Islamic Finance news
A REDmoney Product
Vol. 6, Issue 14 10th April 2009
The World's Global Islamic Finance News Provider

Islamic Finance news ROADSHOW 2009
INDONESIA
4th May 2009

Blame game misses target

It was a forum where decisions were to have been made on putting right what has gone wrong with the international financial system and create effective mechanisms to prevent recurrences. The G-20 summit instead ended on a tepid note, with all talk and no action on an improved financial system.

At last week's summit, Islamic finance was to have been subtly promoted as a suitable alternative financial system, but one of the many decisions taken at the London meeting has impacted negatively on a major promoter of Islamic finance, Malaysia. In declaring war on tax havens, in the belief that they are hoarding an estimated US$7.3 trillion belonging to corporations and wealthy individuals, the summit blacklisted three countries, Malaysia's Labuan offshore business and financial center among them.

The G-20 used the Organisation for Economic Co-operation and Development's (OECD) list of states implementing "the internationally agreed tax standard". Among others, this requires a country to gather information on financial activities that it doesn't need but others do, and pass this on when requested.

But in the rush to judgment, the G-20 failed to consider several factors, the primary one being that in vying to be a supra-regional Islamic finance center, Labuan is obliged to promote Shariah compliant activities that by themselves curb malpractices. On top of that, Malaysia despite its size is among the top 20 trading nations of the world, due in no small way to its taxation and related financial regulations and practices that meet OECD requirements. The Malaysia International Islamic Financial Centre or MIFC is gaining ground as a global brand, and the G-20 threatens to indirectly undo all the efforts to promote Islamic finance.

Some accounting experts and institutes around the world have expressed dismay at G-20's attitude toward tax havens while OECD member Switzerland has declared that it will no longer accept lists of "errant" tax havens drawn up by the organization. What's grating is that the US, which led the drive to "punish" tax havens, is seen to be practising a double standard.

Most US states don't require businesses to name their owners when they incorporate, a violation of international money laundering standards that has stymied US investigations of tax cheats and other criminals.

According to Deloitte Malaysia, the country already has double taxation agreements with 69 jurisdictions that are modeled closely on OECD requirements. And a dealer at an investment bank in Kuala Lumpur pointed out that the tax regulations in Labuan are actually less attractive to depositors than other tax haven destinations such as the Cayman Islands, as Labuan prefers to facilitate business rather than focus on drawing deposits.

Labuan has received positive assessments under the International Monetary Fund's Offshore Financial Sector Assessment Program. In addition, Labuan IBFC (International Business and Financial Centre) has been affirmed as a "low-risk" jurisdiction for money laundering by the Asia Pacific Group on Money Laundering, which is a division of the Financial Action Task Force and an associate body of OECD. Labuan's existing provisions on the exchange of financial information have already met OECD requirements.

G-20's action to name and shame tax havens, relying on shabby OECD records, threatens to wrongly brand Islamic finance.

In this issue

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- MARC lowers ratings on **Optimal Glycols** and **Optimal Chemicals**' Islamic notes
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- RAM reaffirms **Maybank Investment Bank** 'A1' and 'P1' with a stable outlook
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MOVES

- **European Finance House** names Aleksandar Devic as fund manager for Global Sukuk Plus Fund
- Hashim Al Zarooni is **ADIB**'s regional head of private banking in northern emirates
- **Tharawat Investment House** appoints three new directors
- Chief of sales and marketing, Alex Andarakis, leaves **Omniyat Properties**
- Essam Janahi resigns as **Masraf Al Rayan**'s deputy chairman
- **Deutsche Bank**'s UAE unit names Mounir Husseini as chief country officer
- **JPMorgan** appoints Shaun Parkes as Asia's head of worldwide securities services
- Lim Eng Guan is **Credit Suisse**'s market leader for Singapore private banking unit
- Mark Carhart and Raymond Iwanowski retire from **Goldman Sachs Group**

AFRICA

ABG unit's profit up 106%

ALGERIA: Banque Albaraka D'Algerie, a unit of Bahrain-based Albaraka Banking Group (ABG), recorded a 106% increase in net profits for the financial year 2008 to US$39 million compared to the previous year, with net operating income up 70% to US$60 million.

Net assets increased by 21% to US$1 billion. Financing also went up, by 28% to US$707 million, while equity rose by 42% to reach US$130 million. The bank improved the return on shareholders equity to 35% last year from 24% in 2007, and return on assets to 4.2% from 2.5%.

The board of directors has approved several expansion plans, said chairman Adnan Ahmed Yousif. Among them are installing about 50 ATMs for customers' use and adding another 30 branches to its existing 20 branches in the next five years. The bank will also launch several new products such as youth and property savings accounts, as well as Hajj and Umrah savings deposits.

AMERICAS

Economic woes impinge upon South American fund

BAHRAIN/KUWAIT: The proposed US$500 million fund targeting investments in South America's real estate market has been put on hold due to the current financial crisis, said Ithmaar Bank. The fund, which was first announced in May 2008, is a joint venture between the Bahraini bank, Al Safat Investment of Kuwait and Bahrain's Arabian Ventures.

The closed-ended Latin American Real Estate Fund was to have given investors in the GCC the opportunity to participate in the growth of these developing markets. It was expected to provide a financial boost to local real estate markets in Latin America, and also benefit GCC regional investors by delivering profitable returns. The initial term was reported to be five years.

Ithmaar also said that work on its beachfront real estate project at Al Jazair has yet to begin as the government has not given its consent.

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ASIA

Bank Islam: Consumer lending on the rise

MALAYSIA: Bank Islam is confident that its consumer-lending segment will grow by at least 10% in its financial year ending the 30th June, boosted by products with more innovative features and aggressive marketing.

Consumer banking group head Khairul Kamarudin said the projected growth is higher than the industry average of 2% to 3% for conventional banks.

One example of an innovative feature, said Khairul, was the lender's Baiti Home Financing-i. The mortgage financing product allows customers to skip repayments every November and December when expenses go up ahead of the new school term.

Khairul expressed optimism that last week's decision by the Court of Appeal, which ruled that Bai Bithaman Ajil (BBA) contracts are valid and binding, would be a boon to the bank's business. BBA is popular in Bank Islam's mortgage financing segment.

Bank Islam is one of two full-fledged Islamic commercial banks in the country, the other being Bank Muamalat.

Rating agency for credit banks

INDONESIA: Bank Indonesia is to set up a rating agency for Islamic and conventional credit banks in the republic, said deputy governor Muliaman D Hadad.

The rating will be done in a transparent manner and bankers can use it as a reference tool. Besides that, other criteria it must meet include risk management factors such as financial analysis-based indicators, and good corporate governance analysis as well as risk mitigation.

While there is no confirmation yet as to when the agency will be formed, Muliaman agreed that "the sooner, the better". However, there is still a lack of funds for its establishment, as up to IDR30 million (US$2,700) is required for the evaluation of one credit bank.

Nakheel invests in Thai luxury resort

THAILAND: Dubai's Shariah compliant developer Nakheel has entered into a joint venture with Thailand's Amburaya Hotels & Resorts to develop an integrated resort on Koh Samui.

Joe Sita, CEO of Nakheel Hotels, said that the W Koh Samui Retreat & Residences will be a star property in its global development portfolio. It will also provide a significant boost to the ongoing development of the island as one of the exclusive tropical resorts in the world.

The project, which should be completed next year, is to cover 27 acres and will comprise 17 luxurious private residences and a 75-key all-villa hotel.

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ASIA
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Taurus' star rises despite the downturn

INDIA: The Taurus Ethical Fund, India's first Shariah compliant fund managed by Taurus Asset Management, has collected about INR50 million (US$1 million) despite the tough market conditions.

The fund, which was launched in February, has performed better than bigger fund houses, which only managed to secure up to INR30 million (US$601,000), said Waqar Naqvi, CEO of the asset management firm.

Taqwaa Advisory and Shariah Investment Solutions was appointed to monitor the investments. The fund is benchmarked against the BSE 100 and the S&P CNX 500 Shariah index.

EXIM Bank secures Murabahah financing

MALAYSIA: Export-Import Bank of Malaysia (EXIM Bank) has secured a RM55 million (US$16 million) Murabahah-structured financing facility with a seven-year tenure from Asian Finance Bank (AFB) to part-finance a building in Kuala Lumpur that will house its headquarters and corporate offices.

AFB was chosen due to its competitive pricing and the potential partnership it can forge with EXIM Bank, said Mohd Fauzi, CEO and MD of EXIM Bank.

EXIM Bank is wholly owned by Malaysia's ministry of finance. AFB, on the other hand, is backed by a consortium of Middle Eastern shareholders, namely Qatar Islamic Bank, RUSD Investment Bank of Saudi Arabia and Financial Assets Bahrain.

(Also see IFN Reports on page 14)

Sale of retail Sukuk starts on Tuesday

MALAYSIA: Bank Negara Malaysia (BNM) will issue the first of two series of Islamic retail bonds worth RM2.5 billion (US$690 million) each on the 14th May 2009, on behalf of the government.

The Sukuk offers a return of 5% annually and applicants have the option of early redemption before the maturity date. It is open to Malaysians aged 21 and above, at a minimum investment of RM1,000 (US$276) or a maximum of RM50,000 (US$14,000).

The three-year Sukuk Simpanan Rakyat 01/2009 will be open for subscription from the 14th April to 13th May at all commercial and Islamic banks in the country.

Prudential Islamic Asset unit on the horizon?

MALAYSIA: Prudential Fund Management has been rumored to be on the brink of establishing its Islamic fund management company in the second half of this year.

Islamic Finance *news* has learnt that the license for the new Islamic fund management arm under Prudential is pending Bank Negara Malaysia's approval.

Prudential Fund Management has been involved in Islamic funds since 2002 and manages eight funds for offshore and onshore, institutional and retail investors valued at RM560 million (US$155 million).

Watch this space.

First Barakah eagerly awaits approval

SRI LANKA: First Barakah Investments is awaiting approval from the Central Bank

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Close to USD16 billion worth of issuances, including sukuk, have been issued through us and 17 private Islamic funds worth USD3 billion established. Leasing assets have grown to USD17 billion and retakaful business premiums increased to USD117 million. In 2008, Dar al-Arkan of Saudi Arabia listed a USD1 billion sukuk on the Labuan International Financial Exchange.

As business relations with Islamic trade partners continue to grow at an astonishing pace, we work closely with the Malaysia International Islamic Financial Centre and our own Shariah Advisory Council to further facilitate endorsements.

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of Sri Lanka to begin operations, said its managing director M I M Razeek.

The Shariah compliant finance company is confident of strengthening its LKR200 million (US$1.7 million) share capital, as required by the central bank, via Middle East investors.

It plans to introduce Sukuk into the Sri Lankan market, as well as Rahn (collateral concept) in the pawning industry.

"With the assistance of the Sri Lanka Islamic Centre, the counterpart of the Islamic Development Bank of Saudi Arabia, we are in the process of establishing our microfinance units in the eastern province and other areas where internally displaced people are stationed," said Razeek.

EUROPE

VTB Capital goes to Dubai

RUSSIA: Liquidity Management House, a wholly owned subsidiary of Kuwait Finance House, has signed a memorandum of understanding (MoU) with Russia's VTB Capital to facilitate the introduction and establishment of Islamic investment products and services in the country and the Commonwealth of Independent States (CIS) region.

VTB Capital will kick off its Middle Eastern operations within the next few weeks in Dubai, said its head of the MENA region, Masroor Haq, adding that the new office will act as a gateway for Middle Eastern and African investors.

"Through our partnership with Liquidity Management House, we will be offering full-fledged Islamic finance structuring services of international standards to clients in Russia and the CIS, and accelerating the development process of this product in Russia," he added.

Industry guide from ASSAIF founder

ITALY: Marco Mauri, an associate and founding member of Associazone per lo Sviluppo di Strumenti Alternativi e di Innovazione Finanzaria (ASSAIF), has co-written a book that is set to become a standard reference guide for Islamic finance in the country.

He co-wrote Economia e finanza islamica: Quando i mercati incontrano il mondo del Profeta with Rony Hamaui. ASSAIF is an Islamic finance think-tank based in Milan.

Mauri is head of public equities at Unicorn Investment Bank in Bahrain. In 2006, ASSAIF arranged and financed the first real estate Murabahah transaction in Italy.

BLME posts higher operating profit

UK: London-based Bank of London and the Middle East (BLME) saw an increase in its operating profit for the 2008 financial year, to GBP5.8 million (US$8.5 million) from the GBP300,000 (US$440,000) recorded in its first 17 months of operations from the 7th August 2006 to 31st December 2007.

The Islamic bank's balance sheet also rose to GBP872 million (US$1.3 billion) from GBP298 million (US$437 million).

Growth has been attributed to the robust performance of the market, corporate banking and asset management divisions, which enabled the bank to achieve a balance between liquidity and profitability.

"Within our overall performance, steady and consistent progress has been made, which is testament to the diversified nature of BLME's businesses, even at such an early stage of our development," said CEO Humphrey Percy.

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Kuwaiti firms launch European advisory unit

UK: Wafra InterVest Corporation and Watheeqa Holding Group of Kuwait have set up WW Advisors to provide specialized real estate investment and financing advisory services on European real estate transactions and funding. The UK-based company, which deals in both Shariah compliant and conventional financing and investments, received approval in February from regulator, Financial Services Authority.

WW Advisors' first mandate is a EUR225 million (US$301 million) pan-European Shariah compliant fund for a Gulf-backed real estate company seeking to invest in Europe. CEO David Swan said, "With our knowledge of the major sectors of the real estate and our network of contacts, we are able to secure access to premium opportunities, often off-market, which is what we are now achieving for the Gulf-backed company."

(Also see IFN Reports on page 15)

World's 'first Islamic business center'

BOSNIA AND HERZEGOVINA: A Shariah compliant business and retail center, said to be the first such commercial and shopping complex in the world, opened this week in the capital, Sarajevo.

