banks, Takaful institutions and Islamic funds — foreign and local — to park their money, and initiate long-term funding."

He said that while Islamic finance in Indonesia has a long way to go, it is making all the right moves. "It is more important that the institutions are regulated properly and within reason, rather than experience accelerated growth which clashes with the rudiments of Shariah finance."

By Nazneen Halim

GCC: Outlook and Perspective for 2008

By Kuwait Finance House (Malaysia)

Gulf Cooperation Council (GCC) economies remain robust and are on track to further sustainability in 2008, against a slowing global economic backdrop — sound macro fundamentals on the back of huge oil earnings and surpluses will see this through.

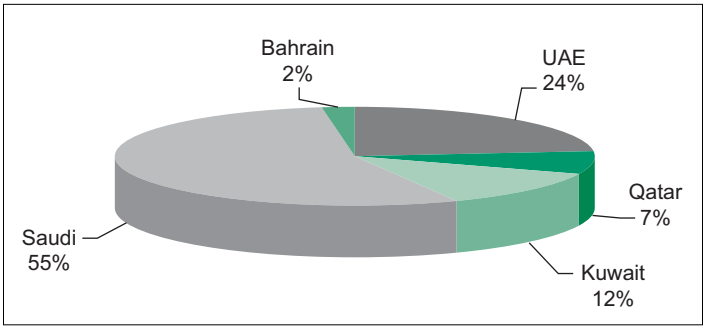
We revised upwards our forecast for GCC's 2007 GDP growth to 6.8% year-on-year (y-o-y, from an earlier projection of 6.1% y-o-y), higher than world economic growth of 5.2% y-o-y and driven by stronger oil exports, higher public infrastructure spending and continuous growth in non-oil sectors.

This year, we expect GCC's GDP growth to come in strong at 7.5% on the back of sustained oil earnings, robust public infrastructure investments and positive growth in non-oil economic sectors in line with continuous economic diversification and reforms. We remain optimistic on economic prospects in the region, given vast surpluses and liquidity accumulated over the past few years. Continuous reform and diversification into non-oil sectors underpinned by massive public infrastructure spending further underscore our commitment to the region.

Oil-exporting GCC experienced substantial increase in export earnings over the past few years, in tandem with high oil prices and increased oil production. Huge oil revenues coupled with sound financial policies and continuous reform contributed to robust growth (especially in non-oil sectors) and large current-account and fiscal surpluses. General prices continued to pick up significantly since 2007, underpinned by higher private consumption, massive infrastructure investments and more importantly, declining purchasing power of GCC currencies vs. global majors amidst a dwindling US dollar.

Higher domestic inflation on the back of costlier imports continues to highlight the urgency for currency reforms, especially in the UAE and Qatar. Having lost almost 50%, or US$442 billion, in total market capitalization in 2006, equity markets across the GCC region rebounded strongly in 2007, with gains led by the UAE stock exchange.

Chart 1
GCC: Size of economy by total value of GDP



Source: IMF, World Bank, KFH

GCC equity markets will continue to stage firm recovery in 2008, given strong oil revenues and abundant liquidity in the financial system. Last year, the GCC's combined GDP growth was estimated to be stronger at 6.8% y-o-y, an upward revision from our earlier projection of 6.1% y-o-y (in February 2007), on the back of higher oil price and oil production. Continuous efforts on economic reforms and diversification will also see non-oil economic sectors contributing to growth momentum during the year.

For 2008, we expect GCC's GDP growth to remain solid at 7.5% y-o-y, premised on stronger oil earnings and continuous efforts in developing the non-oil economic sectors. Oil earnings account for more than 70% of GCC's exports and fiscal revenues.

Global oil demand set to increase

Total export earnings for the GCC region are estimated to have reached a record high of US$512.5 billion in 2007, an increase of 15.1% y-o-y, driven mainly by oil exports. Oil price surged to a record high last year (US$98.88 per barrel on the 20th November 2007), given robust global demand, "just-in-time" oil supplies and geopolitical risks in oil-producing countries.

Buoyed by high oil earnings, GCC's 2007 combined current-account and fiscal surpluses are estimated to trend higher at US$225.5 billion and US$127.6 billion respectively. Total fiscal surpluses exceed 10% of GCC's combined GDP.

Oil exports provide a major source of income for GCC countries, with oil earnings accounting for more than 70% of GCC's exports and fiscal revenues. As such, oil price remains an important determinant of GCC's total oil earnings (given that oil production is mostly unchanged y-o-y).

The average OPEC oil price in 2006 was US$61.10 per barrel. For 2007, oil price averaged higher at US$72.4 per barrel after touching record highs several times in 2H, mainly due to supply concerns. Therefore, effective the 1st November 2007, OPEC raised daily oil production by 500,000 barrels to 27.2 million barrels, the group's first official increase in over a year. OPEC estimated that global oil demand remained strong at 1.5% y-o-y, or 85.39 million barrels per day (mbd) in 2007.

For 2008, global oil demand is projected to grow by 1.3 mbd, or 1.57% y-o-y, to 87.07 mbd. Therefore, oil price is anticipated to be higher at US$80 per barrel this year.

Total exports should trend higher

Based on the higher oil price in 2008, we expect GCC's total exports to trend higher by 19.9% y-o-y to US$617.2 billion, given higher oil earnings. Exports of non-oil commodities (such as aluminum, textiles and fisheries) are expected to further support export earnings this year. As such, we forecast GCC's 2008 total current-account and fiscal surpluses at US$241.1 billion and US$190.1 billion, respectively.

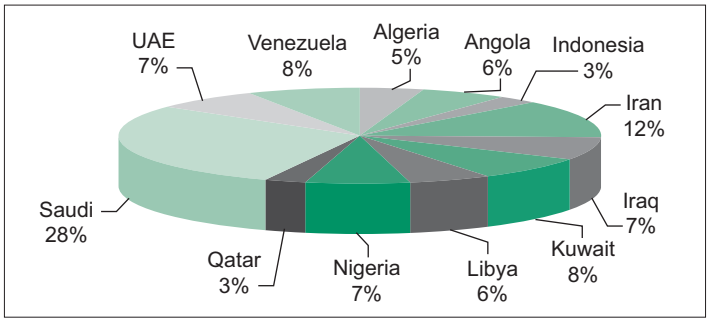
Given strong external position trends, coupled with continuous diversification efforts and strengthening of the financial services sector, international rating agencies have assigned at least A3/A to GCC sovereign ratings. In August 2007, Moody's upgraded the long-term foreign currency deposit ratings of eight Saudi Arabian banks to A1 from A2. This rating action followed an earlier upgrade of Saudi's

continued...

GCC: Outlook and Perspective for 2008 (continued...)

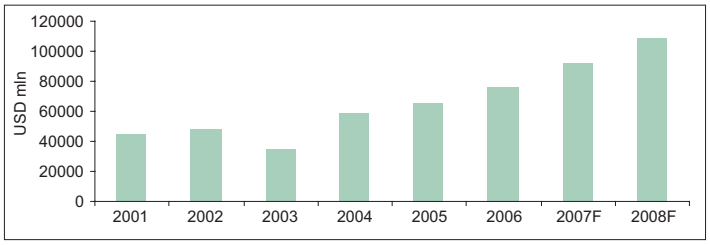
foreign currency bank deposit ceiling to A1/Prime-1, with a positive outlook. In March 2007, S&P's and Moody's upgraded Qatar's sovereign credit rating from A+ to AA- and from Aa3 to Aa2 respectively, given the country's strong fiscal performance and ongoing reforms.

Chart 2
OPEC oil production (as at November 2007)



Source: OPEC, KFH

Figure 1
Total GCC international reserves (2001-2008F)



Source: Central banks, Bloomberg, KFH

On the inflation front, consumer price index (CPI) is estimated to increase to 6.52% in 2007, up from 5.81% in 2006, driven mainly by stronger domestic demand and higher investments creating supply bottlenecks. The GCC dollar-peg exchange rate system has also aggravated the already high domestic inflationary pressures via costlier imports (i.e. cost-pushed inflation) and we expect this trend to continue into 2008. GCC's oil earnings are denominated in US dollar while their capital goods imports (one-third) are denominated in euro. Therefore, we expect GCC's inflation to remain high at 7% in 2008.

Continued decline of the dollar in the aftermath of US interest rates cut dragged the dollar to a 15-year low against global currencies. The euro hit an all-time high of 1.4873/US$ (as at the 26th November 2007) and the British pound rose to 2.1074/US$ (as at the 8th November 2007).

The dollar also reached parity with the Canadian dollar for the first time in 31 years. As a result, the GCC's exchange rate fell to record lows against major currencies, pressuring the need for currency reforms especially in the UAE and Qatar, where inflation currently stands above 9%. Inflation rates in Kuwait and Saudi Arabia were equally high at 7.3% (first nine months of 2007) and 5.89% (October 2007), respectively. Our research shows that exchange rate losses, combined with inflation in the UAE, are wiping out more than one-third of the earnings of expatriates working there, with the potential of negative disposable income in the long run.

Figure 2
GCC: exchange rate and inflation

Country	Local Currency/US$	Inflation in 2006 (%)	Inflation in 2007 (%)	Inflation in 2008 (%)
Bahrain	0.38	2.1	2.3	2.5
Kuwait	0.27	3.5	3.8	4.3
Qatar	3.64	11.8	11.0	11.9
Saudi Arabia	3.75	2.35	3.8	4.1
UAE	3.76	9.3	11.0	12.3

Source: Central banks, Economic Intelligence Unit, KFH

Despite clear prospects of exchange rate losses and surging inflation, the UAE and Kuwait cut their key interest rates by 15 and 50 basis points (or bps; to 5.25%), respectively in last September, to maintain a parallel relationship with the dollar. Meanwhile, Saudi Arabia cut its reverse repo rate by 50bps to 4.25% on the 24th November 2007, its second rate cut during the month.

Other GCC countries have adopted a wait-and-see approach to monetary policy adjustment. The divided response of the GCC members to the US Federal rate cut reflects that there is no obvious choice moving forward in combating inflation, except to carve out monetary policy and exchange rate independence from the US.

In May 2007, Kuwait abandoned the dinar-dollar peg in favor of a basket of currencies to correct its domestic inflation. On 24th September 2007, the Kuwaiti dinar appreciated by 0.27% against the dollar, the highest level since December 1988. Since then, Kuwait's central bank has allowed the dinar to trade between a band of 280.45 to 280.55 versus the previous range of 281.20 to 281.30 throughout 3Q2007.

As at the 15th December 2007, the Kuwaiti dinar had strengthened to 0.27390/US$. Despite having officially dropped the dinar-dollar peg earlier this year, Kuwait's decision on interest rates indicates that the dinar is still closely linked to the dollar. Our estimates show that the dollar weighs about 70% in the currency basket to which the dinar is pegged.

This year will be crucial for GCC countries as expectations of a declining dollar will continue to pressure GCC currencies revaluation/repeg and, hence, monetary independence from the US. This will in turn have implications on the upcoming monetary union, targeted in 2010, of which we think will have to be delayed if GCC countries choose to devalue their currencies.

Key themes/challenges

The key risk to the GCC economies still lies in the volatility of oil price. Any drastic fall in oil price will have a negative impact on GCC's total oil earnings. Risks also avail themselves in the form of external risks, i.e. close proximity to Iran and Iraq.

