Islamic Finance news

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The World's Global Islamic Finance News Provider

Special Awards Free Issue

Islamic Finance news Awards Deals of the Year 2008 — Full results on page 15

Islamic Finance news Awards Poll 2008 — Full results on page 21

IFN Awards a reflection of reality

The announcement in this issue of the Islamic Finance *news* Awards Poll 2008 and Deals of the Year 2008 have much significance in these times when anyone who has anything to do with money yearns for moral integrity among those who deal with other people's money.

The performance of Islamic financial institutions and those in related sectors — such as law firms and technology providers — is the basis for the awards, and the strong line-up of winners as well as recipients of honorable mention demonstrates not only the depth and breadth of the industry but also the strong principles it abides by to ensure a win-win situation for all involved.

To recapitulate, the US subprime mortgage sector took quite some time to build up a head of steam that triggered an avalanche in the final third of 2008 which swamped the conventional finance players, especially the majors.

It was only at the tail end of the year that its spillover effects, mainly in the form of a credit squeeze and greatly depressed asset and equity prices, had an impact on several Islamic financial institutions.

Hence, the awards tracked the true performance of the industry at a time when the global financial crisis was entrenching itself.

The broad range of categories for both the Islamic Finance *news* Awards Poll and Deals of the Year, and the extensive list of nominees, are ample evidence that prudent, socially responsible and ethics-based practices are the best way to do business.

This week's confession by Satyam Computer Services founder and chairman Ramalinga Raju that he had falsified company accounts by inflating profits for the past several years, which came on the heels of a similar confession by Wall Street financier Bernard Madoff, has served to strengthen public opinion against "business as usual," where anything goes so long as someone makes a buck at anyone else's expense.

President-elect Barack Obama is advocating a US$775 billion stimulus package to put the US economy on the road to recovery which, if it works, would also help other export-dependent countries regain their economic momentum.

His plan includes major investments in infrastructure projects and alternative energy.

The plan presents a golden opportunity for the Islamic finance industry to demonstrate to hardcore capitalists that ethics and good governance in business are indeed good for business, as amply proven by our award winners.

In this issue

AFRICA

FinBank launches four new products

NIGERIA: First Inland Bank (FinBank) has launched four new products. These include the Shariah compliant FinBank Hajj/Umra Account, created for Muslims who are planning to perform the Hajj or Umrah pilgrimage to Mecca. The product has both savings and current account features.

The other three products — FinBank Rent Assistance Product, FinBank Laptop Acquisition Scheme and FinBank Bureau de Change Customers Product — are conventionally structured.

'Islamic banking may reduce crisis impact'

NIGERIA: Islamic banking is fast becoming a possible way to lessen the impact of the global financial crisis, said Hajara Adeola, managing director of Lotus Capital, adding that Shariah compliant investments were insulated from the crisis due to its lack of exposure to interest-based investments.

Islamic financing is also presenting huge opportunities in Nigeria. The success Lotus Capital recorded with the Halal Fund, which was launched in March last year, suggested that the country has blossoming prospects in Islamic finance.

The fund, offered for public subscription, is the first Islamic mutual fund registered by the Securities and Exchange Commission and was 278% oversubscribed.

AMERICA

University Bancorp to delist from Nasdaq

US: University Bancorp will voluntarily discontinue trading on the Nasdaq Stock Market by the 12th January. The company, which has been publicly traded on the exchange for 18 years, said the withdrawal will save the company US$180,000 a year.

Delisting from the stock market will cut legal and accounting costs, said University Bancorp's president, Stephen Lange Ranzini. He pointed out that the company's daily stock trading volume is light, and having publicly traded common stock is not providing much benefit to its shareholders.

"For them, it's a much better deal for us to not expend this kind of money, to have higher earnings, and then their shares may be worth more," said Ranzini. The company is not planning to list on any other public trading platform.

University Bancorp is the parent of University Bank, University Islamic Financial Corp, Midwest Loan Services, University Insurance & Investment Services and University Lending Group.

ASIA

Aseambankers looking into Japanese market

MALAYSIA: Several Japanese firms have expressed interest to work with Aseambankers to develop Shariah compliant capital market products, revealed its CEO, Mohammed Rashdan Mohammed Yusof. The firms are looking into having two-way cooperation, with the conglomerates investing in the region while Aseambankers plans to enhance the Sukuk market in Japan.

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It has not been determined when the deals will be sealed due to the volatility of the global financial market.

Mohammed Rashdan said that Islamic finance is garnering more interest in Japan as well as South Korea due to the financial crisis. "Greater participation from Japanese and Korean institutions will attract liquidity into this region, and we hope to be right there in that playing field," he added.

AIIMAN is fund manager for HwangDBS

MALAYSIA: HwangDBS Investment Management (HwangDBS IM) has appointed Asian Islamic Investment Management (AIIMAN) as the fund manager for its Islamic suite of funds worth over RM230 million (US$66 million). The appointment will result in streamlining the portfolio management focus on the part of HwangDBS IM.

The current financial meltdown has made investors turn to investments that can protect them from the impact of the crisis, said Teng Chee Wai, CEO of HwangDBS IM.

He added that Shariah compliant finance and investment principles recognize the importance of avoiding complex derivatives and highly leveraged companies that call for diligent standards of Islamic investment practices which scrutinize the health of a company's balance sheet, cash profitability, robust business fundamentals and strong management before investing.

The funds to be managed by AIIMAN have also gone through a name change. The HwangDBS Islamic Cash Fund is now known as HwangDBS AIIMAN Cash Fund, HwangDBS Dana Izdihar is now HwangDBS AIIMAN Growth Fund and HwangDBS Dana Fahim is now HwangDBS AIIMAN Balanced Fund.

Jobs still available in financial services

MALAYSIA: The CEO of the Institute of Bankers Malaysia (IBBM) said that despite the current financial crisis, jobs are still available in the financial services industry. Many banks are still opening branches, which would create more job opportunities in the banking sector. There is also demand in the Islamic finance sector in Hong Kong, Singapore and the Middle East.

Dr Mohd Kamal Khir made his comments after a briefing for the new participants of the Financial Sector Talent Enrichment Program (FSTEP) in Kuala Lumpur. The one-year program was mooted by the financial services industry to train highly qualified graduates for employment in financial services institutions. It covers four streams in banking and insurance, namely conventional banking, investment banking, Islamic banking as well as both conventional and Islamic insurance.

Mohd Kamal added that participants will undergo six months' classroom training, followed by a five-month internship. An intensive one-month English language course has been introduced, facilitated by trainers from the British Council.

The first batch of 290 participants completed the program in December 2008, and about half had secured jobs in the financial services industry. The second batch, with 208 participants in total, will complete the program in June.

Esso to sell Islamic CP

MALAYSIA: Esso Malaysia is selling RM150 million (US$42.4 million) worth of Islamic commercial paper (CP) from today, with a 60-day maturity. RHB Investment Bank has been named as the facility agent for the deal.

Esso Malaysia is a unit of ExxonMobil, a US-based oil company.

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Sukuk plans reaffirmed

INDONESIA: The country's finance ministry has reaffirmed its plans to issue Islamic bonds in February, with a three-year maturity period. The ministry's director-general for treasury, Rahmat Waluyanto, said the Sukuk will be offered from the 6th February to 18th February, while the issuance is scheduled for the 25th February.

The size of the Sukuk will depend on how much the market can absorb, he added.

The country is also planning to issue Yen-denominated conventional bonds in the middle of this year.

Bank Islam expands its branch network

MALAYSIA: Bank Islam has opened two new branches in the Klang Valley, bringing its total to 92 branches. According to managing director Zukri Samat, the expansion and investment in the new branches located in Ampang and Kelana Jaya outside Kuala Lumpur are timely as this will enhance Bank Islam's distribution network and service delivery to meet customers' needs.

He added that the two locations were picked based on feedback by customers in and around the areas. The branches have a special area for internet banking while offering self-service terminals such as ATM, cash deposit and cheque deposit machines. They offer a variety of transactions such as opening accounts, an opportunity to invest in structured and wealth management products as well as for financing.

SEBI nod for first Islamic mutual fund

INDIA: The Securities and Exchange Board of India (SEBI) has finally given the green light to the setting up of India's first Islamic mutual fund, to be undertaken jointly by Taurus Mutual Fund and Parsoli Corporation. Parsoli CEO and managing director Zafar Sareshwala said the launch date has not been finalized as it depends on the economic and political conditions in the country.

The fund will invest in Shariah compliant companies. Sareshwala said the fund aims to get INR1 billion (US$20.5 million) of assets under management, adding that a three-member Shariah advisory board has been set up to guide the investments.

Taurus and Parsoli had initially filed the fund's offer document in October 2007, but SEBI had some reservations on the fund, as it targeted a particular community.

'Islamic assets much lower than perceived'

SINGAPORE: Current assets in Islamic investments may report a more modest figure than that cited by many regulators and industry players, said Cerulli Associates in a statement. In its report "Shariah Investing: Market Sizing and Analysis", Cerulli said total mutual funds and discretionary assets under management stood at US$65 billion at the end of the third quarter of 2008, well below the hundreds of billion that was often associated with the market.

The US-based firm said Saudi Arabia is the largest domestic market for Shariah compliant investments but noted that Malaysia has the largest number of registered mutual funds.

A majority of large international managers has yet to launch Islamic mutual funds due to concerns regarding costs, the discrepancy in Shariah standards and the lack of third party distribution, although a growing number manage discretionary mandates for high net worth individuals and family offices.

Cerulli added that the number of Islamic mutual funds has doubled in the last three years, but these are mostly offered by domestic managers.

(Also see IFN Report on page 13)

IFSB issues draft guidelines

MALAYSIA: The Islamic Financial Services Board (IFSB) has issued three Exposure Drafts (ED) guidelines. The industry body is seeking feedback on the guidelines — "Guiding Principles on Governance for Islamic Insurance (Takaful) Operations", "Conduct of Business for Institutions Offering Islamic Financial Services", and "Guiding Principles on Shariah Governance System" — within a five-month consultation period.

All feedback will be considered by IFSB's technical committee, but the board is not obligated to incorporate the views before the guidelines are issued as standards.

Islamic bank has big plans for 2009

THAILAND: Islamic Bank of Thailand (IBT) plans to expand its corporate operations over 2009 to increase yields, said its president Dheerasak Suwannayos. At end-2008, corporate loans amounted to only THB4 billion (US$114 million), or 27% of its total loan book. Meanwhile, retail loans represent the most of the Shariah compliant bank's THB16 billion (US$458 million) worth of assets.

Dheerasak said that IBT hopes to build its auto hire-purchase segment to THB6 billion (US$171 million) this year, from the THB1 billion (US$27 million) recorded at the end of last year. While the bank will still pursue growth in the retail and corporate segments, it aims to extend 60% of its new facilities in 2009 to corporate clients, which has been more profitable than retail clients.

The bank aims to extend THB6.5 billion (US$186 million) in financial facilities, an increase from last year's THB4.5 billion (US$130 million), noted Dheerasak. Last year, IBT posted a pre-provisioning profit of THB130 million (US$4 million), with net profit projected at THB20 million (US$573,000). Non-performing loans were high at THB2

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billion (US$57 million), or 16% of the IBT's total outstanding debt. It aims to cut this to less than 10% of total loans by the end of this year.

Also, the bank plans to open at least eight new branches this year to add to its network of 26 — part of IBT's aim to have a branch in every province within three years, added Dheerasak.

High non-performing financing ratio is worrying'

INDONESIA: The non-performing financing ratio for Indonesia's Islamic banking sector as at the end of November 2008 stood at 4.94%, only slightly lower than the central bank's maximum level of 5%, according to data from Bank Indonesia. This is a sign of the increasingly worrying scale of the global financial crisis which is now affecting even one of the most regulated form of financing, said Adiwarman Azwar Karim, president director of KARIM Business Consulting.

Non-performing financing increased in both real and percentage terms, rising by 0.48% to IDR1.91 trillion (US$175 million) from IDR1.71 trillion (US$156 million) in one month, which is much larger than usual. According to Adiwarman, the increase was mainly due to the crisis affecting the conventional sector.

The Islamic banking analyst said one of the problems facing Islamic banks is that loans taken from conventional lenders by these banks may have caused the banks to face difficulties in repaying their debts when the conventional banks increased their interest rates. "Based on Bank Indonesia's principle of 'one borrower-one credit rating,' such a customer will also be categorized as a delinquent borrower," said Adiwarman.

Another problem facing Shariah compliant banks is their high financing-to-deposit ratios, which are larger than those of conventional banks. At the end of November last year, the average financing-to-deposit ratio in the Shariah sector stood at 111.9%, with outstanding financing facilities of IDR38.5 trillion (US$3.5 billion) and deposits of IDR34.4 trillion (US$3.1 billion). Meanwhile, conventional banks reported that financing to deposit ratios averaged 70% to 80%.

"In order to be efficient, the Shariah banks need to have financing-to-deposit ratios of above 100% so there aren't any idle funds lying around. However, this can give them problems during times of tight liquidity," Adiwarman added.

'Islamic finance will survive better than conventional'

MALAYSIA: The Shariah compliant finance sector in the country won't be as badly affected by the global financial crisis compared to conventional banking, predicts Syed Othman Alhabshi, chief academic officer of the International Centre for Education in Islamic Finance (INCEIF). The industry will see a slight decline, but is expected to bounce back in the fourth quarter of 2009.

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Syed Othman made the comments at an event to announce the collaboration between INCEIF and UK-based Reading University. The two organizations have developed a 12-month Master's program in investment banking and Islamic finance.

He also said that Malaysia still does not have sufficient talent in the Islamic finance sector. "An adequate supply of talent and expertise is vital to support growth," he pointed out. This could cause a serious lack of understanding that could mislead customers, he said.

Big loss to industry

MALAYSIA: Nik Ruslin Nik Jaafar, 44, head of Islamic Capital Markets at the Securities Commission Malaysia, died on the 26th December 2008. He had paved the way for the development of the Islamic capital markets both in Malaysia and internationally.

He played an instrumental role in the formulation of policies and strategies for the Malaysian Islamic capital market, which is now one of the largest and most comprehensive Islamic capital markets in the world. His role in the research and development aspects of Islamic capital market instruments helped pioneer an array of innovative Shariah compliant products.

Brunei sells more Sukuk

BRUNEI: Brunei has sold short-term Sukuk worth BND148 million (US$100 million). The Islamic bonds were sold in four different issuances, with maturity periods ranging from 91 to 364 days.

The latest Sukuk brings the total government issuance to BND1.3 billion (US$877 million). The government has been issuing Sukuk since April 2006.

EUROPE

Da Vinci Invest launches Falcon Fund

SWITZERLAND: Zurich-based Da Vinci Invest has launched the Shariah compliant Falcon Fund to invest in the carbon markets and forestry. The fund will be working closely with Shariah advisors to ensure that the trading strategies used are Islamic.

The Falcon Fund will be trading in the carbon markets on a short-term basis as it takes a long-term approach for forestry. Da Vinci said it expects this strategy to provide value growth, diversification and environmental benefit.

Rainforest Invest, Forest Finance and Miller Forest, which are Da Vinci's advisors, will be sourcing for opportunities in Panama, Costa Rica and Paraguay. Only land that was formerly used for agriculture will be planted, and rainforest will not be cut to create the forest plantations.

The fund has a 2% management fee charge, as well as a 20% incentive fee.

alburaq offers better mortgage rates

UK: alburaq, the Shariah compliant home finance provider, has responded to the recent interest rate cuts by improving its range of Islamic home purchase plans. The new range offers products priced from the equivalent of 5.49% on their home finance, which may fall even lower this year, said the head of alburaq, Keith Leach.

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alburaq will also advice its mortgage holders to study in detail the margin that will be applied in a chosen mortgage, the duration it is guaranteed and if there is any 'collar rate' applicable.

The firm has several distinguishing features, such as fixed margins and unlimited overpayments. "Unlike many of the UK banks, we continue to offer a full range of products and we are still offering buy-to-let finance — which has almost disappeared from the conventional market," Leach added.

The company, based in the UK, is part of Arab Banking Corporation, through its London subsidiary ABC International Bank.

Done: BLME's Premio deal

UK: Shariah compliant Bank of London and the Middle East (BLME) has completed a GBP31.5 million (US$47 million) financial transaction for Premio Group Holdings. The bank has arranged and funded the three-year transaction that will be used to refinance Premio's property portfolio in Mayfair, London.

According to BLME's CEO, Humphrey Percy, the completion of the transaction in a challenging financial market is a great achievement for both the bank and the property developer. "Despite the pressure that the property market is under, we believe there are excellent opportunities to provide financing for companies with strong management and robust assets," he added.

This is the first Shariah compliant transaction for Premio, a joint venture between Chelsfield Partners and Rollpost. The company, established in December 2005, owns more than 50,000 sq ft of prime residential and commercial property in Mayfair.

Pension providers show interest in Sukuk

TURKEY: Institutional investors here have expressed willingness to invest in Sukuk that the government has been mulling over in recent months which would be used to diversify its debt portfolios.

Fatih Bozkurt, an economist at pension provider Oyak Emeklilik, said that Turkish pension schemes could invest up to 10% of their fixed income budget in the Sukuk if their yields are at least two to three percentage points above conventional bond yields.

Meanwhile, Atagun Kilic of AK Portfolio, which manages Turkey's largest pension provider Avivasa, also indicated his support. "If the Capital Markets Board (the regulator) gives permission and if the returns are convenient, why not?" said Kilic.

Avivasa controls 22% of the Turkish pension market, while Oyak Emeklilik has 5.51%.

Turkey's treasury sent a draft bill to the prime minister's office late last year to propose the issuance of Islamic bonds. The country has been in talks with the International Monetary Fund for a possible loan due to the hefty debt redemptions faced by its public and private sectors in 2009.

MIDDLE EAST

QIB to sell 39 million shares to QIA

QATAR: Qatar Islamic Bank (QIB) will issue 39.38 million new shares worth QAR3.8 billion (US$1.04 billion) to the Qatar Investment Authority (QIA). The sale to the sovereign wealth fund will increase QIB's capital by 20%.

The decision follows QIA's US$5.3 billion plan to buy stakes in listed banks as part of its strategy to increase investors' confidence in the country's banking sector during the global financial turmoil. Other banks such as Doha Bank and Commercial Bank of Qatar have also announced their plan for similar capital increase.

A first for Ajman Bank

UAE: Ajman Bank has opened its first branch, making it the first Islamic commercial bank in Ajman. It will offer commercial banking operations, as well as retail services such as current, savings and deposit accounts in major currencies, Shariah compliant credit cards and personal financing services. Ajman Bank also plans to launch new products in the future, including home finance, enterprise banking and payroll management.

The bank's board of directors has approved additional branches in other emirates, namely in Sharjah, Dubai and Abu Dhabi. "We are now in a position to bring a wide range of value-driven banking services to our new customers, opening the door to the next stage of our development," said CEO Yousif Khalaf.

A second Ajman branch is expected to open this month.

DED, ICD sign MoU

UAE: Dubai Department of Economic Development (DED) and the Islamic Corporation for the Development of the Private Sector (ICD) have signed a MoU to enhance their cooperation in project finance and undertake joint studies, programs and initiatives. ICD will also contribute towards supporting development projects in Dubai.

"The MoU will contribute towards establishing a strong working relationship between DED and ICD to allow for greater cooperation between both and catalyze joint efforts to support strategic business sectors in Dubai," said Sami Al Qamzi, DED's director general.

He added that the MoU is in line with the department's objective to consolidate the economy's performance, especially in financial services and logistics.

Al Qamzi signed the MoU on behalf of DED while ICD was represented by its CEO and general manager, Khaled Al-Aboodi.

CBK cancels stake buy while NBK moves in

KUWAIT: Commercial Bank of Kuwait (CBK) has cancelled its plan to buy a 19% stake in Shariah compliant Boubyan Bank from Investment Dar. In December, Dar had agreed to sell its stakes to CBK for KWD94.1 million (US$338 million), with the right to buy back the stake from CBK.

Meanwhile, the National Bank of Kuwait (NBK) has received initial approval from the central bank to buy up to a 40% stake in Boubyan.

Although the two banks have yet to begin talks on the acquisition, all options are on the table, NBK's head of executive office and corporate communication Ahmed Hafez told Islamic Finance *news*. He noted, however, that the cost of the deal has not been decided yet.

Ahmed pointed out that NBK has always been keen to start an Islamic banking operation.

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SHB completes US$207 million Sukuk issuance

SAUDI ARABIA: Saudi Hollandi Bank (SHB) has completed its SAR775 million (US$207 million) worth of Sukuk, which is part of a SAR1.5 billion (US$400 million) Tier-II Sukuk issuance.

The Islamic bond has a 10-year tenor with an option to call it at the end of the fifth year. Investors will receive a return of Saudi Interbank Offered Rate plus 2% yearly distributed twice a year, while the principal investment amount will be returned as a bullet payment on maturity.

The closure of the Sukuk marks SHB as the first bank in the Middle East to support its capital in an Islamic manner, said its chairman, Mubarak Al-Khafrah.

He added that the decision was made to assist SHB's plan to grow its Shariah compliant services and products to meet client requirements as well as achieve higher returns for its shareholders.

DSM replaces four companies in index

QATAR: Doha Securities Market (DSM) has replaced four listed companies in its DSM 20 Index with new ones, following a periodical review in accordance with criteria set by the Market Committee. The companies that have been excluded are Dlala Brokerage and Investment Holding, Qatar Shipping, Qatar Telecom (Qtel) and Qatar Navigation.

The new entrants are Masraf Al Rayan, Al Khalij Commercial Bank (Al Khaliji), Gulf Holding and Barwa Real Estate. The remaining 16 firms maintaining their places in the bourse are Qatar National Bank, Commercial Bank, Qatar International Islamic Bank, Qatar Islamic Bank, Doha Bank, Qatar Islamic Insurance, Salam International, United Development, National Leasing Holding, Qatar Meat & Livestock, Gulf Warehousing, Industries Qatar, Qatar Gas Transport, Medicare Group, Qatar Real Estate Investment and Qatar Fuel.

Among the criteria stipulated by the Market Committee are the company's market capitalization, the number and value of its traded stocks, share turnover ratio, the number of traded days as well as the number of transactions concluded.

BIsB has first drive-in ATM

BAHRAIN: Bahrain Islamic Bank (BIsB) has commenced the operation of its first drive-in ATM in Muharraq. General manager of retail banking services Abdul Rahman Mohamed Turki said this is part of BIsB's efforts to expand its ATM network throughout Bahrain. Several other drive-in ATMs will be operational in other parts of Bahrain soon.

BIsB uses the latest ATM technology to ensure confidentiality and security for its users, he added.