Manager Edin Ceric said BBI Centre will create about 1,000 jobs and expects to sign up 100 companies as tenants. The building will house retail shops from global brands, a supermarket, restaurants, beauty and hair salons, a fitness center, children's playroom and a prayer room.

BBI Leasing & Real Estate Company, whose founders are the Islamic Development Bank, Dubai Islamic Bank, Abu Dhabi Islamic Bank, has invested BAM80 million (US$54 million) in the center.

IBB ventures north with mortgage plan

SCOTLAND: UK-based Islamic Bank of Britain (IBB) plans to launch its home purchase plan in the country as a way to penetrate the Scottish market. The lender is also expected to set up a physical branch and back-office operations as well as online retail banking services.

"The region is an important financial center and is working hard to establish itself in the global Islamic finance market," said Sultan Choudhury, commercial director at IBB.

IBB has collaborated with the Islamic Finance Council of the UK as part of its imminent launch in Scotland, which it aims to put on the Islamic finance map.

The mortgage product was first launched in the UK in November last year.

GLOBAL

Islamic finance is vital, says minister

BAHRAIN/UK: Islamic finance can play a major role in the economic recovery process, said Lord Peter Mandelson, Britain's secretary of state for business, enterprise and regulatory reform.

"Bahrain is a very important center for Islamic finance and London too has adapted to the opportunities that this offers and the

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Islamic Finance *briefings*

RESTRUCTURING ISLAMIC FINANCINGS AND SUKUK

1st JUNE 2009, TOWERS ROTANA, DUBAI

Introduction & Overview

This timely 1-day workshop examines the issue of restructuring Islamic transactions and Sukuk. Workshop leader, **Rahail Ali, partner at Lovells**, will lead delegates through the complex issues involved and will demonstrate the options available to banks and issuers. The workshop will cover the essential legal, practical and Shariah issues for restructuring Islamic financings.

Workshop Agenda

This program will be run on an interactive and consultative basis. The workshop leader will introduce key topics which will then be presented in detail through worked examples and cases. Instructor-led discussion will enable delegates to acquire a comprehensive understanding of all the relevant issues associated with restructuring Islamic financial transactions.

9.00am – 4.00pm

Key points for discussion:

- Examining defaults, breach of covenants and late payments by borrowers and debt issuers
- Evaluating options open to banks and borrowers/issuers to reschedule, refinance or restructure
- Evaluating 'cash' options versus 'non-cash' options
- Assessing legal aspects surrounding exchange offers and exit consent solicitations
- Understanding crucial Shariah implications of restructuring financial transactions

Workshop Leader

Rahail Ali is a partner at Lovells and is the firm's Global Head of Islamic Finance. Rahail is based in Lovells' Dubai office. He studied international law at the University of Cambridge, after graduating from the University of Birmingham. He is widely acknowledged to be one of the world's leading Islamic finance lawyers, reflected in numerous accreditations from leading awards industry and legal publications. Rahail has worked on many of the most innovative and high value Islamic finance deals closed to date. In the last two years alone, the deals he led have won more than twenty awards. Amongst other articles, publications and organisations, he is the consulting editor of *"Islamic Finance - A Practical Guide"* and a member of HM Treasury's Islamic Finance Experts Group.

For more information, please contact **Subashini Jaganathan** for more details. Telephone **+603 2162 7800** ext. **32**

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demand that many countries and people have for this particular and specialized finance," he noted.

Mandelson saw Islamic finance as one of the ways that Britain and Bahrain can collaborate to expand their range of services. He also said that it is important for the banking systems to be fixed, as this would enable the rest of the economies to be mended as well.

There will be a significant change and strengthening in economic conditions within this year, added Mandelson, and "we will be facing a different 2010 than what we have been facing this year."

Islamic finance set to grow more rapidly

GENERAL: Islamic finance assets are set to reach US$1.6 trillion with revenues of US$120 billion by 2012 from US$660 billion of assets and US$53 billion of revenues as at the end of 2007, said global management consulting firm Oliver Wyman.

In a report titled "The next chapter in Islamic finance: Higher rewards but higher risks," it said that wholesale banking will prove to be the biggest segment in Shariah compliant finance, as it is expected to reach US$1 trillion with revenues of more than US$60 billion.

On the other hand, the Islamic retail market is slated to reach over US$470 billion in assets with US$50 billion in revenues by 2012, compared to US$175 billion of assets and US$20 billion of revenues in 2007, said Oliver Wyman.

Based in the US, Oliver Wyman has offices in 16 countries, including the UAE, Turkey, Singapore, China, Australia and Brazil.

(Also see IFN Report on page 14)

OECD removes four countries from blacklist

FRANCE: The Organisation for Economic Co-operation and Development (OECD) has placed Malaysia, the Philippines, Costa Rica and Uruguay under the category of "jurisdictions that have committed to the internationally agreed tax standard, but have not yet substantially implemented", following the four nations' decision to comply with the organization's standards on exchanging tax information.

The countries had been blacklisted last week during the G20 leaders' meeting as they were considered to be uncooperative tax havens.

The decision taken by the Malaysian government to cooperate and rectify the country's status is testament to its commitment to fight tax abuse, said Tan Hooi Beng, associate director at Deloitte Malaysia.

He added that the Asian country is also looking into legislation to alleviate any obstruction it might face in the implementation of the tax standards.

Three-tier system needed for Islamic banks

GENERAL: A three-tier Islamic banking system is needed to strengthen the industry, said scholar M Kabir Hassan of New Orleans University.

To achieve this, he said new Islamic finance regulations should be created with the support of regulators and financial institutions, arguing that the existing banking regulations are not Shariah compliant as they mimic conventional ones.

According to Kabir, the first tier will be similar to a conventional bank, where customers make deposits and the bank gives money for their transaction needs.

The second tier is similar to Murabahah, which is applicable for small- and medium-sized enterprise financing, while the third is like Musharakah where financing for big infrastructure projects is possible.

MIDDLE EAST

National savings scheme aims to double sales

UAE: National Bonds is targeting AED5.2 billion (US$1.4 billion) of sales this year. It hopes to achieve this by tapping high net worth individuals seeking less risky investments amid the downturn, said CEO Mohammed Qasim Al Ali.

A wealth management unit has been established to penetrate into this growing market.

Based on the 35% increase in non-citizen investors last year, Mohammed Qasim expects a large contribution from this group to the forecasted growth.

Interest has grown significantly since the Dubai-based company announced a profit rate of 7.1% in 2008 compared to 6.03% a year earlier.

Since its inception in 2006, the Shariah compliant savings scheme has sold AED4 billion (US$1.1 billion) worth of bonds.

Moody's negative on real estate in the Gulf

GENERAL: Moody's Investors Service has a negative outlook on the Arabian Gulf real estate market as detailed in a report titled "Arabian Gulf Real Estate Market Industry Outlook", which expresses its expectations for fundamental credit conditions in the industry for the next 12 to 18 months.

The report explains that residential and commercial real estate are under pressure due to lower demand, lack of funding, worsening consumer sentiment and risk of over-supply.

However, Moody's makes an exception for Saudi Arabia as the kingdom benefits from a large and growing indigenous population base and structural under-capacity for residential property, especially for low- and middle-income families.

Moody's said that advanced markets such as Dubai and Doha may be mostly affected by the foreign employees' layoff, possibly lowering demand for residential properties.

"Many projects, particularly in Dubai, have been undertaken in anticipation of future demand, which may not materialize," the agency warned.

Real estate firms have also delayed planned projects, while getting financing for

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properties has become challenging since September last year, Moody's noted.

MIDDLE EAST

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DIB makes it easier to settle FEWA bills

UAE: Bills from the Federal Electricity and Water Authority (FEWA) can now be settled via Dubai Islamic Bank's (DIB) online payment facility, following an agreement signed between the two parties in February.

For FEWA, the arrangement marks a first with a bank; it has a similar one with Emirates Post.

The facility is part of DIB's commitment to collaborate with all federal authorities, said Musabah Al Qaizi, head of electronic banking service.

"DIB already provides payment facilities such as the Salik Recharge Facility, Etisalat bill payments, Al Wasl line recharge, charity payments and fund transfers through the bank's electronic banking services, ATMs and Al Islami phone banking," he added.

EIB's new Flexi account

UAE: The Emirates Islamic Bank (EIB) has launched its "Flexi" Investment Term Deposit Account, a Murabahah-structured product that offers the flexibility of a short-term investment deposit but with returns similar to long-term investment.

Profit on the investment amount is payable each quarter of the calendar year, and is credited to the customer's payable account or paid as per his instructions, at the time of profit distribution.

Currently available on a nine-month maturity, it is suitable for customers who wish to avail themselves of three months' tenure or already have a three-month investment deposit with any bank.

Another hiccup for Dar's financial results

KUWAIT: Investment Dar's 2008 financial results have been delayed due to additional reporting requirements from its 50 subsidiaries and associates, following the global economic crisis.

Dar is one of 36 Kuwaiti firms that have been suspended from trading on the Kuwait Stock Exchange for their failure to publish last year's financial earnings on time.

The bourse, however, did not say when trading would resume. The suspension took effect on the 1st April 2009.

Last month, Dar announced plans to hive off some of its assets to meet its obligations in debt restructuring. It also said that it was seeking to borrow up to US$1 billion to refinance its debts and had appointed Credit Suisse as its financial advisor in January.

Inovest's US$80 million I-REIT eyes Gulf properties

BAHRAIN: Locally based Inovest plans to launch an Islamic real estate investment trust (I-REIT) worth BHD30 million (US$80 million), with an eye on acquiring income-generating properties in the Gulf region.

The Shariah compliant property investment and advisory company believes the region offers vast opportunities in the medium to long term.

The I-REIT, units of which will be traded on the Bahrain Stock Exchange, is still pending regulatory approval from the Central Bank of Bahrain. It has generated significant interest among high net worth individuals and institutions.

Merger could create US$8.2 billion entity

QATAR: The merger between Barwa Real Estate and Qatar Real Estate Investments (Alaqaria) is expected to be completed in six months, resulting in a corporation with combined total assets worth QAR30 billion (US$8.2 billion), said Barwa's CFO Tamer Khedr.

The merger could be in a share or cash deal, he added, noting that Alaqaria has sizeable assets and a steady cash flow, mainly from its dealings with Qatar Petroleum.

The move is in line with the Qatari government's order in January as part of its efforts to help companies cope with the global slowdown. Alaqaria has appointed JPMorgan as its financial advisor.

Annual IDB Sukuk to benefit member countries

SAUDI ARABIA: Islamic Development Bank (IDB) hopes to issue US$1 billion worth of Sukuk every year for the next five years to finance its poverty alleviation programs, said chairman Ahmed Mohamed Ali.

This year's issuance will be in two series amounting to US$500 million each, but Ahmed was unsure as to the timing due to the global credit crunch and slowing economies.

However, he hoped the wait would not be very long as the issuances are crucial to IDB and its member countries.

In line with IDB's objective to foster economic and social development in its 56 member countries, the Islamic Solidarity Fund for Development has approved the bank's microfinance and training schemes as well as a special program for Africa.

ICD strikes sweet deal with Aden refinery

YEMEN: The Islamic Corporation for the Development of the Private Sector (ICD) has struck a deal with Yemen's Midroc Al-Amoudi Group, under which ICD is to act as lead arranger for a US$120 million Ijarah facility to finance equipment for Midroc's Aden Sugar Refinery project. ICD is a member of the Islamic Development Bank Group.

ICD has increasingly received requests for financing, but the corporation has become more cautious about the projects it chooses, said CEO and general manager Khaled Al-Aboodi.

"ICD studies the possible opportunities according to its available resources and mainly targets projects with great development impact," he added.

The sugar refinery, to be located at the Aden Free Zone, will be the first in Yemen.

Other financiers include Europe Arab Bank, the Arab Fund for Economic and Social

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Development, OPEC Fund for International Development and Boubyan Bank.

Governor says first Sukuk out this year

JORDAN: The country may issue its first sovereign Sukuk this year, said Umayya Toukan, governor of the Central Bank of Jordan, while noting it is not the right time for bond issuances given the market turbulence.

Currently, there are two Islamic banks in the country: the Jordan Islamic Bank and the Arab International Islamic Bank. Al Rajhi Bank has been given the green light to begin operations.

Umayya said the Industrial Development Bank of Jordan will be converted into an Islamic institution following the acquisition by Dubai Islamic Bank.

Jordan adopts a cautious approach toward Islamic finance as "banks are not like real economy businesses such as a steel factory", said Umayya.

"They take deposits and we as regulators have to be extremely careful about this," he added.

ADIB in agreement with Al Ansari

UAE: Following a payment facility agreement with Al Ansari Exchange, customers of Abu Dhabi Islamic Bank (ADIB) can now make covered card payments at any exchange bureau nationwide. There is no charge for the service.

The agreement is testament to ADIB's commitment in providing innovative services and solutions for their customers' financial needs, said Sarvesh Sarup, head of retail banking.

ADIB was established in May 1997 and commenced full operations in November the following year.

Gold trading firm opens at DMCC

UAE: al bogari Islamic Gold, the precious metals trading firm under al bogari Holdings, now has an office in Almas Tower at the Dubai Multi Commodities Center (DMCC). Anwar Habib, CEO of al bogari Islamic Gold, said the volatile nature of other asset classes, such as equities and real estate, has led investors to seek out the proven hedging characteristics of precious metals to diversify their portfolios.

Incorporated in 2003, al bogari Islamic Gold lets clients buy and sell precious metals in bulk at competitive rates, while managing the supply chain to ensure secure vaulting, transparency, risk mitigation and Shariah compliance.

Government completes US$600 million facility

UAE: The Dubai government has completed the syndication of a US$600 million Ijarah financing facility to pay off part of an existing Dubai Civil Aviation facility of US$1 billion, which reaches maturity this month. The balance will be settled using its existing resources.