- Iran

The country is eager to pursue its nuclear enrichment program (a process that could lead to the development of a nuclear weapon) and the US is likely to take drastic action to stop Iran; as such, the likelihood of a confrontation between the two countries cannot be discounted.

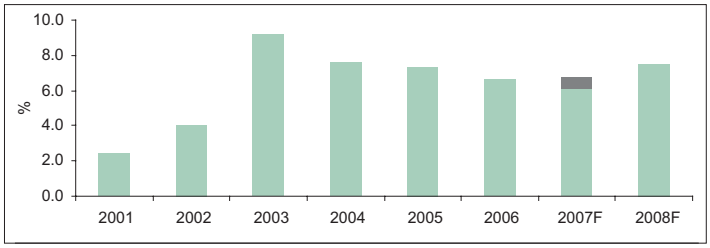
continued...

GCC: Outlook and Perspective for 2008 (continued...)

- Iraq

Sectarian conflict and continuing violence in Iraq could lead to a civil war. In both cases, neighboring GCC countries could be drawn into the conflict, especially Qatar, which is the current US military base.

Figure 3
Impact of high oil price on GCC GDP growth (2001-2008F)



Source: Central banks, KFH

The chart shows that we expect GCC to chart an additional growth rate of 0.7%, bringing 2007 full-year GDP growth to 6.8% versus an earlier projection of 6.1%, driven mainly by higher oil price (of US$72.40 per barrel in 2007 versus an earlier forecast of US$68 to US$70 per barrel).

Inflation is projected to keep rearing its ugly head for most of 2008, driven mainly by higher rents and property prices, strong domestic demand arising from high public spending and costlier food imports. Maintaining a fixed exchange rate regime amid a dwindling dollar and rising global commodity prices has led to cost-pushed inflation, especially when one-third of GCC imports is denominated in euro. This has seen a drastic rise in food prices where monetary policies have become ineffective in tackling imported inflation.

Therefore, it is crucial that the dollar peg exchange rate system is revalued to reflect real inflation in the region. A potential solution for convergence in policies: GCC countries may want to use core inflation as compared to headline inflation, which does not include soaring property prices, as an inflation target. Current official inflation numbers do not reflect actual general price increases, and this explains why monetary policy remains laxed for the region.

Thus far, GCC economies have been fairly insulated from the subprime crisis, mainly due to the following reasons:

- GCC's huge pool of liquidity with current-account and fiscal surpluses estimated at US$255.5 billion and US$127.6 billion respectively for 2007 will cushion the region from the subprime crisis.

- GCC markets have proven their low correlation or immunity to developments in global capital markets, given domination oflocal retail investors in the region's markets.

- The direct exposure of GCC corporations and banks to the US subprime is almost negligible (<1% of total assets with bulk of exposure concentrated in structured products of high investment grade).

- GCC markets have a low level of western institutional ownership and thereby are insulated from the ebbs and flows of general emerging market fund flows.

- Oil accounts for 70% of GCC total exports and oil revenues are denominated in US dollar. As the dollar weakens against global currencies, oil-producing countries are more likely to increase oil prices to offset the relatively lower oil earnings.

- Overtime, GCC has gradually diversified its export markets, from traditional US market to the European Union, Japan and the rest of Asia.

Nevertheless, the indirect effect of the subprime crisis is that it increases the cost of raising capital for banks, corporates and investment bodies. New Sukuk have to be priced slightly higher to reflect rising credit market volatility and the temporary decline in investors' demand for these products both globally and in the region. Credit market spreads that reached record low levels pre-subprime crisis are likely to widen and remain high into 1Q2008, both in the region and for emerging markets as a whole. In the medium to longer term, as deals get bigger in size and more complex, access to cheap international capital is becoming more important.

In summary, the GCC region will continue to see positive growth momentum, with GDP growth projected at 7.5% y-o-y in 2008. Sector growth drivers include the oil and gas/ petrochemicals, property/real estate, construction, infrastructure/utilities, manufacturing/ industrial and services subsectors.

GCC economies have been fairly insulated from the subprime crisis, given the region's huge liquidity and surpluses accumulated over the past few years. Inflation, however, remains a key challenge for the region in light of the dollar-pegged exchange rate system, more so at a time when the US is expected to cut interest rates further into 1H2008.

GCC monetary authorities would have to follow the US lead and lower domestic interest rates to protect their currencies from market speculation. This will lead to credit expansion, add to rising inflationary pressures and reignite speculation of an imminent currency revaluation.

Figure 4
Impact of High Oil Price on GCC Selected Economic Indicators

Economic indicators	2007 projection (earlier)	2007 projection (revised)	% Change in 2007	2008F
GDP growth	6.1%	6.8%	+0.7	7.5%
Export earnings	US$474.7 bln	US$512.5 bln	+8	US$617.2 bln
Current account surplus	US$203.4 bln	US$226.1 bln	+11.2	US$241.1 bln
Budget surplus	US$98.4 bln	US$127.6 bln	+29.7	US$190.1 bln
Inflation	4.1%	6.5%	+2.4	7%

Source: Central Banks, KFH

Commodity Murabahah in Islamic Banking Treasury Operation

By Shabnam Mokhtar

To the financially challenged, the actual functions of a treasury department may well be something of a mystery.

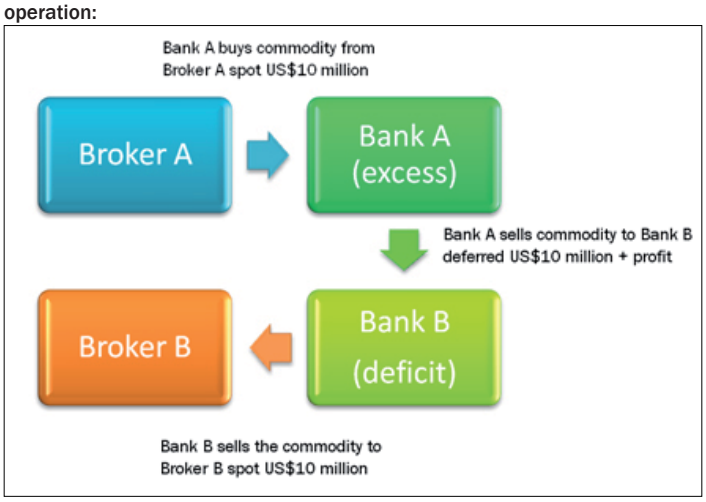
"A treasury department usually manages the asset/liability of a bank, i.e. it oversees the daily squaring of the bank's liquidity position," clarified Zaimah Zakaria (pic on next page), head of treasury at Al Rajhi Bank (Malaysia).

In a conventional market, this position is adjusted via the interbank market where banks with excess funds would lend to other banks with deficit positions. As a loan contract is not a profitable instrument in the Islamic space, Islamic banks have resorted to using commodity Murabahah to manage their liquidity positions.

"Commodity Murabahah helps facilitate transactions for placement of excess funds and receiving deposits for funding requirements of Islamic banks. As such, the bank would place any excess fund with its counterparties and, vice versa, receive deposit to cover its shortage.

Both transactions will use commodity Murabahah where Shariah compliant commodities are traded between counterparties and settlement is done on deferred basis," explained Zaimah of the usage of commodity Murabahah in treasury operations.

Diagram 1 illustrates the use of commodity Murabahah in a treasury operation:



In the diagram above, assume Bank A is an Islamic bank with excess funds and is thus seeking short-term Shariah compliant investment while Bank B is an Islamic bank with a deficit position seeking Shariah compliant funding. Bank A would then use the excess funds to buy commodities on the London Metal Exchange (LME), for example, and sell it to Bank B (which is in need of funds) on a deferred basis at a profit.

Now, Bank A has managed to utilize its excess funds in a profitable manner. Bank B, on the other hand, would now take this commodity (which was bought on credit; so it does not need any money upfront) and sell it to another broker on the LME. Therefore, Bank B would now have the cash it was seeking for funding purposes.

In practice, the counterparties could be any party interested in taking a position in the commodity Murabahah transaction. "When we first delved into commodity Murabahah transactions in Malaysia to manage our liquidity position, we had some challenges in obtaining counterparties for our transactions because local banks there were using the Mudarabah Interbank Market to manage their treasury position," Zaimah related.

> "As a loan contract is not a profitable instrument in the Islamic space, Islamic banks have resorted to using commodity Murabahah to manage their liquidity positions"

"Bank Negara Malaysia (BNM), however, took the role of a facilitator and became our counterparty in these transactions. Nowadays, as more Malaysian banks are considering commodity Murabahah as a tool to manage their treasury, we thus have more counterparties to facilitate this transaction."

Are there enough commodities?

As the treasury operation could occasionally involve large amounts of transaction, one wonders if there are enough physical commodities to support it.

Table 1 indicates the availability of selected metals in the LME's opening stock as at the 18th February 2008:

Table 1: Metal stock availability

Metal	LME opening stock (tonne)	Price/tonne (US$)	Value (US$)
Copper	144,375	7,945	1.1 billion
Aluminum	952,425	2,796	22.7 billion
Zinc	119,000	2,321	276 million
Tin	11,235	17,000	190 million

Source: www.lme.co.uk

Based on the above table, if an Islamic bank treasury were to enter into a US$5 billion commodity Murabahah transaction, they would have to buy the full stock of a number of metals available at the LME. Wouldn't this inflate the price of those commodities?

"In practice, 99% of the deals are not at the LME. Instead, they involve paper trades between brokers and banks. Therefore, commodity Murabahah transactions have no impact on the prices," an industry observer clarified.

continued...

Commodity Murabahah in Islamic Banking Treasury Operation (continued...)

The data above only indicates the opening stock on a particular day and may change accordingly on other days. However, it does raise concern whether enough commodities exist to support the commodity Murabahah transactions.

Zaimah was unfazed by the concern. "Currently, commodities via the LME (platinum, palladium and copper) are enough to support the commodity trading; however, local (Malaysian) crude palm oil (CPO) is still short to facilitate or cover the commodity Murabahah trading activities," she said.

Dr Mohamad Akram Laldin, a Shariah adviser at HSBC Amanah and an assistant professor at IIUM, provides some insight into the availability of commodities to support the transactions.

"The commodity Murabahah transactions at the LME are done on the spot and almost simultaneously. The whole cycle could be completed in minutes and thus the commodities would be available for use again and again," he explained.

He also noted that if a particular transaction is too big and there are insufficient commodities to support it, then Islamic banks need to break it down into a smaller transaction to ensure it complies with Shariah.

"The banks could not accomplish two transactions on the same commodity at the same time. Shariah at a minimum requires that the first cycle be completed before the same commodity could be used again in another transaction," Akram said.

Could the parties agree to a higher price to meet the funding requirement in a transaction?

Although from the Shariah point of view, price is based on the agreement of the parties, scholars would usually require the commodity Murabahah transaction to be accomplished within an acceptable price range of the commodities' value.

"If commodities worth US$100,000 were sold for US$1 billion, this would then be more oriented towards a fictitious transaction. Usually, a price difference of +/- 10% to 20% from the commodity value is viewed as the acceptable price range by the scholars," Akram explained.

Alternative to commodity Murabahah

Although commodity Murabahah is widely used in the Islamic banks' operation, it is tolerated by the Shariah scholars rather than encouraged. The AAOIFI Shariah Standard No 30, for example, indicates this by identifying certain control features that must be observed when using commodity Murabahah (Tawarruq).