Draft law on shares buyback by companies

SAUDI ARABIA: The country has issued a draft law to enable companies to buy back their shares. The undersecretary for the ministry of commerce and industry, Hassan Agueel, said that 20 out of 126 listed firms had asked the ministry to allow them to buy back their shares following a fall in the bourse last year to its lowest level in four years.

Hassan added that the draft law will be examined by relevant bodies, including the country's Shura Council, before approval.

EIB tightens lending

UAE: Emirates Islamic Bank (EIB) has tightened its lending criteria as part of a precautionary measure to help the bank face the global financial meltdown, said Faisal Aqil, the bank's retail manager. Besides slowing down on corporate and project lending, EIB is also more selective in project financing.

Faisal said the current credit crisis will have an impact on the economy, but its severity is still unclear.

He added that the crisis has already shown its effects in the automotive industry. EIB has not approved any car financing loans in the last three months amid weak demand from consumers.

"Consumers are not going for credit anyway. No one is buying. People are either looking for better deals or waiting to see how the market will develop," said Faisal.

EIB is expected to report a lower net profit for the fourth quarter of last year, but Faisal said the full year results will be better.

Daman Securities ties up with Morningstar

UAE: Daman Securities has launched a new service for its clients — the publication of in-depth third party equity research by Morningstar, a US-based independent investment research provider. The publication will be available to Daman clients at the group's online trading portal Handal from the 18th January with six reports initially, followed by additional reports released on a regular schedule.

Daman said Morningstar research will offer an impartial outlook on the UAE markets besides highly qualified analysis on the UAE investment offerings including stocks, mutual funds and similar vehicles that are useful to meet demand for objective investment planning tools.

"What sets Morningstar apart from other firms is its strong methodology and insightful, well-written analyst reports, which will provide an unbiased and objective international perspective on our equity markets. Morningstar's research, which is consistently of high quality and concise, will certainly be helpful to our analysts and clients when making suitable investment decisions," said Daman's CEO, Shehab Gargash.

Daman Securities, established in 1998, is the brokerage arm of Daman Investments. It is one of the leading financial services firms in the Arabian Gulf.

Rasmala raises US$120 million for fund

UAE: Rasmala has raised US$120 million for Rasmala MENA Private Equity Fund 2, and is confident that it will be able to increase the fund size by another US$230 million in the next few months, said the deputy CEO of the regional investment banking firm, Tamer Bazzari.

The Shariah compliant fund capitalizes on Rasmala's experienced management team, its presence in the Gulf Cooperation Council (GCC) markets and Egypt, its strong deal-sourcing and execution abilities, as well as its proven track record. Its focus is on mid-cap opportunities in the GCC and Egypt that benefit from the region's gross domestic product growth, and has a target internal rate of return of 25% a year.

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Rasmala MENA Private Equity Fund 2 has invested in the UAE manufacturing sector and is studying several opportunities in the banking, oil and gas, logistics, healthcare and education sectors.

Deyaar to go 100% Islamic

UAE: All future contracts of Deyaar Development will be Islamic. Its CEO, Markus Giebel, said the real estate developer will only deal with Shariah compliant banks.

Deyaar will reassess its current projects to ensure that its prices are in line with the market situation. Its board also suggested reconsideration of projects in the future in light of the new developments in the domestic and global real estate markets.

Giebel said it is vital for real estate firms to scrutinize their cash flow, adapt their product portfolios and evaluate their non-core businesses to effectively prevent possible imbalances in the future in terms of resource allocation. He added that the real estate sector in Dubai is in a transitional phase, and international expansion may be just what it needs to ensure diversification of revenues and a balanced project portfolio.

The CEO said that growth will continue within the region, hence long-term opportunities need to be identified and businesses must be adaptable to make full use of it.

Minhaj launches operations in DIFC

UAE: Minhaj Sha'riah Financial Advisory has launched its operations in the Dubai International Financial Centre (DIFC). "Minhaj provides Shariah advisory and religious opinions by forming a Shariah board for financial companies and institutions," said Sheikh Amin Fateh, the firm's resident Shariah advisor.

The board is made up of well known and highly acclaimed scholars who are knowledgeable and experienced in the Islamic financial services industry, he added. They include Mohammad Sultan Al Olama, Muhammad Amin Qattan, Yousef Abdullah Al-Shubaily, Sheikh Abdul Sattar Kattan, Ibrahim Ali Alshal, as well as the chairman of Minhaj, Abdul Sattar Abu Ghuddah.

According to Abdul Sattar, the firm will be the Shariah board for several financial institutions. It will safeguard Islamic financial firms through planning and guidance, review of forms and contracts, provide recommendations on products based on Islamic law, supervision to ensure the law is not violated, and auditing.

Minhaj is the result of a partnership between Tharaa Holding and a number of scholars specializing in the Islamic financial services industry.

It aims to reach more markets in the future in its bid to become a prominent player in offering the best Shariah compliant financial advisory solutions.

Banks can tap up to US$200 million a day

UAE: The Central Bank of the UAE has provided two facilities for conventional and Islamic banks in the emirates to enable them to meet their foreign currency requirements due to the current credit crisis. Banks can borrow up to US$200 million a day, according to statements on the bank's website.

Conventional banks are required to borrow against certificates of deposits, while Shariah compliant lenders are offered swaps with a US$1 billion overall limit per bank. The tenors for both facilities are set for one week, one month and three months.

DMCC, Shariah Capital launch Islamic index

UAE: The Dubai Multi Commodities Centre (DMCC) Authority and Shariah Capital have launched the Dubai Shariah Hedge Fund Index, the first internationally-recognized index that comprises solely Islamic hedge funds.

The Islamic index will be calculated and reported by Thomson Reuters. It reflects the performance of the Dubai Shariah Asset Management (DSAM) Kauthar Commodity Fund, a fund-of-funds comprising four single-strategy, commodity-focused funds that invest exclusively in Islamic long and short equity hedge funds on the Al Safi Trust platform.

The four funds — DSAM Kauthar Gold Fund, DSAM Kauthar Energy Fund, DSAM Kauthar Natural Resources Fund and DSAM Kauthar Global Resources and Mining Fund — have been seeded with US$50 million each by DMCC Authority.

The Dubai Shariah Hedge Fund Index has a dual purpose, said Ahmed Sulayem, DMCC Authority's executive chairman. One is to provide a benchmark for investors looking for absolute investment returns, while the other is confirming Dubai's role in Islamic finance by its support of innovative solutions for those interested in Shariah compliant investment products.

"We have taken exhaustive steps to ensure that each company within the funds' portfolios passes our Shariah screens and that all trading is executed within the strict parameters established by the Al Safi Trust Shariah Supervisory Board," said Sheikh Yusuf Talal DeLorenzo, the chief Shariah officer and board member of Shariah Capital. He added that the information about the index and hedge funds is disclosed to the public and distributed regularly to reporting agencies and fund data bases globally.

NBK, Red Crescent donate ambulance for Gaza victims

KUWAIT: As part of its emergency donation campaign, the National Bank of Kuwait (NBK) has collaborated with the Kuwait Red Crescent Society to donate an ambulance to serve victims of the conflict in the Gaza strip.

NBK CEO Isam Al Sager said the bank's branches, call centers and online banking system Watani on Line will receive and distribute the donations.

Al Rajhi's new and improved ATMs

SAUDI ARABIA: Having obtained approval from the Saudi Arabian Monetary Agency, Al Rajhi Bank has installed advanced automated teller machines (ATMs) across Saudi Arabia that accept internationally-recognized chip cards. The bank said Visa will provide technical and consultancy support for the ATMs.

The ATMs offer increased safety and convenience for its customers, said Al Rajhi. The chip cards replace the magnetic stripes that are less secure, it added, but the ATMs will still accept cards that do not bear the new chips.

"A chip transaction is secure and these new ATMs will make it even less likely that a Visa chip cardholder will have his card used fraudulently," said Ihab Ayoub, general

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manager of Visa in Saudi, Kuwait, Bahrain, Oman and Yemen. Holders of the chip cards are able to withdraw money directly from their Visa credit or debit cards and will no longer have to carry travelers' checks, said Abdullah Sulaiman Al Rajhi, CEO of Al Rajhi Bank.

CMA promotes transparency

SAUDI ARABIA: Saudi Arabia's Capital Market Authority (CMA) has ordered listed firms to announce the compensations and remuneration paid to their boards in its bid to promote transparency. They are also required to disclose the payments to the highest-paid five executives.

In November, the regulator said that listed firms have to comply with corporate governance rules on disclosures in reports by their boards as of 2009. Previously, adherence was made voluntarily since they were issued in 2006.

SHUAA exits from KSE

UAE:SHUAA Capital has confirmed that its shares have been delisted from the Kuwait Stock Exchange (KSE). All of its shares are now trading on the Dubai Financial Market (DFM) in its bid to improve the firm's liquidity and trading volumes, said Oliver Schutzmann, SHUAA's head of investor relations and corporate communications.

"SHUAA decided to delist its shares from the KSE due to inconsistencies in regulations between the DFM and the KSE, making it difficult for dual listed companies to comply with the regulations of both exchanges," he added.

SHUAA's shareholders had decided on the removal in June 2008, and the shares were delisted from the KSE effective from the 1st January 2009.

IDB board approves US$2.5 billion financing plan

SAUDI ARABIA: Islamic Development Bank's (IDB) board of executive directors has approved the US$2.5 billion operational plan to finance various development projects.

It includes US$2.1 billion toward regular funding and US$381 million for programs and projects in member countries. The board also endorsed US$357 million worth of loans for the Islamic Solidarity Fund for Development that will be used to alleviate poverty. It authorized 153 operations covering 56 projects, and 87 technical assistance programs, totaling US$2.13 billion.

Other plans that got the green light are US$277 million for development projects and technical assistance in member countries, and grants from the Waqf Fund for Islamic communities in non-member countries.

Countries that will benefit from the project financing fund are Turkey, Uzbekistan, Chad and Burkina Faso. Meanwhile, the grants from the Waqf Fund will benefit communities in India, Sri Lanka, Nepal and Myanmar.

Global defaults on debts

KUWAIT: Global Investment House has defaulted on most of its debts as it faces a crisis of investment firms affected by the global credit crunch, said the investment bank in a statement to the London Stock Exchange. The bank has a listing in the stock exchange for global depositary receipts.

It added, however, that it will continue to service all its interest and coupon payments on a timely basis.

Last month, Global revealed that it would need up to US$1 billion worth of loans to replace foreign debt, while its ratings were lowered by both Fitch Ratings and Standard & Poor's Rating Services.

(Also see IFN Report on page 14)

CEO: Nakheel has sufficient funds

UAE: Nakheel has enough cash to complete its existing projects and does not see any issue when its US$3.52 billion Sukuk matures at the end of this year, said CEO Chris O'Donnell. The Sukuk was issued in November 2006 and is trading at a yield to maturity of 17%.

He added that the real estate firm has no plans to sell an equity stake to a sovereign wealth fund and is not in merger talks with sister company Limitless.

QIB plans expansion

QATAR: Qatar Islamic Bank (QIB) plans to expand in Europe and Asia, and will develop financial instruments to meet the demand for more Islamic banking and financial services, said its chairman, Sheikh Jassim Hamad Jabr Al Thani.

The bank has been licensed by the UK's Financial Services Authority to establish European Finance House and will be prepared to open similar financial houses in France and Germany.

It plans to expand its Malaysia-based Asian Finance Bank by opening offices in Indonesia, Singapore and Brunei, and is also looking at the Lebanese market. Sheikh Jassim said: "Acquisitions are also a part of our growth strategy, and we are evaluating a few options."

He added that QIB has laid out a five-year strategic business plan until 2012 to consolidate and maintain its position in the Islamic banking sector in Qatar and to be known as the leading global provider for Shariah compliant banking.

To implement the plan, QIB has been restructured and has hired external advisors and auditors to evaluate its IT, human resources and organizational setups.

US$4 trillion seen for Islamic banking

QATAR: Islamic banking is forecast to grow to up to US$4 trillion in size over the next five years, said Qatar Islamic Bank (QIB). It described Islamic banking as a worldwide phenomenon that and has attracted a number of international financial centers, such as London and Singapore, to offer Shariah compliant financial products and services as well.

The Gulf Cooperation Council region is leading the pack in global Islamic banking. According to QIB, the Qatar government, as a supporter of Shariah-based finance was one of the first Islamic countries to issue an international Sukuk, in 2003.

Being one of the fastest growing segments of Islamic finance, the global Islamic bond market now stands at US$82 billion, and the International Monetary Fund expects it to grow to up to US$150 billion in the next three years, the bank added.

Another segment that has been growing is the Islamic asset and wealth management market, with around 250 Islamic mutual funds with an estimated US$300 billion in assets, said QIB.

ASIA

PruBSN plans expansion

MALAYSIA: Prudential BSN Takaful (PruBSN) plans to open seven branches this year at a cost of RM1 million (US$300,000) each, said CEO Mohamad Salihuddin Ahmad. PruBSN already has three offices in Kuala Lumpur, and the new branches will be located in seven state capitals in Malaysia.

Mohamad Salihuddin said the firm aims to create awareness among the public that Takaful is not meant for Muslims only. "Takaful is a system and has nothing to do with your faith," will be the message. The sector is still largely untapped in Malaysia, as the penetration rate is only 8%, compared to 40% for conventional insurance.

SCOR gets LOFSA's license for reTakaful

MALAYSIA: SCOR Global Life has been granted a license from Labuan Offshore Financial Services Authority (LOFSA) to provide re-Takaful products. The Labuan branch, called SCOR Global Life Takaful, is its second Islamic reinsurance license, following a non-life license granted in 2007.

The branch is expected to enable SCOR to provide comprehensive Islamic reinsurance solutions to its clients and will also help the firm meet new regulatory requirements, said CEO Gilles Meyer. The firm expects to add 20 clients under the new license within the next year, he added.

The Labuan office is part of SCOR's Singapore hub, the headquarters of its Asia-Pacific network. In the region, it has offices in Bangkok, Beijing, Hong Kong, Kuala Lumpur, Labuan, Mumbai, Seoul, Sydney, Taipei and Tokyo.

MIDDLE EAST

AMAN's new product

UAE: Dubai Islamic Insurance & Reinsurance Company (AMAN), in cooperation with Oracle Med Health, has launched a new health Takaful scheme. It includes the Al Shifa Silver plan at a value of US$1 million with a worldwide cover excluding the US and Canada, and the Al Shifa Gold Plan at a value of US$5 million whose global coverage also includes the US and Canada.

AMAN COO Iqbal Mankani said the plans also provide other benefits such as free air transport for patients and third party accompaniment, free accommodation for a third party to accompany the patient, evacuation, 24-hour emergency service and medication.

According to AMAN CEO and managing director Hussain Al Meeza, the new Takaful initiative demonstrated its commitment to its customers in the UAE. "AMAN is always keen on providing customers with high quality insurance services which adhere to Shariah principles," he said, pointing out that the firm constantly carries out the required research and studies to identify the demands and needs of different segments of UAE nationals and residents.

Noor Investment launches Noor Takaful

UAE: Noor Investment Group has launched Noor Takaful Family and Noor Takaful General, two Islamic insurance entities that offer the Noor Takaful brand of comprehensive and innovative Shariah compliant insurance products. The companies are based in Dubai and have a combined paid-up capital of AED150 million (US$40.8 million). Noor Takaful will begin its operations at four locations in the emirates of Abu Dhabi, Dubai and Sharjah.

The products offered under Noor Takaful Family are designed to cater to customers' needs, such as healthcare, group family and life. On the other hand, Noor Takaful General offers products to provide against loss or damage to assets related to the marine, engineering and aviation industries. Noor Takaful also plans to launch a saving scheme in the future.

"We are confident that Noor Takaful will position itself as the region's leading Islamic finance institution in both size and stature, and will raise the bar on international best practices in the industry," said Noor Investment Group CEO Hussain Al Qemzi. He added that the launch and development of a world-class Takaful product portfolio and services marks the group's entry into a thriving sector within Islamic finance.

Noor Takaful CEO Parvaiz Siddiq said the Islamic insurance firm aims to capture a 5% share of the UAE insurance market, estimated at AED15 billion (US$4.1 billion), within the next five years.

ASIA

BSM gets an 'A+'

INDONESIA: Bank Syariah Mandiri's (BSM) national long-term rating has been affirmed at 'A+', while its subordinated Sukuk was given an 'A' by Fitch Ratings. The outlook is stable.

Fitch said the rating reflects the support the bank gets from its parent, Bank Mandiri, such as the financial and technical assistance in developing its Shariah compliant banking operations. The rating is also testament to the rating agency's opinion of BSM's ability to meet its financial commitment on a timely basis.

MARC upgrades Atlan

MALAYSIA: Atlan Holdings' RM90 million (US$26 million) Murabahah underwritten notes issuance facility/Islamic medium-term notes have been upgraded by MARC to 'MARC-1ID /A+ID' from 'MARC-2ID /AID', with a stable outlook. The higher rating is based on the overall improvement in the credit profile of the enlarged Atlan group following the acquisition of Naluri Corporation.

The stable outlook is based on expectations of a steady revenue performance and cash flows for the group, supported by Naluri's established duty-free business franchise, which continues to have strong prospects.

MARC downgrades Evermaster's facilities

MALAYSIA: MARC has lowered the long-term and short-term ratings on Evermaster Group's RM50 million (US$14.3 million) Al Bai Bithaman Ajil Islamic Debt Securities (BaIDS) and RM40 million (US$11.4 million) worth of Murabahah Multi-Option Notes Issuance Facility (MONIF) to 'DID' from 'MARC-4ID' and 'BB-ID' respectively. The downgrades are due to the group's failure to meet the scheduled redemption of the BaIDS worth RM15 million (US$4.3 million) which was due on the 30th December 2008.

Prokhas, a wholly-owned subsidiary of Minister of Finance Inc, which is the sole holder of the BaIDS, had earlier given an indulgence to Evermaster Group to defer its scheduled sinking fund payments and to submit its proposal to restructure the facility. However, the company failed to complete the restructuring before the 30th December, which caused the downgrading in the rating to a default status. MARC had also lowered the rating on the MONIF to 'DID' to reflect a cross-default under the notes.

RAM gives Naim Cendera a stable outlook

MALAYSIA: RAM Ratings has reaffirmed the long-term and short-term ratings on Naim Cendera Holdings' RM500 million (US$143 million) Islamic commercial paper program and Islamic medium-term notes program at 'AA3' and 'P1' respectively. The outlook is stable.

This is reflective of Naim Cendera's well-established market position in the construction and property sectors in the state of Sarawak, sizeable low-cost land bank in excess of 809 hectares and a strong balance sheet. However, RAM noted that the ratings are moderated by the nature of the property and construction industries, the potential exposure to foreign ventures and its geographical concentration.

Naim Cendera is an established contractor firm which has completed more than RM1.3 billion (US$371 million) of jobs for both the Federal and Sarawak governments.

RAM places SDEB's facility on Rating Watch

MALAYSIA: The 'AA3' rating on Senai-Desaru Expressway's (SDEB) RM1.46 billion (US$417 million) nominal value Bai Bithaman Ajil Islamic debt securities has been placed on Rating Watch by RAM Ratings with a negative outlook.

The rating action is due to the longer-than-expected completion of and persistent delays in the construction of the expressway despite the implementation of several revised work programs. The expressway was originally slated to be completed on the 30th June 2008, but the latest revised work program, RWP4 which is still pending bondholders' approval, calls for the expressway to be completed by the 31st May 2009 (Packages 1 and 2) and the 30th June 2009 (Package 3).

The slow progress of the completion of the expressway is mainly due to the financial problems of its turnkey contractor, Ranhill Engineers and Constructors.

MIDDLE EAST

S&P assigns 'BBB' to Takaful International

BAHRAIN: Standard & Poor's Ratings Services (S&P) has assigned 'BBB' to Takaful International's long-term counterparty credit and insurer financial strength ratings, with a stable outlook. The ratings are reflective of the Islamic insurance firm's good operating performance and financial flexibility. However, these are partially offset by the small size of the company, operating in the relatively small market in Bahrain, and only adequate capitalization at the current level.

The rating agency said that positive rating action is unlikely in the rating horizon while negative rating action could result due to failure to strengthen capitalization in the first half of 2009. It can also result from the weakening in the earnings and competitive position.

S&P affirms Jordan's credit ratings

JORDAN: The long-term and short-term foreign currency sovereign credit ratings on Jordan have been affirmed at 'BB' and 'B' respectively by Standard & Poor's Ratings Services (S&P). The agency also assigned 'BBB' on the country's long-term local currency sovereign credit rating, while the short-term rating gets an 'A-3'. However, the transfer and convertibility assessment was revised to 'BBB' from 'BBB-'. The outlook is stable.

The rating agency noted that the Jordanian government has maintained a stable macroeconomic outlook despite challenges such as high oil and food prices in the first half of the year, and a deteriorating global economic environment. According to S&P, the ratings are constrained by high government debt burden, below-par external liquidity, regional security concerns and solid direct investment inflows as well as high official transfer receipts.

S&P said that in the medium term, fiscal and external improvements that are beyond current expectations could support a positive rating action. On the other hand, any slippage in fiscal and economic reform implementation, as well as increases in regional or political risks that can worsen Jordan's budgetary and external imbalances, could undermine the country's rating.

SINGAPORE

Upbeat on Shariah style mutual funds

A research and consulting firm specializing in the financial services industry has projected a 12% compound annual growth rate for the Shariah compliant mutual fund market. Cerulli Associates, which recently released its report entitled "Shariah Investing: Market Sizing and Analysis", believes that although the size of the current market has been overstated, there is great potential for growth.

It attributed the underpinning growth to the strong demographics of Muslim countries, the increasing wealth and sophistication of the retail client base, great interest among the client base in investing along the lines of religious principles, and the fact that two countries with the largest Muslim population (Pakistan and Indonesia) were adopting strategies to boost Islamic finance.

Cerulli's report focuses on the Islamic asset management marketplace globally and addresses market sizing, product development and distribution strategies. It also covers the key Gulf states, Malaysia, Pakistan, Indonesia, offshore centers such as the Cayman Islands, and non-Muslim markets like South Africa and the US. Estimating the mutual funds and discretionary assets under management in the region of US$65 billion at the end of the third quarter of 2008, Cerulli states that while many Islamic indices have suggested that Shariah equity investments have performed on a par with the conventional counterparts, they too have not escaped the recent global financial downturn.

However, it expected that once markets stabilize, the industry could continue to expand at above 10% per annum, driven by the large amount of Islamic bank deposits, new products and asset classes and increased regulatory support from governments, such as that introduced to great effect in Malaysia. Saudi Arabia tops the list as having the largest domestic market for Shariah investments, accounting for almost half of the Islamic mutual funds in the world by assets while Malaysia is cited as having the most registered Islamic mutual funds although it lags behind Saudi Arabia in terms of assets size.