The government has also exercised a US$35 million "green shoe" option for the syndication, due to strong demand especially from international institutions.

Dubai Islamic Bank acted as the coordinator for the facility, as well as one of the mandated lead arrangers and book runners along with Emirates NBD, Noor Islamic Bank, Industrial & Commercial Bank of China and WestLB.

Doha the venue for seminar and summit

QATAR: The Qatar Faculty of Islamic Studies, the Qatar Central Bank and Malaysia-based Islamic Financial Services Board will jointly organize a seminar themed "Prudential and Governance Framework for Islamic Finance" in Doha.

The two-day event, which begins on the 15th April 2009, will focus on current financial issues, especially the governance framework for institutions providing Islamic financial services.

Market regulators, finance practitioners, business executives and government representatives are among those expected to attend.

Meanwhile, a three-day international Islamic leadership summit will also be held in Doha, starting from the 19th April 2009.

It is supported by the Accounting and Auditing Organization for Islamic Financial Institutions and the Qatar Financial Centre.

Clydes boosts Gulf presence with Saudi ally

SAUDI ARABIA: International law firm Clyde & Co will extend its regional presence following its alliance with the Law Office of Abdulaziz Al-Bosaily in Riyadh. The UK-based firm already has offices in Doha, Abu Dhabi and Dubai.

"We're broadening the range of people we have in the Middle East and it's less of a hardship if you're an Arabic-speaking lawyer," said CEO Peter Hassan.

He added that the firm had been looking to operate in Saudi Arabia, but needed to make sure it could appoint a lawyer who would add a new dimension to the team.

Islamic finance specialist Abdulaziz has worked on some of the largest deals in Saudi Arabia and advised multinational and Saudi corporations on foreign direct investments, compliance and regulatory matters.

Clydes is one of the major international law firms in the Gulf Cooperation Council region with more than 160 specialist lawyers and paralegals.

KFH continues financing

KUWAIT: Kuwait Finance House (KFH) is looking into closing financial agreements for several Kuwaiti companies, worth KWD120 million (US$412 million), as part of its efforts to support the national economy, said its assistant general manager, Emad Al Thaqeb.

The amount is part of financing proposals under study and to be presented soon.

Emad also said that KFH is willing to study the requests of companies and merchants for financing purposes, which in turn will cement the relationship between KFH and the companies as well as boost growth and

ASIA

Agencies: Rating will boost confidence

MALAYSIA: Insurance agencies in the country need to be rated to further promote market transparency and enhance consumer confidence.

Malaysian Rating Corporation (MARC) said the move is timely and increasingly important for insurance companies as ratings reflect the financial strength of such companies. Ratings for insurance firms are currently done on a voluntary basis.

MARC senior vice-president and head of business development Roza Shahnaz Omar said insurers need to be rated as it would enable independent assessment of their ability to meet obligations to policyholders, especially in the current economic downturn.

She pointed out that while most banks in Malaysia were rated to provide assurance to their depositors, a number of insurers were not.

RAM Rating Services head of financial institutions ratings Promod Dass echoed similar sentiments.

"Many corporates and banks in Malaysia, and their counterparts in other countries, are rated. It would therefore be a good move for insurance companies to also obtain ratings," said Dass.

Besides promoting market transparency, ratings will also help insurers, especially when tapping the bond market, he added.

Reinstatement of deposit insurance limit in 2010

MALAYSIA: The country is likely to return to its previous deposit insurance limit from the current blanket guarantee by the end of 2010, as the global economy is expected to stabilize by then, said Jean Pierre Sabourin, CEO of Malaysia Deposit Insurance Corporation (PIDM). The blanket guarantee on all deposits was announced last October.

"Part of our corporate plan for these two years will be transitioning from this blanket guarantee back to the limited protection by PIDM," said Sabourin.

The figure is now limited to RM60,000 (US$17,000) per depositor per bank, but it is likely to be reviewed, depending on the circumstances.

Any figure above that, as part of the blanket assurance, is guaranteed by the government and administered by PIDM.

Besides Malaysia, Hong Kong and Singapore also announced a blanket guarantee on all deposits for two years.

All commercial banks, including foreign banks operating in Malaysia, finance companies and Islamic banks, are members of the deposit insurance system.

Amana coverage for eco-resort

SRI LANKA: Under an agreement with KumbukRiver, Amana Takaful Insurance is to provide a comprehensive insurance plan covering the employees, visitors and properties of the world-renowned eco-lodge.

The move is a goodwill gesture to a home-grown brand that has made Sri Lanka proud, said CEO Reyaz Jeffrey.

"It is not every day that Sri Lanka produces a world-class brand and it is just the kind of endorsement Sri Lankan tourism needs," he added.

Amana Takaful was established in 1998, in collaboration with Takaful Malaysia.

Hong Leong moves to streamline units

MALAYSIA: Hong Leong Financial Group is consolidating its conventional and Islamic insurance operations, which are currently under different entities, into HLA Holdings.

At present, the conventional insurance business is carried out by wholly owned subsidiary Hong Leong Assurance (HLA). HLA's indirect wholly owned subsidiary, Hong Leong Insurance Asia (HLIA), undertakes general insurance business in Hong Kong.

The Takaful operation, on the other hand, is under Hong Leong Tokio Marine Takaful (HLTM Takaful), which is 55%-owned by Hong Leong Bank (HLB), 35% by Tokio Marine & Nichido Fire Insurance in Japan, and the rest under HLA.

The proposed consolidation will see HLA transferring its shares in HLIA and HLTM Takaful to HLA Holdings. HLA Holdings will also acquire HLB's stake in HLTM Takaful for an indicative RM54 million (US$15 million).

MIDDLE EAST

SALAMA's written premium up 42%

UAE: Islamic Arab Insurance (SALAMA)'s gross written premium for the financial year ended the 31st December 2008 increased 42% to AED1.32 trillion (US$360 billion) over the previous year, based on the strength and quality of its Takaful and re-Takaful products and services, said Noel D'Mello, general manager of the Family Takaful unit.

"SALAMA has carved a niche for itself in the Islamic insurance sector and has maintained a high 'A-' rating from AM Best and 'BBB+' by Standard & Poor's Ratings Services," he added.

According to Rafiq Halani, general manager of SALAMA's General and Health Takaful division, the operator will continue to focus on building its Islamic insurance and reinsurance business portfolio, as well as improving its written premium and underwriting standards.

Insurer to distribute 15% cash dividends

JORDAN: The Islamic Insurance Company is to pay out cash dividends at a rate of 15%, as well as boost its capital to JOD12 million (US$17 million) through the distribution of one-fifth of its registered capital as bonus shares.

The company's net profit rose to JOD6.8 million (US$9.6 million) last year compared to JOD948,000 (US$1.3 million) in 2007.

The insurer is a public shareholding company, which offers all types of Shariah compliant insurance products and services except life insurance.

ASIA

Developing outlook for Optimal companies

MALAYSIA: Malaysian Rating Corporation (MARC) has lowered the ratings on Optimal Glycols (Glycols) and Optimal Chemicals' (Chemicals) RM453 million (US$125 million) and RM567 million (US$156 million) Bai Bithaman Ajil Islamic Debt Decurities (BaIDS) respectively to 'AA+ID(s)' from 'AAAID(s)'.

It also removed the ratings from MARCWatch Negative, revising the outlook to developing.

The lower ratings are reflective of the downgrade on the Dow Chemical Company's public information rating on the national scale to 'AA+' from 'AAA'.

The company's credit quality is a key underpinning to the sponsor-supported ratings assigned to the rated-debt of Glycols and Chemicals.

The Optimal Group was established in July 1998 with a total investment of US$2 billion to develop a world-class integrated petrochemical facility in Terengganu state.

Downgrade for Oxbridge notes

MALAYSIA: Oxbridge Height's Islamic medium-term notes (IMTN) program of up to RM104 million (US$30 million) and Murabahah underwritten notes issuance facility (MUNIF) of up to RM50 million (US$14 million) have been downgraded to 'D' from 'BB1/NP' by RAM Ratings.

The company has been lifted from Rating Watch, with a negative outlook.

The rating is based on MIDF Amanah Investment Bank's confirmation that Oxbridge had failed to redeem the RM10 million (US$3 million) Islamic commercial paper under its MUNIF, which was due on the 3rd April 2009.

RAM understands that the IMTN/MUNIF holders have not declared an event of default, based on Oxbridge's plans to restructure the debt facility.

Following the downgrade, RAM no longer has any rating obligations on the facilities. Oxbridge is a single-purpose company established to develop Bandar Jaya Putra Perdana in Johor and is a subsidiary of Renewed Global, a real estate developer.

Glomac Regal redeems, cancels facilities

MALAYSIA: Alliance Investment Bank has confirmed to RAM Ratings that Glomac Regal has redeemed and canceled its RM175 million (US$50 million) Murabahah underwritten notes issuance facility and Murabahah medium-term notes issuance facility ahead of its 29th May 2009 maturity.

Following the redemption, the rating agency no longer has any rating obligation on the debt facility, and the 'A1(s)/P1(s)' ratings are no longer applicable.

RAM assigns 'A1', 'P1' to Dawama

MALAYSIA: RAM Ratings has assigned long- and short-term ratings of 'A1' and 'P1' respectively to Dawama's RM150 million (US$42 million) Islamic commercial papers/medium-term notes (MTNs) program.

The ratings have been placed on Rating Watch due to the delays in the company's proposed refinancing plan for the redemption of RM50 million (US$14 million) of its MTNs maturing on the 29th April 2009. The outlook is negative.

The proposed refinancing is essential to the redemption of Dawama's MTNs, as the company's cash accumulation had been affected by hefty working-capital requirements vis-à-vis the sales of Dewan Bahasa dan Pustaka's (DBP) general publications.

RAM is aware that Dawama is taking steps to rectify this problem, but remains cautious on the latter's ability to fulfill its commitment in a timely manner, given the proximity to the maturity date of its MTNs.

Dawama was incorporated to facilitate the privatization of DBP's pre-press, design, typesetting, printing, distribution and marketing activities.

RAM reaffirms Maybank IB

MALAYSIA: Maybank Investment Bank (Maybank IB), formerly known as Aseambankers, has received reaffirmation for its 'A1' long-term and 'P1' short-term financial institution ratings from RAM Ratings, with a stable outlook.

The firm parental support of Malayan Banking (Maybank) and its sound capitalization, as well as strong franchise in the local investment-banking arena, were among the factors for the reaffirmation.

"We believe that Maybank IB benefits from its parent's strong branding, broad customer base, international network and sound balance sheet in securing larger mandates," said RAM.

The bank has a commendable track record in the local investment- banking industry, as evident from its consistently respectable rankings in the Malaysian corporate bond and Sukuk markets, not to mention the league tables for mergers and acquisitions.

MIDDLE EAST

Confirmation of GIB's deposit ratings

BAHRAIN: Moody's has affirmed Gulf International Bank's (GIB) deposit ratings at 'A3/P2', subordinated debt ratings at 'Baa1' and bank financial strength rating (BFSR) at 'D+'. The outlook is stable.

The confirmation on the BFSR is reflective of GIB's improved capitalization and significantly de-risked balance sheet, following the transfer of US$4.8 billion in securities to shareholders, effective from the 31st December 2008.

The decision to confirm the BFSR also takes into account the bank's improved liquidity position as a result of the cash settlement for the securities transferred.

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The agency said that the bank's loss absorption capacity (capital cushion, expected earnings and current provisions) positions it to cope with most economic scenarios over the next few months, including a deep and prolonged recession in the GCC.

"The stable outlook on the rating reflects the view that the downside risk for GIB with regard to solvency and liquidity is now well contained," said Moody's.

Meanwhile, its confirmation of the deposit ratings was due to reduced negative pressure on the BFSR and by the proactive attitude of shareholders in addressing the major challenges to the bank's financial strength.

S&P downgrades Arcapita

BAHRAIN: Standard & Poor's Ratings Services (S&P) has downgraded Arcapita Bank's long-term counterparty credit rating to 'BB' from 'BB+', and maintained on CreditWatch with negative implications, while the short-term rating was affirmed at 'B'.

The rating action was based on the weak investment climate, which challenged Arcapita's business model and decreased the value of its assets. Its leverage indicators have also weakened, which puts pressure on its credit profile.

Arcapita is implementing a set of measures to reduce its leverage and improve its liquidity position, including a rights issue and an extension of its debt maturity profile.

If the bank is successful on the rights issue, S&P believes this should support the current rating, all other things being equal. However, the agency believes the business climate will remain challenging and that there is potential for write-downs in Arcapita's investment portfolio.

S&P said the rating reflects Arcapita's stand-alone credit profile and does not include any uplift for extraordinary external support.

At the same time, it recognizes that support from shareholders has been significant and that Arcapita's financial flexibility is a positive rating factor.

Four GRIs reaffirmed

UAE: The ratings on four government-related issuers (GRIs) in Dubai have been reaffirmed, with a negative outlook by Moody's Investors Service.

The companies are DP World, which was rated 'A1'; Dubai Electricity & Water Authority (DEWA), rated 'A1'; Jebel Ali Free Zone (JAFZ), rated 'A1'; and DIFC Investments (DIFCI), rated 'A1'. Dubai Holding Commercial Operations Group was downgraded to 'A2' from 'A1', and Emaar Properties to 'Baa1' from 'A3', also with a negative outlook.

The reaffirmed ratings on DP World, DEWA, JAFZ and DIFCI are based on the highly visible and strategic mandates of all four companies, which Moody's believes carry significant relevance and importance to Dubai, the UAE and the wider region.

Furthermore, DP World, DEWA and JAFZ demonstrate resilient fundamental credit profiles and, thus, are unlikely to require financial support under current planning assumptions.

DIFCI is more vulnerable fundamentally, though this is partially mitigated by its position as a major regional financial hub.