Paragraph 5 of the abovementioned Shariah Standard identifies control features that must be observed when the bank is the beneficiary in the Tawarruq transaction, i.e. the bank is buying the commodity on credit and selling it on spot to obtain liquidity:

> *"Tawarruq is not a mode of investment or financing. It has been permitted when there is a need for it, subject to specific terms and conditions. Therefore, the institutions should not use Tawarruq as a means of mobilizing liquidity for their operations, and exert no effort for fund mobilization through other modes such as Mudarabah, investment proxy, Sukuk, investments funds and the like. The institution should resort to Tawarruq only when it faces the danger of a liquidity shortage that could interrupt the flow of its operations and cause losses for its clients."*

Besides the fact that the transactions mimic the loan behavior in the conventional space, commodity Murabahah also does not allow much flexibility to the banks as they would lock their position once they enter into the transactions.

As an alternative, some banks are exploring Wakalah as a substitute instrument to manage their liquidity position. In Wakalah, the bank with excess liquidity would appoint the bank with deficit position to become its investment agent. At maturity of the investment, the agent would have to return the capital plus return (if any).

> "A prerequisite to use Sukuk for use of treasury management would be again the availability of the instrument to support high volume of the treasury transactions"

The investment agent does not guarantee the capital or return to the principal bank. Nonetheless, in practice, usually the principal bank would have an expected profit to be received based on historical returns. In addition, if the investment agent achieves a return beyond the expected return, it is entitled to enjoy the additional return as a performance bonus. In case of losses, without any negligence from the investment agent, the principal bank would have to absorb the losses.

Sukuk has also been recommended as a good alternative instrument for managing treasury. A prerequisite to use Sukuk for use of treasury management would be again the availability of the instrument to support high volume of the treasury transactions.

As currently Sukuk has yet to achieve mass volume and has limited secondary trading, its application in treasury management is still not widespread. However, Sukuk has high potential to provide alternative to the current commodity Murabahah transaction in the Islamic banking treasury operation.

Shariah Compliant Project Financing: The Marafiq example

By John Dewar and Alison Smith

The Marafiq independent water and power project ("IWPP"), which closed in June 2007, is the world's largest individual WPP. The financing combined funding from Islamic financial institutions (IFIs), international and local commercial banks and export credit agencies. This deal represents a good example of how Islamic finance techniques have been successfully utilized in the context of multi-sourced financings while remaining consistent with the principles of the Shariah.

This article explores the main structural aspects of that transaction in the context of Islamic financing and the future challenges that IFIs and project companies may face in the Middle East's project finance sector.

Unusually, in the context of complex cross-border project financings, the Islamic tranches are governed by the law of the Kingdom of Saudi Arabia and the provisions of the Islamic Shariah law. Customarily, finance documentation in Middle East project financings is governed by English law (except in New York, preferring Qatar).

The Islamic facilities in Marafiq, followed the Shuaibah model (on which Milbank also advised) is based on a Wakalah-Ijarah Mawsufah Fi Al Dhimmah structure, a hybrid structure based on the existing and recognizable Ijarah Islamic finance technique under which a financial institution leases an asset to the customer. In the context of a project financing, however, the asset needs to be built and this is where the structure must be redefined so that it remains fit for purpose while conforming to the Shariah.

Under the Wakalah-Ijarah Masufah Fi Al Dhimmah structure, the project company is employed as the IFI's agent or "wakil" under an agency agreement, entitled the Wakalah agreement, to procure the construction and delivery of certain assets required by the project and identified in the Wakalah agreement ("the assets").

The provision of the assets is facilitated by the project company's entry into the EPC contract with the EPC contractor. A key Shariah principle is that the financial institution must share the commercial risks with the project company, and, thus, it is expressed to be responsible for effecting the insurance and major maintenance of the asset. In order to offset the risks borne by the financial institutions in this regard, the project company agrees separately in the service agency agreement to insure and maintain the assets on behalf of the Islamic facility agent. This structure can be characterized by the ongoing risk over the asset which the IFI is agreeing to take.

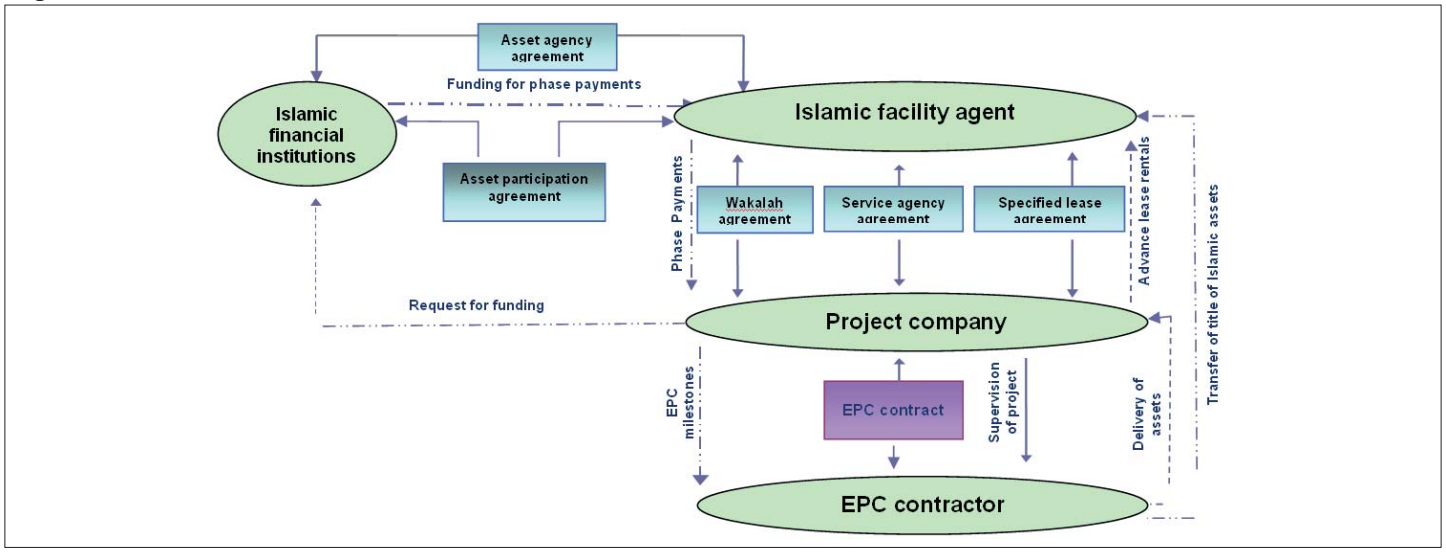
Under the agency agreement, the IFIs appoint the Islamic facility agent to be their agent in respect of the financing and, under the asset participation agreement, agree to participate in financing the construction and ownership of the assets procured from the EPC contractor by the project company. Title to the assets passes directly from the EPC contractor to the Islamic facility agent and the Islamic facility agent undertakes (on behalf of the IFIs) to lease the assets (to be constructed). The lease will be effective from a specified date as set out in the specified lease agreement. In certain jurisdictions, this may lead to concerns over the relevant tax treatment and thus, appropriate structuring should be considered.

During the construction period, upon receipt of funds from the IFIs, the Islamic facility agent will make phase payments to the project company in accordance with an agreed payment schedule for on-payment to the EPC contractor under the EPC contract. All responsibilities relating to the procurement of the project's execution, completion and supervision rest with the project company. During this period, the project company is required to pay to the Islamic facility agent advance lease rentals set out in a pre-determined advance lease rental schedule. Contracts that have an uncertain price may be treated as void under the Shariah principles.

From the commencement date specified in the specified lease agreement, the Islamic facility agent (on behalf of the IFIs) will lease the assets to the project company. During the specified lease period, the project company will pay specified lease rentals, semi-annually.

continued...

Diagram 1



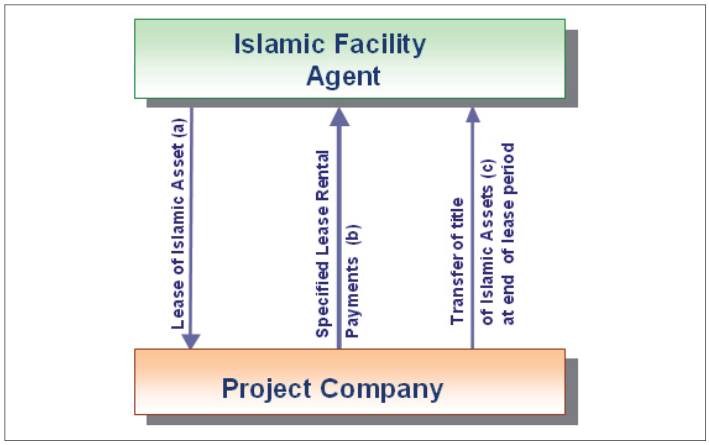
Shariah Compliant Project Financing: The Marafiq example (continued...)

The specified lease rental comprises two elements:

(a) a fixed element for each payment date which represents the principal repayment; and

(b) a variable amount representing the profit of the IFIs.

Diagram 2



While the Shariah prohibits the payment of interest (on the basis that money may not be used to make money as this would represent an unfair exploitation), Islamic principles do not prohibit the making of profit, provided that there is a level of risk sharing between the parties. The specified lease rental represents the IFIs' return based on the profits generated on the sale of the asset to the project company. Project finance by its very nature means that the IFIs are assuming certain risks in the project and this is consistent with Shariah principles. At the end of the lease period, provided that all lease rentals have been paid, legal title to the leased assets will be transferred to the project company.

Islamic funding must be structured so that it meets the requirements of each Islamic IFI's Shariah committee (who are responsible for providing guidance on Shariah requirements and determining, on behalf of its institution, whether the proposed financing and related documentation is Shariah compliant).

IFIs may not be as flexible in their approach as conventional lenders in similar circumstances as a result of the constraints imposed by Shariah requirements on Islamically financed products. The strict views of certain Shariah committees may not be immediately compatible with the project company's structuring requirements, with the result that project companies need to be willing to be flexible in their approach.

While maintaining adherence to Shariah principles, IFIs and conventional lenders involved in the structuring of project finance deals will need to continue being creative in their approach if they are to remain competitive in the international capital markets.

Milbank John Dewar is a partner and Alison Smith is an associate in the global project finance group at Milbank Tweed Hadley & McCloy LLP. Both have advised Islamic banks on the structuring of Shariah compliant financings.

Options for Islamic Finance in India

By M H Khatkhatay

India should have been in the forefront of Islamic banking, considering that a lot of the initial theoretical work related to Islamic banking was done by people from this subcontinent. Unfortunately, however, the reality has not turned out that way. Today, when we observe what is happening in the field of Islamic banking in different parts of the world, we find India lagging far behind other countries.

In future, Indian authorities may be more inclined to give some space to Islamic banking in the country. However, we do not know how long that will take. There was some talk a few months ago about Reserve Bank of India (RBI) appointing an expert committee to delve into the issue. From what was reported subsequently, the initial hopes did not fructify. For now at least, it does not appear that a full-fledged Islamic bank will be set up in India. That much seems certain due to the existing laws of the land.

There is, however, some space for certain Islamic finance products in the country. At the same time, it is essential that the development of Islamic banking and finance in the country takes place along the right lines and using structures that are Islamically authentic. There is considerable disquiet about certain structures and practices being adopted abroad under the caption "Islamic finance".