Cerulli noted that other Middle Eastern markets have significant Shariah fund management industries, with Bahrain remaining the regional hub and Kuwait close behind. It disclosed that the market currently was mainly retail, mass affluent and in certain countries, high net worth, driven primarily driven by religious considerations besides the performance. The report also stated that the majority of large international managers have yet to launch a Shariah compliant mutual fund due to concerns on cost, the discrepancies in Shariah standards and the lack of third party distribution. This is despite the growing numbers of these managers handling discretionary mandates for high net worth individuals and offices.

Shiv Taneja, Cerulli's managing director and head of the international research practice, said: "Nevertheless, assets in discretionary portfolios will continue to lag the retail market unless some large institutions — in particular, Middle East-based sovereign wealth funds — decide to invest in accordance with Shariah principles. To do so, these institutions must be convinced that performance will not be compromised."

By Raphael Wong

MALAYSIA

Greater exposure for Labuan

Bank Negara Malaysia governor Dr Zeti Akhtar Aziz recently opened the premises of Labuan IBFC Inc, the marketing and promotional arm of the Labuan Offshore Financial Services Authority (LOFSA), in Kuala Lumpur. She hoped that Labuan "will no longer be Malaysia's best kept secret" as a regional financial center.

Bank Negara governor Dr Zeti Akhtar Aziz opens the premises of Labuan IBFC

Labuan IBFC Inc was set up by LOFSA to be the agency to market Labuan IBFC as a premier international business and financial center that is Asia's most connected, convenient and cost-efficient. With the rebranding of Labuan International Offshore Financial Centre to an International Business and Financial Centre (IBFC), five key areas were identified as focus market segments:

- The preferred jurisdiction for international holding company structures in Asia.
- A center to create and manage private and public equity funds.
- The facilitator in the captive insurance sector.
- A leading hub for Islamic finance.
- A niche domicile for wealth management.

"The attraction of Labuan IBFC is universal — investors from China, India, the Middle East, Europe and the Americas are all looking for an offshore center that can offer ease of operations, low operational costs and a tax-friendly environment," Labuan IBFC Inc CEO Martin Crawford said.

"Labuan has an ideal geographical location and investors recognize the advantage of Labuan's strategic location between the growing economies of China and India, its close ties with the Gulf Cooperation Countries and its proximity to regional financial centers," he pointed out. "And most importantly, Labuan has the support of a proactive governing body and strong backing from the Malaysian government working to create an IBFC which aims to be one of Asia's best."

As part of the ongoing regulatory review, eight changes in the legal framework surrounding Labuan IBFC will be introduced within the first quarter of 2009 with the aim of establishing a more business friendly and flexible regulatory structure.

One of these will be the introduction of the Labuan Islamic Financial Services and Securities Act 2008, which is a comprehensive set of regulations covering all aspects of Islamic finance activities.

Presently, Islamic finance activities at Labuan are governed by a series of guidelines and supplementary legislations.

By Labuan IBFC

KUWAIT

'IFIs can stumble yet recover with enhanced reputation'

A dark cloud hung over Kuwait this week as news of another Islamic financial institution to be affected by the global economic crisis surfaced. A Kuwait daily reported that two units of Kuwait Projects Co (Holding), or Kipco, plan to file a precautionary seizure lawsuit against The Investment Dar (TID) for failing to repay a KWD18 million (US$65 million) debt on time. It was also reported that TID was in preliminary talks with local banks and Saudi investors to sell them stakes it owns in subsidiaries or projects in a bid to provide liquidity to repay its debts.

Kuwait's biggest investment bank, Global Investment House, also facing similar woes, this week announced that it had defaulted on most of its debt. Global, which has heavily invested through mutual funds in many international markets, said last month it would require loans totaling US$1 billion to replace foreign debt. Islamic Finance *news* obtained the views of Moody's vice president/ senior credit officer Anouar Hassoune on the news about TID and Global and on how the Islamic finance industry is weathering the global economic crisis.

There are reports to indicate that Islamic finance institutions are not fully shielded from the global economic crisis. What are your thoughts on this and are we now seeing this happening, especially with recent financial troubles of Kuwaiti companies such as Global and TID? What do you think are the factors that contributed to their financial woes?

Islamic financial institutions (IFIs) have been more resilient to the current crisis than their conventional counterparts, because direct investment in subprime assets and their derivatives (such as CDOs and SIVs etc.) was just impossible, as per the principle of no-riba and no-gharar. However, IFIs are not risk-immune and, like any other financial institution these days, face three types of constraints:

- Liquidity is scarce and liquidity management, one of the structural weaknesses of IFIs, is becoming even tougher.
- Asset price decline: IFIs can and do invest in tangible assets but these, in a situation of crisis, tend to lose value, and liquidating them means accepting a huge discount.
- Asset quality deteriorates across the board because of the impact on the real economy of the current financial turmoil, and IFIs will suffer as much as their conventional peers.

Those IFIs involved mainly in credit - capturing deposits to serve financing to households and companies are less impacted than investment houses. Global and TID are not banks per se; they have banking licenses but they behave economically as investment funds. Therefore, asset price decline, asset quality deterioration and the liquidity crunch are more painful for them than for deposit-taking commercial banks. Investment houses especially face a funding issue; wholesale funded, they face the risk of sharp and sudden fund withdrawal, with no renewal of liquidity lines, which would trigger emergency liquidation of assets at a deep discount. We do not rate Global or TID, so we cannot comment more, but such a scenario is undoubtedly very likely.

Do you see this trend eventually spreading to other sectors of the Islamic finance industry? The real estate sector has already been badly hit and this has impacted on some of the financial institutions. Would you consider the financial woes in the industry as being short-term or is it also facing the same outcome as the conventional counterparts. How would it differ?

In our recent report on "Gulf Islamic banks' resilience amid global credit woes", we've already stated that 2009 will be a difficult year. The sort of asset growth we saw in 2007 and even in 2008, around 25%, will not be repeated this year. Our base-case assumption is that the Islamic banking industry will grow by only 10% to 15%. Liquidity ratios are deteriorating because banks are using their own excess liquidity accumulated in the past to fund their incremental business volumes. Funding is becoming increasingly costly; retail depositors are more cautious, and savvy corporate depositors are asking for more returns to compensate for mounting perceived credit risks.

On the other side of the balance sheet, defaults of corporate and retail borrowers are expected to rise sharply, which will trigger more conservative credit policies, - less credit volumes and more provisioning charges. Asset classes like real estate, Sukuk, equity and private equity are expected to underperform their historical returns. Lower volumes, shrinking margins and deteriorating asset quality will all weigh on IFIs' profitability and ultimately their capitalization. But once again, the impact will be more manageable than for conventional peers. Fortunately, Islamic banks have been very profitable in the past and therefore have accumulated large amounts of capital, making them prepared to absorb this sort of shocks.

Conventional banks have had greater appetite for exotic asset classes like bank bonds, hedge funds and direct exposures to global financial institutions and insurers, which Islamic banks have not been able to do. In that sense, asset quality deterioration at conventional banks may be sharper. In addition, peer conventional banks used to be less well capitalized and less liquid, and therefore will find it more difficult to book new business amid current market conditions. To grow today, a bank must have accumulated excess liquidity and capital in the past; most commercial Islamic banks have; some peer conventional banks haven't.

Would the "light at the end of the tunnel" come sooner for IFIs as opposed to the conventional financial institutions?

From a conceptual perspective and as far as reputation is concerned, Islamic banks will probably be one of the big winners when the crisis is over. As a subset of ethical finance, IFIs are now considered not so much a niche business standing at the margins, but rather as a credible, viable and sustainable alternative business model for sound, ethical and socially responsible banking. Many now believe that mainstream finance has been too far into excess leverage, meaningless innovation and value-destroying investments.

Islamic bankers tend to respond to a monetary, banking and financial system which as a whole is there to serve the real economy and not be served by it. In a sense, the Islamic banking model, without being the panacea, inherently calls for the social and economic responsibility of those who create money with credit, using balance, care, honesty and transparency in doing business. What Islamic banking says is also that debt is a responsibility and should not be overly traded; that money is a measure of value, not a commodity; and finally that human factors are the cornerstone of any economic and financial system, not just profits.

In that sense, IFIs may not recover faster than conventional peers, but when banks and investment houses do recover (bearing in mind that some may fail), Islamic banks would undoubtedly find their reputation strengthened.

By Raphael Wong

Islamic Finance news Awards

Deals of the Year 2008

To many of us 2008 seems the year of abject failures and abysmal performance. Surprisingly, the Sukuk market wasn't so bad, with originations 12% greater than in 2006 (even if they were down 53% from 2007). Emerging markets, the heart of the Islamic market space, were still active, thanks to strong ongoing business and attractive oil prices for most of 2008. The Islamic space benefitted from a migration of talent and attention from the western markets to the emerging and Islamic markets. And, within the Gulf countries, Malaysia and other emerging markets' real estate and infrastructure projects continued to generate opportunities for new business. As a result, Islamic Finance *news* received the largest number of submissions ever. The quality of submission was excellent, and the variety of deals and sophistication reflected a market that is deepening. Here we go with our 2008 Deals of the Year!

Deal of the Year: Projek Lintasan Shah Alam (PLSA)

Lead arranger and advisor: RHB Investment Bank and RHB Islamic Bank. Sukuk al Ijarah RM330 million (US$94 million) and Sukuk al Mudarabah RM415 million (US$118 million).

The deal applies Ijarah mawsufah fi dhimmah for construction finance and Mudarabah for working capital. With 20 high quality submissions, this was one of our more difficult selections since we started the DOTY proposal. Chelsea Barracks, Purple Island, Central Bank of Bahrain, WCT Engineering and many other deals, winners in our other categories, all brought excellent merits forward. We selected PLSA for three important reasons:

1. The deal met strict GCC structuring guidelines, demonstrating that Malaysia is a global player, not merely a market with unusual practices;
2. The transaction was successfully marketed in the GCC and Malaysia; and,
3. The deal served important domestic infrastructure needs by crafting Ijarah and Mudarabah tranches side by side in a deal that would have previously used the BBA and Istisna forms as securities.

Sukuk of the Year: Tamweel Sukuk

Tamweel's AED1.1 billion (US$300 million) was arranged by Badr Al Islami, Dubai Islamic Bank and Standard Chartered.

This deal was rated "A3" by Moody's Investor Services and "A" by Fitch Ratings, and pools Ijarah and Istisna transactions to generate a yield of EIBOR plus 225. The deal was closed in July 2008 at the height of the market meltdown. The five-year deal matures in 2013 and was over-subscribed. Tamweel represents a pass-through security in the Islamic mortgage alternative space and represents an important anchor for the emerging Islamic asset-based market in the Gulf states.

This was a hotly contested category with more contestants than ever. Honorable mention goes to Khazanah Nasional, Villamar, Central Bank of Bahrain, Tabreed, Purple Island, Sun Finance, PLSA and Saudi Hollandi.

Most Innovative Deal of the Year: WCT Engineering

Lead Arranger: Aseambankers. RM300 million (US$85 million) Sukuk al Musharakah with warrants.

The deal is rated "AA-" by MARC. The transaction blends Shirkah al inan (limited investment partnership) with an aqd al tabbaru' (a gratuity contract) which forms the warrants. Although the concept of detachable warrants is controversial, the approach to this problem by making them a grant is a solution which merits considerable review in all Islamic markets. The addition of the warrants builds on the concepts applied in earlier convertible Sukuk as well as helping to evolve the market. The actual warrants are a grant by WCT and their prospective remarketing was accepted by the relevant Shariah boards (Aseambankers' and the Securities Commission Malaysia's) as the receiver's choice since the warrants represent legal ownership of an asset — the claim on shares in the company.

Again, this was a year of exceptional innovation; PLSA, ZOSCO, Brunei Gas Carriers, Sun Finance and Villamar all deserve honorable mention.

Equity Deal of the Year: Saudi Hollandi Bank

Lead Arranger: Saudi Hollandi Capital.

This was a tough decision. WCT Engineering, DP World and United Development Company transactions are worthy, but this is the first Tier II capital securities issuance in the Islamic space. The SAR775 million (US$207 million) deal is based on Mudarabah and generates an expected income of SIBOR plus 200 bps and a step up in the yield after five years. This is one of the first quasi equity deals in the Islamic space (Maybank's last year was the first Islamic subordinated Sukuk deal). We feel that this important landmark trumps the other excellent deals which were submitted this year.

Honorable Mention: Khazanah Nasional, DP World, United Development Company and My ETF.

Sovereign Deal of the Year: Pakistan Domestic Sukuk

Government of Pakistan's three-year PKR6.525 billion (US$84 million) deal in September 2008 by Pakistan Domestic Sukuk Company.

This Ijarah Sukuk program was organized by Standard Chartered Bank (Saadiq) and Dubai Islamic Bank Pakistan to raise money for the general purposes of the Government of Pakistan. It allows ongoing fund raising and establishes a Sukuk auction system akin to that for T-bills whilst allowing for various tenors. This was a tough category with the Central Bank of Bahrain, Ras Al Khaima and Khazanah Nasional deals all meriting consideration. Yet, the opening of the Pakistan market and building the infrastructure for future transactions as well as alleviating some of the financial burden on the government cause us to grant this award as Sovereign Deal of the Year.

Honorable Mention: Central Bank of Bahrain, Republic of Indonesia and Republic of Kazakhstan.

Structured Finance Deal of the Year: Sun Finance

Sorouh Real Estate raised AED4.016 billion (US$1.1 billion) via Sukuk al Mudarabah. Coordinated by Citigroup Global Markets. Lead managed by Abu Dhabi Commercial Bank, Citibank, First Gulf Bank, National Bank of Abu Dhabi and Noor Islamic Bank.

This Mudarabah participated in the ownership of land in Abu Dhabi as well as installment sales receivables and project assets. Effectively, this proved an efficient means to raise non-recourse funding in August 2008 as the global markets worsened significantly. The deal represents the equivalent of a receivables securitization without actually selling debt. The non-recourse nature of the deal means that the transaction is a true sale transaction and the receivables may be derecognized from the originator's balance sheet.

Honorable Mention: Villamar and Nakheel Development

Syndicated Deal of the Year: Project Blue (Guernsey) — "Chelsea Barracks"

In another year, Chelsea Barracks, known as Project Blue Guernsey, would have swept multiple categories. This GBP1.25 billion (US$2 billion) syndicated Ijarah was managed by Calyon and HSBC Amanah. The deal allowed the joint venture between Qatari Diar Real Estate Investment Company and CPC Group to acquire the Chelsea Barracks site and fund its redevelopment. This was the largest Islamic deal in 2008 and the most notable Islamic deal in the UK and Europe. The deal was successfully structured to manage UK stamp duties and withholding taxes as well as include a Shariah compliant currency hedge.

Honorable Mention: Al Ma'aden Phosphate Company, Saudi Kayan, Investment Corporation of Dubai, DEWA and QWEC.

Project Finance Deal of the Year: Al Ma'aden Phosphate Company

Al Ma'aden Phosphate was a worthy competitor in numerous categories. This complex deal included US$2.76 billion of debt including a US$1.139 billion Islamic tranche managed by Standard Chartered Bank, Calyon and Banque Saudi Fransi while a US$625 million Islamic tranche was funded by Al Rajhi Banking and Investment Corporation. The US$1.1 billion Islamic tranche was structured as a forward lease facility. The total project provides for the development of a significant surface mine and chemical processing complex at a total cost of US$5.5 billion and is one of the important joint financings requiring close management of the unique rights between Islamic and traditional financiers.

Honorable Mention: Tuwairqi Pelletization and PLSA.

Cross Border Deal of the Year: AirAsia French Single Investor Lease

BNP Paribas and Natixis Transport Finance's US$336 million lease of seven Airbus A320-200 aircraft to AirAsia is one of the more interesting deals in 2008 and wins the cross-border award. This deal successfully blended the Malaysian and European counterparties in a deal that provided cost effective delivery of aircraft to AirAsia. The deal involves funding in US dollars, Euros and Malaysian ringgit over a 14-year period. The deal follows the French Single Investor Lease format and provided 100% financing for the aircraft. Acquisition was funded on a Wakalah by BNP Paribas, Natixis, RHB Islamic and Helaba; and Tawarruq by Bank Rakyat Malaysia. The airplanes are delivered to the client on a leased basis.

Honorable Mention: Tadamun Services (IDB), Khazanah Nasional and Chelsea Barracks.

IPO Deal of the Year: DP World

DP World was the largest IPO in the Middle East at US$4.96 billion. This transaction allowed for the redemption of the PCFC convertible Sukuk issued in 2006. This was the first IPO officially listed on NASDAQ Dubai (formerly DIFX) and was oversubscribed 15 times. There are a number of other exciting IPOs in the Islamic space including REITs and other companies, but the unique character of this deal in settling one landmark Sukuk and helping to establish a new market is of singular importance to make this the most important IPO for 2008.

Honorable Mention: Principle Insurance Holdings.

Trade Finance Deal of the Year: Yildiz Sunta MDF

Citibank provided Yildiz Sunta with US$26 million to purchase goods and raw materials used in the company's manufacture of fiberboard and parquet. The deal is secured and represents the penetration of Citibank and the Islamic sector into the Turkish middle market.

Honorable Mention: PT Krakatau Steel (Persero) and Mobile Telephony Sabafon.

Real Estate Deal of the Year: Al-Aqar Capital's Sukuk Ijarah Program

Al Aqar returns to our winners circle with its RM300 million (US$85 million) Sukuk al Ijarah program. Previously, Al-Aqar won as the first Islamic REIT. Now the REIT's subsidiary has issued four classes of Ijarah Sukuk to refinance various facilities and expand working capital to the REIT based on the underlying assets.

Honorable Mention: Purple Island, Villamar and Chelsea Barracks.

Corporate Finance Deal of the Year: Al Jaber Group

Al Jaber Group raised US$400 million in a five year dual currency USD and AED Ijarah facility. The deal was led by Dubai Islamic Bank, First Gulf Bank, BNP Paribas and National Bank of Abu Dhabi.

Honorable Mention: Gatehouse Bank, DEWA, Al Ma'aden Phosphate Company and Limitless.

Musharakah Deal of the Year: Villamar Sukuk

The Villamar US$190 million Musharakah program was a winner in a crowded pool of Musharakah deals (in 2008, 32% of all deals were Musharakah and 48% were Ijarah). This deal is a true Musharakah structure absent any structured credit enhancements by sponsor promise to purchase or other undertakings. The proceeds are applied to the development of residences in the Bahrain Financial Harbor. Al Rajhi Bank and Merrill Lynch were the lead arrangers. In this deal, the developer has contributed real estate in kind and the certificate holders.

Honorable Mention: WCT Engineering, Palm Jebel Ali and Seven Tides.

Mudarabah Deal of the Year: Purple Island

The Saudi Binladin Group raised US$267 million with a five-year fixed coupon Mudarabah Sukuk yielding 7% via a British Virgin Islands SPV called Purple Island. This is based on the development of real estate in Mecca. The yield is generated from rental of the underlying real estate. The deal leverages the underlying Saudi Binladin Group's expertise in Mecca, in hospitality and in construction management.

Honorable Mention: PLSA, Sun Finance and Limitless.

Ijarah Deal of the Year: AirAsia French Single Investor Lease

BNP Paribas and Natixis Transport Finance's US$336 million lease of seven Airbus A320-200 aircraft to AirAsia is one of the more interesting deals in 2008 and also wins the cross-border award. This deal successfully blended the Malaysian and European counterparties in a deal provided cost effective delivery of aircraft to AirAsia. The deal involves funding in US dollars, Euros and Malaysian ringgit over a 14-year period. The deal follows the French Single Investor Lease format and provided 100% financing for the aircraft.

Honorable Mention: Abraj al Bait, Purple Island and DEWA.

Tawarruq Deal of the Year: Dubai Financial Group

Dubai Financial Group secured US$1.5 billion in a syndicated revolving Tawarruq facility from an all-star group of UAE and international banks including Noor Islamic, Abu Dhabi Islamic, Al Hilal Bank, Al Khalij Commercial Bank, Commercial Bank of Dubai, Commerzbank (Singapore), First Gulf Bank, Standard Finance, Commercial Bank of Qatar and The Royal Bank of Scotland. This complex facility allows for multi-currency tranches and varying maturities of the underlying tranches.

Honorable Mention: PT Citra Sari Makmur, Dubai Aerospace and Noble Resources.

Islamic Finance news Awards Deals of the Year 2008

BEST COUNTRY DEALS

Islamic Finance news Awards Deals of the Year 2008

Bahrain Deal of the Year: CBB International Sukuk Company

The Central Bank of Bahrain's US$350 million Sukuk al Ijarah transaction of March 2008 is one of the best deals of the year. Were it not for the crowded and excellent field for Ijarah and sovereign Sukuk, this would have been a multi-category winner. Arranged by Calyon, this transaction was the first public debt capital market issue from the GCC in 2008 and generated a strong response with attractive rental pricing at LIBOR plus 75 bps. This is the first sovereign Sukuk listed on the London Stock Exchange.

Honorable Mention: Villamar.

Brunei Deal of the Year: Brunei Gas Carriers

The Brunei Gas Carriers US$505 million shipbuilding deal for two LNG carriers was arranged by Standard Chartered. The deal used a complex mixture of special purpose vehicles to engage in Istisna contracts to build the ships against the obligor's forward lease. Again in a less crowded market, this deal could have been a winner in multiple categories.

China & Hong Kong Deal of the Year: Noble Resources (Hong Kong)

The North Asian markets are slowly opening to Islamic finance. In 2008, several small deals were done in China and Hong Kong. Noble Resources (listed in Singapore) in Hong Kong raised US$80 million in a Tawarruq deal arranged by HSBC Amanah. This was the first Islamic deal syndicated in Hong Kong and helped set the stage for a more active Hong Kong market.

Honorable Mention: ASB Biodiesel.

France Deal of the Year: RecovCo Affimet

In one of their breakout deals, the Bank of London and the Middle East arranged a EUR3 million (US$4.1 million) sale-leaseback of equipment for RecovCo Affimet.

Germany Deal of the Year: CCH Europe

Kuwait Finance House arranged a US$300 million Mudarabah for CCH Europe.

Indonesia Deal of the Year: The Republic of Indonesia

In August 2008, the Republic of Indonesia made its debut issue of IDR4.7 trillion (US$431 million). This deal, led by Mandiri Sekuritas, Trimegah Sekuritas and Danareksa Sekuritas, tested the new rules for the Sukuk market in Indonesia and applied a sale-leaseback of government assets. Based on this issue, there is hope that the broader Indonesian government and private market will open fully.

Honorable Mention: PT Citra Sari Makmur and PT Krakatau Steel (Persero).