The rating agency is of the opinion that real estate master developers Dubai Holding Commercial Operations Group and Emaar Properties are both likely to benefit from federal support mechanisms, but the one-notch downgrade of both entities reflects the more severe fundamental strains facing their business models.

UAE

Sunrise for Islamic finance

The future is bright for Islamic finance according to an international management consulting firm, which has predicted that the total assets of the industry will tip at US$1.6 trillion by 2012. The report by Oliver Wyman, titled "The next chapter in Islamic finance: Higher rewards but higher risks", stated that Islamic wholesale banking — the biggest market for Islamic finance — will continue its strong growth to reach US$1 trillion, with revenues of more than US$60 billion.

Partner and author of the report Mathieu Vasseux told Islamic Finance *news* that he believed that the target of US$1.6 trillion would still be achievable despite the global financial crisis. "Islamic finance growth is driven by both overall growth of the financial sector and the conversion of customers to Islamic finance. The main driver is the substitution effect: customers and institutions converting from conventional to Islamic finance. Although the overall growth of finance will abate in the short term, the substitution driver remains strong. In many Muslim countries where Islamic finance is nascent, penetration rates are as low as 1%, compared to 20% to 30% in more mature markets," he said.

The report, released this week, noted that despite the tremendous interest in and phenomenal growth rates of Islamic finance, most institutions were still not taking full advantage of it. The report cited a lack of deep understanding of the opportunities that Islamic finance offers, and also that most financial institutions have not developed the required operational capabilities.

Asked to elaborate, Vasseux said significant improvement could be made in the sectors of balance sheet and liquidity management, risk management and information technology (IT). "During the last decade, Islamic financial institutions focused mostly on growth in a rapidly growing market. In the current volatile environment, we expect banks to pay more attention to these capabilities," he said.

The financial institutions, Vasseux added, should invest in strategic market reviews, primary market research and in-depth customer needs analysis to enhance their understanding of the opportunities in Islamic finance. "Training and qualified resources will be important, too," he said.

The report noted that wholesale banking was the biggest market for Islamic finance, with over US$420 billion of assets and revenues of US$28 billion as wholesale assets have been growing at 34% annually. However, the report further stated that banks need to diversify their activities aside from real estate and plain lending to offer a comprehensive service suite including advanced treasury services, innovative asset management, balance sheet management and securitization services.

On the financial institutions' capabilities to be innovative and the reasons for their delay in diversifying, Vasseux said: "We believe some of them have the capabilities to be innovative, while many banks have a 'me-too' attitude to surf the boom of Islamic finance. The latter will see only short-term success, while the former are positioned for long-term success and will be the winner of the medium-term sector consolidation. "Banks have been slow to innovate because the market was so good. When you are growing at 40% with plain vanilla products, why bother?"

MALAYSIA

AFB vies to be the Asia-Middle East bridge

Asian Finance Bank has found its niche as a bank bridging the trade gap between the Middle East and Asia, particularly Malaysia. Under the helm of CEO Mohamed Azahari Kamil, AFB has played a developmental and financial role in the promotion of the country's government-linked companies (GLCs) and government operated companies (GOCs) to extend their businesses to the Middle East.

Azahari told Islamic Finance *news* that among the projects AFB has been involved in include the part financing the working capital requirement of TNB Engineering Corporation to build a district cooling system plant and an energy transfer station in Abu Dhabi and providing financial support services to AWC Facility Solutions for its facility management in Al-Reem Island, Abu Dhabi.

He said AFB is also working with another public listed company for the proposed independent power production (IPP) plant in Saudi Arabia as well as with another public listed company in Malaysia for a joint venture project with Qatar Idiah for the development of residential units in Doha. "Besides these, we have two or three more projects in the pipeline. Gulf Petroleum is looking into the possibility of expanding its business to Malaysia, with even an oil refinery, and we are working with them in this strategic move," he added.

This week, AFB signed an agreement to part finance government-owned Export-Import Bank of Malaysia's (Exim Bank) acquisition of Darul Takaful building in Kuala Lumpur for its headquarters via a Murabahah term financing of RM55mil (US$15.1 million). AFB, a full-fledged Islamic bank formed in November 2005, is one of the three foreign Islamic Banks granted licenses by the central bank. Its shareholders are Qatar Islamic Bank (70%), RUSD Investment Bank of Saudi Arabia (20%) and Financial Assets Bahrain (10%).

The CEO said AFB complements the other two foreign Islamic banks in Malaysia (Al Rajhi Bank and Kuwait Finance House) and they work together very well. "Since AFB is a small capital-based bank, we would definitely not be able to engage in a mega project solely, so we have it done on a syndication basis," he explained.

Azahari was previously the managing director/CEO of AmanahRaya Investment Bank, a wholly owned subsidiary of the Minister of Finance Inc, and he said used this exposure to government links to build relationships in the local scene much faster, besides identifying government institutions that were looking to expand their businesses.

"We believe that in this difficult environment, we need to focus on counterparties which are respectable. In building a foundation, I have to ensure that it is strong and with very good portfolios in order to move forward. So this is where I believe the government would provide me that comfort in terms of its security, credibility as well as counterparty that would honor obligations in terms of funding," he said.

AFB, which has a working capital of RM355 million (US$98 million), posted losses of RM24 million (US$6.6 million) in 2008. Azahari said AFB's shareholders are very keen on Malaysia and the Asian region, particularly Indonesia, Brunei and Korea. He believed that there will be a need for another 100% capital injection by the shareholders to enable AFB to grow rapidly.

Reports by Raphael Wong

UK

Gulf investors eye European real estate

Investors in the Gulf Cooperation Council (GCC) region, who have been US-focused in terms of Shariah compliant real estate ventures, are increasingly looking elsewhere to diversify their country and currency risks. And it appears that Europe fits the bill as an investment horizon.

"I strongly believe that the market price correction will continue to accelerate in Europe and I think the euro will depreciate further, and fairly shortly. Investors from the GCC region are therefore looking at Europe and thinking, 'There are going to be some very interesting opportunities in that region,'" said WW Advisors' managing director, David Swan.

UK- based WW Advisors is a joint venture between Kuwait's Wafra InterVest Corporation and Watheeqa Holding Group and provides specialized real estate investment advice and other advisory services throughout Europe. The firm, which also offers Shariah compliant finance and investment services, is now working with Rawa, a Saudi Arabian-based real estate company seeking to invest in Europe.

"We hope this deal with Rawa will be the first of many. Our shareholders helped raise the EUR225 million (US$301 million) pan-European Shariah compliant fund for Rawa as well as injected some of their own capital into the company," said Swan, who added that the UK will be the initial focus for investment. "The UK has seen a significant capital market correction and prices are off by as much as 40% from their highs in 2007. This, together with the significant depreciation of the sterling against the dollar, makes the UK very compelling in terms of value," Swan told Islamic Finance *news*. He added that about a third of the amount raised by Rawa is for the US real estate, but that the bulk is for European investments.

According to Swan, the UK government's stance on making the country the gateway for Islamic finance in the West augurs well for Middle East investors who are seeking to invest in Shariah compliant assets in Europe. "The UK alone has five Islamic lenders and this clearly makes it the primary western market for Shariah compliant regulated funds," added Swan, who was a director with Arcapita, the Bahrain-based private equity and real estate group, before heading WW Advisors.

The newly established real estate advisory firm is also confident that there is a big pool of investors throughout the GCC looking to invest in Shariah compliant real estate assets in Europe. "As real estate becomes a much more established investment class among those seeking Shariah compliant assets, there will be an increase in demand for such assets," he added.

He disagreed with the perception of some property players in Europe that there would be a deluge of funds from sovereign wealth funds and other investors in the Gulf region to Europe to "save" the real estate market and, in some cases, play the role of the "white knight". "This huge flow of funds from the Gulf region to Europe is not happening as expected by some. Lower oil prices have now limited the amount of capital for investment outside the region, and even when oil prices were higher, GCC countries were investing heavily in infrastructure projects and real estate," he pointed out.

By Mary Zachariah

PAKISTAN

Islamic banks' assets and profits grow

Islamic banking in Pakistan continues to grow at a staggering pace despite the economic slowdown. The country's first Islamic bank commenced operations in 2002 and since then the sector has been growing at an average annual rate of 37%. The assets of Islamic banks reached PKR276 billion (US$3.5 billion) and their share increased further to 5% of the total banking assets on the 31st December 2008.

The outreach of Islamic banks extended, and the branch network grew to 514 by the end of last year from 369 in September 2008 and 291 in December 2007. Despite a slowdown in economic activity and a strain on liquidity in the banking system, deposits of Islamic banks grew to PKR202 billion (US$2.5 billion) while financing grew to PKR145 billion (US$1.8 billion), a reflection of the risk averse approach of the overall industry.

The share of financing in the overall composition of assets declined to 52.2% while investments dipped to 15.3%, losing their share to cash, bank balances and placements, which enhanced its share in assets. But a large share of cash and bank balances reflects limited investment alternatives for Islamic banking, thus affecting the operating efficiency of these institutions.

To resolve this issue, the government and the central bank have conducted three auctions of Sukuk of three years maturity amounting to PKR28 billion (US$350 million). Increased investment in Sukuk has enhanced the share of government bonds in the overall investment portfolio of the Islamic banking.

As at the 31st December 2007, Islamic banks had a high NPF coverage ratio of above 100% due to the low NPFs to financing ratio. With the increase in fresh NPFs in 2008, the coverage ratio started to decline but subsequently improved to 68% by the end of December last year. The ratio is still below the industry ratio of 75% due to a higher percentage of NPFs in the classification categories requiring less provisioning.

Due to the relatively slow growth in financing and higher growth in deposits, the financing to deposits ratio (FDR) decreased to 72% in December 2008 compared to 83% at the end of the third quarter in the same year. The deposit growth during that fourth quarter was lackluster. However, deposits saw an extraordinary increase during the last three weeks of that quarter, but there was limited time for banks to deploy these into earning assets, resulting in a substantial decline in the FDR at year-end.

Islamic banks continue to register healthy profit. The aggregate profit after tax increased by PKR400 million (US$5 million) to PKR1.8 billion (US$23 million) by end December 2008. The earnings performance was even better than 2007, when these entities posted a profit after tax of PKR1.6 billion (US$20 million) for a 14.6% year-on-year growth.

The overall performance of Islamic banks during the quarter remained mixed. With improved profitability, increased deposit base coupled with sound capital adequacy, as well as well-maintained and expanding branch network, the sector is likely to expand and gain further share in the banking system in the years to come.

By Shabbir Kazmi

Recent Developments in Islamic Finance in Hong Kong

By Hang Seng Investment Management

Tapping the Islamic financial market is crucial for Hong Kong in solidifying its status as an international financial hub. The government of the Special Administrative Region is fully committed to supporting the development of Islamic finance in the city. In his last two policy addresses, chief executive Donald Tsang stressed that Hong Kong should actively capitalize on this new trend by developing an Islamic financial platform while focusing on the development of a Sukuk market. Financial secretary John Tsang also stated in the 2009-2010 budget that particular measures are needed to improve Hong Kong's position as a center for Islamic finance.

Hong Kong is in the midst of reengineering itself to develop Islamic finance and is contemplating the adaptation of a variety of measures to accommodate Islamic finance within the city's legal and regulatory regimes. These developments are still at a relatively early stage and there are a number of challenges to overcome, but the city is moving full steam ahead with encouraging progress to date.

Devoted to market innovation

Market practitioners in Hong Kong are putting considerable effort into the introduction of various Islamic financial products and banking services. These initiatives clearly demonstrate the dynamism of Hong Kong's financial system in response to an emerging market opportunity.

Here are some of the key financial products and services launched after the government announced its Islamic finance-focused initiatives in November 2007:

- The first retail Islamic fund was launched in November 2007, immediately following the government's announcement of its plans. It is an index-tracking fund with the focus on the mainland China and Hong Kong markets.
- In March 2008, a US$550 million convertible Sukuk structured with Hong Kong-listed H-shares became the first such instrument listed on the Stock Exchange of Hong Kong.
- Hong Kong's first Islamic banking window was granted approval by the Hong Kong Monetary Authority in August 2008.
- In November 2008, the city's first Commodity Murabahah Deposit product was launched, utilizing commodities as its underlying assets.
- In April 2009, Islamic bonds went on sale through selected Hong Kong branches of a bank for the first time. The bank is offering two short- to medium-term secondary market Sukuk targeting at Islamic investors.
- The Hong Kong Airport Authority is poised to launch the city's first Sukuk during 2009. It is likely to come to market with a tax exemption before the legislative changes to the Hong Kong's tax regime can be made.

Overcoming tax hurdles

Tax implications with respect to stamp duty and profits tax obligations and liabilities are considered key impediments in developing a Sukuk market in Hong Kong. The government has noted that changes are needed to the city's taxation regime to provide a level playing field for the issuance of Sukuk compared to conventional bonds. The Administration, with the Financial Services and the Treasury Bureau taking the lead, is putting in place tax neutrality measures to facilitate the development of Islamic finance, based on the views of the market and experience of other relevant economies.

In the 2009-2010 Budget, John Tsang announced that the Hong Kong government's plans include changes to or clarifications of taxation arrangements to promote the issuance of Sukuk.

The government may grant tax exemptions on a case-by-case basis before the legislative changes take place in order to facilitate the development of the Sukuk market in Hong Kong in a timely manner.

Collaborative effort

Establishing closer international links with Islamic finance centers is crucial to the development of Islamic finance in Hong Kong. Though competition from other Islamic finance centers is inevitable, there is also a significant degree of complementary benefit in fostering closer relations with these regional centers. Such links could be developed through knowledge sharing as well as regulatory cooperation and cross-recognition of products. Hong Kong can learn from the experience of other established centers and cooperate with them to grow the market.