Comparing models

Today, there are many structures and practices in vogue in the finance field that sport the "Islamic" tag, though not all of them are universally accepted. We have the Malaysian, Gulf and Indonesian models, as well as the experiences of the UK, US and South Africa. To my mind, the UK, the US and South Africa experiences are more relevant to India as Muslims in those countries too are in the minority and living under secular regimes. The Indonesian experience is worth a second look as it appears to take a more critical look at what should be accepted in terms of Shariah.

Coming back to India, Islamic banking as such is not possible. So, what are the options? As far as organizational formats are concerned, one alternative is to float mutual funds. Non-banking finance companies (NBFCs), which can offer certain financial products and services, are another option. Then, you have cooperative societies. There is also the possibility of foreign entities investing in India on an Islamic basis. We can study the scope for offering various Islamic products by such entities.

On the liabilities side, we have the various Islamic avenues under which savers can invest their funds. Here, a prime option is mutual funds. They represent the best option for investments on an Islamic basis. Their returns as well as the capital values they yield are both related to actual earnings and not to interest. On the assets side, if their investment strategy requires their funds to be invested solely in equities, their earnings too become profit-based.

A Shariah issue could arise due to the companies in which they invest being in non-Shariah compliant businesses such as banking, insurance and alcoholic beverages. Further, even for companies whose main business is Shariah compliant, a problem could arise if they rely too heavily on debt, derive a substantial portion of their income from interest-based investments or maintain a high proportion of liquid assets.

Unfortunately, we do not have any 100% Shariah compliant mutual fund in India, because this aspect about investing on an Islamic basis has not really been addressed openly by our mutual-fund sector. The only mutual fund that partly addressed this issue is a fund floated by a reputed business house in 1997. Though its investment strategy (bearing in mind the political climate in India) did not specifically mandate it to invest only in companies that are in Shariah compliant businesses, the sectors in which it was supposed to invest were, by design, all compliant with Shariah. In addition, it was not supposed to invest in interest-bearing securities or bank deposits even for the short term.

There was no further screening of the targeted companies on the basis of financial ratios. However, with it at least, a beginning was made in the field of Shariah compliant investments by a mainline non-Muslim business group. On the face of it, the fund was marketed as an infrastructure fund, not an Islamic fund. Now, we believe the group is also exploring further screening on the basis of financial norms. There has also been talk about launching Islamic funds from other funds.

> "It is essential that the development of Islamic banking and finance in the country takes place along the right lines and using structures that are Islamically authentic"

The other option is investing in the equities of NBFCs. These can also raise deposits. Unfortunately, however, RBI has been continuously tightening the norms for acceptance of deposits so that it is now impossible to raise funds under this format with any flexibility in payment of returns. Earlier, there were possibilities of raising profit-sharing deposits and zero rated or profit-sharing convertible debentures. Now, all these avenues have been plugged and any deposits raised have to stipulate a specific rate of return ante facto. Hence under NBFCs, now the only acceptable Islamic option for raising capital (i.e. accepting investments) is equity.

This is the most prevalent organizational format adopted in India by financial entities aspiring to provide Islamic financial products or investment options. Around the turn of the century, RBI raised the entry level thresholds for qualification to do business in this field. In addition, the inability to raise deposits has considerably eroded their viability by increasing the tax liability. As a result, there has been a considerable thinning out of the numbers of NBFCs since then. Now, only about a handful of NBFCs remain that profess to work on an Islamic basis.

On the assets side, NBFCs can invest through Ijarah, Istisna and through private equity. Murabahah is, by and large, ruled out due to its unsuitability on account of taxation and stamp duty issues.

continued...

Options for Islamic Finance in India (continued...)

One other organizational format is that of a cooperative society. Unfortunately, this option has not received the attention that it deserves. When one speaks of Islamic banking in the context of welfare and serving the poorer sections, I believe this is the best option.

> " The recent liberalization regarding investment of the funds (of interest-free cooperative societies) can only enhance their attractiveness as well as viability"

Limitation from state laws

Cooperative societies can raise equity and both, term as well as demand deposits. NBFCs cannot access demand deposits at all. Thus, these societies have the greatest flexibility in raising resources. They can, however, remunerate deposits only if they can deploy them profitably.

Unfortunately, most state laws (under which cooperative societies are governed) do not permit these societies to invest their funds; they can only loan them out. From an Islamic perspective, this is a serious limitation as they cannot earn profits from loaning operations. Of late, some states (and also the central government) have liberalized their laws in this regard.

Nevertheless, a substantial portion of the activities of these societies consists of, and will continue to comprise, lending from the demand deposits raised. These loans are the only institutional option for conscientious Muslims to avoid interest payments on funds accessed for non-commercial purposes.

Here, a critical issue is regarding recovery of costs. Internationally, it is accepted by Shariah scholars that in the case of a loan, the lending entity can recover the cost involved through a charge which is linked to the actual cost. There is, however, a lot of distaste among the Indian Ulema in regard to allowing any addition to the principal of the loan. This is an important issue which affects the viability of these cooperative societies.

There are several interest-free cooperative societies across the country. If the principle of service charges on loans is accepted and clearly understood, there could be a proliferation of these institutions across the country. The recent liberalization regarding investment of their funds can only enhance their attractiveness as well as viability.

At present, one alternative adopted by many across the country is the format of a welfare society or a charitable trust. This is now no longer legally tenable and needs to be given up in favor of the cooperative society format.

Another legal option is a *nidhi*, or mutual benefit company. Under this option, however, the operations are more constrained and registration a more difficult process. At present, there are only a couple of such organizations operating in the country.

Finally, coming to the possibility of foreign entities offering Islamic products, to date some foreign Islamic finance companies have taken equity stakes in projects or companies in the country. Earlier, there had been some instances of Murabahah deals too, but these have been generally routed through overseas jurisdictions and the funds brought in under the guise of debt.

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How would a US recession affect the Islamic banking industry?

Although the US is declining relatively as the engine of global economic activity, a recession will inevitably have adverse consequences for the economies of the GCC and Southeast Asia, where Islamic banking is well established. Oil revenues remain a determinant of Islamic banking growth, and a serious recession in the US will reduce oil demand, prices and revenue even if China and India continue to import larger amounts of oil. The impact will be slower growth of Islamic banking balance sheets as deposits slow, with less Islamic financing, but not an absolute decline.

There will also be a further decline in the value of the dollar if the US enters recession, especially as further interest cuts are made to bring about a monetary expansion to mitigate the effects of the recession. This will reduce the value of Islamic financial assets, most of which are dollar-denominated or valued in currencies pegged to the dollar.

The subprime crisis has already had a negative impact on Sukuk issuance since last August, and recession would delay its recovery. However, in the longer term, the dollar should rebound, partly because the widening fiscal deficit in the US to prevent a deep recession will have to be offset eventually by monetary policy tightening.

Shariah compliant investors should not write off the US, as the economy will remain for the foreseeable future the first in the world, and there will still be opportunities for capital gains and Shariah compliant income. Indeed, with lower stock prices currently, it may be a good time now to buy US assets in anticipation of a post-election recovery whoever succeeds the Bush presidency.

PROFESSOR RODNEY WILSON: Director of postgraduate studies, Durham University

A recession in the US would affect Islamic banking industry by stifling growth for the short term. The recent credit crisis has affected many new product launches by our company with other banks as they are preoccupied with the downturn in the markets and, thus, have held off any new Islamic finance product launches.

The US' role in international banking has been diminishing over the last few decades. However, as the largest economy still, a recession would have a small negative downturn in the Islamic banking industry.

OMAR KALAIR: CEO, UM Financial Canada

The Islamic banking industry will easily weather the US recession primarily due to the large gap between the respective economies. There is very little linking the two, and economic growth in Arabia and most other Muslim regions is exogenous to whatever is happening to the US consumer and homeowner. However, one can easily imagine the Islamic banking community suffering its own credit crisis. Too many assets have been put into venture capital, cleverly disguised as private equity. The culture of credit analysis is not yet widespread in the Islamic banking community. We see many Islamic banking institutions falling over themselves in an effort to get into businesses where they have little human capital or experience.

History repeats itself. In time, there will be what the famed economist Joseph Schumpeter defined as 'creative destruction', where old business practices are destroyed in a wholesale cleaning process, with new technologies and resources deployed in an all-new effort to replace the past. The Islamic banking industry is too new to have experienced one of these creative destruction cycles, but it will come, without any doubt.

JOHN A SANDWICK: Managing director, Encore Management SA

A recession in the US is likely to have an impact on the financial industry in general and the Islamic finance industry in particular.

Firstly, the US is, on a global scale, one of the largest users of oil in the world and a recession might result in reduced demand for oil which in turn has an impact on the price. Due to the fact that the main oil-producing countries are also the main providers of funds for the Islamic banking market, a decline in their income will have an effect on the available funds in the market. However, as the dependency on oil in these countries declines, the economic impact of a changing oil price will be less volatile.

Secondly, the majority of Islamic financial instruments are priced in USD. A weakening of the dollar and a change in the benchmark rates will have an impact on the cost of funds, the ability to raise sufficient funds and the ability to repay.

NATALIE SCHOON: Head of product development, Bank of London and the Middle East

continued...

A possible US recession would affect the Islamic banking industry just as it would affect the global financial markets. From a debt issuer's/obligor's perspective, credit spreads of export-based firms dependent on US imports will widen with a probable reallocation of credit portfolio by Malaysian banks. Middle Eastern Islamic banks may not shuffle their credit portfolios to a great degree, as a number of GCC-based export-oriented companies are either directly/indirectly supported by governments.

We would also see Islamic banks demanding higher returns from companies that carry credit ratings similar to that of US subprime mortgages.

ASIM BASHARULLAH: Head of corporate and investment banking, Al Rajhi Bank

It is another confirmation that Islamic finance, particularly equity-based instruments, offers more suitable tools for a sustained economy. Once again, it is showing that interest fluctuations could throw an economy off the track and recovery might need several cycles.

JAMIL AL-JAROUDI: CEO, Sokouk Exchange Centre (Tadawul)

Islamic banking is part of global economy, not isolated from or ring-fenced within it. As such, Islamic banking will also be affected. The degree of effect depends on the individual country; status of Islamic banking in that particular country and a particular bank's business focus in that country.

KHALID MAHMOOD BHAIMIA: *Managing director, Hong Leong Islamic Bank*

The initial impact of the US recession is that a new generation of problems will restrict activity in the global banking system. Since the participation of the global banks is important from a capacity and skills perspective, this will mean that credit restrictions in the west will affect the east, conventional and Islamic.

Indeed, this is already being felt in the Gulf states and Sukuk markets. Subsequently, there will be new and attractive opportunities in the US for investment as the market reorganizes. But since credit will not be restored as quickly as it has been cut off, the market will be more open to Islamic investors and financiers.

ABDULKADER THOMAS: CEO and President, SHAPE — Financial Corp

BENER LAW OFFICE
Istanbul – Turkey

As long as the world's savings are denominated in USD, the US economy is a key consumer and there is sufficient financial intertwining between the economies worldwide, every sneeze of Uncle Sam will affect lives around the world. Very concrete: Provided that the issue has been sufficiently isolated by now, some consumer spending will downsize, some investments and deals will be postponed, some capital will be reshuffled and interest rates adjusted. Securitization plans are being stalled and ratings procedures are being revised. Noteworthy, but indirect influence.

On the other hand, some people might become more interested in Islamic banking as a safe haven for this kind of bubble burst if they only knew how few (if any) 'write-offs' there have been caused by the subprime crisis.