Kuwait Deal of the Year: The Investment Dar Company

The Islamic deal makers from Kuwait seem to be more active in other markets. Once again, Investment Dar brings the highest profile deal with its Tawarruq financing of US$300 million. Organized by HSBC Amanah and Standard Chartered Bank, this deal helped Investment Dar to secure funding ahead of the weakening of the international syndicated and the domestic Kuwaiti markets.

Malaysia Deal of the Year: Projek Lintasan Shah Alam (PLSA)

Lead arranger and adviser: RHB Investment Bank and RHB Islamic Bank. Sukuk al Ijarah RM330 million (US$85 million) and Sukuk al Mudarabah RM415 million (US$117 million).

The deal applies Ijarah mawsufah fi dhimmah for construction finance and Mudarabah for working capital.

As the single most developed market, we enjoyed the largest number of submissions from Malaysia. But, the reality is that we find it difficult to put the many excellent Malaysian deals ahead of the Deal of the Year!

Honorable Mention: Khazanah Nasional, WCT Engineering, My ETF, Tadamun Services and MRCB Southern Link.

Pakistan Deal of the Year: Pakistan Domestic Sukuk Company

Government of Pakistan's three-year PKR6.525 billion (US$84 million) deal in September 2008 through Pakistan Domestic Sukuk. This Ijarah Sukuk program was organized by Standard Chartered Bank (Saadiq) and Dubai Islamic Bank Pakistan to raise money for the general purposes of the Government of Pakistan. It allows ongoing fund raising and establishes a Sukuk auction system akin to that for T-bills whilst allowing for various tenors.

Qatar Deal of the Year: Al Wa'ab City WLL

Qatar-based Amwal, SHUAA Capital and Kaupthing Bank organized a US$200 million Istisna mezzanine facility for Al Wa'ab City to develop a mixed use real estate site. This is one of the first mezzanine type structures applied in Qatar and it attaches share warrants to the back to back Istisna facility.

Saudi Arabia Deal of the Year: Purple Island Corp

Purple Island issued Mudarabah Sukuk worth US$267 million with a five-year fixed coupon yielding 7%. This is based on the development of real estate in Mecca. The yield is generated from the rental of the underlying real estate. The deal leverages the underlying Saudi Binladin Group's expertise in Mecca in hospitality and in construction management. This deal achieves several firsts including the first true unrated Sukuk distributed solely in Saudi Arabia, the first offshore SPV cleared for settlement on Tadawul (the Saudi Exchange), the first hard asset Sukuk deal for Mecca, and among the first truly AAOIFI compliant Mudarabah Sukuk.

Honorable Mention: Al Ma'aden, Al Tuwairqi Pelletization, Saudi Kayan, Saudi Hollandi and Tajeer.

Tunisia Deal of the Year: Group Chimique Tunisien

Group Chimique Tunisien raised US$535 million in equity (US$350 million) and debt (US$185 million) to develop a new fertilizer plant in Tunisia. The lead investors were the Islamic Development Bank (IDB) and the European Investment Bank. The IDB provided Ijarah leverage to the project.

Turkey Deal of the Year: Yildiz Sunta

Citibank provided Yildiz Sunta with US$26 million to purchase goods and raw materials used in the company's manufacturing of fiberboard and parquet. The deal is secured and represents the penetration of Citibank and the Islamic sector into the Turkish middle market.

UAE Deal of the Year: Sun Finance

Via Sun Finance, Sorouh raised AED4.016 billion (US$1.1 billion) via Sukuk al Mudarabah. In a deal coordinated by Citigroup Global Markets and lead managed by Abu Dhabi Commercial Bank, Citibank, First Gulf Bank, National Bank of Abu Dhabi and Noor Islamic Bank, this Mudarabah participated in the ownership of land in Abu Dhabi as well as installment sales receivables and project assets. Effectively, this proved an efficient means to raise non-recourse funding in August 2008 as the global markets worsened significantly. The deal represents the equivalent of a receivables securitization without actually selling debt. The non-recourse nature of the deal means that the transaction is a true sale transaction and the receivables may be derecognized from the originator's balance sheet.

Honorable Mention: Tabreed, Tamweel, Dubai Financial Group and DP World.

United Kingdom Deal of the Year: Project Blue (Guernsey) — "Chelsea Barracks"

Thanks to enabling legislation in the UK, there is now a robust group of traditional and Islamic financiers offering Islamic financial solutions to UK businesses and projects. This year, the magnitude of the Chelsea Barracks deal known as Project Blue Guernsey, along with its important contributions to demonstrating how Islamic leasing works in the UK stamp duty and withholding tax environment, makes this the UK deal of the year. This GBP1.25 billion (US$2 billion) syndicated Ijarah was managed by Calyon and HSBC Amanah. The deal allowed the joint venture between Qatari Diar Real Estate Investment Company and CPC Group to acquire the Chelsea Barracks site and fund its redevelopment. This was the largest Islamic deal in 2008 and the most notable Islamic deal in the UK and Europe.

Honorable Mention: Gatehouse Bank

USA Deal of the Year: Greater San Diego Muslim Community Center

This is a US$2.5 million acquisition and construction financing by Ijarah wa iqtina for the Greater San Diego Muslim Community Center executed by Devon Bank of Chicago.

Yemen Deal of the Year: Mobile Telephony Sabafon

HSBC arranged US$20 million for import Murabahah for Mobile Telephony Sabafon. The deal is notable as it secured an ECA policy from Euler Hermes. The master deal structure allows multiple purchases over a five-year period.

Islamic Finance *news* Awards

Poll 2008

The fourth annual Islamic Finance *news* Poll results are in after a record-breaking 2,491 unique votes were cast by the Islamic finance industry's leading practitioners and participants.

In the financial sphere 2008 was deemed by many as an annus horribilis with the global markets plummeting due mainly to the US mortgage industry. The Islamic finance industry also succumbed to market forces but by and large fared better than its conventional counterparts.

What is clear, from the results of the 2008 Islamic Finance *news* Poll, is that the more focused and specialized Islamic financial institutions are favored to those of the larger global historically conventional institutions with Islamic operations.

With 2,491 votes cast, this is the industry's most comprehensive and definitive survey.

In the Best Overall Islamic Bank category **Kuwait Finance House** again ran out easy favorite for the second year running. Malaysia's **CIMB Islamic** climbed one place to second this year with Saudi Arabia's **Al Rajhi** taking third spot. One notable absentee from this category is two-time winner and runner up in 2007, **Dubai Islamic Bank**.

As more of the world's financial centers announce their interest in attracting Islamic finance to their shores one would assume the Best Central Bank in Promoting Islamic Finance category would be more competitive. Not so. For the fourth straight year **Bank Negara Malaysia** was voted number one with more than double the votes of its nearest rival, the **State Bank of Pakistan**, which itself leapfrogged the **Central Bank of Bahrain** into second place.

In new categories for the 2008 Poll, **BMB Islamic** won Best Islamic Shariah Advisory Firm and **KFH Research** was voted best Islamic Research Firm.

In a year when many banks collapsed or merged, the Islamic finance industry witnessed a number of new arrivals ensuring a hotly contested Best New Islamic Bank category, with the UK's **Gatehouse Bank** scraping victory over **Maybank Islamic**, which was a close second.

In other categories **Norton Rose** climbed from second in 2007 to first in the Best Law Firm in Islamic Finance, **Moody's Investors Service** was voted Best Islamic Rating Agency, **Path Solutions** won Best Islamic Technology Provider, **Oasis Asset Management** was named Best Islamic Fund Manager and **Takaful Ikhlas** the Best Takaful/reTakaful Provider for 2008.

In the Best Islamic Banks by Country category there were notable wins for **MCCA** (Australia), **Faisal Islamic Bank** (Egypt), **Bank of London and The Middle East** (UK) and **Bank Muamalat Indonesia**.

To all the winners we offer our sincerest congratulations.

Best Overall Islamic Bank

1st	2nd	3rd
Kuwait Finance House — 15%	CIMB Islamic Bank — 8%	Al Rajhi Bank — 6%

Methodology

A record 2,491 unique votes counted towards the final results of the 2008 Islamic Finance *news* Poll, an increase of 66% over the votes cast in 2007.

Thirty-six categories were contested in the 2008 poll, one more than the previous year.

Islamic finance issuers, investors, non-banking financial intermediaries and government bodies from around the world were invited to participate. Participants were requested to take only 2008 into consideration when casting their votes. All votes were screened and only those passing through the strict due diligence process were counted. (Voters could not vote for themselves or associated organizations, all votes were to be accompanied by a valid business email and telephone number and individuals could only vote once.)

Islamic Finance news Awards

Poll 2008

Best Central Bank in Promoting Islamic Finance

1st	2nd	3rd
Bank Negara Malaysia — 47%	State Bank of Pakistan — 21%	Central Bank of Bahrain — 19%

Best Islamic Bank by Country

Africa	ABSA
Australia	Muslim Community Co-operative (Australia)
Bahrain	Bahrain Islamic Bank
Bangladesh	Islami Bank Bangladesh
Brunei	Bank Islam Brunei Darussalam
Egypt	Faisal Islamic Bank
Europe	Bank of London and The Middle East
Indonesia	Bank Muamalat Indonesia
Iran	Bank Melli
Jordan	Jordan Islamic Bank
Kuwait	Kuwait Finance House
Malaysia	CIMB Islamic
North America	American Finance House — LARIBA
Pakistan	Meezan Bank
Qatar	Qatar Islamic Bank
Saudi Arabia	Al Rajhi Bank
Singapore	The Islamic Bank of Asia
Turkey	Albaraka Türk
UAE	Dubai Islamic Bank

Categories

Best Islamic Retail Bank	Al Rajhi Bank
Best Islamic Private Bank	HSBC Amanah
Most Innovative Islamic Bank	Kuwait Finance House
Best New Islamic Bank	Gatehouse Bank
Best Islamic Consultancy	Ernst & Young
Best Islamic Wealth Management Provider	Dubai Islamic Bank
Best Islamic Shariah Advisory Firm	BMB Islamic
Best Islamic Research Company	KFH Research Ltd
Best Islamic Index Provider	Dow Jones Islamic Market Indexes
Best Law Firm in Islamic Finance	Norton Rose
Best Islamic Leasing Provider	First Leasing Bank
Best Islamic Ratings Agency	Moody's Investors Service
Best Islamic Takaful/reTakaful Provider	Takaful Ikhlas
Best Islamic Fund Manager	Oasis Asset Management
Best Islamic Technology Provider	Path Solutions

Islamic Finance news Awards

Poll 2008

Best Individual Islamic Banker

Following the recent Islamic Finance *news* Annual poll we asked for nominations for the Best Individual Islamic Banker. The second round of voting will end on the 31st January 2009. We have provided you with a short biography of each of the nominated Islamic financiers for assisting you in your decision. You may vote online at www.islamicfinancenews.com

Adnan Ahmed Yousif, CEO, Albaraka Banking Group

Adnan Ahmed Yousif is a prolific international banker with 30 over years of experience in international banking. He is the president and chief executive of Albaraka Banking Group (ABG) since 2002 that is headquartered in the Bahrain with 12 subsidiaries in 12 countries, with a total of more than 260 branches.

He is also the chairman of AlBaraka Turk Participation Bank, Banque Al Baraka D'Algerie, Al Baraka Bank South Africa, AlBaraka Lebanon, Jordan Islamic Bank, Egyptian Saudi Finance Bank — Egypt and he is the vice chairman of Al Baraka Islamic Bank, Bahrain besides being a board member of most of the subsidiaries of ABG Group. Yousif is the chairman of European Islamic Investment Bank, London and Union of Arab Banks, Lebanon. He also held various senior positions at Arab Banking Corporation (ABC) including board member of the parent company and member of the audit committee.

Furthermore, he has been the executive chairman of ABC Services & Investment and ABC Islamic Bank for over 15 years; senior vice president and head of the Arab World Division and head of Global Marketing & Financial Institutions Division. He was with ABC for 20 years. He started his banking career in 1975 with American Express Bank, Bahrain for five years. He was awarded the prestigious Islamic Banker of the Year award for 2004.

Zukri Samat, Managing Director, Bank Islam Malaysia

Zukri Samat was appointed as managing director of Bank Islam Malaysia on the 9th June 2006. Before joining Bank Islam, he was the executive director of Khazanah Nasional, an investment arm of the Malaysian government.

He was also the managing director of Pengurusan Danaharta Nasional in 2003, the national asset management company set up during the 1997/98 financial crisis, general manager of Credit Agricole Indosuez Labuan, deputy general manager of capital markets for Commerce International Merchant Bankers (CIMB) and various management positions in Public Bank and Bank Bumiputra Malaysia.

Samat holds directorship in Amanah Investments (Sri Lanka), Islamic Banking and Finance Institute Malaysia and investment panel member of CIMB Mapletree. He is the President of Association of Islamic Banking Institutions Malaysia, a member in the professional development panel of INCEIF and board member of Financial Services Education Centre of Bank Negara Malaysia.

Samat implemented a comprehensive turnaround plan to build a solid platform for Bank Islam to scale to greater heights during its 25th anniversary. The implementation of the turnaround plan — recapitalization and balance sheet restructuring; IT infrastructure revamp; transformation program; cost rationalization; and human capital development — catapult Bank Islam back to its leadership position. It improves the Bank's delivery system and customer service while inculcating a new work culture to elevate its brand as the "premier Islamic bank".

Best Individual Islamic Banker

Hasan A Bilgrami, CEO, BankIslami, Pakistan

Hasan A Bilgrami is the founder CEO of BankIslami. In the last five years, he initiated the process of establishing BankIslami as a consultant, conceptualized and developed the business plan, gathered sponsors, raised funds, received licenses, built committed core management team, started Bank's operations in April 2006 and finally grew it to a 102 On-line branches network Bank by 2008.

Key highlights of 2008 includes the record growth in the branch network by adding 66 branches to bring the network to 102 on-line branches across 49 cities of the country, over 30% rural area coverage, two-fold increase in the manpower size, 250% growth in the number of customers of which 98% are retail-based customers. Focusing more on Mudarabah-, Musharakah-, Salam- and Istisna-based transactions, providing technologically advanced products to the customers.

Restructured BankIsami Mudarabah to provide the true profit/loss model by receiving deposit on end and investing it in the real businesses on the other to generate pure profit for the depositors. These are among the many initiatives taken during the year 2008.

K Salman Younis, Managing Director, KFH Malaysia

K Salman Younis has been an active player in the Islamic banking industry in Malaysia and Asia-Pacific region, ever since Kuwait Finance House (Malaysia) opened in 2005. He is a much sought after speaker, having participated in various international economic and financial forums, locally and abroad. Last year, he was the only Islamic banker to be invited to speak during the India — Malaysia Capital Markets Forum organized by the Securities Commission.

With his vast experience in the banking industry, Salman has been selected as the only Islamic banker to be a committee member on the International Communication for the Capital Markets (ICCM) providing advice on the growth of the sector. In 2008, he has also contributed towards the introduction of a book, on the Islamic Capital Market Series Part 1 on Sukuk authored by Abdulkader Thomas.

Salman is a representative on the professional development panel (PDP) of INCEIF. The PDP reviews and approves the professional and postgraduate program in order to ensure that INCEIF offers the highest quality of content modules.

Abdullah Sulaiman Al Rajhi, Chief Executive, Al Rajhi Bank

Abdullah Sulaiman Al Rajhi is the CEO of Al Rajhi Bank since 2005. He was formerly the deputy general manager for investments and foreign relations. In 1994, he became the first deputy general manager and in 1996 he was the director and general manager of the bank before assuming his current position. He is a graduate in Business Administration.

Best Individual Islamic Banker

A. Riawan Amin, President Direktor, Bank Muamalat Indonesia

Achmad Riawan Amin is the president director of Bank Muamalat Indonesia (BMI) since 1999. He is also the director of International Islamic Financial Market, Bahrain, chairman of Indonesian Sharia Bank Association, and director and general council for the Islamic Banks and Financial Institutions, Bahrain.

Achmad played an important role in reviving the bank from losses during the monetary crisis. BMI suffered losses of up to IDR105 billion (US$9.6 million), equity was only IDR39 billion (US$3.6 million), while non-performing financing drastically hiked by 65.5%.

Achmad — Best CEO 2008 Bisnis Indonesia — successfully maneuvered the Bank passing through the difficult condition. In just the second year of his leadership, BMI reaped profits while assets hiked up to 3 times. Now the BMI's assets rose by 400 times into IDR12.6 trillion (US$1.1 billion) and total equity increase to IDR1.3 trillion (US$119 million). BMI possesses 40% of the total profit of the Shariah industry.

Innovation and alliance are Achmad's keywords. Under his leadership, BMI has increased its outlets from a mere 58 outlets in 1998 to 222 outlets and 3,500 real time online service throughout Indonesia. BMI has an outlet operating in Malaysia. BMI's innovative product, Shar-E, a Shariah investment available in every online post office all over Indonesia, possesses 47% of the total Shariah savings account. Due to his role and service towards the development of the Shariah industry, he was awarded the Figure of Change 2008 by an author of bestseller book The Celestial Management and Satanic Finance published by Republika. Besides playing a vital role in the construction of the Shariah banking and Sukuk law in the country, Achmad also implemented the interconnection facility among Shariah banks via the Shariah Deposit Arrangement.

Badlisyah Abdul Ghani, CEO, CIMB Islamic

Badlisyah Abdul Ghani, age 35, is the executive director and CEO of CIMB Islamic Bank. He joined CIMB Group, Southeast Asia's most valued universal bank in 2002 as a manager in the corporate finance division, before being appointed as the Group head of Islamic banking, a position he holds until now. He is a member of the Group management committee and is responsible for the overall Islamic banking and finance business of CIMB Group.

He chairs the Islamic capital market committee of the Malaysian Investment Banking Association and is a member in various industry committees — the listing committee of the Labuan International Financial Exchange, the exchange committee of the Labuan International Financial Exchange, the Islamic capital market consultative committee, Bursa Malaysia and the working group on Islamic accounting standard, Malaysian Accounting Standard Board. He was a Board member of the International Islamic Financial Market, Bahrain until 2008.

Badlisyah is recognized as a leader in Islamic finance globally. Among his notable accomplishments, include the introductions of the world's first Sukuk al Ijarah, the world's first Istisna Sukuk, the world's first Musharakah ABS/RMBS, Islamic structured products based on equity, Islamic profit rate swap (the Shariah equivalent of Interest Rate Swap), and so on. His pioneering spirit continued in 2008 with CIMB Islamic introducing various new products such as the MaxInvestSave (an investment product with the flexibility of a savings account), EcoSave Account (a product that contributes to the well being of the environment) and many more.

In 2005, Euromoney named him one of 'Global Top 20 Pioneers in Islamic Finance' and in 2007 he was voted 'Islamic Banker of the Year' at the global Islamic Business and Finance Awards, Dubai. In the same year, he was also polled as the 'Best Individual Islamic Banker in 2007' internationally by Islamic Finance *news*, an international publication based in Kuala Lumpur. At the Asian Banker Summit 2008, he was also the sole recipient of 'The Asian Banker Promising Young Banker Award for Malaysia 2007'.

Under Badlisyah's leadership, CIMB Group has been entrenched in 2008 as the world's largest issuer of Sukuk, Southeast Asia's top Islamic asset manager, Southeast Asia's top three Islamic banks by total assets and deposits as well as Southeast Asia's largest Islamic bank by branch network with over 600 branches regionally with another 400 coming online in the next two years. He has successfully transformed CIMB Group into an Islamic universal banking powerhouse providing comprehensive Shariah compliant products and services in investment banking, consumer banking and asset management worldwide in over 10 countries.

Best Individual Islamic Banker

Syed Tariq Hussain, CEO, Emirates Global Islamic Bank

Syed Tariq Husain is President and CEO of Emirates Global Islamic Bank (EGIB) that commenced operations in February 2007. Under his able stewardship, the bank today comprises a network of 40 branches throughout the country.

A seasoned banker with 30 years of diversified experience in local and global markets, he trained and worked in the early years of his career with chartered accountancy firms, Deloitte and Touche, Ernst & Young and PricewaterhouseCoopers. His banking career started with ANZ Grindlays Bank in 1987 as senior auditor and later rose to the position of country treasurer and strategic planning manager.

In 1997, Syed was the head of global Islamic finance and director of global structured finance at ANZ Investment Bank, London to develop a full range of Islamic financial products. Before joining EGIB, he worked with Dubai Investment Group, Dubai in developing Islamic finance capabilities including launching a listed Takaful company and establishing an Islamic European Property Fund.

Syed deployed a world class Siebel CRM solution to provide quality, efficient and Shariah compliant financial products and services using the state of art technology thus enhancing customer satisfaction.

In a very competitive business environment, EGIB has crossed the PKR10 billion (US$126 million) deposit mark. Assisted by a seasoned management team, Syed has created the best in class bank that delivers Shariah compliant solutions to a diverse and varied customer base.

Syed is a qualified chartered accountant from the Institute of Chartered Accountants in Pakistan, Canada, England and Wales. He has an MBA from York University, Canada.

Irfan Siddiqui, President & CEO, Meezan Bank

Irfan Siddiqui is the founding president and CEO of Meezan Bank. He initiated the formation of Al-Meezan Investment Bank in 1997, which was converted into a full-fledged scheduled Islamic commercial bank in May 2002. This was the first license to be given for an Islamic commercial bank in Pakistan. Meezan Bank is now the largest Islamic commercial bank in Pakistan with 166 branches spread across 40 cities.

A chartered accountant from the Institute of Chartered Accountants in England and Wales and was trained at Coopers & Lybrand, London. He has extensive financial sector experience with Abu Dhabi Investment Authority, Abu Dhabi Investment, Kuwait Investment Authority and Pakistan Kuwait Investment.

Scope of Islamic Finance in India

By Shyam Kumar

Although Islamic banking or Shariah finance is a 15- to 20-year old legacy, it has caught on only in the past three to four years. Currently estimated to be worth approximately US$750 billion; this industry is growing at a remarkable pace of approximately 15% to 20% yearly and represents a vast practice which has developed a worldwide presence.

Shariah compliant products in the retail and investment banking space are helping to unlock trillions of dollars of funds lying idle with high net worth individuals and corporates globally, who follow Shariah principles as their day-to-day business and investment philosophies and thus do not participate in conventional financial transactions.

Despite having one of the largest Muslim populations in the world (estimated to be around 160 million, second only to Indonesia) and a strong demand for Shariah compliant products from the community as well as the business sector, India currently offers limited options for investors looking at Shariah compliant investing. However, this should not undermine the scope for Shariah compliant investment opportunities in India.

> "The stock markets in India, we believe, are among the most developed and organized in the world"

Indian economy: An overview

The global financial system has undergone a period of dramatic turbulence, which has caused a widespread reassessment of risk in both developed and emerging economies.