Some of the key efforts in fostering closer international links are:

- In December 2007, the Hong Kong Mortgage Corporation signed a joint venture agreement with Cagamas, Malaysia's national mortgage corporation, on the establishment of a joint venture company to develop mortgage guarantee businesses in Asia and Islamic housing finance markets.
- In April 2008, the Securities and Futures Commission in Hong Kong signed a memorandum of understanding (MoU) with the Dubai Financial Services Authority to cooperate on capacity building and human capital development in Islamic finance, as well as on the promotion and development of their respective Islamic capital market segments.
- In May 2008, the Hong Kong Monetary Authority and the Dubai International Financial Centre Authority signed a MoU aimed at fostering cooperation in the development of Shariah compliant financial products, particularly Sukuk, and the financial infrastructure in their respective jurisdictions.

Raise international awareness

It is important for Hong Kong to continuously and effectively market itself as the hub for investment flows from the Middle East to the Far East — a market where investors can diversify their investment portfolios beyond other major Islamic financial centers.

Hong Kong is making headway in forging a closer economic relationship with the Middle East. A high-level business delegation led by Don-

continued...

Recent Developments in Islamic Finance in Hong Kong (continued)

ald Tsang visited Kuwait, Saudi Arabia and the UAE in January 2008 to introduce the city's strengths and attractiveness as an international financial center to business and political leaders in the Middle East.

The relevant authorities have sought to build on this momentum by continuing to facilitate closer business ties between the two markets and bring more Middle Eastern delegates to Hong Kong to learn about the local market and what it has to offer. The city is putting considerable work into activities such as roadshows and seminars to create greater awareness of Hong Kong's efforts to develop a market for Islamic finance.

> "Hong Kong will require professionals who are well versed and qualified in the specialized areas of Islamic finance"

Key activities held in recent months include: Hong Kong Showcase on Islamic Finance, Dubai and Jordan (the 11th and 12th May 2008); 3rd Malaysian Islamic Finance Issuers and Investors Forum 2008 (August 2008); Hong Kong Islamic Finance Forum (November 2008); Asian Financial Forum 2009 (January 2009); and 2009 Asia Sukuk Summit (February 2009).

These events have provided excellent opportunities for regulators, market practitioners and investors from overseas and those in Hong Kong to share ideas and perspectives.

Nurture talent

In addition to having the necessary structures and policies in place, Hong Kong will require professionals who are well versed and qualified in the specialized areas of Islamic finance to support the development of this government initiative. Training for Hong Kong's finance professionals needs to be strengthened because most of them lack an understanding of the basic principles of Islamic finance.

In this regard, industry associations such as the Treasury Market Association and the Hong Kong Securities Institute should take a leadership role in nurturing a greater talent pool and deepening market knowledge regarding Islamic finance.

Furthermore, the education sector can also play a key role in this regard by organizing relevant courses and training for present and future local financial practitioners. Tertiary institutions like The University of Hong Kong and other professional bodies such as the Hong Kong Institute of Bankers are starting to offer Islamic finance-related courses in order to equip finance professionals with the skills they need to support the expansion of Islamic finance in Hong Kong.

Utilizing Hong Kong's strengths

There is no doubt about Hong Kong's determination to establish a local platform for Islamic finance. The foundation for this has already been laid. Hong Kong's stable and freely convertible currency, flexible regulatory regime and world-class financial infrastructure and settlement systems make the city an attractive choice for investors from around the world.

Hong Kong's position as China's premier financial center is the city's biggest advantage. With its unique geographical location and strong fundamentals, Hong Kong can act as a two-way gateway by which overseas companies' capital flows into the mainland while mainland companies extend their reach to the international markets.

Being the only jurisdiction outside the mainland where banks may conduct renminbi business highlights the city's potential as a premier capital-raising platform for mainland enterprises.

Islamic finance is a new asset class that has the potential to bring new economic growth to Hong Kong. Despite the current financial turmoil, Islamic finance still offers huge potential for development. Even with all the significant developments achieved in Hong Kong regarding Islamic finance, much more still needs to be done.

Moving forward, the city should stay focused and speed up the pace of development in order to capitalize on new opportunities.

Disclaimer: This article is for reference only. It is not and should not be considered as an offer or solicitation to deal in any of the investments mentioned herein.

Hang Seng Investment

Established in 1993, Hang Seng Investment Management (HSVM) is a wholly owned subsidiary of Hang Seng Bank, a principal member of the HSBC Group. HSVM is an investment arm of Hang Seng Bank with a focus on the asset management business.

Next Forum Question

Experts have urged the Islamic finance industry to seek new areas of business to develop its portfolio and increase earnings in the current challenging economic environment. What new areas should be considered, what impact will they have on the Islamic finance industry in general and what contribution will they make to the global financial stability?

If you would like to air your views on the next Islamic Finance Forum Question, please email your response of between 50 and 300 words to Christina Morgan, Forum Editor, at: Christina.Morgan@REDmoneygroup.com before Wednesday, 15th April 2009.

Malaysian Sukuk Taxation

By Ram Ratings

In Malaysia the Income Tax Act 1967 (ITA) rules on the taxability of income and the deductibility of expenses. Business income is taxable on an accrual basis while the corporate tax rate has been reduced to 25% in 2009 from the previous 26%. Expenses that have been "wholly and exclusively" incurred in the production of gross income are allowed as tax deductions. The same goes for interest incurred on borrowed funds or laid out on assets used in the production of gross income.

For loans deployed towards both business operations and investments, the deductibility of the interest expense will be limited. The interest expense must be apportioned between the funds used for business operations and investments. Excess interest expense restricted to investment income is not deductible against other business income, and cannot be carried forward for future offsetting purposes.

Islamic finance: Tax issues

In Islamic finance, the main consideration is the treatment of profit associated with Islamic transactions, since interest is not allowed under Shariah principles. Section 2(7) of the ITA states that the treatment of profits will be similar to that of interest for tax purposes, where the profits are in relation to Shariah transactions.

Therefore, Islamic finance is given the same treatment as conventional financing. For instance, profits associated with Islamic finance will be taxable like interest income under conventional financing, and profits will be deductible if the funding is used to generate business income or to purchase assets to generate income. All other rules relating to interest, such as withholding tax on interest and interest exemption, will also apply to profits.

Tax neutrality

Most Islamic financing products in the market require the existence of underlying assets or transactions. This may involve an Islamic financier purchasing property for resale to a customer, who will then repay the Islamic financier throughout the term of financing.

However, the tax implications are complicated if the Islamic financing structure involves the borrower having to sell an asset as part of the transaction. This could result in double stamp duty on the financing, and upfront taxation due to the claw-back of tax depreciation claimed on the asset.

For tax neutrality between conventional and Islamic financing, Section 2(8) of the ITA recognizes that such underlying asset sales or leases are required to meet Shariah requirements. Hence, Section 2(8) allows the underlying sale of assets or leases to be ignored for tax purposes, so that additional tax as a result of the underlying transaction will not arise. Similarly, any additional stamp duty due to the underlying asset transaction is exempted.

Thus, the taxation impact on Islamic financing transactions and the resultant stamp duty will be the same as for conventional financing. Nonetheless, tax neutrality will need to be approved by the relevant regulatory bodies such as Bank Negara Malaysia (BNM), the Securities Commission (SC) and the Labuan Offshore Financial Services Authority (LOFSA).

Various tax exemptions are available in Malaysia to promote the country's financial markets and Islamic finance. Some are targeted specifically at Islamic finance while others apply to all financial transactions. In the case of profits or "interest" received by foreign investors, tax exemptions are applicable as long as the profits are from a licensed financial institution, securities or bonds are issued or guaranteed by the government, and Islamic securities or debentures other than convertible loan stocks are approved by the SC.

For Malaysians, profits or interest received are taxable. However, the profits, discount or interest income received by Malaysian individuals, unit trusts or closed-end funds are tax-exempted if they are derived from securities or bonds issued or guaranteed by the government, debentures approved by the SC, Bon Simpanan Malaysia issued by BNM, and bonds paid or credited by a company listed on the Malaysian Exchange of Securities Dealing & Automated Quotation (Mesdaq) market.

Tax exemptions

Malaysians are also allowed tax exemptions on deposits placed for more than 12 months with banks in the country. In this instance, there is no limit on the investment amount. Similarly, investments of not more than RM100,000 (US$28,000) that are held for less than 12 months are also entitled to tax exemptions.

In Malaysia, the cost of issuing bonds and borrowing expenses are not tax deductible. In Islamic finance, however, the costs related to the issuance of Islamic securities are tax deductible. This incentive is also available for expenses incurred by either the financier or special purpose vehicle (SPV) for the issuance of Islamic securities on the principles of Mudarabah, Musharakah, Ijarah or Istisna and any other issues approved by the SC.

Furthermore, "any association established to a scheme of financing in accordance with Shariah principles" is excluded from the definition of a partnership, thus getting exemption from filing partnership returns. This then reduces administrative procedures.

Islamic financing obtained from Islamic financial institutions will also receive an additional 20% exemption on stamp duty vis-à-vis the principal or primary instrument of financing made according to Shariah principles. This additional 20% exemption is valid until the 31st December 2009.

Under the budget for 2008, SPVs set up solely to channel funds and facilitate the issuance of Islamic bonds are exempted from income tax and do not have to comply with ITA requirements. The company that establishes the SPV will also be given a tax deduction on the cost of issuance of the Islamic securities. Any net income earned by the SPV will be reflected by the company that established it for the purpose of financing.

The disposal of assets by Malaysian companies attracts no income tax impact. Also, there has been no real property gains tax on the disposal of properties since the 31st March 2007.

continued...

Malaysian Sukuk Taxation (continued)

Tax deductibility of profits or interest is also available to a Malaysian company, depending on the use of funds. Profits paid will be deductible if the funds have been used to generate business income or purchase assets to generate revenue. For example, if machinery has been purchased with the funds and is used to produce goods that are sold to generate revenue, the profits or interest will be tax deductible.

> "The tax treatment of profits from Sukuk Ijarah will depend on the type of investor"

The issuance costs of Islamic securities will be tax deductible if the transaction has been approved by the SC. No stamp duty will be applicable either, since the whole transaction is part of the issuance of a bond/Islamic securities, and exemption of stamp duty applies to the issuance of bonds/Islamic securities that have been approved by the SC.

The tax treatment of profits from Sukuk Ijarah will depend on the type of investor. Resident unit trusts and closed-end funds are generally taxed at 26% while individuals are subject to graduated tax rates, from 1% to 28%. Nonetheless, all profits will normally be exempted since the Sukuk Ijarah is likely to have been approved by the SC.

On the other hand, resident corporates and other bodies of persons will be taxed at the prevailing corporate rate of 26% while the profits of non-residents will be exempted if the Sukuk Ijarah has been approved by the SC.

Labuan versus Kuala Lumpur

A Labuan offshore company (LOC) will be subject to income tax under the Labuan Offshore Business Activity Act 1990 (LOBATA) on income derived from offshore business activities. The taxation depends on whether it is seen to be conducting offshore trading or non-trading activity.

Section 2(1) of the LOBATA defines offshore trading activity as banking, insurance, trading, management and licensing and any other activity that is not an offshore non-trading activity. It defines offshore non-trading activity as holding investment securities, stocks, shares, loans, deposits and immovable properties by an offshore company on its own behalf.

Thus, if the LOC, such as the one established for the purposes of Sukuk issuance, conducts offshore non-trading activity, any dividend, profit or capital gain received will not be subject to income tax.

If the LOC conducts offshore trading activity, its income will be subject to a 3% tax based on its net profit as per audited accounts, or could be limited to RM20,000 (US$5,600), whichever it chooses. LOCs have also been provided with the flexibility of a one-time irrevocable option to being taxed under the domestic ITA.

LOCs exempted from stamp duty for transactions that are part of their offshore business activity are required to conduct their business in foreign currencies.

For Sukuk issuance in the domestic market outside Labuan, tax neutrality will be extended so that any disposal or lease will be exempted from tax. Sukuk will be subject to the same tax treatment as conventional bonds, with stamp duty exemptions and no withholding tax on profits paid to non-residents.

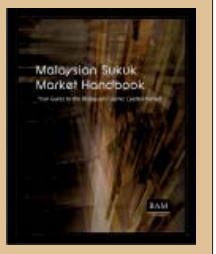
In the case of Sukuk issuance in Labuan, tax neutrality will be extended as approval can be obtained from LOFSA, which is an approved authority. A Labuan SPV will be exempted from stamp duty and withholding tax on profits paid to non-residents.

Thus, comparing between the Labuan and Kuala Lumpur markets from a tax perspective, the issuance of bonds in either place should achieve the same tax results. Additionally, ringgit and foreign currency bonds can be issued from Kuala Lumpur markets while foreign currency bonds are allowed to be issued from Labuan.

If the funds from the bond issuance are provided to a non-resident or if the underlying asset is located in a foreign jurisdiction, the tax regime of the foreign jurisdiction will have to be considered.

Malaysian Sukuk Market Handbook
Your Guide to the Malaysian Islamic Capital Market

ISBN: 978-983-44255-0-0
Published by RAM Rating Services



As a pioneer in the Islamic finance industry, Malaysia has been setting benchmarks while assuming a pivotal role on the Sukuk pitch. The nation's Islamic capital market has been experiencing exponential growth, and we are well poised as the world's most competitive and attractive Sukuk market, underscoring Malaysia's significance as the largest and most innovative global Sukuk marketplace.

The Malaysian Sukuk Market Handbook, published by RAM Rating Services ("RAM Ratings"), is a comprehensive guide that serves as a practical tome for institutions and professionals keen on unlocking maximum value from the domestic Islamic capital market. The contributors to this handbook are eminent personalities from various backgrounds, well known in their respective fields of expertise. Apart from RAM Ratings, other contributors include Bond Pricing Agency Malaysia, Islamic Banking and Finance Institute Malaysia, Shook Lin & Bok, Kadir Andri & Partners, Pricewaterhouse Coopers Taxation Services and Securities Commission Malaysia. This handbook – the first of its kind - also strives to broaden the Sukuk investor and issuer bases, and covers inter alia the applicable Shariah principles, the Malaysian regulatory framework, the role of Shariah advisors, legal and tax considerations, rating approaches, market infrastructure and details of hallmark Sukuk transactions.