PAUL WOUTERS: *Partner, Bener Law Office*

Next Forum Question

The continuing debate in the UK following the Archbishop of Canterbury's comments regarding Shariah law has now flowed over to the proposed sovereign Sukuk by the treasury. What do the UK government and the financial institutions involved need to do to ensure its successful issuance?

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, 5th March 2008.

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

Name:	Junaid Abbas Bhatti
Position:	Head of marketing communications
Company:	Islamic Bank of Britain
Based:	United Kingdom
Age:	30
Nationality:	British

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

I fell into the banking industry by accident, as I wanted to try something different. I proved myself as an exceptional salesman and people manager, and it wasn't long before I was headhunted by the private banking industry and moved to the City of London. However, despite my success, I was plagued by doubts about my chosen profession, as my devout family was concerned about the source of my income.

In 2003, I traveled to Pakistan and the Middle East to visit relatives, and became aware of the growing Islamic finance industry. On my return, I was informed by several industry contacts that a stand-alone Islamic bank was under development in my home country. Within weeks, I had met the deputy CEO who recruited me as deputy head of operations.

In August 2004, the Islamic Bank of Britain (IBB) was granted a license by the UK's banking regulator, and I took on a new role to expand the branch network across England — culminating in the creation of eight branches in the heart of Muslim communities around the country.

For the past three years, I have been involved in the marketing and sales function, promoting the Islamic finance industry across the UK and Europe. I am a Fellow of the Institute of Islamic Banking and Insurance in London.

What does your role involve?

I am responsible for several important areas:

- Market research — giving us an insight into the financial needs and desires of the UK's Muslim community.
- Media relations — representing the UK Islamic finance industry to media channels across the world.
- Campaign management — promoting IBB's products via coordinated TV, radio, print and online advertising.
- Internal communication — ensuring that IBB staff are fully aware of the company's progress and any major developments.
- Staff training — ensuring that product knowledge and customer service quality is of the highest standard.

What is your greatest achievement to date?

Being part of the small management team that set up the first Islamic bank in the western world. IBB was also the first new bank in the UK for more than 90 years.

Which of your products/services deliver the best results?

I believe the IBB savings accounts are a superb product. They are the only product in the UK that offers ordinary Muslims a halal return on their savings.

Our Islamic commercial property finance is also a great product, because it is priced in direct competition with conventional mortgages. I think it's important that Islamic finance products provide good value for money.

What are the strengths of your business?

Being the only stand-alone Islamic bank in the country is our first unique selling point. Furthermore, we offer several products that are unique in the marketplace such as halal personal finance (based on Tawarruq), Islamic savings accounts and commercial property finance based on the diminishing Musharakah model.

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

We are an innovative company that is widely regarded as a pioneer within our home country. Our true strengths are passion, conviction and commitment of our staff.

What are the obstacles faced in running your business today?

There are several challenges, the majority of which are no different from those faced by conventional banks. I think the main issue for Islamic finance in the west is the lack of education among western Muslims about the importance of Shariah compliant finance. The masjid and imams can do a lot to address this issue.

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

In five years' time, I believe the Islamic finance industry will have evolved significantly. Many more conventional banks in the west will have started offering Islamic products, and these products will be much more sophisticated than the basic accounts and financing that are currently on offer.

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

As has been repeatedly mentioned by the Shariah finance scholars, it would be great to see more banks moving towards the Musharakah and Mudarabah modes of financing. Only then can Islamic banks claim to be offering a truly significant alternative to the conventional banking system.

IBB ISLAMIC BANK OF BRITAIN

Since this interview, Junaid Bhatti has left Islamic Bank of Britain and set up an Islamic finance consultancy called "Ballencrieff House". Visit www.ballencrieff.net for more details.

Dar Al-Arkan US$1 billion Sukuk

INSTRUMENT	Sukuk Ijarah
ISSUER	Dar Al-Arkan International Sukuk Company
PRINCIPAL ACTIVITIES	The issuer is a special purpose vehicle incorporated in the Cayman Islands. It is a single-purpose company established to issue the Dar Al-Arkan Sukuk. The issuer acts as agent and trustee for its investors.
BOARD OF DIRECTORS	Youssef bin Abdullah Al Shelash, Abdulaziz bin Abdullah Al Shelash, Hazloul bin Saleh Al Hazloul, Majed bin Roumi Suleiman Al Roumi, Tarek bin Mohammed Ali Al Jarallah, Majed bin Abdulrahman Al Qassem, Khaled bin Abdullah Al Shelash, Abdulkarim bin Hama Al Babtain, Abdullatif bin Abdullah Al Shelash, Bandar bin Abdullah Al Fadel.
DATE OF LISTING	13th February 2008 on the Bahrain Stock Exchange, also listed on the Labuan International Financial Exchange and Dubai International Financial Exchange
MATURITY	16th July 2012
PROFIT RATE	3-month US$ LIBOR + 225bp pa
TRANSFERABILITY	Freely transferable, in registered format
PAYMENT SCHEDULE	2.25% above LIBOR payable to the Sukuk holder every three months
ARRANGERS/ MANAGERS	ABC Islamic Bank, Arab National Bank, Deutsche Bank, Dubai Islamic Bank, Kuwait Finance House (Malaysia) and Unicorn Investment Bank
METHOD OF ISSUE	Dar Al Arkan's second Sukuk offering was sold to investors in Europe, Southeast Asia and the Middle East. It is the first Sukuk to be issued by a Saudi corporate in the international capital markets.
PURPOSE OF ISSUE	For domestic and international expansions
RATINGS	Dar Al-Arkan Real Estate Development Company (Dar Al-Arkan) is rated A- by Capital Intelligence

UAE

More debt securities needed

Islamic debt securities are in short supply, causing Takaful operators to over-invest in cash and cash equivalents, said an Islamic investment expert at last week's Takaful Conference on Islamic Investment Management.

Ghazal Zahid Khan, a former portfolio manager with Arab Insurance Group, said this has resulted in lower overall return and in equities and alternative assets, forcing companies to shoulder significantly more risks than desired. She added that this under-investment in Islamic debt securities is even more significant to Takaful companies due to their quasi-trust nature and higher dependence on debt instruments.

GLOBAL

AM Best issues Takaful methodology

AM Best Co is issuing a rating methodology entitled "Takaful (Shariah Compliant) Insurance Companies", which outlines the application of AM Best's core financial strength rating methodology to Takaful insurance companies.

Takaful is on the rise, particularly in the Middle East and Malaysia. While Takaful insurers share many similarities with conventional mutual operating structures, AM Best believes that there are distinctive characteristics of Takaful insurers that must be considered in the rating evaluation.

The methodology outlines how these unique characteristics — and other dynamics in the Takaful market — are incorporated into AM Best's financial strength rating assessment process.

UAE

NBAD Takaful IPO oversubscribed

Gulf Arab investors offered AED3.6 billion (US$980 million) towards the initial public offering of an Abu Dhabi-based Islamic insurer, almost 43 times more than the firm was seeking to raise, the IPO adviser said.

Mithaq Lil Takaful sold 82.5 million shares at AED1 each, equivalent to 55% of the company and valuing it at AED150 million (US$40.8 million), Majd Maaitah, senior manager for securities services at National Bank of Abu Dhabi, said.

The nine-day sale closed earlier this month. The shares will list on the Abu Dhabi exchange at the end of March. "The response was very good," said Majd.

Non-Gulf Arab citizens will be able to own as much as 25% of the shares once they list.

BAHRAIN

New branding for GII

Gulf Insurance Institute (GII) recently unveiled its new corporate branding under the concept, "Learn, Develop, Achieve", reflecting its core strengths as a leading center of excellence for the training, development and promotion of conventional and Islamic insurance practice in the Gulf region and beyond.

GII has an international offering through the expertise of their staff and their capability to access the latest world-class skills and international professional standards for individuals and organizations engaged or employed in conventional and Islamic insurance (Takaful) activities, risk management, actuarial, investment, and associated financial services relating to the insurance sector.

SAUDI ARABIA

Tawuniya covers pilgrims

Tawuniya has begun providing health insurance coverage dubbed Manasik to foreign pilgrims visiting Saudi Arabia for the Haj and Umrah, via the Bahrain Kuwait Insurance Co and Al-Ain Ahlia Insurance Co as marketing agents.

The product is available to potential pilgrims in Bahrain, Kuwait and the UAE.

At SAR100 (US$26.67), Manasik will cover medical expenses up to SAR25,000 (US$6,675) for one month from the pilgrim's arrival in the kingdom. In addition, the company will pay compensation of up to SAR50,000 (US$13,351) for death as a result of injuries and SAR10,000 (US$2,670) to transport pilgrims' bodies back to their respective countries.

The move is part of the government's efforts to reduce public health expenditures.

KUWAIT

Ahlia, Dajeej seal US$18 million deal

Al-Ahlia Insurance Company (AHLIA) signed a deal for the sale of its real estate in Al-Dajeej at a value of KWD5 million (US$18.27 million).The company will earn a profit of KWD3.72 million (US$13.59 million) from this deal, which will be included in its financial statements for the first quarter of this year ending the 31st March 2008.

The board of directors of Wethaq Takaful Insurance Company and Al-Shuaiba Industry Company met recently to discuss their respective companies' annual financial statements for the fiscal year ended the 31st December 2007.

Key Trends in the Takaful Landscape

By Eurekahedge

The Eurekahedge Islamic fund database has grown from its launch in 2006 and now encompasses information on more than 550 Shariah compliant funds, keeping up with an industry that saw 131 new launches in 2007 alone. Despite this healthy growth, Takaful-dedicated funds are few and far between (with notable examples in Malaysia, Singapore and Bahrain). However, this doesn't properly reflect the emergence of Takaful and its importance in the overall Islamic funds industry.

The assets in global Takaful operators have grown steadily, from an estimated US$500 million 1998 to US$2 billion in 2005, and projected US$7 billion by 2015.

Indeed, the 20% growth rate is the norm for global Takaful, with certain markets well exceeding this figure. Furthermore, the evidence also suggests a gradual increase in market share against conventional insurance. In the following section, we delve further into some key implications of this growth.

Takaful as a key institutional investor: Islamic funds have found their appeal with retail and high net worth individuals, but institutional investors (including Islamic pension plans) are bound to grow in importance. This implies more sophisticated requirements: greater diversification, longer track records and heavier scrutiny of risk-adjusted returns. The arrival of Takaful assets foretells a second wave of growth for Islamic funds, with a greater focus on Shariah compliant products than the current driver of GCC liquidity.

Takaful as a driver of discretionary portfolios: While demand for pooled vehicles will remain strong, more operators would seek to customize their portfolios via segregated accounts, a common trend in the socially responsible investing (SRI) industry. In fact, most SRI assets are placed not in mutual funds but rather in discretionary portfolios (92% in the US and 79% in Europe).

Furthermore, the size of Takaful operators would not always justify an in-house asset management team, prompting outsourcing of several components to specialized firms (i.e. for allocations into real estate, alternatives, etc). This could also widen the demand for fund of funds programs as a more standardized alternative.

Takaful as a fully compliant investor: Despite the above comparison to SRI (global assets at approximately US$2.3 trillion), Takaful operators will fully allocate into Shariah compliant instruments, making their impact far more prominent.

Takaful, on the other hand, also has much more elaborate requirements (Shariah screening and compliance), whereas 80% of SRI screening is focused purely on tobacco and alcohol exclusion. In this sense, Takaful must not only seek a few compliant products but take a portfolio-wide approach that tackles all asset classes.