However, despite the global nature of these events, emerging markets — and particularly Asian banks — have managed to avoid the worst of the crisis. Growth has slowed down but at the same time, remained steady and at a level which some Western economies can only dream of. We believe India's financial sector continues to be relatively insulated from the global meltdown and that the domestic economy still provides an opportunity for investors looking for sustainable returns in the medium to long term.

The Indian economy is among the largest emerging market economies (US$1 trillion) and believed to be among the most attractive growth opportunities globally. In fact, according to a Goldman Sachs report — BRICs and Beyond January 2007 — India's gross domestic product (in US$ terms) is expected to surpass that of the US before 2050, making it the world's second largest economy.

Also, the Indian capital market is well regulated; the stock markets in India, we believe, are among the most developed and organized in the world and the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) are on par with the best in the world. To gauge the scope of Islamic investments in the Indian stock market, it is imperative to examine the underlying opportunity in this sector. Below are findings from a thorough study conducted by Dr Shariq Nisar, an eminent personality in the field of Islamic finance in India.

Islamic finance opportunity in India

The world's economic center of gravity is gradually shifting from the established, wealthy economies of Europe, Japan and North America to the emerging economies like China, India and Southeast Asia, with China and India projected to be the largest economies of the world in the next 50 years.

Improving macroeconomic fundamentals, higher disposable incomes, emerging middle class, low cost and highly competitive workforce, investment friendly policies and progressive reform processes are all likely to combine to make a strong case for India to have a larger share in the overall investment pie.

With this sound economic base and with hundreds of companies complying with Shariah law, India offers a huge economic opportunity for Islamic investors, who follow Shariah investment practices and therefore cannot invest in interest-based ventures or in prohibited ventures like tobacco, alcohol, gambling, vulgar entertainment and conventional finance.

Realizing the growing need for Islamic investments in India, the Indian government recently took a number of steps in this direction. First, a high-level committee appointed by the government to prepare India's future financial structure recommended interest-free banking to provide for the inclusion of Muslims in the financial sector.

continued...

Table 1

Year	2004	2005	2006	2007	2008
BOMBAY STOCK EXCHANGE (BSE)					
Data available for BSE 500 listed companies	465	474	484	494	491
BSE 500 Shariah compliant companies	116	132	138	123	125
% Shariah compliant market cap of total	31.61	44.01	41.37	28.46	20.14
NATIONAL STOCK EXCHANGE (NSE)					
Data available for NSE listed companies	1238	1272	1301	1310	1269
NSE Shariah compliant companies	297	329	331	312	265
% Shariah compliant market cap of total	33.53	45.60	42.92	31.84	20.41

Source: TASIS Research

Scope of Islamic Finance in India (continued)

The significance is that this is the first time an Indian finance committee has said something on the issue, which hitherto was considered quite sensitive in political circles. This is a good sign for Islamic finance in India.

Recently the financial crisis in the West and the drought of liquidity in this region has made Indian policy makers look for other alternatives of financing. The recent visit of the Indian prime minister to a couple of Gulf Cooperation Council countries assumes significance in this regard as along with him was his chief economic advisor, Professor Raghuram Rajan, who had earlier recommended Islamic banking in his report to the government.

> "The number of Shariah compliant stocks in India is much higher than in Islamic countries put together, thus providing immense scope for parking money by Islamic investors"

Taking the cue from the government's initiative, Indian corporates have also started placing themselves to capitalize on this opportunity. To measure in depth the scope of Islamic investment opportunities in the Indian stock market, it is imperative to examine stocks that conform to the norms stipulated by the Shariah principles.

A study on Shariah compliant stocks

According to Shariq, "the number of Shariah compliant stocks in India is much higher than in Islamic countries put together, thus providing immense scope for parking money by Islamic investors". Of the 1,269 stocks listed in the NSE for which relevant data is available, 265 are Shariah compliant, and out of the 491 stocks listed in the BSE for which relevant data is available, 125 are Shariah compliant. Table 1 gives the number of Shariah compliant companies in India and their contribution to the total market capitalization for the last five years.

While examining the Shariah investment opportunity in India, it may also be interesting to note the top sectors which contribute to the Shariah market capitalization in India. Table 2 gives details of the top Shariah compliant sectors, the number of companies in each sector and their contribution to the total Shariah compliant market cap.

Table 2

BOMBAY STOCK EXCHANGE (BSE)	
Top sectors	Number of companies
Computer software	45
Drugs and pharmaceuticals	12
Automobile ancillaries	11
Industrial construction	8
Contribution of these top four sectors to total Shariah compliant market cap	34.69%
NATIONAL STOCK EXCHANGE (NSE)	
Computer software	19
Drugs and pharmaceuticals	6
Cosmetics, toiletries, soaps and detergents	5
Industrial construction	4
Contribution of these top four sectors to total Shariah compliant market cap	40.07%

Source: TASIS Research (as on the 30th November 2008)

The above study on Shariah compliant stocks and sectors in India is screened by TASIS (an Indian Shariah advisory firm which has tied up with Dar al Shariah of Dubai). According to Shariq, TASIS norms are very conservative in comparison with other screening norms.

Conclusion

Shariq's research suggests that with hundreds of Indian companies complying with the economic laws of Shariah, India has now become an attractive destination for Islamic investments. Islamic financial institutions and Shariah conscious domestic investors are finding the Indian stock market a good place to invest. The research further suggests that the Islamic options available in India are wider than those in many Islamic countries. This shows the vast potential that India can tap in the field of Islamic banking and finance.

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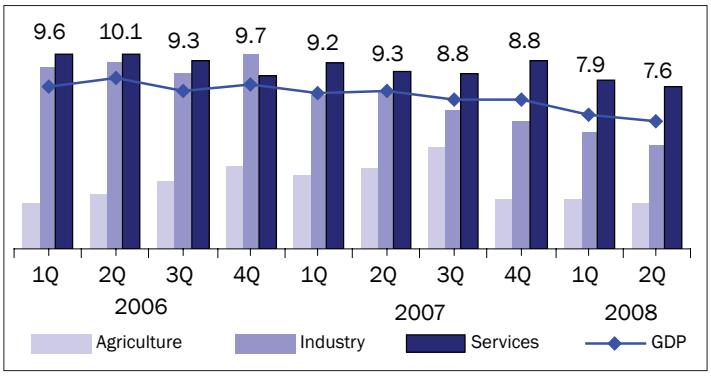
India's Economy and the Prospects for Islamic Finance

By Sakshi Bahl

Recent financial market developments have changed India's path from a high growth trajectory to moderate growth levels, with the growth having eased down to less than 8% in the financial year (FY) 2009. The outlook may not be as promising as the consecutive years of high growth over the past few years but India still stands to grow at a far better pace when compared with other developing countries like Brazil and Russia.

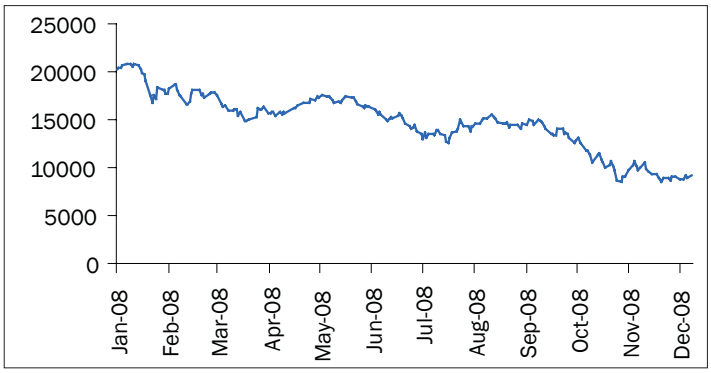
GDP growth by sector (%)



The Indian economy grew at a healthy 9% in FY2008 and entered FY2009 against a backdrop of growing turmoil in the international financial markets. One of the first signs of slowdown were noticed when the inflation rate crossed 10% in June and reached a peak of 12.91% in early August. The inflation spike forced the Reserve Bank of India (RBI) to tighten aggressively which affected growth and corporate profitability.

This was accompanied by the Index of Industrial Production (IIP) numbers, which showed a mere 1.3% growth in August against 10.9% growth a year ago. In the first quarter of 2008-09 (India's fiscal year begins in April), growth decelerated to 7.9% and in the second quarter, it further came down to 7.6%, against 9.2% and 9.3% a year ago, respectively.

BSE Sensex – Performance



The equity markets also took a sharp plunge, with the BSE Sensex taking a 55% fall since its peak at 21,206 in January 2008. The decline was primarily due to the deepened economic gloom, which triggered a wave of selling by foreign institutional investors (FIIs) closing off a major source for firms to raise funds. FIIs started relocating their funds from risky emerging markets to stable developed markets for fear of a looming economic recession in the US.

The initial public offering (IPO) activity also lost its rush and the total capital gathered during April-September 2008 was only about INR20 billion (US$409 million) compared to INR200 billion (US$4 billion) during the same period a year ago. During the second half, companies like Emaar MGF and Worckhardt Hospitals had to withdraw their IPOs following the change in global sentiments.

The FII outflow had a devastating effect on the rupee, which went to record lows of 50 against the US dollar. The depreciation in the Indian rupee due to outflow of funds in the stock market worsened the trade deficit. The currency was also badly hit due to a steep hike in crude oil in July 2008 when it peaked to US$147 per barrel. This sudden rise was more because of speculation in the oil futures market and not backed by as much real demand that could not sustain for long and finally gave way to a fall in prices. In December 2008, oil fell below US$40 per barrel, its lowest price in four years.

Increases in crude oil prices, worsening fiscal and current account deficits, increased cost of funds, FII outflow and depreciation in the rupee against the dollar decelerated India's gross domestic product (GDP) growth. By mid-2008, the Indian economy had reached a critical juncture where policies to contain inflation and ensure macroeconomic stabilization had taken center stage. Initially, to combat inflation, RBI adjusted key policy instruments raising the cash reserve ratio (CRR — percentage amount banks keep with RBI) and repo rate (rate at which banks borrow from RBI) to as high as 9%.

With inflation having peaked, there was a liquidity crunch in the Indian markets. The crunch in the global markets was primarily a result of the crisis of confidence. The collapse of large banks and financial institutions such as Bear Stearns and Lehman Brothers shook the confidence of banks and they stopped lending to each other. But the liquidity crunch in the Indian market was more of a restricted and short-term nature, triggered by factors including advance tax payments and RBI intervention in forex markets to moderate the currency's fall.

There was some effect of the global liquidity crisis on India as well with the FII selling in the domestic equity markets putting further pressure on rupee. As a result, later on in order to infuse liquidity into the system, RBI had to announce cuts in CRR, statutory liquidity ratio (SLR — percentage amount banks keep with RBI in the form of cash, gold and so on) and repo.

Evidence of a sharp slowdown surfaced with the IIP number having posted a negative growth of 0.4% in October as against a robust 12.2% in the corresponding month in 2007 with manufacturing showing a negative growth of 1.2%. The IIP numbers are hinting that the decline may be much steeper than anticipated. By December 2008, the annual inflation rate fell to a nine-month low of 6.84%.

Outlook for 2009

The world financial markets are not expected to improve until the second half of 2009. By then, the crisis is likely to bottom out and the

continued...

India's Economy and the Prospects for Islamic Finance (continued)

worst is expected to be over. The International Monetary Fund (IMF) estimates India's GDP growth in FY2009 at 7.8% and that in FY2010 at 6.3%. While the Indian economy has been affected by the current challenges faced by the global economy, the impact is expected to be short term and considering a medium to long term scenario, the fundamentals are expected to be quite promising. But in 2009 to 2010, the economy is expected to slow down further.

The Indian banks are sound and well capitalized with strong balance sheets. Unlike in the US, none of the Indian banks are in need of any bailout package. As a result of the crisis, the export sector will take a hit as many Indian companies which are largely dependent on the US, UK and European countries for exports or have their business units in international markets, will see a decline in business.

Going forward, the start of Reliance Industries' gas production in the Krishna Godavari basin will help bring down the country's import bill (as India imports 70% of the oil it consumes) by about US$20 billion and increase India's domestic production by 40%.

The fundamentals are strong in the case of India and the economy is only now feeling the ripple effects of the crisis that have dawned upon other countries. Presently, India's economy is going through a cyclical trough with a tentative slowdown (and not a recession) in growth.

This slowdown will be constructive in the sense that it will bring down unnecessarily high prices, which had been a result of more than optimum premium placed on the infrastructure and real estate sectors. It will also price the stock market at a realistic level, removing the hype accompanying the equity market's bull rally.

Despite the fact that major world economies have entered or are entering into recession, India can still expect to see a growth of more than 7% in FY2009. Since never before has the world economy been impacted by a fuel, food and financial crisis all at the same time, India has to be affected.

The future of Islamic finance in India

Islamic banking has largely escaped the global financial crisis. Despite the effects of a temporary shortage of liquidity, which has been a worldwide phenomenon, the degree of damage has been far lower in the case of Islamic finance than to the much wider network of international finance.

This can be primarily attributed to the restricted spread of Islamic financial instruments across regions and the lower level of leverage allowed in Islamic financial transactions. Islamic finance is based on Islamic or Shariah law, which forbids charging of riba (interest); prohibits elements of gharar (uncertainty), maysir (gambling), investment in haram items and requires transactions to be backed by tangible assets.

These principles make sure that Islamic investments are ethical in nature without the existence of any such concept of risk free return. Therefore, while the global banks fall victim to the crisis due to mortgage-backed paper securities, Islamic finance managed to survive with its backing of tangible assets.

However, Islamic financial institutions have not escaped unscathed from the turmoil, though their problems are for an entirely different reason. The industry is experiencing slackened activity due to its reliance on the property and real estate markets, which have been widely used for the purpose of backing the transactions with tangible assets.

But the loss due to a drop in the real estate market is entirely notional and is not as bad as the conventional banks' losses where billions of dollars have been written off completely as a result of the housing market crash.

India has a vast Muslim population exceeding 154 million and most of them do not participate in the Indian financial market largely dominated by interest-yielding instruments and conventional interest-based banking.

Till now, this portion of the population was largely ignored by banking and financial institutions as a potential revenue source. But the need to identify untapped consumer demands, attract fresh investments, have maximum participation across all the segments coupled with the growing popularity of Islamic finance in the Middle East, UK and Malaysia has led to a realization of its importance in India.

The Indian government, on its part, is initiating steps to bring about Shariah compliant offerings in the country. A financial sector reforms committee, headed by former IMF chief economist Raghuram Rajan, identified interest-free banking (Islamic banking) as a key to economic growth and suggested that it be introduced on a larger scale in India. The report asserts that it is within the ambit of financial infrastructure to offer interest-free banking.

The Securities and Exchange Board of India has approved a number of Shariah compliant funds in India. In 2008, Reliance Money partnered with Parsoli Corporation to launch its first Shariah compliant Portfolio Management Scheme (PMS) to tap funds of the large number of Muslims in India.

Other asset management companies, including Religare Securities in collaboration with Bearys Amanah, UTI Asset Management and DWS Investments, also plan to take the PMS route, enabling their clients to invest in stocks of Shariah compliant companies.

It is not only the Islamic funds which are catching the attention of investors. A number of Islamic Indices have been launched in India which includes the Dow Jones Islamic Market India Index, Parsoli Islamic Equity Index and the recently launched EW India Islamic Index, to attract Indian retail investors as well as Gulf-based investors.

The idea of bringing Islamic finance to India looks quite promising in the current scenario when the economy is grappling with a liquidity crunch, and Islamic finance can act as a new avenue for bringing in fresh investments into the financial mainstream.

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US$268 Million Sukuk by Purple Island Corporation

By Qudeer Latif and Neeta Thakur

This paper seeks to analyze the key features and structure of one of the most innovative Sukuk issued out of Saudi Arabia in 2008. In terms of the deal size, the Sukuk issuance of SAR1 billion (US$268 million) was the first ever real estate Sukuk in Mecca. The Sukuk was issued by Purple Island Corporation (PIC), a special purpose vehicle incorporated in the British Virgin Islands affiliated with the Saudi Binladin Group (SBG).

Description of Islamic finance arrangements used

The transaction utilized an Ijarah and Mudarabah structure with respect to a usufruct right over 13 floors of the Al-Safa Tower of the Abraj Al-Bait Complex, Mecca. Before analyzing the structure, it would be helpful to understand these Islamic financial arrangements.

A Mudarabah is a Shariah compliant financing arrangement whereby one party (Rab al maal) invests capital and the other party (Mudarib) manages such capital. The profits of the Mudarabah are shared between the parties in a pre-agreed ratio.

An Ijarah is a Shariah compliant lease. Under an Ijarah, one party leases equipment or other assets to the other party for a rental payment. The duration of the lease as well as the rental payment must be set in advance and mutually agreed.

An usufruct right is the legal right for one party to use and derive profit or benefit from the property that belongs to another party.

1. PIC issues Sukuk certificates to the investors with a maturity date of five years from the date of issuance.

2. Pursuant to the terms of the Sukuk documents, PIC, as Rab al maal, enters into a Mudarabah with a Saudi special purpose entity ("the Mudarib"), whereby PIC invests the proceeds of Sukuk certificates, constituting of the "Mudarabah capital" in the Mudarabah. The profits of the Mudarabah are shared between the Mudarib and PIC, as Rab al maal, in a pre-agreed ratio.

3. Pursuant to the investment plan under the Mudarabah, the Mudarib uses the Mudarabah capital to purchase a 10-year usufruct right, constituting the "Mudarabah assets", over 13 floors of the Al-Safa Tower of the Abraj Al-Bait Complex, Mecca, Saudi Arabia ("the Property") from SBG. The fee for the usufruct right over the property for the 10-year period is paid up front.

4. The Mudarib, as lessor, enters into an Ijarah Agreement with a Saudi special purpose entity as the lessee, whereby the Mudarib leases the property to the lessee for a period of five years ("initial lease term"). The rent for the lease is pre-agreed at the time of entering into the Ijarah Agreement.

5. The lessee also gives an irrevocable undertaking (referred to as "Offer to Extend Lease") to the Mudarib to extend the lease for an additional period of five years at any time during the initial lease

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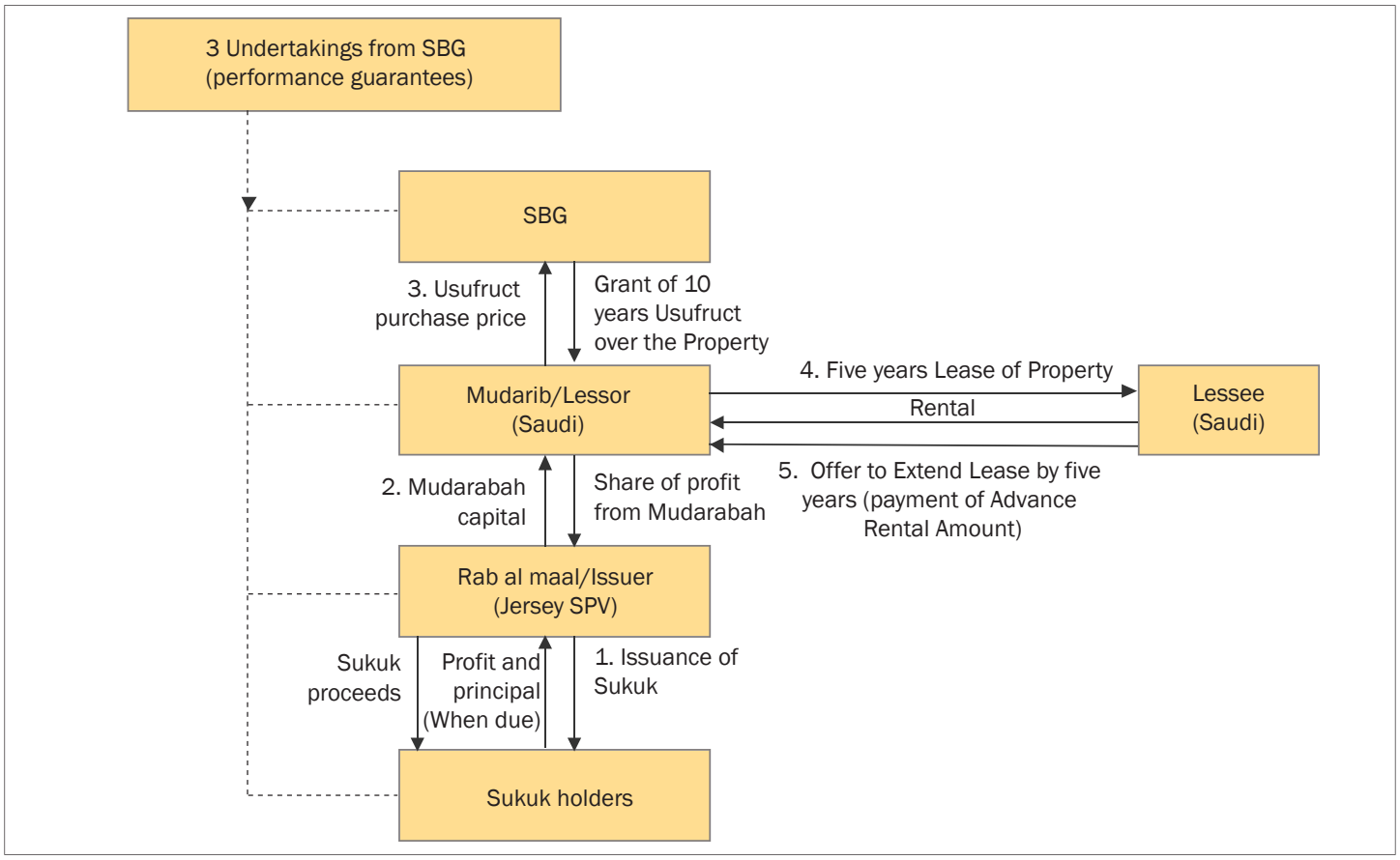

US$268 Million Sukuk by Purple Island Corporation (continued)

term. Upon the Mudarib exercising its option to extend the lease under the Offer to Extend Lease, the lessee shall pay to the Mudarib, in advance, the entire rent for the property for the additional five-year period ("Advance Rental Amount").

6. SBG gives three performance guarantees for the obligations of the lessee, the Mudarib and PIC:

   - A guarantee as to the performance of the obligations of the lessee to the Mudarib under the Ijarah Agreement and the Offer to Extend Lease.
   - A guarantee as to the performance of the obligations of the Mudarib to PIC under the Mudarabah.
   - A guarantee as to the performance of the obligations of PIC to the Sukuk holder's agent, on behalf of Sukuk holders, under the Sukuk certificates.