RAM Ratings, a leading credit-rating agency in Asia, was incorporated in 1990 as the pioneer of the Malaysian capital market in this sphere. RAM Ratings' portfolio encompasses a vast range of local and foreign corporates, multinationals, Islamic and conventional banks, Takaful and insurance companies, government-linked and other public-financed entities, myriad complex investment vehicles and the ringgit-denominated securities they issue, structured-finance transactions backed by receivables or other financial assets, and Sukuk.

S&P's Approach to Rating Takaful and re-Takaful Companies

By Standard & Poor's

The past five years have seen Takaful grow from a niche product servicing relatively limited demand — both by geography and client — to become a mainstream risk management offering. Particularly well established in the Far East, especially Malaysia and Indonesia, it is now growing rapidly in the Arab world, and expanding across Europe. With the development of Takaful, the growth of re-Takaful was seen as inevitable as a necessary and Shariah compliant version of reinsurance.

Standard & Poor's Ratings Services (S&P) has rated a number of Islamic insurers and reinsurers. In this article, we comment on the way that our rating criteria have been adapted to address the particularities of this product. Our ratings on Takaful and re-Takaful companies do not address Shariah compliance.

Rather, an S&P's insurer financial strength rating is a current opinion of the financial security characteristics of an insurance organization with respect to its ability to pay under its insurance policies and contracts in accordance with their terms. We treat the mechanisms employed to deliver Islamic insurance solutions in a Shariah compliant model as being a management decision over the operation of the company business model. The religious context itself is not part of the credit rating decision.

The analytical categories

S&P's insurer financial strength ratings generally focus on these categories of analysis:

- Industry and economic risk.
- Management and strategy.
- Competitive position.
- Enterprise risk management.
- Earnings.
- Investments.
- Liquidity.
- Capitalization.
- Financial flexibility.

Generally, no single category dominates the assignment of or action on a rating. Relevant rating factors may include how well, in our view, the capital base is managed and how robust it is to absorb likely earnings volatility, and how the earnings stream is suited, in our opinion, to support liquid assets to enable prompt claims settlement.

S&P generally publishes a detailed commentary in support of each rating, covering each of the analytical categories highlighted above. Below, we identify those aspects of the re-Takaful business model that may be subject to specific consideration, or special treatment in S&P's analysis.

Industry and economic risk

We consider the effectiveness of the regulatory regime that the re-Takaful company is working within. Insurance supervisory bodies set minimum operational standards at some level to minimize the risk of insurance company failure, but typical regulation in any domicile only draws a line, below which companies may not operate. How far above those minimum standards a company chooses to operate is entirely a decision for owners/management. We observe that no special regulatory treatment is currently given to the re-Takaful sector relative to the conventional equivalents.

International insurance supervisors, we understand, are generally consistent in their view that the re-Takaful business model is, for their purposes, a "normal" insurance model and should be regulated consistent with other insurance models in terms of solvency/capital adequacy requirement and regulatory filings.

We assess economic risk by reference to S&P's sovereign ratings, and may adapt our assessment to reflect the likely potential demand for Islamic insurance in the operational domicile. For instance, we believe that countries with a large Islamic community are likely to have stronger economic/business drivers than where the Islamic population is smaller. We also consider this factor under the competitive position section.

Competitive position

Under this category, S&P seeks to assess the ability of the current and targeted business source to provide a lasting, profitable revenue stream to the insurer. We believe at this stage that Takaful is still a developing business that has to prove itself against conventional insurance structures. However, contribution (premium) growth has typically been very rapid, which raises the question, in our view, whether the management and the systems of re-Takaful companies have the ability to keep up with this growth, and whether they have adequate capital availability to properly support it.

Where Takaful companies are in direct competition with conventional insurers, as indeed most are, S&P generally assesses evidence of product demand and persistence before giving an opinion. The Takaful model typically includes a profit share component to contributors as a necessary component, and to date we view the effectiveness of this client tie-in to future income for relatively new companies as unproven.

As Islamic entities, Takaful companies' income streams can be constrained by the application of strict Shariah compliance to the nature of the risks being offered. We understand that in some circumstances, the risks accepted will be broken down into Shariah compliant and non-compliant components, with any profits from the latter being donated to charity or eliminated in some form.

Management and strategy

Here we form a view on the skills of the management team in setting an effective operational framework to support the business development. Given the hybrid nature of the re-Takaful structure, we also seek to understand how the goals of the Takaful members, which are generally more focused on risk sharing, align with the goals of the shareholders, whose motives are usually more profit orientated.

Enterprise risk management

Enterprise risk management (ERM) is an adjunct to management and strategy, encompassing an assessment of the risk appetite and control

continued...

S&P's Approach to Rating Takaful and re-Takaful Companies (continued)

framework of the company. In this regard, S&P's approach to Takaful companies is generally no different from "conventional" insurance companies.

Earnings

The assessment of the earnings quality for Takaful companies can be more complex than for other companies in our view because of the often separate reporting of financial statements for Takaful fund members and shareholders. As noted above, the concept behind Takaful is mutual risk sharing, or cooperative risk pool participation.

The Takaful funds, paid for by member contributions, bear the losses of the individual member. This, of course, is the original insurance model: the many pay for the losses of the few. At the technical level, therefore, we consider that underwriting earnings may be expected to be more marginal in terms of profit contribution over the long term, as members may expect lower risk pricing on this shared risk basis, or a profit share distribution at some point from any surpluses.

We note that the majority of Takaful companies operate the Wakalah (or agency) model of technical fund management, under which the operational costs are borne by the shareholder and recovered through a Wakalah fee levied on the Takaful fund. This fee is usually set in advance of the underwriting year and agreed with the Shariah council, often as a percentage of contributions.

In measuring the performance of the Takaful underwriting account, S&P will generally replace the Wakalah fee with the actual operational costs borne by the operator. We believe this gives a more comparable assessment of underwriting performance against conventional insurers, through analysis of the classic technical measures of gross and net combined ratios. A further factor we consider is the relationship between the Wakalah fee and the operational costs; any margin could, we think, represent a meaningful profit for the shareholder, or subsidy to the Takaful fund.

One of the paramount features seen in the Takaful model is that any deficit on the Takaful fund is solely the responsibility of the members to fund. Nevertheless, under this hybrid structure, the shareholders will usually provide a cost-free loan (Qard Hasan) to the fund to finance any shortfall, recoverable from future surpluses. This therefore puts the onus on the operator to price Takaful risks correctly to enable the fund to meet claims liabilities. As part of our rating analysis we assess how likely underwriting will be profitable over the long term, so as to provide a flow of funds to finance claims liabilities and growth.

The Takaful funds also earn income from the invested assets. However, these invested assets are usually again managed by the operator, who takes a profit share from this activity — the Mudarib share. Typically, the shareholder income statement reflects investment income earned on shareholder assets, the Mudarib share and Wakalah fee from the Takaful fund, less any operational costs. In its narrow sense, these items provide return to shareholders. However, S&P also includes the surplus (deficit) from the Takaful fund, as calculated above, to measure a "conventional equivalent" return on equity.

Investments and liquidity

S&P's analysis in these two categories is generally no different for Takaful companies than for conventional insurance companies. We form a view on the credit and market risk qualities of the chosen investment portfolio, and the quality of its structure and management. The portfolio structures are likely to be very different for the Takaful fund assets and the shareholder funds assets and we assess the strengths and weaknesses of both.

Capitalization

To assess capital adequacy, S&P generally uses its risk-based capital adequacy model. The key adaptation is to offset any Takaful fund deficit against the shareholders' capital in our analysis, as we understand that the shareholders are obliged to offer support for any such shortfall. Similarly, we generally include any Takaful fund surplus as part of the capital base.

Reinsurance: There are no notable adaptations for this component of our analysis, but we observe that Shariah boards are increasingly expecting Takaful companies to seek re-Takaful and availability may become an issue.

Reserving: Again, there are no notable adaptations for this component. Insurance is protection against the unknown, and we therefore look to determine to what extent there exist, in our view, conservative loss assessment processes that bear comparison with peers, and are vetted by independent actuaries, for both General and Family Takaful funds.

Financial flexibility

S&P will also assess to what extent a company's management is able to demonstrate its ability to raise money to support the entity. Shareholder funds are, in our view, the backbone of the business, and we generally assume them to be fully defrayable against any fund deficit, based on the respective Qard Hasan loan facility. Typically under this facility, if a deficit on a Takaful fund cannot be replenished, then the assets of the shareholders will be called upon to make good of any shortfalls.

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

Name: Yazit Yusuff

Position: Director/head of Islamic banking

Company: OSK Investment Bank

Based: Malaysia

Age: 46

Nationality: Malaysian

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

I accepted the offer from OSK Investment Bank (OSKIB) to lead the newly established Islamic banking division last year as it was time for me to move on to a new challenge after having served Bank Islam, the first full-fledged Islamic bank in Malaysia, for more than 20 years.

The value proposition offered by OSKIB in relation to the Islamic banking activities was very appealing as OSKIB has big plans for its Islamic finance operations that are not restricted to local businesses but capitalizes on its presence in the regional market. I believe that I can be a part of this grand aspiration and contribute to its success.

What does your role involve?

My immediate role is to establish a proper infrastructure to oversee the Islamic banking operations, identify new business opportunities and work with other business units within the OSKIB Group to offer a complete suite of Islamic investment banking products and services not only in Malaysia but at all our regional offices.

As this is a newly established Islamic window of a conventional investment bank, my role as director and head is also to educate and ensure good coordination with the various business and support units, as it is necessary at this point to tap the existing infrastructure and resources to support the Islamic banking activities.

What is your greatest achievement to date?

If we were to look back beyond my stint here, I can say that among my most satisfying contributions was to help develop the world's first full-fledged Islamic money market in 1994.

As one of the senior members of the Islamic Technical Money Market Committee in Bank Negara Malaysia, I am proud that Malaysia has managed to introduce a dedicated Islamic money market that functions independently of the conventional markets. This Islamic money market acts as a catalyst to the introduction of countless Islamic financial market instruments not only in the money market but also the Sukuk, foreign exchange and derivative markets.

Which of your products/services deliver the best results?

We have offered Mudarabah Term Deposits-i to our clients and we will be launching our Commodity Murabahah Deposits-i and Tawarruq Financing-i soon. However, it is in the area of Shariah advisory that we are making significant in-roads as we are in the midst of discussions with a few potential clients, which include conventional foreign financial institutions.

What are the strengths of your business?

OSKIB has two competitive advantages compared to our local competitors. Firstly, we are an established investment bank with expertise in debt capital markets, corporate finance as well as derivative and structured products. Secondly, we are a growing regional player with footprints in financial centers like Singapore, Hong Kong and Shanghai in addition to emerging markets like Indonesia and Cambodia.

By leveraging on our wide-ranging expertise and established network, our Islamic banking franchise is expected to provide superior services to our clients.

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

I consider the commitment and teamwork of our people within the OSKIB Group, from both the Islamic banking team and other supporting departments, as the cornerstone to realizing our vision to be one of the leading regional Islamic investment banks.

What are the obstacles faced in running your business today?

As opposed to the straightforward borrower-lender relationship in conventional financing transactions, Islamic banking and financial transactions are slightly more complex and therefore entail a more detailed explanation to the relevant stakeholders.

Clients tend to compare and demand that the features of Islamic instruments offered be the same as conventional ones. However, we believe that through continuous education, our clients will eventually appreciate the benefits of Islamic financial transactions and will see why it needs to differ from conventional transactions.

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

Larger Islamic financial institutions will likely emerge not only in Malaysia but also in other parts of the world. In order for Islamic players to aggressively grow globally, they will need to be big in order for them to be able to absorb bigger risks and bring down transaction costs.

I believe that the consolidation of the Islamic financing industry is inevitable and it may start in Malaysia with the merger of the smaller Islamic banks.

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

I would love to see the world's largest economy, the US, embrace Islamic banking and finance. Although that remains to be seen, I believe that with continuous education and public relations, it is not impossible for an Islamic Banking Act or Islamic Securities Act to be passed in the US which will pave the way for more active participation by Islamic players and investors in that market.

Cagamas' Islamic Medium-Term Notes

INSTRUMENT	Islamic medium-term notes (IMTN)
ISSUER	Cagamas
PURPOSE OF ISSUE	To purchase Islamic housing loans and other consumer receivables from financial institutions, selected corporations and the government
ISSUER'S PRINCIPAL ACTIVITIES	National mortgage corporation and leading securitization house
BOARD OF DIRECTORS	Ooi Sang Kuang (chairman), Tay Ah Lek, Mohd Razif Abdul Kadir, Albert Yeoh Beow Tit, Yvonne Chia, Tunku Afwida Tunku A Malek, Tang Wing Chew, Cheah Tek Kuang, George Ratilal and Abdul Hamidy Abdul Hafiz
ISSUE SIZE	RM915 million (US$256 million) in eight tranches
ISSUANCE DETAILS	

Tenure (Years)	Islamic (RM million)	Yield (%)
1	60	2.92
3	110	3.55
5	110	4.66
7	115	4.86
10	170	5.27
12	115	5.37
15	155	5.46
20	80	5.69
	915	

JOINT LEAD MANAGERS	AmInvestment Bank, Maybank Investment Bank and Standard Chartered Bank
REDEMPTION	The IMTN will be redeemed at full nominal value on maturity
LISTING AND TRADABILITY	Listed and tradable under the Scripless Securities Trading System
USE OF PROCEEDS	To fund the purchase of Islamic house financing debts

For more termsheets, visit www.islamicfinancenews.com

EFH

UK: The European Finance House (EFH) has named Aleksandar Devic as the fund manager for its soon-to-be-launched Global Sukuk Plus Fund.