Takaful as a source of product demand: While the growth and issuance of Sukuk seem to grab more headlines than Takaful, the two go hand in hand. In fact, Sukuk can be regarded as being driven by product supply (especially from government and government-linked issuers), whereas Takaful exemplifies product demand (with fixed income being the most prominent product gap).

What remains to be seen is whether the appetite of Takaful is strong enough for it to allocate into products with shorter track records (such as emerging markets and alternative products). Furthermore, conventional insurance allocates extensively into balanced funds, and demand for these mixed-asset funds should also be expected from Takaful investors.

Asset class mix for a Takaful portfolio

In order to assess product gaps, we first analyze the current mix of Shariah compliant offerings (in terms of asset classes) as outlined in the heat map shown in below Table. We then collate the asset class mix of Islamic funds by geographical region and compare this to a global portfolio of conventional mutual funds. We also use statistics from the Investment Company Institute, which surveyed over 61,000 mutual funds across the globe.

From the perspective of a Takaful investor, equity funds dominate all regions (from 49% to 67% penetration), but there is a notable lack of balanced products across the board (with the exception of Asia-Pacific). On the other hand, money market funds also seem to be well received, particularly in the "Global" and "Middle East" mandates (at 27% and 14%, respectively), offering valuable liquidity. Also noticeable in the "Others" category is the popularity of European and North American real estate products, as well as Middle East multi-manager portfolios.

Islamic funds asset class mix (%)

	Investment geography					
Classification	Asia-Pacific	Europe	Global	Middle East	North America	Total
Equity	51	67	54	49	63	52
Fixed income	13	0	1	5	0	7
Balanced	15	7	8	7	0	10
Money market	10	0	27	14	8	13
Others	11	27	10	26	29	18

Sources: Eurekahedge, Investment Company Institute
Green: Within 10% boundary
Blue: Below 10% boundary
Red: Above 10% boundary

Summary

Overall, the prospects for Takaful are very healthy and will remain so for the foreseeable future. However, as this investor group develops further, the implications for the asset management industry are increasingly important — if not critical. Takaful can not only increase the number of available products (by highlighting the various product gaps), but it can also enhance the level of investor sophistication as well as revive the debate on how to build a fully Shariah compliant portfolio.

ARZAQ HOLDING — UAE

Fahad Al Gurg has been appointed CEO of Arzaq Holding, a private joint stock general investment firm that was launched in the UAE late last year with a paid-up capital of AED150 million (US$40.8 million).

Prior to his appointment, Fahad was director of strategy and policy for the department of finance of the government of Dubai. He has worked for General Motors, Merrill Lynch International, and Datel Software and Solutions, where he was managing director.

THE BOSTON CONSULTING GROUP — UAE

Two new partners will be helping to forge the future of The Boston Consulting Group (BCG) in the GCC: Thomas Bradtke, partner and managing director based in Dubai, and Martin Manetti, partner and MD in Abu Dhabi. Along with Bradtke and Manetti, 40 BCG consultants at the company's 66 offices worldwide were recently named new partners.

Bradtke, 41, joined BCG in 1993 and had worked in Munich, Bangkok and Boston before moving to Dubai in 2005 to help develop the global management consulting firm's presence in the Middle East. He is a co-founder of the BCG Global Advantage expert group.

Manetti, 40, serves clients from the oil and gas industry. The Italian's specializations are corporate development, portfolio strategy, reorganization and capabilities improvement, sourcing and new business launches for both private and government-owned companies.

HOLMAN FENWICK & WILLAN — Asia

Shipping and insurance specialist Holman Fenwick & Willan is strengthening its Middle East practice with the hire of Christian Taylor as a partner from Manchester in London. Taylor will head the Dubai commercial property and construction practice.

The firm has also appointed a new partner to lead its Shanghai office, with energy partner Paul Aston moving over from Singapore to head the practice in March. Aston will take over from consultant Peter Rees Smith, who is moving to a part-time consultancy role.

Meanwhile, litigation partner Chris Lockwood has been transferred from London to Melbourne. Lockwood specializes in cross-border litigation in the international trade and commodity and derivatives markets, as well as shipping.

MORGAN STANLEY — Hong Kong

Owen Thomas has been elected CEO for Morgan Stanley in Asia. Thomas has served as president of Morgan Stanley Investment Management (MSIM) since December 2005.

He takes up his new role at the end of February, at which time he will relocate from New York to Hong Kong. Stephen Roach will continue in his role as chairman of Morgan Stanley, Asia.

MORGAN STANLEY — UAE

Global financial services firm Morgan Stanley has announced the appointment of David Law as chairman of investment banking for its Middle East and North Africa (MENA) business.

In his new position based in Dubai, Law will be responsible for growing the regional investment banking business, working with current MENA head, May Nasrallah-Merville, with a specific focus on regional sovereign wealth funds.

ABN AMRO — Hong Kong

Taylor Lu, head of equity derivatives structured sales for Asia at ABN Amro in Hong Kong, has left the firm. The position was newly created when he joined the bank in January 2007.

MAKAN CAPITAL — UAE

Investment industry veteran Bracken White is to join Makan Capital Group (MCG) as chief investment officer and director at the corporate headquarters located in Abu Dhabi, UAE.

White has served in several leadership positions in capital market functions and has assessed and developed more than US$3 billion of real estate transactions. Prior to MCG, White was managing director of capital markets at Molinaro Koger, where he raised equity for hotel portfolios and development programs.

STANDARD CHARTERED — UAE

Standard Chartered has appointed Chris de Bruin as head of consumer banking for the UAE.

De Bruin joins from SC First Bank, Stanchart's Korean subsidiary, where he was executive vice-president and oversaw the rapid expansion of SC First's wealth management and private banking businesses. Prior to his move to Korea, in his role as the group head private and international banking, he led Stanchart's successful drive to re-enter the private banking sector in May 2005.

BAJAJ ALLIANZ — MENA

Bajaj Allianz has appointed Kamesh Goyal as the new CEO for the Middle East and North African region from April. Goyal will take over from Sam Ghosh as the regional CEO.

The appointment of Goyal is subject to the approval of the relevant regulatory bodies. Goyal has served as Allianz's country manager for India and CEO of Bajaj Allianz Life Insurance.

TAKAFUL INTERNATIONAL — Bahrain

Takaful International has a new CEO, Younis Jamal Al Sayed. Younis is a Bahraini national with experience in insurance and reinsurance. He worked with the Arab Insurance Group for 20 years, and was also the Dubai International Financial Center managing director and a member of the American Aviation Insurance Association.

As part of the company's management restructuring, Essam Al Ansari was promoted to Takaful general manager. Essam has more than 17 years' experience in the insurance and re-insurance sector.

Abdulaziz Al Othman was also promoted to Takaful deputy general manager.

LEHMAN BROTHERS — Global

Andrew Morton has been named Lehman Brothers' new global head of fixed income, following the announcement of Roger Nagioff's departure on the 5th February. Nagioff became Lehman's first global head to be posted outside the US in May 2007.

Georges Assi and Kieran Higgins replace him as co-heads of fixed income for Europe and the Middle East. They join the Europe and Middle East executive committee. Both will retain their previous responsibilities.

Deal *tracker*

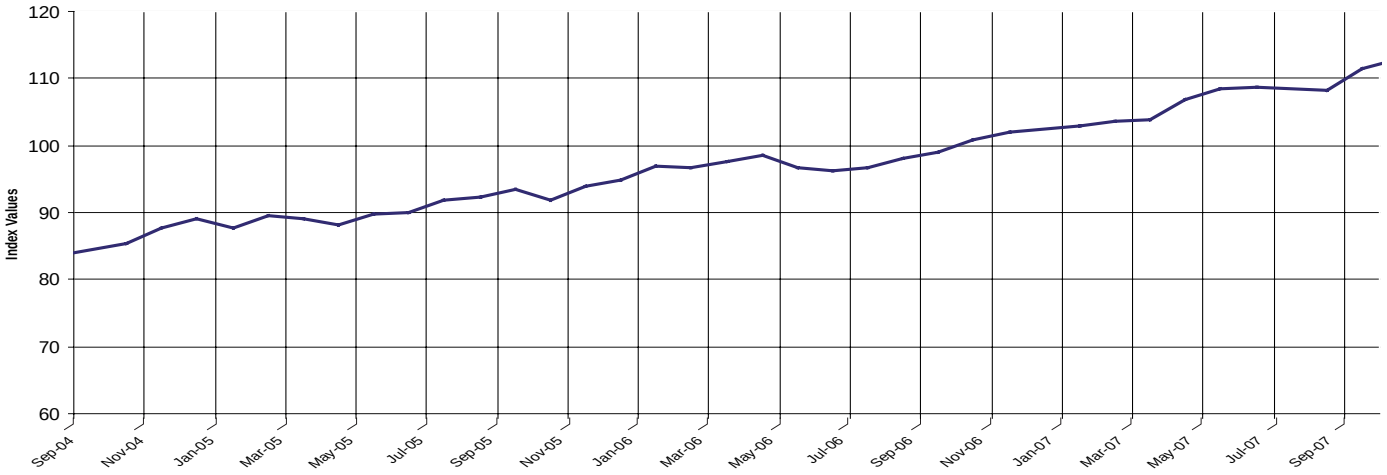
Keeping you abreast of the world's upcoming Shariah compliant deals

Another **Islamic Finance** *news* exclusive

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

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

Eurekahedge Islamic Fund League Table



Monthly returns for Global funds (as of 20th February 2008)

	FUND	MANAGEMENT COMPANY	Performance Measure	FUND DOMICILE
1	Saudi Companies Fund	The Saudi Investment Bank	15.25	Saudi Arabia
2	Al Rajhi Local Shares Fund	Al Rajhi Banking & Investment Corporation	14.55	Saudi Arabia
3	Hang Seng Islamic China Index Fund	Hang Seng Investment Management	13.40	Hong Kong
4	Riyad Equity Fund 2	Riyad Bank	13.14	Saudi Arabia
5	Gulf Industrial Companies Fund	The Saudi Investment Bank	11.80	Saudi Arabia
6	Al-Saffa Saudi Equity Trading Fund	Banque Saudi Fransi	10.36	Saudi Arabia
7	Saudi Equity Fund (Al Raed)	Samba	9.31	Saudi Arabia
8	Bakheet Saudi Trading Equity Fund	Bakheet Investment Group	9.28	Saudi Arabia
9	Gulf Companies Fund	The Saudi Investment Bank	9.18	Saudi Arabia
10	Euro Peregrine Syariah Balanced Plus	PT Eurocapital Peregrine Securities	9.11	Indonesia
	*Eurekahedge Islamic Fund Index**		***-0.86***	

Monthly Returns for ALL funds (as of 20th February 2008)

	FUND	MANAGEMENT COMPANY	Performance Measure	FUND DOMICILE
1	Al Shamekh Islamic Portfolio	Riyad Bank	6.43	Saudi Arabia
2	Islamic Certificate on HSBC Absolute Return Fund	ABN Amro Bank NV	3.58	Not disclosed
3	Al Shuja'a Islamic Portfolio	Riyad Bank	2.27	Saudi Arabia
4	AlAhli Healthcare Trading Equity Fund	The National Commercial Bank	2.08	Saudi Arabia
5	Dubai Growth Fund Class A (Enmaa)	The National Investor	1.59	British Virgin Islands
6	Al Qindeel High Yield Murabaha	Banque Saudi Fransi	0.61	Saudi Arabia
7	Solidarity International Real Estate Fund	Solidarity Funds Company BSC ©	0.45	Bahrain
8	USD International Trade Finance Fund (Al Sunbula)	Samba	0.44	Saudi Arabia
9	Commodity Trading Fund (SAR)	Riyad Bank	0.43	Saudi Arabia
10	Islamic Certificate on Water Sector Yield Discovery Note	ABN Amro Bank NV	0.41	Not disclosed
	*Eurekahedge Global Islamic Fund Index**		***-1.42***	