> "This structure (Ijarah and Mudarabah) has been innovative as it avoids the need for a purchase undertaking"

Payment of principal and coupon on Sukuk certificates

In the absence of an event of default under the Mudarabah, the Ijarah Agreement or the Sukuk certificates, the periodic rental payments (payable semi-annually) under the Ijarah Agreement, will be collected by the Mudarib and shared with PIC according to pre-agreed profit sharing ratio.

PIC will then use such payments of Mudarabah profit to make coupon payments on the Sukuk certificates. (Any monies received under the Ijarah Agreement that would otherwise result in PIC receiving more than the aggregate amount required by it to make coupon payments under the Sukuk from time to time, will be retained by the Mudarib as an incentive payment.)

The return of the principal amount on the Sukuk certificates upon maturity is provided for by a combination of:

(i) the payment of a larger rental payment on the last rental date under the Ijarah Agreement and

(ii) the advance rental amount (as the Mudarib will exercise the option to extend the Ijarah Agreement under the Offer to Extend Lease).

Total loss

Upon the occurrence of an actual or constructive total loss of the property or upon the irreparable destruction or damage to the property such that it becomes unfit for normal use ("total loss"), the principal will be returned to the investors by a combination of:

(i) a special deferred rental amount plus all the accrued rent until the date of occurrence of total loss and

(ii) an amount received by the Mudarib from SBG as pro-rata refund of the usufruct price for the unused portion of the usufruct term.

Upon the occurrence of a total loss, the Ijarah Agreement and the usufruct agreement will automatically terminate per Shariah principles.

Event of default

It is interesting to note how the structure will operate in different event of default scenarios:

- If there is an event of default by the lessee under the Ijarah Agreement, the Mudarib, as lessor, can accelerate future rent payments under the Ijarah Agreement and exercise its right to extend the lease under the Offer to Extend Lease (upon which the lessee shall pay the advance rental amount).

  An event of default with respect to rent payment under the Ijarah Agreement will trigger an event of default under the Mudarabah and under the Sukuk certificates. The rent payments under the Ijarah Agreement and the advance rental amount under the Offer to Extend Lease will flow through the Mudarabah to PIC and will be used to make the principal and coupon payments on the Sukuk certificates to the investors.

- If there is an event of default under the Mudarabah, it will trigger an event of default under the Sukuk certificates. PIC can either replace Mudarib or liquidate the Mudarabah.

- If there is no event of default under the Ijarah Agreement or the Mudarabah but there is an event of default under the Sukuk certificates, the Sukuk holder's agent, for and on behalf of Sukuk holders, may call on the guarantee from SBG for the payment of principal and coupon payments on the Sukuk certificates.

Conclusion

This structure has been innovative as it avoids the need for a purchase undertaking that has been a topic of controversy recently. In addition, the incorporation of the Mudarib and the Lessee as separate independent Saudi entities has diffused the application of Bai al Inah, which has been a cause of concern to many Shariah scholars.

CLIFFORD CHANCE

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To know more about this transaction or our services, please contact Qudeer Latif, Bilal Ahmad or Neeta Thakur in the Dubai office of Clifford Chance at +971 4 362 0444.

Shariah Investing Challenged by Commodities

By Jahangir Aka

Since our last paper "Shariah Investing: Beating the Credit Crunch" was published in July last year, the markets have proved to be challenging for Shariah investing. The third quarter of 2008 (3Q2008) saw dramatic falls in the commodity and energy prices while strangely, the financials rallied. Islamic finance's dependence on these asset classes proved to be Achilles' heel. While Shariah investing continues to outperform the conventional through this credit crisis, it weathered a severe storm in 3Q2008.

Through the recent turbulence, there has been much debate on the future of the conventional financial system and the increasing role of Islamic finance as the system "evolves" out of this current crisis.

> "The exclusion of the financial sector and an aversion to debt continues to hold Islamic stocks in good position to avoid the credit squeeze"

There are principles and approaches in the Islamic finance system that could be leveraged; however, Shariah finance cannot purely replace conventional. They are inherently two different systems that co-exist.

No immunity but some shelter

Shariah investing cannot be immune to the problems of the credit crisis. However, Islamic indices remain sheltered from the most extreme ups and downs. Islamic indices have avoided the mass of the credit crunch panic although, as markets around the world have been rattled by rapid market swings and volatility has reached new heights, over the last quarter Islamic stocks have felt the impacts and knock-on effects.

The exclusion of the financial sector and an aversion to debt continues to hold Islamic stocks in good position to avoid the credit squeeze. These attributes have created a resistance to the current crisis, though they cannot insulate completely. The avoidance of financials remain key to the performance of Islamic indices but heavy weightings to materials and energy, which have seen price drops in the last quarter, have dampened the gap of outperformance over the conventional index.

The Dow Jones Islamic Developed World Index (DJIWI)'s lead over the MSCI World Index in 3Q2008 narrowed over the quarter although it still continues to outperform over the last seven subprime challenged quarters (see Figure 1).

Sectoral shifts and a difficult quarter, but still pulling through year-to-date

Since the beginning of 2008, the Dow Jones Islamic Index (DJII) has outperformed the broader markets, given its underweight to the significantly underperforming financial sector. The shift in sector leadership, however, saw the Dow Jones Islamic Indices reverse this trend and underperform the MSCI (see Figure 2) in the last quarter.

Surprisingly, despite the demise of some of the biggest names in the sector, 3Q2008 saw financials pick-up; and although it remains the worst-performing sector year-to-date in absolute returns, it outperformed the overall market by more than 5% (as measured by the MSCI World Index).

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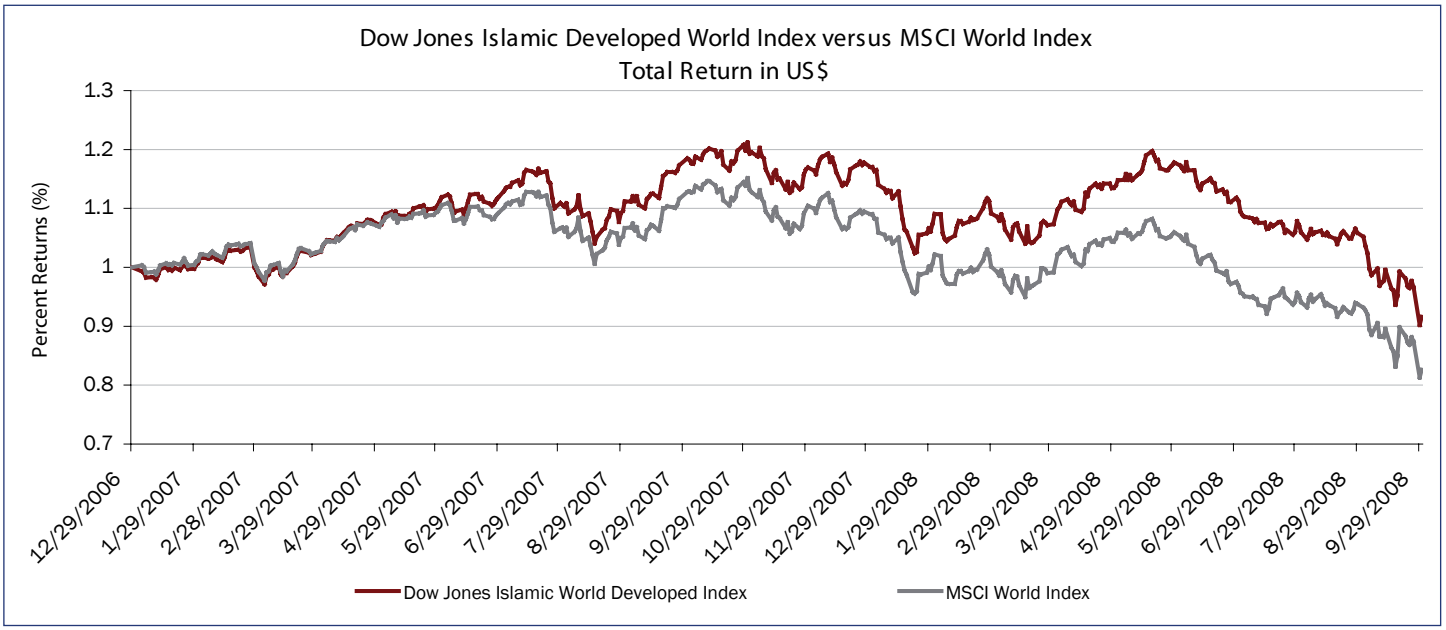
Figure 1: Dow Jones Developed World Index versus MSCI World Index



Source - Factset, Dow Jones Islamic Indexes

Shariah Investing Challenged by Commodities (continued)

It was not only financials that were part of the shift in sector leadership that detracted from Islamic indices in the last quarter. Energy and materials, two sectors favored by the DJII, reversed course sharply in the same period and lagged well behind the rest of the market following a big selloff.

Falling commodity prices weighed on the material and energy sectors and the worst commodity period in decades also impacted Islamic indices unfavorably.

However, on the positive side, against a backdrop of sharply falling crude oil prices, traditionally defensive areas such as consumer staples and healthcare sharply outperformed the broader market faring well for Islamic indices, which tend to overweight these sectors.

The period of the 31st December 2006 to 30th September 2008 shows that Shariah indices still appear to have benefited from the characteristically favored sectors that have proved resilient over this longer period.

Relative returns show that the DJIWI has held strong across several sectors, such as telecommunications and consumer staples, outperforming the MSCI World (see Figure 3).

In a year-to-date comparison, with the exception of Pacific Basin equities, respective regional Dow Jones Islamic Indices have recorded a positive outperformance compared against their MSCI conventional equivalent (see Figure 2), suggesting that Shariah investing could be a viable alternative approach across global markets.

The behavior of the Dow Jones Pacific Basin Index exemplifies the challenge of overweighting the cyclical sectors. The allocations of this index lean heavily toward the cyclical sectors and it is the only index of the Islamic family to differ so strongly in its allocations in this regard.

> "The period of the 31st December 2006 to 30th September 2008 shows that Shariah indices still appear to have benefited from the characteristically favored sectors that have proved resilient over this longer period"

Any benefit of being underweight in financials has been strongly offset by the overweighting to those sectors which struggled, given the risk aversion and flight to safety by investors.

Challenge is in the commodities

The third quarter of 2008 saw Shariah indices struggle with cyclical downturns and overweight exposure to cyclically sensitive areas,

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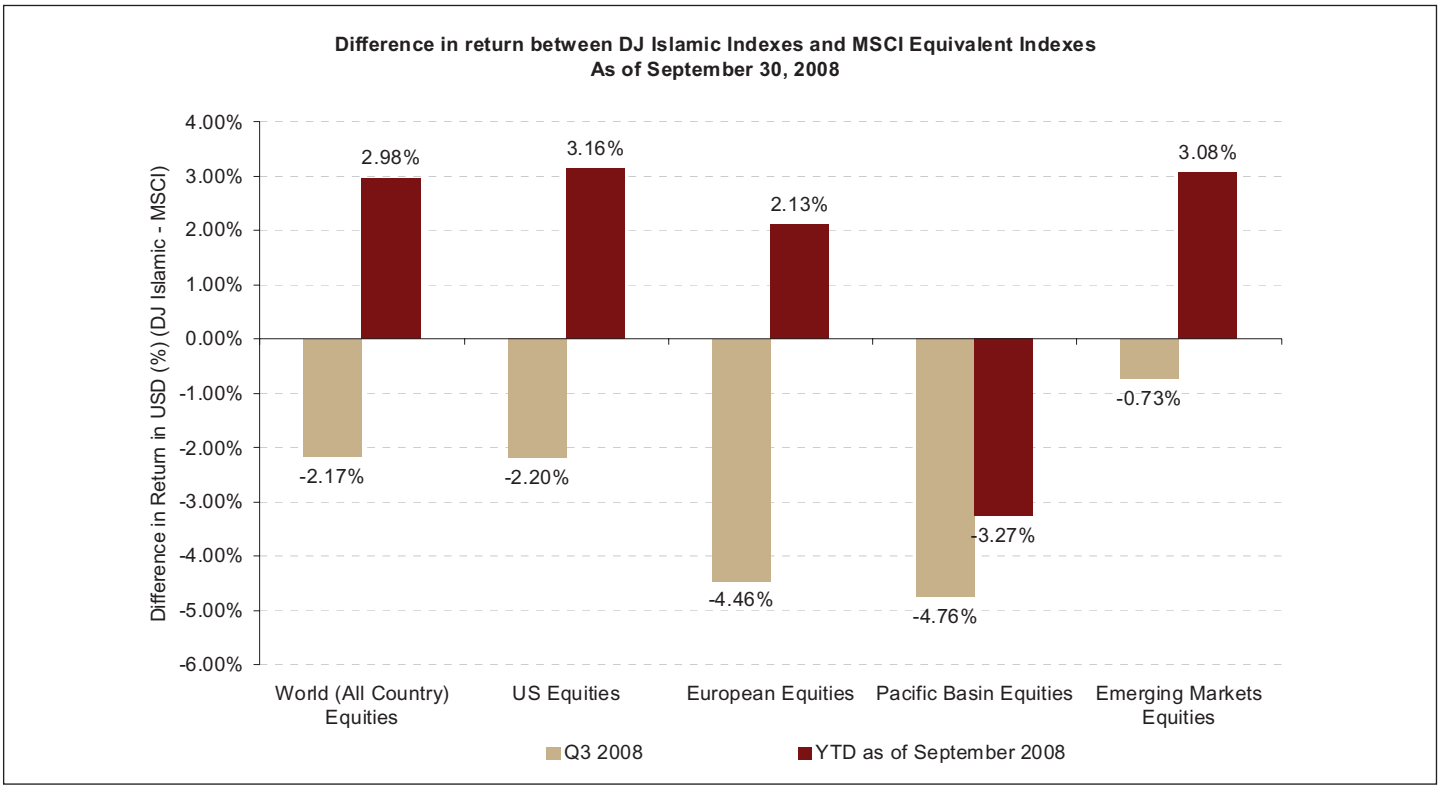
Figure 2: Difference in return between DJII and MSCI



Source - SEI, Morgan Stanley Capital International Dow Jones Islamic Index.

Shariah Investing Challenged by Commodities (continued)

these primarily being the industrial, material and energy sectors. Traditionally defensive sectors and those favored by Shariah indices — utilities, consumer staples and healthcare — have outperformed amid the turmoil, but they are trading at price-to-earnings multiples that are potentially unsustainable.

Shariah indices will not be immune to global recessionary impacts. However, long-term beliefs in the global economic recovery should fuel resurging demand for commodities despite short-term concerns and Shariah indices should yield the positive results of this.

> "What could prove to be the real concern for the Islamic banking industry is that other favored asset-based investments (in particular real estate) and limited portfolio diversification might still impact negatively"

Should commodities, materials and energy pick up over the next quarter and beyond, we would expect to see Shariah indices recover from the 3Q2008 slowdown.

What could prove to be the real concern for the Islamic banking industry is that other favored asset-based investments (in particular real estate) and limited portfolio diversification might still impact negatively.

However, the exclusion of leveraged and indebted companies should continue to contribute to the strength of Shariah indices as the credit squeeze rolls on and high debt-to equity ratio stocks struggle with their liquidity issues.

Stock selection will still remain vital for Shariah fund managers as for their conventional counterparts. It still holds that Shariah investing does have benefits through difficult market periods and the features and criteria of Shariah stock selection should not be discounted over one difficult quarter.

Although 3Q2008 saw a surprising financial sector pick-up, financials remains the worst-performing sector year-to-date in absolute returns and the exclusion of this sector aversion to debt should continue to hold Islamic indices in a strong position.

Over this credit crisis episode, characteristically Shariah compliant portfolios that exclude options, avoid derivatives, deny short-selling and ignore hedge funds will have fared better than conventional portfolios with these exposures.

It is important to note that making drastic changes to an investment program in the midst of a market crisis rarely results in positive outcomes and Shariah's more committed buy-and-hold approach has helped its indices avoid some of the credit crisis panic.

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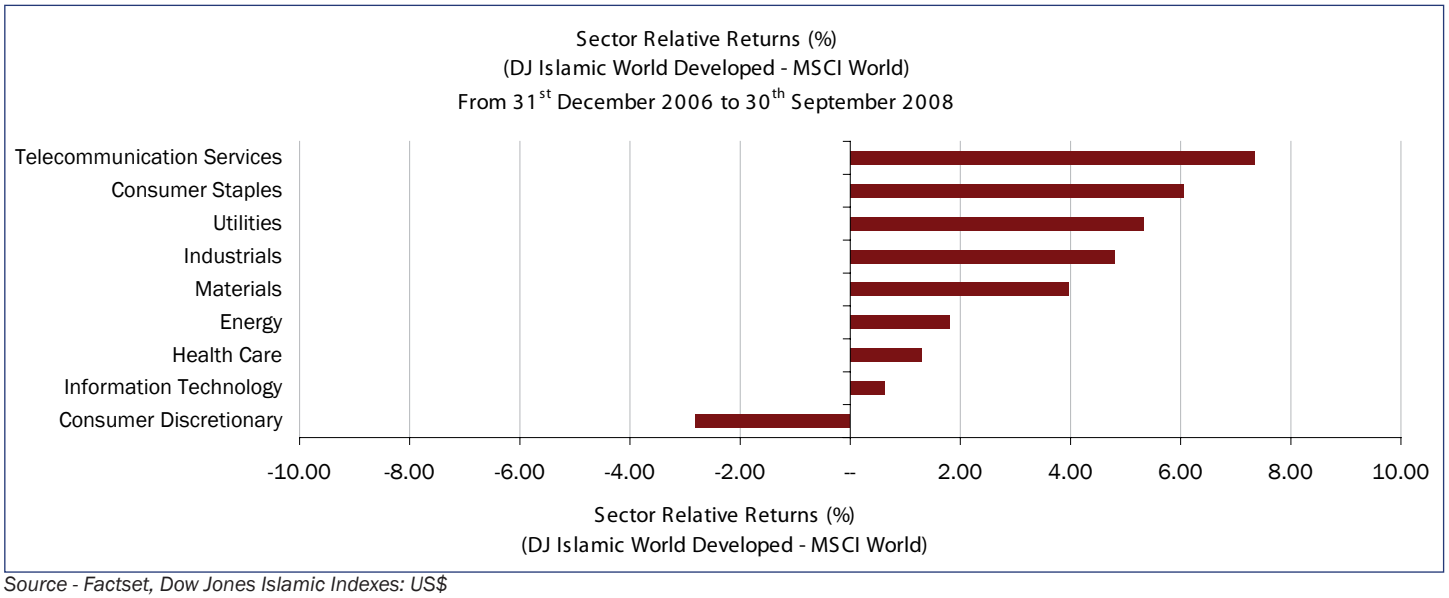
Figure 3: Sector relative returns



Source - Factset, Dow Jones Islamic Indexes: US$

What, in your mind, were the key developments in the Islamic finance industry in 2008; and what do you think 2009 holds in store for it?

The last year has been difficult for both Islamic banks and Islamic capital markets as the credit crunch resulted in a widespread recession, which in turn brought a sharp downturn in oil prices and tumbling property markets in the Gulf Cooperation Council states.

The major achievement for Islamic banks was simply to survive in this difficult climate, and to their credit, none had to seek the government bailouts that were all too often required by their conventional competitors. Amlak and Tamweel of Dubai had to merge, but their survival was never threatened.

Sukuk issuance fell substantially from its peak in 2007 to below its 2006 level, but there have been no defaults on Sukuk obligations compared to those with conventional securities. No Sukuk are toxic. The last year has been a torrid time for investors in Shariah compliant funds, which have on average declined by one quarter in value.

However, most have outperformed their conventional equivalents, partly because the latter had significant exposure to riba-based banks, whose share prices have declined disastrously.

It is hard to be optimistic for 2009, with any significant upturn having to wait until 2010. However, recession is a time for reflection and taking stock. The debate over Shariah-based versus Shariah compliant products intensified in 2008. Expect to see new Shariah-based structures appearing in 2009.

The new year may be a time for fresh thinking and innovation, with the seeds being planted which will strengthen the inevitable recovery in Islamic finance activity.

PROFESSOR RODNEY WILSON: Director of postgraduate studies, Durham University

The year 2008 was without doubt one of the most tumultuous years in the history of finance. Interestingly enough, the crisis in the conventional banking world has resulted in increased interest in the principles of Islamic finance.

Earlier in 2008, we saw the new AAOIFI Sukuk rules that many have blamed for the reduced issuance of Sukuk during the year, but is that true? Sukuk issuers, like other borrowers, have seen spreads widen over the year and are putting off attracting new money as waiting may lead to a better deal.

Towards the end of the year, we saw that the Islamic finance industry is also indirectly hampered by the credit crunch, and that Islamic investors are not completely immune from the effects. However, the liquidity implications for Islamic banks are on a completely different scale to their conventional counterparts, and the sub-prime mortgages and related toxic assets are not part of the Islamic bank's balance sheet.

For 2009 there is likely to be a further focus on the underlying principles. At least during the first half of 2009, I strongly believe that Islamic banks can use the current situation in their favor, while the conventional institutions will still be sorting out their issues. They should not become complacent though; once you have your client relationship, you will need to keep on working on it.

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

The biggest development was the global credit crisis and the questions that it raises — still unanswered. These questions are compounded by the stunning collapse in commodity prices. They are best summarized as one question: How can Islamic banks manage in times of extreme uncertainty?

The year 2009 holds the risk of more uncertainty, especially in the real estate markets.

ABDULKADER THOMAS: President and CEO, SHAPE Financial

Last year — 2008 — was in many ways a "wake up" call for Islamic banking and finance. Having survived the initial shock waves (which destroyed many Western financial institutions and markets), Islamic banking and finance also started slowing down, out of sheer nervousness in some cases and due to some exposures in other cases, which could potentially have a bad effect on some Islamic institutions as in the case of their Western counterparts.

In my view, 2008 marked the end of a honeymoon period for Islamic banks and financial institutions. The slowdown in Islamic capital markets, especially Sukuk, was the most significant development (or anti-development) in 2008.

In 2009, growth (in terms of number) of Islamic banks and financial institutions will face a slowdown. It is expected that some small institutions will merge with similar banks or be acquired by bigger banks. The establishment of new Islamic banks will not be as easy as it has been in the last five years. Overall, a tough year for the Islamic financial industry!

DR HUMAYON DAR: CEO, BMB Islamic

Having correctly predicted this development, my prediction for 2009 is that a complete reversal of polarity of the financial system will commence, leading to transition from the current deficit-based system of credit intermediation to a disintermediated asset-based financial architecture.

We will see "peer to peer" mutualized credit, and "peer to peer" revenue and risk sharing investment through unitization — both within partnership-based legal frameworks. Both will be immediately recognized by Muslims as self evidently Islamically sound.