He will manage the Luxembourg-domiciled Sukuk portfolio, and will also work with the team on EFH's ongoing structured note issuance program.

Devic was most recently director of the securitized products research division at London's Lehman Brothers.

ADIB

UAE: Hashim Al Zarooni has been named regional head for the private banking department of Abu Dhabi Islamic Bank (ADIB) in the northern emirates.

He will be responsible for the private banking and wealth management activities as well as developing Islamic products designed specifically for high net worth clients.

Hashim joined ADIB in 1999 and was previously the branch manager in the Deira branch, a post he held since 2003.

THARAWAT

BAHRAIN: Shariah compliant Tharawat Investment House has appointed three new directors.

Abdul Raoof Al Mehza, the director of placement, has more than 30 years experience, having served in leading banks and companies such as Swiss Bank Corporation, Bahrain Islamic Bank and Bahrain National Oil Company.

He had also held several government positions in Bahrain, such as head of computer facilities at the ministry of finance and national economy, head of Arab economic relations and financial counselor at the prime minister's court.

Another director of placement is Abdul Rahman Al Awadhi, who spent 16 years in Bahrain Telecommunications Company in various posts; from the mobile services department to head of retail development and operations and finally as head of medium enterprises sales.

Anwar Ahmed Ali is the company's new director of finance, having served about 18 years in companies such as National Audit Court, where he headed the finance department.

At Gulf Air, he was manager of accounts administration, preceded by a position in Al Zamil Group.

OMNIYAT PROPERTIES

UAE: Alex Andarakis, the property investment and development firm's chief of sales and marketing, has left the firm. He did not reveal the reason for leaving, but said that he is venturing into something other than real estate.

He was the former boss of beverage and confectionary company Aujan Industries before joining Emaar Properties in 2007 to oversee the group's international marketing strategy.

MASRAF AL RAYAN

QATAR: The deputy chairman of the Islamic bank, Essam Janahi, has tendered his resignation due to his tight schedule and other obligations. The bank has appointed Sheikh Hussain Ali Ahmed Al Thani to succeed him.

Masraf Al Rayan has also named Sheikh Naser Hamad Al Thani as a new member of the board.

DEUTSCHE BANK

UAE: The bank's UAE unit has named Mounir Husseini as chief country officer and general manager for its Dubai International Financial Centre branch. He will replace Ricardo Honegger, who is retiring.

Mounir will retain his position as country head for Qatar, and general manager for the branch at the Qatar Financial Centre.

JPMORGAN

HONG KONG: Shaun Parkes is the new head of worldwide securities services for Asia excluding Japan, based in Hong Kong. He will oversee growth and development, including sales, strategy, client management and services, and operations.

Parkes was previously with the London office as global head of depositary receipt sales and client management.

CREDIT SUISSE GROUP

SINGAPORE: The group has appointed Lim Eng Guan as MD and market leader for its Singapore private banking unit.

He will lead Credit Suisse's expanding local team to accelerate its business in the country's fast-growing domestic private banking market.

Lim has more than 20 years' experience. He joined the group in March last year as head for the China market. Previously, he was with Citibank Singapore for 15 years.

GOLDMAN SACHS

US: Mark Carhart and Raymond Iwanowski, co-heads of Goldman Sachs Group's quantitative investment unit and Global Alpha hedge fund, are retiring. Their position will be taken over by Katinka Domotorffy, who was most recently the head of strategy.

Domotorffy, who will be chief investment officer of the quantitative group, has been a senior portfolio manager, researcher and strategist at the unit since she joined Goldman Sachs 11 years ago.

Carhart and Iwanowski will stay on for a couple of weeks for transitional purposes.

BNP PARIBAS

UK: The corporate and investment banking unit of BNP Paribas has named Stefano Blotto to the institutional relationship management team for European coverage of institutional accounts, to be based in London.

Blotto had spent 12 years at Merrill Lynch, where he was co-head of the investor client coverage group. Before that, he was in charge of fixed income sales to Italy at Credit Suisse as well as Goldman Sachs.

Deal *tracker*

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

Another **Islamic Finance** *news* exclusive

ISSUER	SIZE (million)	INSTRUMENT
Islamic Bank of Thailand	US$1.4 billion	Sukuk
HSBC	TBA	TBA
Cagamas	US$565.35	Sukuk
Bahrain	US$500	Sovereign Sukuk
Chemical Company of Malaysia	US$40.61	Musharakah CP/MTN program
Agni	US$71	Sukuk
Danga Capital	US$2.82 billion	Sukuk Musharakah
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
RAK Properties	US$2 billion	Sukuk
Malaysian Debt Ventures	Up to US$449.07	Sukuk
Bumiputra-Commerce	US$1.84 billion	Islamic and conventional CP/MTN
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
Qatar Islamic Bank	US$300	Sukuk
Barwa Real Estate	US$800	Sukuk
Tabreed	Up to US$500	Sukuk
Amlak Finance	US$260	Sukuk
Al-Zamin	US$11.15	Mudarabah
Majlis Bandaraya Melaka Bersejarah	US$27.63	Sukuk
Qatar Gas Transport	US$500	Sukuk
Islamic Development Bank	US$500	Sukuk

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

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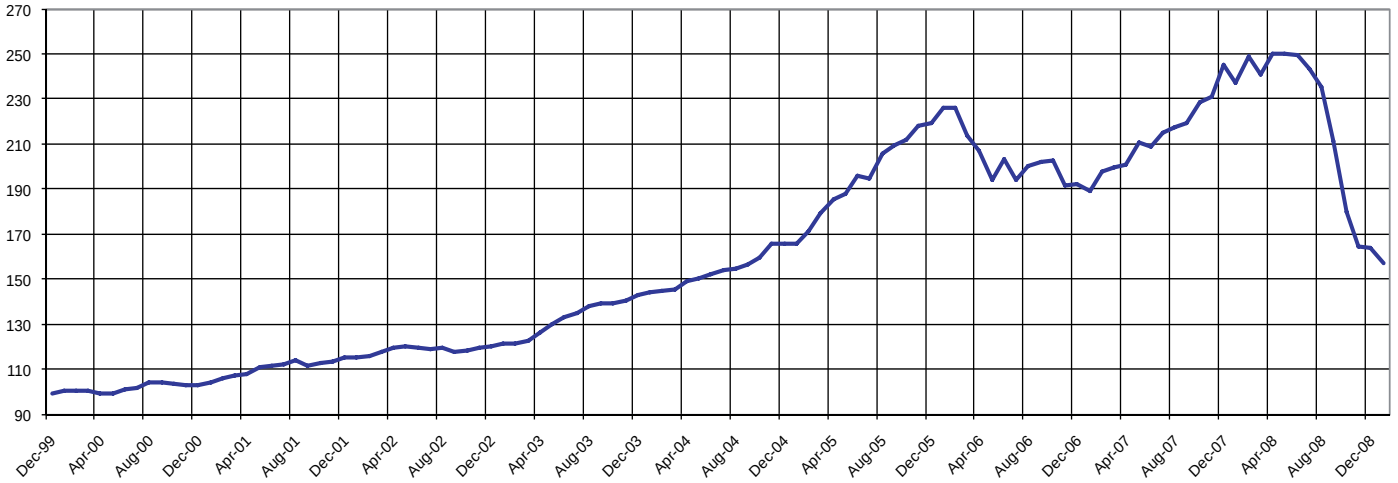
Eurekahedge Middle East/Africa Islamic Fund Index



Annualized returns for ALL funds (as of the 8th April 2009)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	Meezan Islamic	Al Meezan Investment Management	10.99	Pakistan
2	Atlas Islamic	Atlas Asset Management	6.47	Pakistan
3	Alfalah GHP Islamic	Alfalah GHP Investment Management	5.85	Pakistan
4	Meezan Islamic Income	Al Meezan Investment Management	4.78	Pakistan
5	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	4.10	Pakistan
6	United Islamic Income	UBL Fund Managers	3.18	Pakistan
7	MyETF Dow Jones Islamic Market Malaysia Titans 25 (MyETF-DJIM25)	i-VCAP Management	2.74	Malaysia
8	Pacific Dana Aman	Pacific Mutual	2.73	Malaysia
9	AmBon Islam	AmInvestment Management	2.38	Malaysia
10	MAAKL Al-Umran	MAAKL Mutual	2.25	Malaysia
	Eurekahedge Asia Pacific Islamic Fund Index*		-0.40	

Annualized standard deviation for ALL funds (as of the 8th April 2009)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	Tijari Islamic Money Market	Commercial Bank of Kuwait	6.18	Kuwait
2	Jadwa Saudi Equity	Jadwa Investment	1.70	Saudi Arabia
3	Islamic Absolute Return Certificate on HFR Emirates	ABN AMRO Bank	0.92	Not disclosed
4	Bakheet Saudi Trading Equity	Bakheet Investment Group	0.88	Saudi Arabia
5	FALCOM Saudi Equity	FALCOM Financial Services	0.79	Saudi Arabia
6	Al Dar Money Market	ADAM	0.57	Kuwait
7	Al-Hilal Islamic	Kuwait Investment Company	0.51	Kuwait
8	Riyad Equity 2	Riyad Bank	0.49	Saudi Arabia
9	Boubyan Financial USD	Boubyan Bank	0.40	Kuwait
10	Global Islamic	Global Investment House	0.40	Kuwait
	Eurekahedge Emerging Markets Islamic Fund Index*		-1.95	

EUREKAHEDGE

Contact Eurekahedge

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

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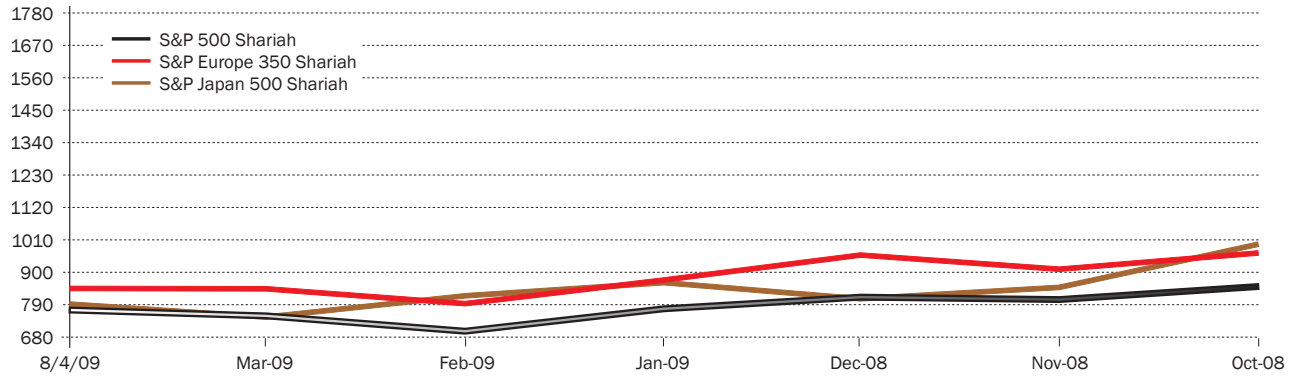
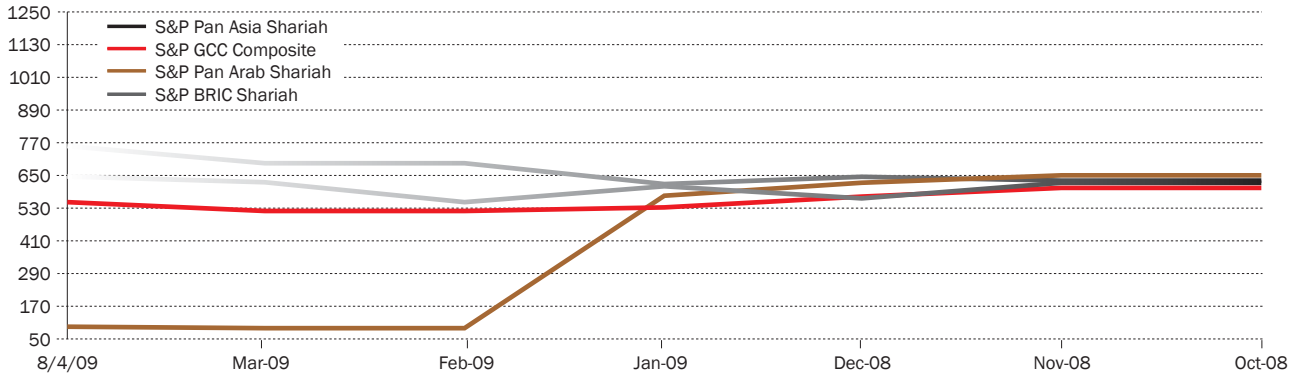
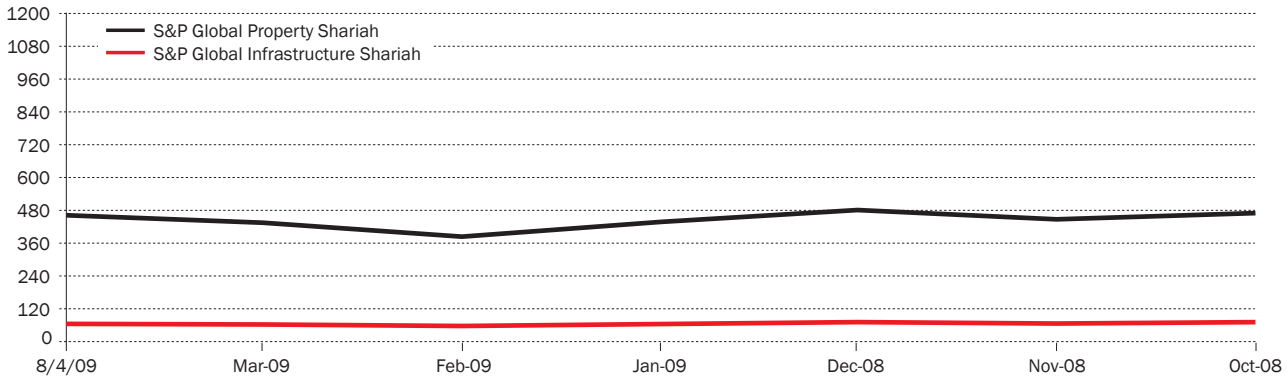
S&P Shariah Indices Price Index Levels