EUREKAHEDGE

Contact Eurekahedge

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

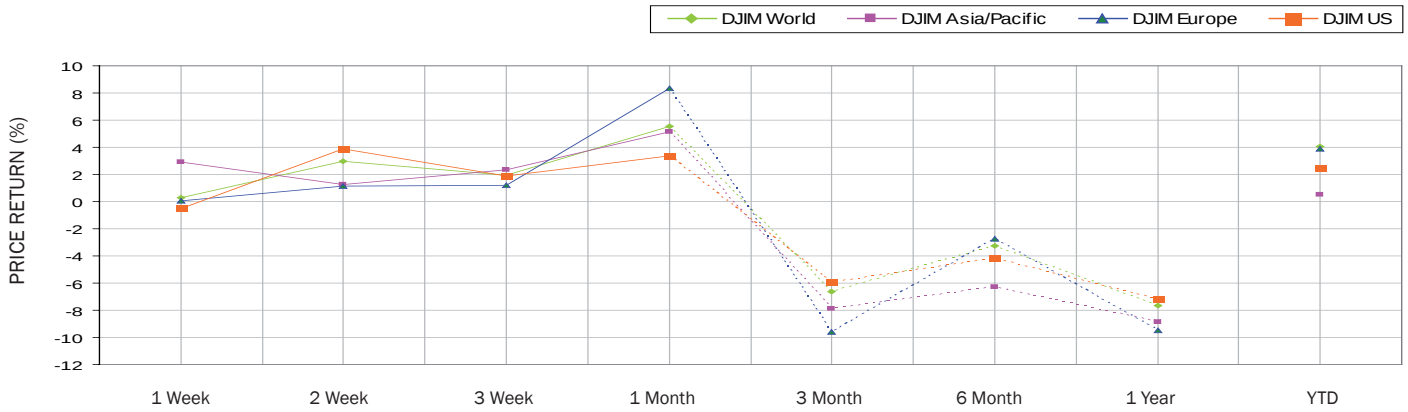
For further details on Eurekahedge: information@eurekahedge.com

Tel: +65 6212 0900

EUREKAHEDGE

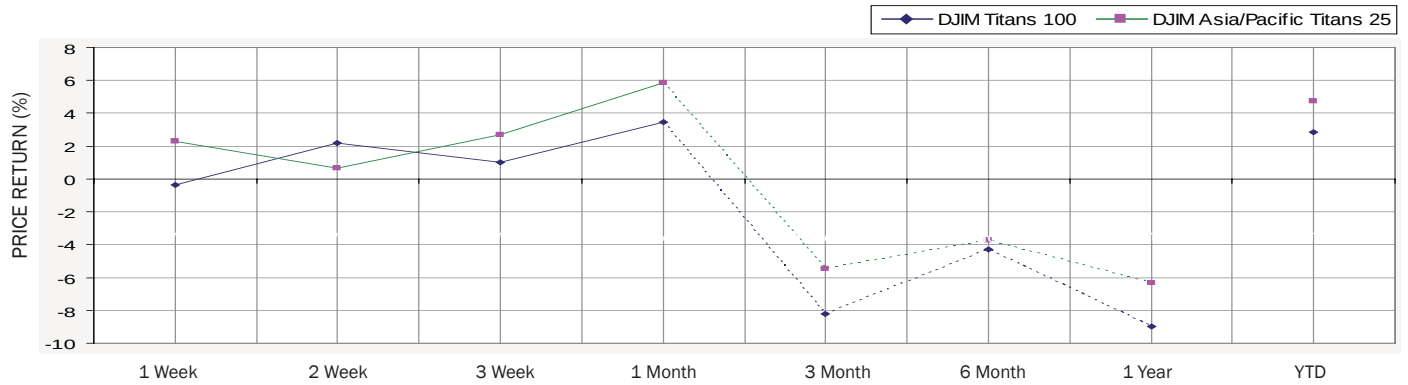
Data as of the 20th February 2008

PERFORMANCE OF DJ INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	0.3	3	1.96	5.52	-6.61	-3.23	-7.68	4.08
DJIM Asia/Pacific	2.91	1.26	2.36	5.15	-7.87	-6.28	-8.83	0.5
DJIM Europe	0.05	1.13	1.21	8.33	-9.58	-2.73	-9.51	3.86
DJIM US	-0.54	3.9	1.89	3.4	-5.96	-4.19	-7.2	2.48

PERFORMANCE OF DJ TITANS INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM Titans 100	-0.38	2.2	0.99	3.45	-8.21	-4.3	-9	2.85
DJIM Asia/Pacific Titans 25	2.27	0.67	2.71	5.84	-5.45	-3.75	-6.31	4.76

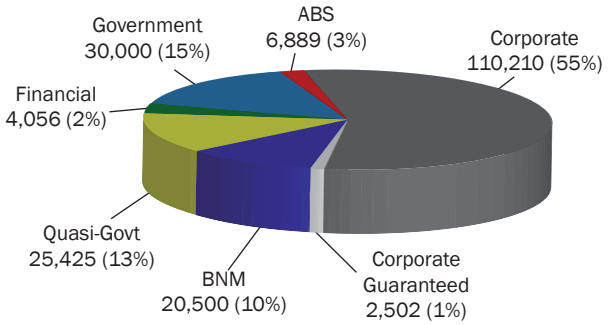
DESCRIPTIVE STATISTICS		Market Capitalization (US$ billions)						Component Weight (%)	
Index	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Largest	Smallest
DJIM World	2636	19302.13	15754.34	5.98	1.28	481.35	0.02	3.06	0
DJIM Asia/Pacific	1120	3789.68	2491.1	2.22	0.5	118.64	0.02	4.76	0
DJIM Europe	387	5061.96	3840.95	9.92	2.57	204.84	0.21	5.33	0.01
DJIM US	749	8721.85	8227.82	10.99	2.7	481.35	0.18	5.85	0
DJIM Titans 100	100	8139.1	7315.16	73.15	47.64	456.32	11.79	6.24	0.16
DJIM Asia/Pacific Titans 25	25	1206.9	805.51	32.22	22.9	84.88	11.79	10.54	1.46

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

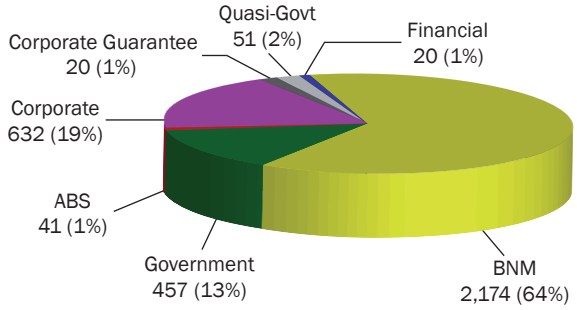
RINGGIT ISLAMIC DEBT MARKET: WEEKLY SNAPSHOT AS AT 20th FEBRUARY 2008
MOST ACTIVE BONDS TRADED BETWEEN 14th FEBRUARY and 20th FEBRUARY 2008

Stock Name	Last Traded Price	Last Traded Yield	Total Volume Traded Last 7	% w-o-w Price Change	Last Week Closing Price
BNMNI B2 (22D - 43D)		3.35	892		
BNMNI B4 (68D - 91D)		3.35	596		
BNMNI B3 (44D - 67D)		3.39	289		
PROFIT-BASED GII 1/2006 14.04.2009	100.55	3.4	194	0	100.55
SBNMI 1/2008 12.02.2009	100.05	3.44	160		
BNMNI B7 (172D - 211D)		3.34	130		
PROFIT-BASED GII 3/2006 15.11.2016	100.15	3.8	103.54	-0.43	100.58
BNMNI B1 (Up to 21D)		3.4	94		
PROFIT-BASED GII 1/2007 15.03.2010	100.18	3.48	59	-0.05	100.23
RANTAU IMTN 0% 14.08.2013-MTN 2	103.44	4.2	55	-0.59	104.05
MITB B10 (312D-364D)		3.3	50		
RANTAU IMTN 15.03.2011-MTN 1	101.41	3.9	48.6	-0.03	101.44
BGSM IMTN 7.100% 28.12.2022 - MTN No. 8	100.91	7	35	0.01	100.9
BGSM IMTN 5.900% 28.12.2016 - MTN No. 5	100.95	5.76	30	0	100.95
KESAS 0.00000% 11.10.2013	116.31	4.63	30	-0.77	117.21

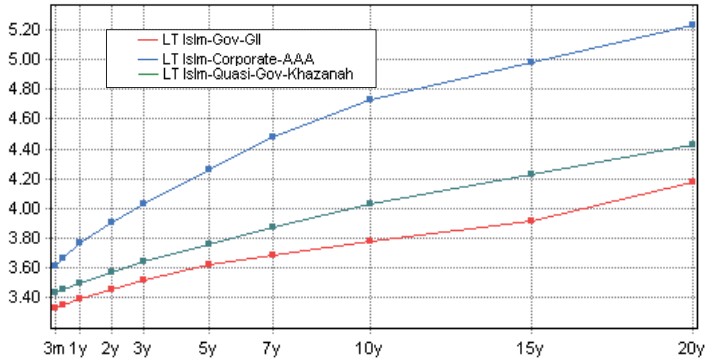
Outstanding Bond by Issuer Class as at 20th February 2008 (RM'000)



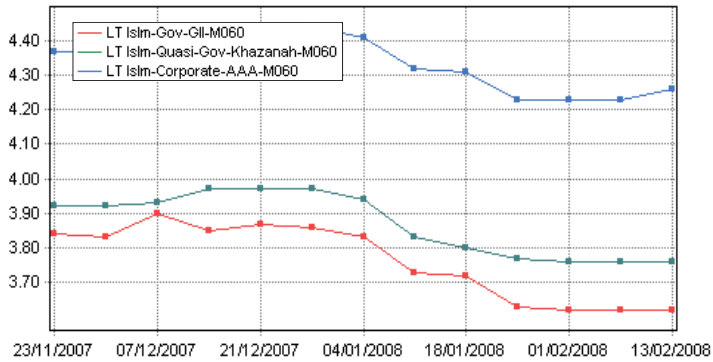
Bond Traded Amount by Issuer Class as at 20th February 2008 (RM'000)