CHRIS COOK: Principal, Partnerships Consulting

While I hope 2009 will be a better year for Islamic finance, I foresee some significant challenges. Weakening economic conditions, particularly the real estate market in Dubai, will challenge the industry to find alternative investments to promote greater diversification of assets on Islamic banks' balance sheets. I believe there is a possibility for an Islamic bank to fail, which will test the resiliency and capital adequacy standards of the industry which I hope are strong and should be aided by the conservative behavior of Islamic banks.

On a hopeful note, the Sukuk market should rebound, particularly in the second half of 2009, as the backlog of issues delayed by the credit crisis come to market. If oil prices recover from their low levels, there could be enough Sukuk issued that demand for them exceeds supply.

If enough buyers come into the market it could drive prices up to a level where a secondary market for Sukuk begins to emerge, most likely on the Dubai or London markets.

Finally, the growth of Islamic finance in countries where Muslims are a minority will continue to grow as Islamic finance becomes more developed and regulatory and tax regimes become more accommodative.

The countries where I anticipate the most growth are the UK, France, Germany, Canada, Hong Kong, Singapore and Japan with slower growth in the US, India, Indonesia and Turkey.

BLAKE GOUD: Principal, SharingRisk.org

Next Forum Question

The year 2008 was one that many in the financial industry would rather forget. Although one could argue that the Islamic finance industry fared better than its conventional counterpart, it has not escaped unscathed. What does 2009 have in store for the Islamic capital markets and will issuances be up year-on-year?

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, 21st January 2009.

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

Name: Chakib Abouzaid

Position: CEO

Company: Takaful Re

Based: Dubai International Financial Centre, UAE

Age: 50

Nationality: Moroccan

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

My background before being a reinsurance underwriter was macro economics and planning, and I graduated with a master's degree from Grenoble University, France, and later completed a master's in insurance. After working for several years and in different positions with my previous company, I was approached in 2005 to head Takaful Re's full operation. Takaful Re being the first full-fledged re-Takaful operator with large capital and fully dedicated to the Islamic companies, the assignment was a very challenging opportunity.

What does your role involve?

As a CEO, my function includes all strategic aspects, business planning and development, marketing and promotion of Takaful and re-Takaful capacities and capabilities, company and policyholders' investments, and managing day-to-day our resources especially our human capital. I have to make sure that Takaful Re's operations are Shariah compliant, provide the best service and generate surplus to our Takaful partners as well as acceptable ROE (return on equity) to our shareholders.

What is your greatest achievement to date?

The greatest achievement was to position Takaful Re as a reference for all the new re-Takaful who entered the market after us, and to be now among the top re-Takaful companies; Takaful Re is the reference and source of information about Takaful companies and industry.

Which of your products/services deliver the best results?

As a re-Takaful operator we are writing general, medical and family Takaful. Over all, our business is technically profitable, but considering the severe competition and the low pricing, non proportional treaties and family Takaful are the most profitable businesses.

What are the strengths of your business?

The key strength of our business is our commitment to our Takaful values, the teamwork and the support received from our shareholders, especially Arab Insurance Group.

The synergy between the three components is serving the capital and policyholders in a very efficient manner. Our commitment is rewarded by the trust our partners are putting in Takaful Re and generating business. The team is dedicated to the values and provides the best service we can to these companies. Our strategic shareholders are investing a large amount of capital, directing the management and strategy and supporting the team.

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

Many factors are serving Takaful Re in addition to the previous strengths — the Takaful market is growing very fast, the boom in Islamic finance, the past and expected growth of the Middle and Far East economies, and of course the quality of our service and excellent rating ('BBB' "stable" from Standard & Poor's).

What are the obstacles faced in running your business today?

The main obstacle is the conventional mindset; some of the operators are not sufficiently aware about the volume and capabilities of the existing reTakaful capacities. We need a kind of "cultural revolution" to convert the conventional mindset to Takaful. Our main communication message for this year is: "*Think Takaful — Act Takaful*".

We can also add the level of competition reached by all our Middle and Far East markets, which makes underwriting good business very difficult; and as a re-Takaful operator, we have the ethical duty to make our policyholders fund profitable, which is different from the conventional as they can compensate any technical loss by the investment profits.

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

Islamic finance is now at a very critical point, as we are seen positively as an ethical and not speculative industry. We have to leverage on this, especially with the current crisis. If we adopt the right strategies and direct our business to fulfill our customers' needs, I'm sure Islamic finance will have a bright future. We have to be sure to comply with our values, be innovative and adopt the best standards. Corporate governance shouldn't be a problem if we are committed to our values, as our religious beliefs prevent us from any speculation, "illegal" or "unethical" trading.

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

Takaful companies must work hand in hand with regulators in order to have a legal framework for Takaful in all Muslim countries. With the Shariah scholars, Accounting and Auditing Organization for Islamic Financial Institutions and Islamic Financial Services Board, we need to go ahead in the harmonization of Shariah and accounting standards.

As professionals, Takaful operators need to establish themselves as a powerful group, to draw up macroeconomic strategies and action plans to make Takaful one of the main drivers for the development of the insurance industry in our emerging markets. Targeting 5% average penetration rate (premium as a percentage of gross domestic product) should be our main objective for the coming decade.

Purple Island Corporation's Sukuk

INSTRUMENT	Sukuk Mudarabah
ISSUER	Purple Island Corporation, a special purpose vehicle incorporated in the British Virgin Islands and affiliated with the Saudi Binladin Group.
PURPOSE OF ISSUE	Fundraising through the investment of Sukuk proceeds in a Mudarabah. The general purpose for the issuance is to use the proceeds for developing one of the biggest commercial/residential complexes in Mecca.
PRINCIPAL ACTIVITIES	The issuer is a special purpose vehicle incorporated in the British Virgin Islands to issue the Sukuk and act as Rab al maal in connection with the Mudarabah.
OBLIGORS	Advanced Al-Bait Group for Development and Construction, Al-Burj International Real Estate Investment and Saudi Binladin Group.
ISSUE SIZE	SAR1 billion (US$267 million)
DATE OF ISSUE	31st August 2008
MATURITY	Five years, expiring on the 1st September 2013
COUPON	7% a year
USE OF PROCEEDS	To purchase a 10-year usufruct right over 13 floors of the Al-Safa Tower of the Abraj Al-Bait Complex in Mecca, Saudi Arabia.
LEAD MANAGER	HSBC Saudi Arabia
BOOKRUNNER	HSBC Saudi Arabia
LAW	Saudi Arabia
LEGAL COUNSEL	Clifford Chance and Al-Jadaan & Partners as counsel to the lead manager, Walkers as counsel to the issuer and Baker & McKenzie as counsel to Saudi Binladin Group.
GUARANTOR	Saudi Binladin Group, as guarantor to the three performance guarantees as discussed in the Case Study (Also see page 31.
SHARIAH ADVISOR	HSBC Amanah Central Shariah Committee

NBAD

UAE: The National Bank of Abu Dhabi (NBAD) has appointed Zeki Muderrisoglu as the associate fund manager in its asset management group. He has several years of experience as a fund manager.

Muderrisoglu was senior portfolio manager with Standard Unlu Asset Management and fund manager with Turkey's Is Asset Management. He also has experience in the forex market and technical analysis.

Before joining NBAD, Muderrisoglu was a technical analysis instructor at the Smartline Investment Training Institute, based in Cyprus.

KING & SPALDING

MIDDLE EAST/US: Three new partners have been elected into the law firm's policy committee, effective the 1st January 2009.

New York-based Scott J Arnold is the head of King & Spalding's real estate practice. He has represented clients in commercial real estate issues since 1975, including Middle Eastern investors in Shariah compliant structures.

Another new partner in the committee is Tracie J Renfroe, who is based in Houston. She represents energy, petrochemical and manufacturing clients, focusing on toxic tort, product liability, environmental and commercial disputes.

Philip R Weems is the co-chairman of the law firm's global energy practice and managing partner of its Middle East offices, based in Dubai.

His specialty is global energy and infrastructure transactions with a concentration on LNG/gas matters, upstream transactions and energy maritime issues.

The three replace C William Baxley, John J Kelley III and Reginald R Smith, whose three-year term in the committee expired at the end of 2008.

DFSA

UAE: The Dubai Financial Services Authority (DFSA) has appointed two new members to its board of directors.

Fadel Abdullah Al Ali has extensive experience in the financial industry and was previously attached to Citibank and the Dubai Mercantile Exchange before he was appointed Dubai Holding's executive chairman. He is also a member of several Dubai Holding entities.

Abdul Wahid Al Ulama is a member of the board of directors at Dubai World and vice chairman of Leisure Corp and Dubai Natural Resources World. He is also a member of the Dubai International Financial Centre.

JUMEIRAH GROUP

UAE: Thatcher Brown has been named as the Dubai-based luxury international hospitality management group's vice-president of brand strategy and management, effective from this month.

He is responsible for brand management, brand marketing and advertising, partnership marketing, brand sponsorships, loyalty marketing, brand product and service development.

Brown has more than 20 years experience in the travel and hospitality industry. He was previously the director of sales and marketing in Jumeirah Essex House since May 2006.

He has worked in the US, Canada, Spain and the UK for companies such as Fairmont Hotels and Resorts, Four Seasons and Condé Nast Publishing.

Jumeirah Group is a member of Dubai Holding.

NBD

EGYPT : Nevine Loutfy is the new managing director and CEO of the National Bank for Development (NBD) in Egypt. She was most recently the COO of Citigroup's EMEA Commercial Bank.

Loutfy oversees the bank's 69 branches and the operational restructuring process in order to comply with Shariah law.

NBAD

UAE: Khalifa Al Kendi has resigned as chairman of the National Bank of Abu Dhabi (NBAD). He did not give any reason.

Nasser Ahmad Khalifa Al Suweidi succeeded him effective from the 5th January.

SHAMIL BANK

BAHRAIN: The Islamic commercial and investment bank has appointed Krishnan Hariharan as senior manager for risk management. With 24 years of experience, the risk management specialist has established risk concepts in various financial institutions in India, Bahrain and Oman.

Before joining Shamil Bank, he was the head of the market risk and Basel II implementation department at the National Bank of Oman. He was previously also at Bahrain's Eskan Bank and Bank Dhofar in Oman.

BARCLAYS WEALTH

UAE: Steve Fedor is the new front office COO of the global wealth management institution in the MENA region. Along with his team, Fedor is responsible for the delivery of all operational aspects in support of Barclay's team of private bankers throughout the region.

He was previously with Merrill Lynch for 15 years in a variety of product, platform management and infrastructure roles based in London and New York. He has also worked at PNC Financial Corporation and PricewaterhouseCoopers.

BNP PARIBAS CAPITAL

SINGAPORE: The France-based bank announced that it has appointed Johnson Tan as CEO of BNP Paribas Capital (Singapore) and as the head of corporate finance in Southeast Asia. He will be based in Singapore.

He has 20 years experience in investment banking and was previously at Macquarie

continued...

as managing director of corporate finance in Southeast Asia.

HSBC

SINGAPORE: HSBC Singapore has named a new local head of global payments and cash management. Iain Taylor took on the role from 1st January, replacing David Katiforis.

Taylor was previously the regional head of market development for global payments and cash management at HSBC Asia-Pacific.

MURTHA CULLINA

US: Umar F Moghul has been elected as the co-chairman of the law firm's Islamic finance and investment division. His appointed took effect on the 1st January.

He is currently an Islamic law lecturer at the University of Connecticut, and has served as an adjunct faculty member at the Western New England College, also in the law department.

Moghul has vast experience in banking and finance, private equity as well as mergers and acquisitions.

He has also advised on conventional and Islamic private equity transactions, the establishment of real estate investment funds and one-off financing transactions, a novel Islamic warehouse financing transaction, as well as the design and documentation of novel Islamic residential, commercial and construction financing products.

He has published several articles and has spoken at forums related to Islamic law and Islamic finance.

HLTM TAKAFUL

MALAYSIA: Hong Leong Tokio Marine Takaful (HLTM Takaful) has appointed Abdul Latiff Abu Bakar as CEO, effective from the 3rd December 2008.

He has 19 years of experience in the insurance industry. Abdul Latiff has been attached to several firms such as Etiqa, Malaysian Assurance Alliance and Takaful Nasional.

He played a vital role in establishing an insurance company in Indonesia and is well-versed in investment-linked products and employee benefits.

STANCHART

ASIA/MIDDLE EAST: Standard Chartered Bank (StanChart) has appointed three new country heads for its commodity trading and agribusiness (CTA) in China, Indonesia and the UAE.

Ian Mote will be transferred to Shanghai from Dubai as the head of CTA for China. He was previously the CTA head for Dubai.

He has been with StanChart for more than 13 years and has held a variety of roles, both within the bank's structured trade finance team and CTA in London and Hong Kong.

Succeeding him in Dubai is Subramanian Krishnamurthy, a 12-year veteran of the bank who has been involved in various credit and relationship roles covering the UAE, Iran, Kuwait and North Africa.

The bank has also hired Nelson Batubara to lead the CTA for Indonesia. He was with Rabobank Jakarta for 15 years and has held various roles within corporate banking and treasury.

GATEHOUSE BANK

UK: The Shariah compliant investment bank has appointed Philip Churchill as head of real estate.

Churchill, who joined the bank in December 2008, has vast experience in the Islamic finance and real estate sectors. Previously, he was head of investment management (Europe) at HDG Mansur.

He also had a nine-year stint with Citigroup, where he was responsible for the establishment and investment of two Islamic European real estate funds.

ADIC

UAE: Sian Warlow has been named head of training and development at Abu Dhabi Investment Company (ADIC).

She has more than 18 years of business experience, including senior training and development roles in Barclays Capital and Deutsche Bank.

Deal *tracker*

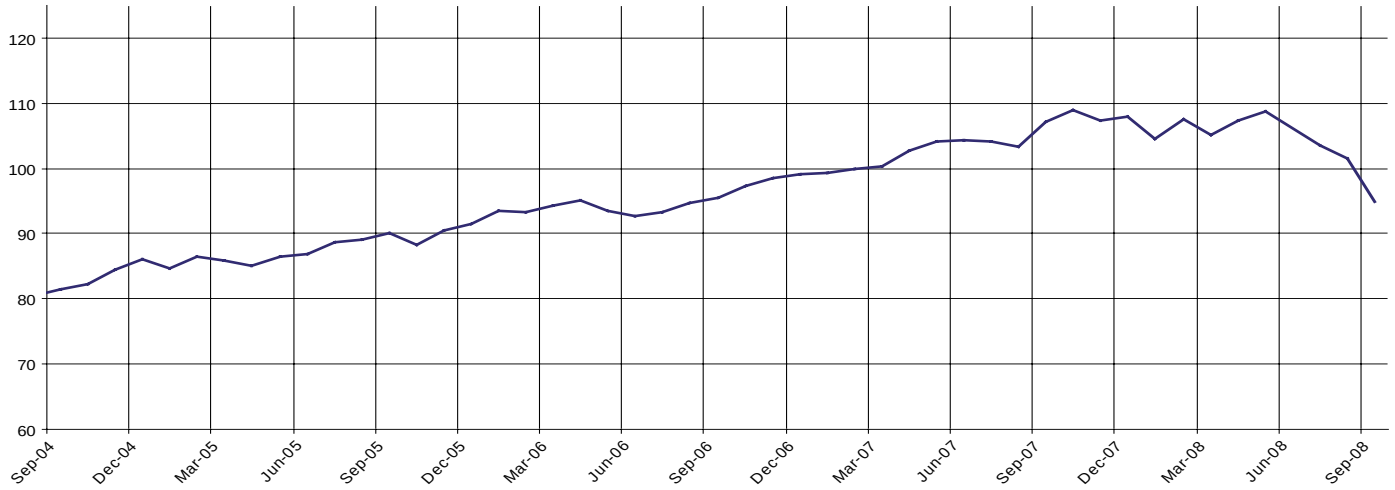
Keeping you abreast of the world's upcoming Shariah compliant deals

Another **Islamic Finance** *news* exclusive

ISSUER	SIZE (million)	INSTRUMENT
Danga Capital	US$2.82 billion	Sukuk Musharakah
Perusahaan Listrik Negara	US$124.65 million	US$83.1 million conventional, US$41.55 million Sukuk
Projek Lintasan Shah Alam	US$208.48	RM330 million Ijarah and RM415 Mudarabah
Saudi Hollandi Bank	US$400.31	Sukuk
Tamweel	Up to US$544.5	Sukuk
Dubai Bank	Up to US$500	Sukuk
Bakrieland Development	Up to US$32.85	Sukuk
TSH Resources	Up to US$115.3	Sukuk Ijarah
City Development	US$708.32	Sukuk
Malaysian Debt Ventures	Up to US$449.07	Sukuk
Bumiputra-Commerce Holdings	US$1.84 billion	Islamic and conventional CP/MTN program
Islamic Bank of Thailand	US$178.77	Ijarah
ETA Star Property Developers	Up to US$150	Sukuk
Abu Dhabi Commercial Bank	US$1.07 billion	Islamic MTN
Philippines	Up to US$1 billion	Sukuk
Bahrain Central Bank	US$500	Sukuk
Qatar Islamic Bank	US$300	Sukuk
Barwa Real Estate	US$800	Sukuk
Tabreed	Up to US$500	Sukuk
Amlak Finance	US$260	Sukuk
Al-Rajhi Cement Investment	US$595	Sukuk
Indonesia	TBA	Ijarah Retail Sukuk
Prolintas	US$187	US$93.5 million senior Ijarah, US$93.5 million junior Musharakah
Monetary Authority of Singapore	TBA	Sukuk
Islamic Development Bank	US$122.75	Ijarah
UMW Toyota Capital	US$306.9	Musharakah CP/MTN

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

Eurekahedge Global Islamic Fund Index



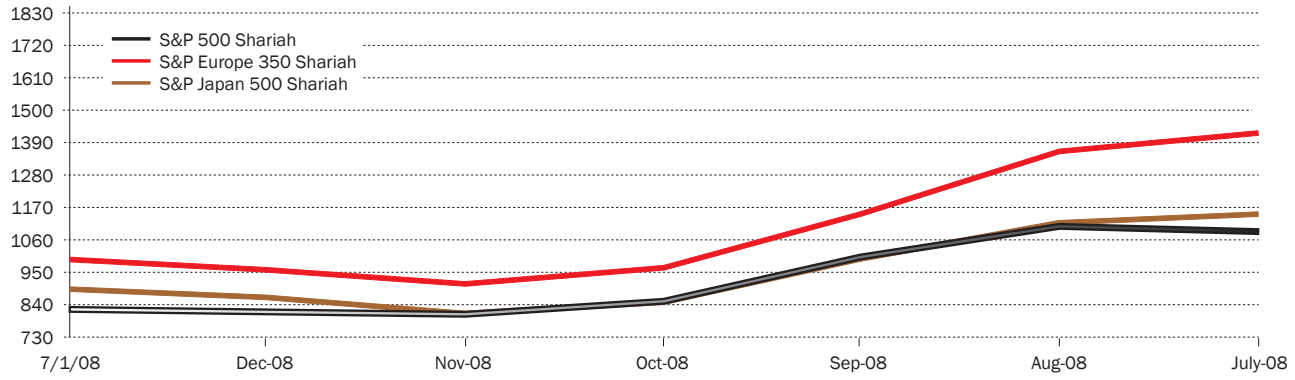
Monthly returns for Asia-Pacific funds (as of the 7th January 2009)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	ETFS Physical Gold	ETFS Metal Securities	6.15	Jersey
2	Tijari Islamic Money Market	Commercial Bank of Kuwait	5.81	Kuwait
3	Public Islamic Bond	Public Mutual	2.49	Malaysia
4	AmBon Islam	AmInvestment Management	2.20	Malaysia
5	Al Dar Real Estate	ADAM	2.19	Kuwait
6	Emirates Real Estate - Accumulation Shares	Emirates Bank International	2.19	Channel Islands
7	Prudential Dana Wafi (PRUdana Wafi)	Prudential Fund Management	1.94	Malaysia
8	AMB Dana Arif	Amanah Mutual	1.54	Malaysia
9	PB Islamic Bond	Public Mutual	1.39	Malaysia
10	CIMB Islamic Sukuk	CIMB Wealth Advisors (formerly known as SBB Mutual)	1.38	Malaysia
	Eurekahedge Islamic Fund Index*		*-7.40*	

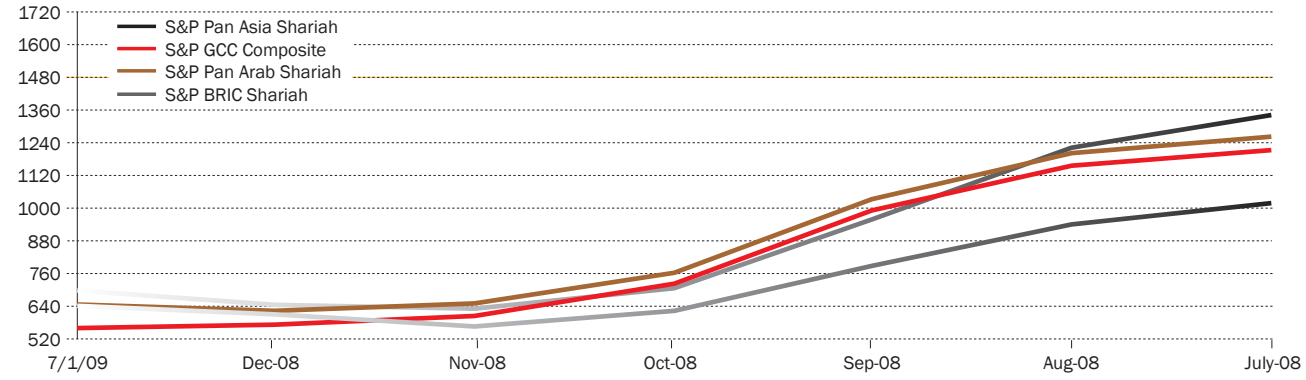
Monthly returns for Middle East/Africa funds (as of the 7th January 2009)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	ETFS Physical Gold	ETFS Metal Securities	6.15	Jersey
2	CIMB Islamic Structured Growth	CIMB-Principal Asset Management	0.79	Malaysia
3	Islamic Certificate on Real Estate Capital Protected Dynamic Basket	ABN AMRO Bank	0.70	Not disclosed
4	Markaz Islamic Income	Kuwait Financial Center	0.65	Kuwait
5	Euro International Trade Finance - Al Sunbula	Samba	0.33	Saudi Arabia
6	SR International Trade Finance (Al Sunbula)	Samba	0.31	Saudi Arabia
7	USD International Trade Finance (Al Sunbula)	Samba	0.23	Saudi Arabia
8	Commodity Trading - SAR	Riyad Bank	0.23	Saudi Arabia
9	Al Rajhi Commodity Mudarabah - EUR	Al Rajhi Bank	0.22	Saudi Arabia
10	Al Rajhi Commodity Mudarabah - SAR	Al Rajhi Bank	0.22	Saudi Arabia
	Eurekahedge Global Islamic Fund Index*		*-6.63*	