Index Code	Index Name	8/4/09	Mar-09	Feb-09	Jan-09	Dec-08	Nov-08	Oct-08
SPSHX	S&P 500 Shariah	771.930	752.048	700.074	776.118	815.565	807.449	851.669
SPSHEU	S&P Europe 350 Shariah	845.080	843.893	793.619	873.796	958.391	910.501	965.418
SPSHJU	S&P Japan 500 Shariah	792.040	748.018	820.175	864.821	810.128	848.709	995.079



Index Code	Index Name	8/4/09	Mar-09	Feb-09	Jan-09	Dec-08	Nov-08	Oct-08
SPSHAS	S&P Pan Asia Shariah	646.200	624.982	552.018	578.671	610.200	565.823	623.071
SPSHG	S&P GCC Composite Shariah	552.030	519.529	519.529	481.323	532.742	572.370	604.306
SPSHPA	S&P Pan Arab Shariah	94.900	89.561	89.561	83.589	575.540	623.186	650.379
SPSHBR	S&P BRIC Shariah	757.820	694.799	694.799	616.078	618.487	645.057	631.042



Index Code	Index Name	8/4/09	Mar-09	Feb-09	Jan-09	Dec-08	Nov-08	Oct-08
SPSHGU	S&P Global Property Shariah	462.010	434.684	383.755	437.696	481.061	447.125	469.889
SPSHIF	S&P Global Infrastructure Shariah	64.810	62.583	57.085	64.288	71.250	66.046	71.179

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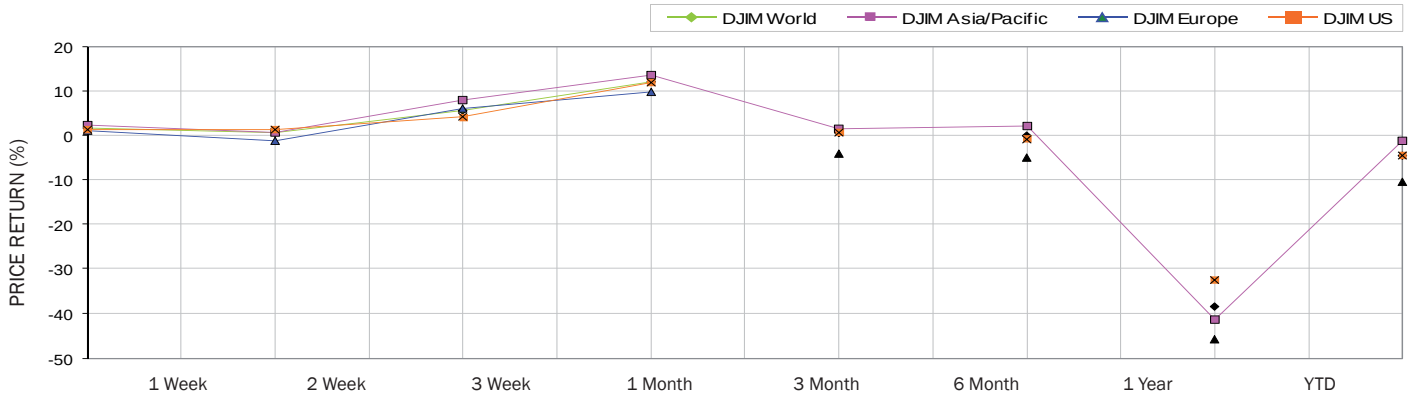
Data as of the 8th April 2009

PERFORMANCE OF DJ INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	1.65	0.67	5.58	12.13	0.65	0.05	-38.32	-4.45
DJIM Asia/Pacific	2.24	0.74	7.94	13.64	1.42	2.19	-41.25	-1.12
DJIM Europe	1.01	-1.31	5.95	9.86	-4.00	-4.89	-45.67	-10.33
DJIM US	1.32	1.36	4.08	11.96	0.73	-0.80	-32.37	-4.42

PERFORMANCE OF DJ TITANS INDEXES

INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM Titans 100	0.42	-0.05	4.05	10.23	-2.92	-2.01	-33.92	-8.12
DJIM Asia/Pacific Titans 25	0.67	-2.14	5.03	10.08	-4.52	-1.33	-39.00	-6.29

DESCRIPTIVE STATISTICS		Market Capitalization (US$ billions)						Component Weight (%)	
Index	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Large	Small
DJIM World	2534	11885.05	9410.58	3.71	0.63	340.77	0.00	3.62	0.00
DJIM Asia/Pacific	839	1767.22	1245.29	1.48	0.35	75.59	0.01	6.07	0.00
DJIM Europe	330	2707.32	2060.95	6.25	1.33	121.82	0.11	5.91	0.01
DJIM US	621	5347.30	5013.94	8.07	1.86	340.77	0.10	6.80	0.00
DJIM Titans 100	100	5440.85	4852.43	48.52	33.00	297.62	9.30	6.13	0.19
DJIM Asia/Pacific Titans 25	25	768.02	503.48	20.14	14.67	51.68	9.30	10.26	1.85

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

For more information, please visit **www.djislamicmarkets.com** or contact

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DOWJONES

TOP ISSUERS OF ISLAMIC BONDS — APRIL 2008 – APRIL 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	Cagamas	Malaysia	Murabahah MTN	940	5	6.6	HSBC, CIMB, Aseambankers
6	Khazanah Nasional	Malaysia	Sukuk Musharakah	840	4	5.9	CIMB, AmInvestment
7	Dewa Funding	UAE	Sukuk Ijarah	749	1	5.3	Barclays, Citigroup, Dubai Islamic Bank, Emirates Bank
8	Syarikat Prasarana Negara	Malaysia	Sukuk Ijarah	620	1	4.4	CIMB, AmInvestment Bank
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	Penerbangan Malaysia	Malaysia	Murabahah MTN	411	1	2.9	CIMB, AmInvestment
12	PLUS SPV	Malaysia	Sukuk Musharakah MTN	385	2	2.7	CIMB
13	Rantau Abang Capital	Malaysia	Sukuk Musharakah	381	1	2.7	CIMB
14	Islamic Republic of Pakistan	Pakistan	Sukuk	350	3	2.5	Standard Chartered (Pakistan), Dubai Islamic Bank Pakistan
15	MRCB Southern Link	Malaysia	Sukuk Istisna	320	2	2.3	HSBC, CIMB, RHB
16	Tamweel Sukuk	UAE	Sukuk	299	1	2.1	Standard Chartered, Dubai Islamic Bank, Badr Islami
17	RIM City	Malaysia	Bai Bithaman Ajil MTN	277	2	2.0	CIMB
18	RAK Capital	UK	Sukuk Ijarah	272	1	1.9	Standard Chartered
19	Purple Island	Saudi Arabia	Sukuk Mudarabah	267	1	1.9	HSBC
20	Saudi Hollandi Bank	Saudi Arabia	Sukuk	207	1	1.5	Saudi Hollandi Bank
	Total			**14,190**	**88**	**100.0**	

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TOP ISSUERS OF ISLAMIC BONDS — JANUARY 2009 – APRIL 2009

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Penerbangan Malaysia	Malaysia	Murabahah MTN	411	1	28.6	CIMB, AmInvestment
2	Cagamas	Malaysia	Murabahah MTN	264	2	18.4	CIMB, HSBC, Aseambankers
3	Khazanah Nasional	Malaysia	Sukuk Musharakah	199	1	13.9	CIMB, Maybank Investment
4	Pakistan	Pakistan	Sukuk	190	1	13.3	Standard Chartered (Pakistan), Dubai Islamic Bank Pakistan
5	PLUS SPV	Malaysia	Sukuk Musharakah MTN	151	1	10.6	CIMB
6	Pinnacle Tower	Malaysia	Sukuk Musharakah MTN	99	1	6.9	Aseambankers, AmInvestment
7	Offshoreworks Capital	Malaysia	Musharakah MTN	56	1	3.9	MIDF Amanah Investment Bank
8	TSH Sukuk Ijarah	Malaysia	Sukuk Ijarah	28	1	1.9	OSK Investment
9	Tadamun Services	Malaysia	Sukuk Musharakah	27	1	1.9	CIMB, Standard Chartered, RHB
10	Aeon Credit Service (M)	Malaysia	Musharakah MTN	7	1	0.5	Aseambankers, CIMB, Mitsubishi UFJ Securities
11	Instacom SPV	Malaysia	Murabahah MTN	1	1	0.1	MIDF Amanah Investment Bank
	Total			**1,435**	**12**	**100.0**	

ARE YOUR DEALS LISTED HERE?

If you feel that the information within these tables is inaccurate, you may contact the following directly:

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ISLAMIC BONDS		APRIL 2008 – APRIL 2009		
	Manager or Group	Amt US$ m	Iss.	%
1	CIMB	2,883	33	20.3
2	HSBC	1,553	12	11.0
3	Maybank Investment Bank	928	13	6.5
4	AmInvestment	886	15	6.2
5	Dubai Islamic Bank	741	4	5.2
6	Calyon	666	1	4.7
7	Standard Chartered	622	9	4.4
8	Emirates NBD	514	2	3.6
9	Citigroup	406	2	2.9
10	RHB Capital	375	9	2.7
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	BIMB Holdings	237	4	1.7
18	(Persero) Danareksa	226	4	1.6
19	Saudi Hollandi Bank	207	1	1.5
20	Trimegah Securities	193	2	1.4
	Total	**14,190**	**88**	**100.0**

ISLAMIC BONDS	JANUARY 2009 – APRIL 2009			
	Manager or Group	Amt US$ m	Iss.	%
1	CIMB	418	7	29.1
2	Maybank Investment Bank	241	5	16.8
3	HSBC	225	3	15.7
4	Aminvestment Bank	187	2	13.0
5	Standard Chartered	109	2	7.6
6	Dubai Islamic Bank Pakistan	95	1	6.6
7	BIMB Holdings	76	1	5.3
8	Malaysian Industrial Development Finance	57	2	4.0
9	OSK Asia Securities	28	1	1.9
	Total	**1,435**	**12**	**100.0**

ISLAMIC BONDS BY COUNTRY	APRIL 2008 – APRIL 2009		
	Amt US$ m	Iss.	%
Malaysia	6,461	61.0	46
UAE	4,415	6.0	31
Saudi Arabia	1,806	3.0	13
Indonesia	718	8.0	5
Pakistan	437	8.0	3
Cayman Islands	190	1.0	1
Total	**14,190**	**88.0**	**100**

ISLAMIC BONDS BY COUNTRY	JANUARY 2009 – APRIL 2009		
	Amt US$ m	Iss.	%
Malaysia	1,244	11.0	87
Pakistan	190	1.0	13
Total	**1,435**	**12.0**	**100**

ISLAMIC BONDS BY CURRENCY	APRIL 2008 – APRIL 2009		
	Amt US$ m	Iss.	%
Malaysian ringgit	6,461	61.0	46
UAE dirham	4,578	7.0	32
Saudi Arabian riyal	1,806	3.0	13
Indonesian rupiah	718	8.0	5
Total	**14,190**	**88.0**	**100**

ISLAMIC BONDS BY CURRENCY	JANUARY 2009 – APRIL 2009		
	Amt US$ m	Iss.	%
Malaysian ringgit	1,244	11.0	87
Pakistan rupee	190	1.0	13
Total	**1,435**	**12.0**	**100**

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EVENTS DIARY 2009

DATE	EVENT	VENUE	ORGANIZER
April			
14th – 15th	4th Annual World Takaful Conference 2009	Dubai	MEGA Events
16th	Hong Kong IFN Roadshow	Hong Kong	Islamic Finance events
20th – 21st	Leaders in Islamic Finance 2009	Qatar	IQPC
26th – 30th	The International Islamic Finance Forum	Dubai	IIR Middle East
May			
4th	Indonesia IFN Roadshow	Indonesia	Islamic Finance events
7th – 8th	6th Islamic Financial Services Board Summit: The Future of Islamic Financial Services	Singapore	IFSB
26th	Kazakhstan IFN Roadshow	Kazakhstan	Islamic Finance events
26th – 27th	4th World Islamic Funds & Capital Markets	Bahrain	MEGA Events
June			
2nd	Egypt IFN Roadshow	Egypt	Islamic Finance events
4th	Istanbul IFN Roadshow	Istanbul	Islamic Finance events
15th	Nigeria IFN Roadshow	Nigeria	Islamic Finance events
July			
8th	1st World Islamic Banking Conference-European Summit	London	MEGA Events
August			
3rd – 5th	IFN Asia Forum 2009 Issuers & Investors	Kuala Lumpur	Islamic Finance events
September			
16th	UK IFN Roadshow	UK	Islamic Finance events
October			
6th	Japan IFN Roadshow	Japan	Islamic Finance events
12th – 13th	5th Middle East Insurance Forum	Bahrain	MEGA Events
20th	Brunei IFN Roadshow	Brunei	Islamic Finance events
November			
3rd	India IFN Roadshow	India	Islamic Finance events
5th	Pakistan IFN Roadshow	Pakistan	Islamic Finance events
	3rd World Islamic Infrastructure Finance Conference	Qatar	MEGA Events
	Islamic Investment World Middle East 2009	Middle East	Terrapinn
December			
6th – 8th	16th World Islamic Banking Conference	Bahrain	MEGA Events

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