YTM Curves as at 13th February 2007



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



TOP ISSUERS OF ISLAMIC BONDS — FEBRUARY 2007 – FEBRUARY 2008

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Binariang GSM	Malaysia	Sukuk Musharakah	4,509	9	13.0	CIMB, RHB Investment, Aseambankers, ABN Amro Bank, AmInvestment, OCBC Bank (Malaysia)
2	Malaysia	Malaysia	Sukuk	2,863	3	8.3	Malaysia Government bond
3	Saudi Basic Industries	Saudi Arabia	Sukuk Istithmar	2,133	1	6.1	HSBC Saudi Arabia, Riyad Bank
4	Jafz Sukuk	UAE	Sukuk Musharakah	2,043	1	5.9	Barclays Capital, Deutsche Bank, Dubai Islamic Bank, Lehman Brothers
5	Nucleus Avenue (M)	Malaysia	Sukuk Musharakah MTN	1,994	9	5.7	CIMB
6	DP World Sukuk	UAE	Sukuk Mudarabah	1,496	1	4.3	Barclays Capital, Citigroup, Deutsche Bank, Lehman Brothers
7	Saudi Electricity	UAE	Sukuk	1,333	1	3.8	HSBC Saudi Arabia
8	Dubai Sukuk Center	UAE	Sukuk Mudarabah	1,248	1	3.6	Deutsche Bank, Goldman Sachs International
9	Projek Lebuhraya Utara Selatan	Malaysia	Sukuk Musharakah	1,067	10	3.1	CIMB
10	Dana Gas Sukuk	UAE	Sukuk Mudarabah	1,000	1	2.9	JP Morgan
11	Dar Al-Arkan International Sukuk	Saudi Arabia	Sukuk Ijarah	1,000	1	2.9	ABC Islamic Bank, Arab National Bank, Deutsche Bank, Dubai Islamic Bank, Gulf International Bank, Kuwait Finance House, Unicorn Investment Bank
12	Cherating Capital	Malaysia	Exchangeable Sukuk	850	1	2.4	Deutsche Bank (Malaysia), JP Morgan, CIMB
13	Hijrah Pertama	Malaysia	Sukuk Ijarah	847	2	2.4	Citigroup, CIMB
14	Nakheel Development 2	UAE	Sukuk Ijarah	750	2	2.2	JP Morgan
15	DIB Sukuk	UAE	Sukuk Musharakah	750	1	2.2	Barclays Capital, Citigroup Global Markets, Standard Chartered
16	Golden Belt 1 Sukuk	Saudi Arabia	Sukuk Manafaa	650	1	1.9	BNP Paribas
17	Cagamas MBS	Malaysia	Sukuk Musharakah Islamic Residential Mortgage Backed Securities	620	7	1.8	Standard Chartered, National Bank of Pakistan
18	DAAR International Sukuk	Saudi Arabia	Sukuk Ijarah	600	1	1.7	ABC Islamic Bank, Arab National Bank, Standard Bank, Unicorn Investment Bank, WestLB
19	Rantau Abang Capital	Malaysia	Sukuk Musharakah MTN	570	1	1.6	CIMB
20	Cagamas	Malaysia	Bithaman Ajil Islamic Securities/Mudarabah MTN	568	6	1.6	Cagamas, Aseambankers, HSBC, CIMB
	Total			**34,696**	**324**	**100.0**	

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TOP ISSUERS OF ISLAMIC BONDS — NOVEMBER 2007 – FEBRUARY 2008

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Binariang GSM	Malaysia	Sukuk Musharakah	4,509	9	43.7	CIMB, RHB Investment, Aseambankers, ABN Amro Bank, AmInvestment, OCBC Bank (Malaysia)
2	Jafz Sukuk	UAE	Sukuk Musharakah	2,043	1	19.8	Barclays Capital, Deutsche Bank, Dubai Islamic Bank, Lehman Brothers
3	Projek Lebuhraya Utara Selatan	Malaysia	Sukuk Musharakah	1,067	10	10.4	CIMB
4	Nakheel Development 2	UAE	Sukuk Ijarah	750	2	7.3	JP Morgan
5	Rakia Sukuk Co	UAE	Sukuk Wakalah	325	1	3.2	Credit Suissee Securities (Europe), HSBC, National Bank of Dubai
6	Menara ABS	Malaysia	Sukuk Ijarah	307	8	3.0	Citibank
7	Tamweel	UAE	Convertible Sukuk	300	1	2.9	Barclays Capital
8	Manfaat Tetap	Malaysia	Sukuk Mudharabah	230	1	2.2	Affin Investment Bank
9	DRIR Management	Malaysia	Sukuk Ijarah	102	9	1.0	United Overseas Bank (Malaysia), HWANGDBS Investment Bank
10	Sui Southern Gas Co	Pakistan	Musharakah Islamic bond	82	1	0.8	BankIslami Pakistan, Pak-Brunei Investment
11	Al-Aqar Capital	Malaysia	Sukuk Ijarah	73	3	0.7	AmInvestment Bank
12	Syarikat Bekalan Air Selangor	Malaysia	Bai Bithaman Ajil Islamic Bond	71	4	0.7	HSBC, CIMB, Bank Islam Malaysia
13	Tradewinds Plantation Capital	Malaysia	Sukuk Ijarah	63	8	0.6	OCBC Bank (Malaysia)
14	Alam Maritim Resources	Malaysia	Sukuk Ijarah	61	4	0.6	Aseambankers, Standard Chartered Bank
15	MNRB Holdings	Malaysia	Musharakah MTN	60	1	0.6	Aseambankers
16	Gamuda	Malaysia	Sukuk Musharakah and Sukuk Murabahah	55	1	0.5	Aminvestment, CIMB
17	Pendidikan Industri YS	Malaysia	Al-Bai Bithaman Ajil Islamic Bond	46	11	0.4	Affin Investment Bank
18	Kohat Cement Co	Pakistan	Islamic Sukuk	41	1	0.4	Standard Chartered, National Bank of Pakistan
19	Pace Pakistan	Pakistan	Musharakah Islamic bond	32	1	0.3	BankIslami Pakistan, Pak-Brunei Investment Co
20	Sunway City	Malaysia	Murabahah MTN	26	2	0.3	HSBC
	Total			**10,308**	**97**	**100.0**	

ISLAMIC BONDS	FEBRUARY 2006 – FEBRUARY 2008			
	Manager or Group	Amt US$ m	Iss.	%
1	CIMB	6,392	77	18.4
2	HSBC	3,835	37	11.1
3	Malaysia Government bond	2,863	3	8.3
4	JP Morgan	2,033	4	5.9
5	Citigroup	1,975	14	5.7
6	Deutsche Bank	1,904	19	5.5
7	Barclays Capital	1,560	5	4.5
8	AmInvestment	1,406	60	4.1
9	Aseambankers	1,266	34	3.6
10	Standard Chartered	1,203	32	3.5
11	Riyad Bank	1,066	1	3.1
12	Dubai Islamic Bank	1,022	6	2.9
13	RHB Investment Bank	926	68	2.7
14	BNP Paribas	845	3	2.4
15	Lehman Brothers	810	2	2.3
16	Oversea-Chinese Banking	683	16	2.0
17	Goldman Sachs & Co	624	1	1.8
18	ABN Amro	620	8	1.8
19	Affin Investment Bank	301	21	0.9
20	Arab Banking Corp	263	2	0.8
	Total	**34,696**	**324**	**100.0**

ISLAMIC BONDS	NOVEMBER 2007 – FEBRUARY 2008			
	Manager or Group	Amt US$ m	Iss.	%
1	Binariang GSM	4,509	9	43.7
2	Jafz Sukuk	2,043	1	19.8
3	Projek Lebuhraya Utara Selatan	1,067	10	10.4
4	Nakheel Development 2	750	2	7.3
5	Rakia Sukuk Co	325	1	3.2
6	Menara ABS	307	8	3.0
7	Tamweel	300	1	2.9
8	Manfaat Tetap	230	1	2.2
9	DRIR Management	102	9	1.0
10	Sui Southern Gas Co	82	1	0.8
11	Al-Aqar Capital	73	3	0.7
12	Syarikat Bekalan Air Selangor	71	4	0.7
13	Tradewinds Plantation Capital	63	8	0.6
14	Alam Maritim Resources	61	4	0.6
15	MNRB Holdings	60	1	0.6
16	Gamuda	55	1	0.5
17	Pendidikan Industri YS	46	11	0.4
18	Kohat Cement Co	41	1	0.4
19	Pace Pakistan	32	1	0.3
20	Sunway City	26	2	0.3
	Total	**10,308**	**97**	**100.0**

ISLAMIC BONDS BY COUNTRY	FEBRUARY 2007 – FEBRUARY 2008		
	Amt US$ m	Iss.	%
Malaysia	18,441	279	53.2
United Arab Emirates	8,482	14	24.4
Saudi Arabia	5,716	5	16.5
Kuwait	775	3	2.2
Pakistan	667	17	1.9
Qatar	300	1	0.9
Total	**34,696**	**324**	**100.0**

ISLAMIC BONDS BY COUNTRY	NOVEMBER 2007 – FEBRUARY 2008		
	Amt US$ m	Iss.	%
Malaysia	6,724	88	65.2
United Arab Emirates	3,418	5	33.2
Pakistan	167	4	1.6
Total	**10,308**	**97**	**100.0**

ISLAMIC BONDS BY CURRENCY	FEBRUARY 2007 – FEBRUARY 2008		
	Amt US$ m	Iss.	%
Malaysian ringgit	17,291	277	49.8
US dollar	11,114	23	32.0
Saudi Arabian riyal	3,466	2	10.0
Emirati dirham	2,043	1	5.9
Total	**34,696**	**324**	**100.0**

ISLAMIC BONDS BY CURRENCY	NOVEMBER 2007 – NOVEMBER 2008		
	Amt US$ m	Iss.	%
Malaysian ringgit	6,724	88	65.2
Emirati dirham	2,043	1	19.8
US dollar	1,375	4	13.3
Total	**10,308**	**97**	**100.0**

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DATE	EVENT	VENUE	ORGANIZER
March			
3rd – 6th	Hedge Funds World Middle East 2008	UAE	Terrapinn
10th – 11th	3rd Islamic Banks & Financial Institutions Conference	Syria	Al Salam for International Exhibitions & Conferences
10th – 12th	Islamic Funds Asia 2008	Kuala Lumpur	Terrapinn
11th – 12th	Seminar on Corporate Governance Issues in Islamic Finance	Bahrain	IFSB
	3rd Asian Takaful Conference	Singapore	MiddleEast Insurance Review
16th – 19th	Securitization World MENA 2008	UAE	Terrapinn
	3rd Middle East IPO Summit	Abu Dhabi	IIR Middle East
24th – 25th	3rd International Conference on Islamic Banking and Finance: Risk Management, Regulation and Supervision	Pakistan	IFSB
26th	2nd Public Lecture on Financial Policy and Stability	Pakistan	IFSB
27th	5th International Seminar on Challenges Facing the Islamic Financial Services Industry	Pakistan	IFSB
	Interactive Session on Financial Health of Islamic Financial Services	Pakistan	IFSB
30th	Infrastructure Finance Forum 2008	Dubai	IIR Middle East
April			
2nd	Singapore IFN Forum 2008	Singapore	Islamic Finance Events
7th - 9th	International Ras-Al-Khaimah	UAE	Financial Events International
14th - 15th	The World Takaful Conference	Dubai	MEGA
15th - 16th	Asian Life Insurance Summit	Vietnam	MiddleEast Insurance Review
16th	Brunei IFN Forum	Brunei	Islamic Finance Events
19th - 20th	8th Harvard University Forum on Islamic Finance 'Innovation and Authenticity'	Massachusetts	Harvard Law School, Islamic Legal Studies Program
21st - 22nd	9th Asian Conference on Bancassurance & Alternative Distribution Channels	Kuala Lumpur	MiddleEast Insurance Review
22nd	Islamic Capital Markets	UK	ICG Events
28th - 29th	2nd Middle East Bancassurance Conference	Bahrain	MiddleEast Insurance Review

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