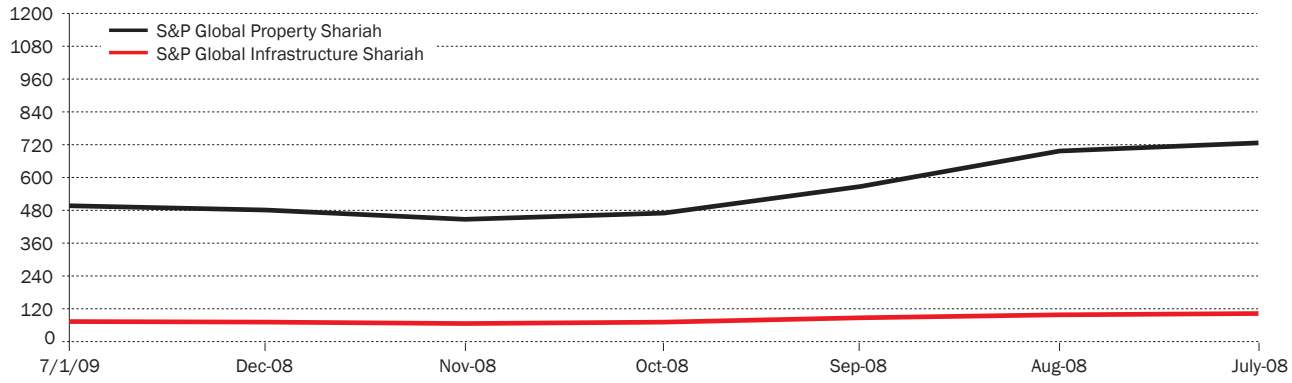
S&P Shariah Indices Price Index Levels



Index Code	Index Name	7/1/09	Dec-08	Nov-08	Oct-08	Sep-08	August-08	July-08
SPSHX	S&P 500 Shariah	824.058	815.565	807.449	851.669	1001.724	1105.698	1088.084
SPSHEU	S&P Europe 350 Shariah	993.221	958.391	910.501	965.418	1147.329	1360.152	1422.505
SPSHJU	S&P Japan 500 Shariah	892.695	864.821	810.128	848.709	995.079	1118.087	1147.273



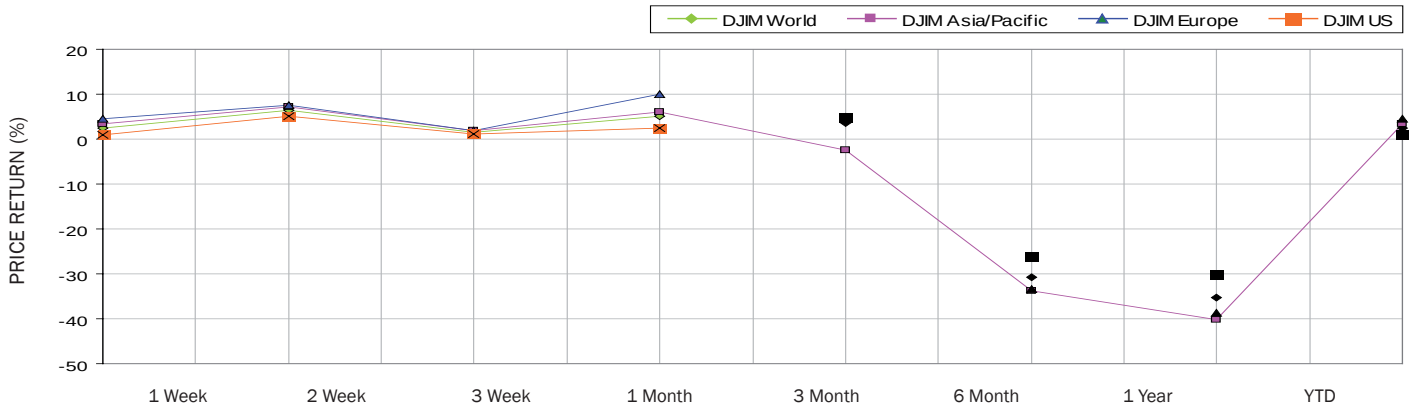
Index Code	Index Name	7/1/09	Dec-08	Nov-08	Oct-08	Sep-08	August-08	July-08
SPSHAS	S&P Pan Asia Shariah	641.378	610.200	565.823	623.071	788.016	940.242	1018.429
SPSHG	S&P GCC Composite Shariah	599.890	572.370	604.306	722.769	991.460	1155.68	1212.987
SPSHPA	S&P Pan Arab Shariah	646.334	623.186	650.379	762.843	1032.773	1201.782	1262.353
SPSHBR	S&P BRIC Shariah	697.974	645.057	631.042	706.192	958.353	1221.728	1341.591



Index Code	Index Name	7/1/09	Dec-08	Nov-08	Oct-08	Sep-08	August-08	July-08
SPSHGU	S&P Global Property Shariah	496.713	481.061	447.125	469.889	567.189	696.868	726.645
SPSHIF	S&P Global Infrastructure Shariah	73.281	71.250	66.046	71.179	87.066	97.923	102.631

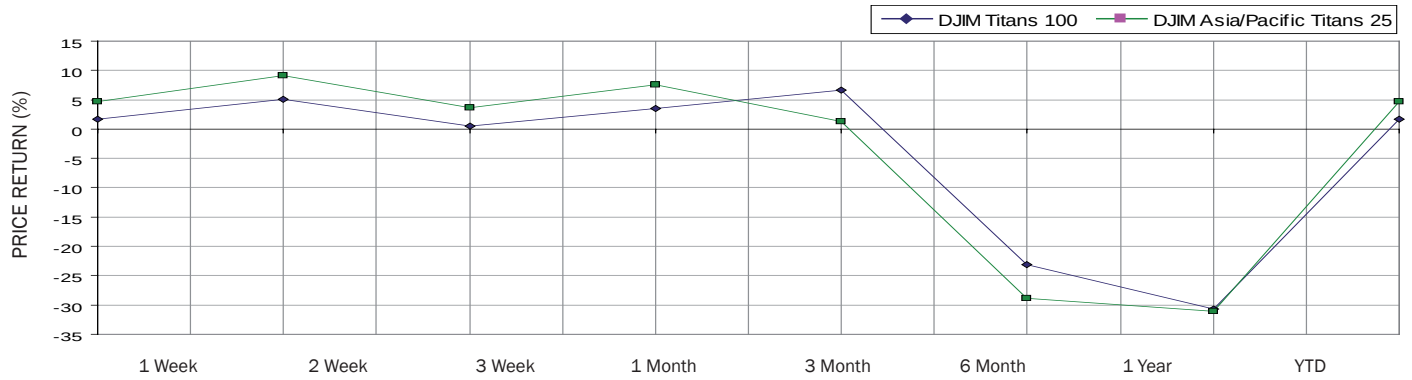
Data as of the 7th January 2009

PERFORMANCE OF DJ INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	2.48	6.38	1.49	5.17	3.66	-30.70	-35.21	2.48
DJIM Asia/Pacific	3.45	7.24	1.82	6.00	-2.49	-33.68	-40.14	3.45
DJIM Europe	4.48	7.64	1.86	9.98	4.98	-33.47	-38.73	4.48
DJIM US	1.03	5.02	1.06	2.40	4.68	-26.14	-30.18	1.03

PERFORMANCE OF DJ TITANS INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM Titans 100	1.62	5.12	0.56	3.55	6.66	-23.14	-30.74	1.62
DJIM Asia/Pacific Titans 25	4.67	9.17	3.61	7.62	1.31	-28.83	-31.12	4.67

DESCRIPTIVE STATISTICS		Market Capitalization (US$ billions)						Component Weight (%)	
Index	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Large	Small
DJIM World	2554	12740.33	10176.52	3.98	0.64	398.03	0.00	3.91	0.00
DJIM Asia/Pacific	873	2194.47	1433.87	1.64	0.32	78.27	0.02	5.46	0.00
DJIM Europe	357	3207.79	2440.61	6.84	1.37	149.02	0.09	6.11	0.00
DJIM US	617	5869.68	5450.69	8.83	1.89	398.03	0.10	7.30	0.00
DJIM Titans 100	100	6196.11	5430.25	54.30	36.83	322.60	7.39	5.94	0.14
DJIM Asia/Pacific Titans 25	25	892.16	575.07	23.00	17.96	60.44	7.39	10.51	1.29

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

TOP ISSUERS OF ISLAMIC BONDS — JANUARY 2008 – JANUARY 2009

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	SABIC	Saudi Arabia	Sukuk Istithmar	1,333	1	9.4	Calyon, HSBC Saudi Arabia
2	Sun Finance	UAE	Mudarabah Sukuk Asset backed Securities	1,093	1	7.7	Citigroup Global Markets, Abu Dhabi Commercial Bank, National Bank of Abu Dhabi, First Gulf Bank, Noor Islamic Bank
3	Sukuk Funding (No.2)	UAE	Sukuk Ijarah	1,021	1	7.2	Abu Dhabi Commercial Bank, Barclays Capital, Credit Suisse Securities (Europe), Dubai Islamic Bank, First Gulf Bank, Lehman Brothers International (Europe), National Bank of Abu Dhabi, Noor Islamic Bank
4	Nakheel Development 3	UAE	Sukuk Ijarah	980	1	6.9	Dubai Islamic Bank, NBD Investment Bank, JPMorgan
5	DEWA Funding	UAE	Sukuk Ijarah	749	1	5.3	Barclays Capital, Citigroup Global Markets, Dubai Islamic Bank, Emirates Bank International
6	Cagamas	Malaysia	Sukuk Murabahah	676	3	4.7	HSBC, CIMB, Aseambankers
7	Khazanah Nasional	Malaysia	Sukuk Musharakah	641	3	4.5	CIMB, AmInvestment
8	Syarikat Prasarana Negara	Malaysia	Sukuk Ijarah	620	1	4.4	CIMB, AmInvestment
9	Perusahaan Penerbit SBSN Indonesia	Indonesia	Sukuk Ijarah	512	1	3.6	Mandiri Sekuritas, Danareksa Sekuritas, Trimegah Securities
10	Lingkaran Trans Kota Holdings	Malaysia	Sukuk Musharakah	456	1	3.2	Aseambankers
11	Rantau Abang Capital	Malaysia	Sukuk Musharakah	381	1	2.7	CIMB
12	Central Bank of Bahrain	Bahrain	Sukuk Ijarah	350	1	2.5	Calyon
13	MRCB Southern Link	Malaysia	Sukuk Istisna	320	2	2.3	HSBC, CIMB, RHB
14	Menara ABS	Malaysia	Sukuk Ijarah Asset-backed Securities	307	1	2.2	Citibank
15	Tamweel Sukuk	UAE	Sukuk	299	1	2.1	Standard Chartered, Dubai Islamic Bank, Badr Islami
16	RIM City	Malaysia	Bai Bithaman Ajil MTN	277	2	1.9	CIMB
17	Rak Capital	UK	Sukuk Ijarah	272	1	1.9	Standard Chartered
18	Purple Island	Saudi Arabia	Sukuk Mudarabah	267	1	1.9	HSBC
19	PLUS SPV	Malaysia	Sukuk Musharakah MTN	234	1	1.6	CIMB
20	Manfaat Tetap	Malaysia	Sukuk Mudarabah	232	1	1.6	Affin Investment Bank
	Total			**14,253**	**94**	**100.0**	

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TOP ISSUERS OF ISLAMIC BONDS — NOVEMBER 2008 – JANUARY 2009

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Saudi Hollandi Bank	Saudi Arabia	Sukuk	207	1	25.0	Saudi Hollandi Bank
2	Khazanah Nasional	Malaysia	Sukuk Musharakah	188	1	22.7	CIMB, AmInvestment
3	Jimah Energy Ventures Holdings	Malaysia	Istisna MTN	89	1	10.8	AmMerchant Bank, Bank Muamalat Malaysia, RHB, MIMB Investment Bank
4	Islamic Republic of Pakistan	Pakistan	Sukuk	76	1	9.2	Standard Chartered (Pakistan), Dubai Islamic Bank Pakistan
5	Perusahaan Listrik Negara	Indonesia	Sukuk Ijarah	60	1	7.3	Indo Premier Securities, Danareksa Sekuritas, Trimegah Securities
6	OCBC Amin Bank	Malaysia	Sukuk Mudarabah	55	1	6.6	OCBC Bank (Malaysia)
7	Chemical Co of Malaysia	Malaysia	Sukuk Musharakah	41	1	5.0	Aseambankers, CIMB, MIDF Amanah Investment Bank
8	TH Group	Malaysia	Ijarah MTN	35	1	4.3	CIMB
9	Diversified Venue	Malaysia	Sukuk Ijarah	35	1	4.2	HSBC
10	Mukah Power Generation	Malaysia	Sukuk Mudarabah and Istisna	20	1	2.5	RHB Investment Bank
11	Aeon Credit Service (M)	Malaysia	Musharakah MTN	12	1	1.5	Aseambankers, CIMB, Mitsubishi UFJ Securities
12	Horizon Hills Development	Malaysia	Murabahah MTN	8	1	1.0	AmInvestment
	Total			**827**	**12**	**100.0**	

ISLAMIC BONDS		JANUARY 2008 – JANUARY 2009		
	Manager or Group	Amt US$ m	Iss.	%
1	CIMB	2,516	28	17.7
2	HSBC	1,378	12	9.7
3	Calyon	1,016	2	7.1
4	AmInvestment	803	16	5.6
5	Aseambankers	763	12	5.4
6	Dubai Islamic Bank	741	4	5.2
7	Citigroup	713	3	5.0
8	Standard Chartered	543	8	3.8
9	Emirates NBD	514	2	3.6
10	RHB Capital	375	9	2.6
11	Noor Islamic Bank	346	2	2.4
12	National Bank of Abu Dhabi	346	2	2.4
13	First Gulf Bank	346	2	2.4
14	Abu Dhabi Commercial Bank	346	2	2.4
15	JPMorgan	327	1	2.3
16	Barclays Capital	315	2	2.2
17	Affin Investment Bank	283	3	2.0
18	(Persero) Danareksa	254	5	1.8
19	Saudi Hollandi Bank	207	1	1.5
20	Bank Mandiri	202	2	1.4
	Total	**14,253**	**94**	**100.0**

ISLAMIC BONDS		NOVEMBER 2008 – JANUARY 2009		
	Manager or Group	Amt US$ m	Iss.	%
1	CIMB	241	4	29.2
2	Saudi Hollandi	207	1	25.0
3	Oversea-Chinese Banking	55	1	6.6
4	RHB Capital	43	2	5.1
5	Standard Chartered	38	1	4.6
6	Dubai Islamic Bank Pakistan	38	1	4.6
7	HSBC	35	1	4.2
8	AmInvestment	31	2	3.7
9	EON Bank	22	1	2.7
10	Bank Muamalat Malaysia	22	1	2.7
11	Trimegah Securities	20	1	2.4
12	Indo Premier Securities	20	1	2.4
13	(Persero) Danareksa	20	1	2.4
14	Aseambankers	18	2	2.2
15	Malaysian Industrial Development Finance	14	1	1.7
16	Mitsubishi UFJ Securities	4	1	0.5
	Total	**827**	**12**	**100.0**

ISLAMIC BONDS BY COUNTRY	JANUARY 2008 – JANUARY 2009		
	Amt US$ m	Iss.	%
Malaysia	6,278	65.0	44
UAE	4,415	6.0	31
Saudi Arabia	1,806	3.0	13
Indonesia	772	9.0	5
Bahrain	350	1.0	2
Pakistan	278	8.0	2
Total	**14,253**	**94.0**	**100**

ISLAMIC BONDS BY COUNTRY	NOVEMBER 2008 – JANUARY 2009		
	Amt US$ m	Iss.	%
Malaysia	484	9.0	59
Saudi Arabia	207	1.0	25
Pakistan	76	1.0	9
Total	**827**	**12.0**	**100**

ISLAMIC BONDS BY CURRENCY	JANUARY 2008 – JANUARY 2009		
	Amt US$ m	Iss.	%
Malaysian ringgit	6,278	65.0	44
UAE dirham	4,578	7.0	32
Saudi Arabian riyal	1,806	3.0	13
Indonesian rupiah	772	9.0	5
Total	**14,253**	**94.0**	**100**

ISLAMIC BONDS BY CURRENCY	NOVEMBER 2008 – JANUARY 2009		
	Amt US$ m	Iss.	%
Malaysian ringgit	484	9.0	59
Saudi Arabian Riyal	207	1.0	25
Pakistan rupee	76	1.0	9
Total	**827**	**12.0**	**100**

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FTSE Shariah Global Equity Index Series

The FTSE Shariah All-World Index in December finished the month in positive territory, up 3.7%, with Emerging markets outperforming Developed markets by 3.9% over the period. The best performing region in December was Middle East & Africa, with a performance of 11.1%, followed by Asia Pacific with a performance of 8.4%. Indonesia was the best performing country with a performance of 23%, with Thailand being the second best performing country finishing the month on 19.7%. Both Pakistan and Russia were the worst performers in December with a performance of -44.8% and -12%, respectively.

Index	No. of constituents	Performance based on percentage (%)						
		1 Month	3 Months	6 Months	Year-to-Date	1 Year	3 Years	5 Years
FTSE SHARIAH GLOBAL EQUITY INDEX SERIES								
FTSE Shariah All World Index	1267	3.73	-18.97	-35.24	**-37.96**	-37.96	-11.71	14.88
FTSE Shariah ASEAN Index	61	10.02	-22.97	-44.93	**-50.41**	-50.41	4.30	40.77
FTSE Shariah Asia Pacific ex Japan Index	374	9.70	-21.42	-42.03	**-50.60**	-50.60	-4.42	47.06
FTSE Shariah Asia Pacific Index	640	8.42	-15.30	-34.86	**-41.66**	-41.66	-15.17	23.50
FTSE Shariah Dev Asia Pacific ex Japan Index	116	7.72	-18.75	-42.73	**-47.63**	-47.63	11.78	74.65
FTSE Shariah Developed Asia Pacific Index	382	7.44	-12.07	-32.21	**-36.45**	-36.45	-15.50	19.17
FTSE Shariah Developed Europe Index	199	5.09	-17.20	-37.99	**-40.62**	-40.62	-6.88	22.36
FTSE Shariah Developed ex Japan Index	614	2.72	-18.43	-33.39	**-35.78**	-35.78	-8.78	12.12
FTSE Shariah Developed ex US Index	616	5.77	-15.78	-36.55	**-38.82**	-38.82	-8.31	24.79
FTSE Shariah Developed Index	880	3.31	-17.34	-32.61	**-35.19**	-35.19	-10.59	11.20
FTSE Shariah Emerging Europe Index	29	-7.95	-46.60	-68.13	**-67.22**	-67.22	-41.85	29.45
FTSE Shariah Emerging Index	387	7.25	-30.38	-51.22	**-54.40**	-54.40	-17.11	43.21
FTSE Shariah Europe Index	228	4.37	-19.28	-40.54	**-42.72**	-42.72	-9.37	20.80
FTSE Shariah Eurozone Index	108	10.23	-18.47	-38.23	**-42.33**	-42.33	-3.77	25.66
FTSE Shariah Japan 100 Index	100	8.19	-10.66	-27.71	**-31.52**	-31.52	-21.34	6.63
FTSE Shariah Latin America Index	60	4.70	-36.82	-59.88	**-54.94**	-54.94	-1.34	122.95
FTSE Shariah Middle East & Africa Index	52	11.10	-19.94	-37.12	**-36.72**	-36.72	-6.72	72.35
FTSE Shariah Multinational 150 Index	153	2.26	-16.44	-30.91	**-33.95**	-33.95	-4.10	14.66
FTSE Shariah North America Index	287	1.07	-19.09	-29.56	**-31.50**	-31.50	-11.34	3.77
FTSE Shariah Secondary Emerging Index	189	3.43	-32.26	-53.99	**-60.55**	-60.55	-12.97	42.19
FTSE Shariah USA Index	264	1.04	-18.80	-28.08	**-31.06**	-31.06	-12.51	0.70
FTSE BURSA MALAYSIA INDEX SERIES								
FTSE Bursa Malaysia EMAS Shariah Index	233	7.64	-7.56	-24.75	**-37.96**	-37.96	20.57	26.65
FTSE Bursa Malaysia Hijrah Shariah Index	30	7.30	-7.07	-25.58	**-37.29**	-37.29	32.76	68.69
FTSE DIFX SHARIAH INDEX SERIES								
FTSE DIFX Qatar 10 Shariah Index	10	24.50	-31.84	-44.92	**-24.40**	-24.40	-	-
FTSE DIFX Kuwait 15 Shariah Index	15	-15.53	-39.74	-50.09	**-47.89**	-47.89	-	-
FTSE SGX SHARIAH INDEX SERIES								
FTSE SGX Asia Shariah 100 Index	100	8.12	-14.16	-32.39	**-37.70**	-37.70	-19.66	8.98
TSEC TAIWAN INDEX SERIES								
TSEC Taiwan Shariah Index	64	3.60	-24.86	-40.94	**-44.74**	-44.74	-24.77	-4.15

Source: FTSE Group, price return data in US$ as at 31st December 2008

DATE	EVENT	VENUE	ORGANIZER
January 2009			
13th - 14th	Seminar on Islamic Finance	Korea	IFSB
February 2009			
3rd - 5th	Strategic Private Equity Investment Middle East 2009	Dubai	Fleming Gulf
16th - 17th	Islamic Project Finance 2009	Dubai	Fleming Gulf
17th - 18th	The Middle East Financial Law Congress	Qatar	QMDI
18th - 19th	The 1st Asia Sukuk Summit 2009	Hong Kong	ICG Events
22nd - 25th	Middle East Sukuk Networking Forum	Dubai	IQPC
24th - 25th	8th Annual Islamic Finance Summit	London	Euromoney
March 2009			
2nd - 5th	Islamic Investment World Asia 2009	Kuala Lumpur	Terrapin
4th - 5th	3rd Islamic Financial Services Forum: The European Challenge	Paris	IFSB
30th - 2nd	Islamic Finance World North America 2009	New York	Terrapinn
30th - 2nd	Islamic Investment World Americas	New York	Terrapinn
April 2009			
1st - 2nd	The Asia Pacific Islamic Finance Market Conference 2009	Kuala Lumpur	IBFIM
8th	Seminar on Islamic Capital Market	Tokyo	IFSB
20th - 21st	Leaders in Islamic Finance 2009	Dubai	IQPC
26th - 30th	The International Islamic Finance Forum	Dubai	IIR Middle East

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