Islamic Finance news
A REDmoney Product
Vol. 6, Issue 22 5th June 2009
The World's Global Islamic Finance News Provider

Turning the tide in the US

Using Islamic finance to forge economic bonds between regions is moving steadily ahead, the latest being a UAE plan for huge livestock farms to be located where Indonesia, Malaysia and Thailand have established a halal hub in their common border region. To these Asian countries, Islamic finance is part and parcel of the halal industry. After having invested in similar food sources in a number of areas in Africa, the Gulf states are looking east.

Over in Sweden, a cooperative has formed the JAK Members Bank (JAK is an acronym that in English stands for land labor capital). It has opted for the Islamic finance feature of not charging or paying interest on loans. All of the bank's activities occur outside of the capital market as its loans are financed solely by member savings.

In the Netherlands, it is seen to be only a matter of time before the Dutch financial institutions begin delving into Islamic finance, especially as Muslims account for about 6% of the country's population of about 17 million.

With the UK and France setting the pace, the rest of Europe is becoming more accustomed to having Shariah compliant financing around.

However, it's a completely contrary picture across the Atlantic. Politicians and special interest groups have been very successful in arousing the ire of Americans over terms such as Islam and Shariah even when they are used innocuously. There were howls of protest when the Treasury co-sponsored a forum on the basics of Islamic finance.

A law firm has created an online presentation that claims to show how Islamic finance poses "a real and present danger not just to our Western financial institutions built on disclosure and transparency but to our very system of governance and our way of life."

It's a sure bet that the presentation never mentions how those in these "Western financial institutions" bilked billions of dollars and caused the system to practically collapse, while the losses were relatively minor in scale for those who used Islamic finance.

What takes the cake is that of a federal judge in Michigan who insists on continuing to hear a lawsuit challenging the federal bailout of American International Group (AIG) simply because it has subsidiaries that sell Takaful.

Judge Lawrence Zatkoff contends that the US government's majority ownership of the group raises the question of whether the government is promoting religion, contrary to the First Amendment to the US Constitution.

AIG has stressed that its Takaful policies comply with all US laws. "AIG businesses, like other insurers and organizations, tailor programs for a range of religious organizations," it said.

"While they are desirable to those whose religious convictions preclude them from engaging in traditional interest-bearing structures, Takaful is also increasingly popular among non-Muslims who feel that the excess profit/charitable aspect is a socially responsible mechanism for the purchase of insurance."

Obviously, education and confidence-building are two aspects that must be seriously undertaken if Islamic finance services, now being provided by a handful of firms, is to expand its beachhead in the US. The question is: Who will pave the way?

In this issue

NEWS

- Musharakah program bolsters **Malaysia Building Society**'s position in Islamic finance
- **CIMB Islamic Bank** receives nod to issue up to US$574 million worth of Sukuk
- Standard contracts to help develop Shariah compliant alternative to KIBOR
- Indonesian government may issue up to US$491 million corporate Sukuk by month-end
- **PLUS Expressways** sells US$171 million Sukuk to repay maturing debt
- Three new resolutions passed at gathering of Shariah scholars
- **CIMB Group** pushing for stronger governing framework for global Islamic finance
- Brunei government issues its 31st short-term Sukuk Ijarah
- **RHB Capital** may suffer losses from **Investment Dar**'s default on its Sukuk
- **MARC** predicts new Sukuk issuances despite slow market conditions
- **Bursa Malaysia** establishes **BMIS** to handle Islamic capital market operations
- Malaysia keen to collaborate with **IDB** to develop Islamic finance skills
- **CIMB-Principal** launches CIMB Islamic Greater China Equity Fund
- **Kerala State Industrial Development Corporation** to launch Islamic investment company
- **The Asian Development Bank** and **IDB** to set up Islamic infrastructure fund
- **ASC Financial Management** offers Shariah Growth Fund
- **Advantage Consulting Company**: Islamic finance needs financial engineering
- **IDB** to fund the expansion of Deir Ali power station in Syria
- **IFSB** warns Islamic banks can be affected too if financial meltdown continues
- **Central Bank of Bahrain** calls for straightforward regulation of Islamic investments
- Mohammad Akram Laldin: Tawarruq is Shariah compliant
- **Deyaar Development** ties up with banks to offer competitive financing options
- **Global Investment House** to sell its 14.1% stake in **Al Salam Bank**
- Saudi Arabia plans to set up a company similar to US' **Fannie Mae** by year-end
- **Central Bank of Iraq** mulling over laws to boost Islamic finance in the country
- **Unicorn Investment Bank** buys into **Bahrain Maintenance and Diving Services**
- **HSBC Amanah** launches Sukuk fund
- **Dar Al Dhabi Holding** to issue US$346 million Sukuk
- **Albaraka Banking Group** launches new unified corporate logo
- **Khaleeji Commercial Bank** signs US$25 million facility with **Bukhatir Investment Group**
- **Dubai Islamic Bank** makes partial cash tender offer
- **Kuwait Finance House-Bahrain** officially relocates HQ to the Bahrain World Trade Center
- **IDB** allocates US$120 million to finance five development projects in Iran
- **Saad Group** to restructure debts of subsidiaries, including **Awal Bank**
- **ING Investment Management**: Sukuk market may face 'indigestion'
- Economist says Islamic banking may have lessened impact of crisis in Bahrain
- **Liquidity Management House** gives US$125 million loan to **Burgan Company for Well Drilling, Trading & Maintenance**
- **Global Investment House** cuts its price target for **Mashreq Bank**
- **Qatar** may issue Sukuk to diversify government's financing needs
- **Mubadala Development** and **General Electric** sign joint venture agreement
- **Emirates Islamic Bank** opens branch in Um Suqueim
- **Gulf International Bank**'s first-quarter income almost doubled compared to last year
- **Central Bank of Bahrain**'s monthly Sukuk issuance oversubscribed by 205%
- **Bahrain Saudi Bank** accepts **Al Salam Bank**'s takeover offer for US$72 million
- **Barwa Bank** receives **Qatar Central Bank**'s approval to start operations
- **Saudi Arabia** welcomes **IDB**'s plans to mobilize funds via a floating Sukuk
- **The National Bank of Kuwait**'s Ijara fund fully subscribed within first two days
- **Nakheel** merges with **Dubai Multi Commodities Centre**'s property wing
- **Dubai Sukuk Centre** to distribute US$5.6 million profit

TAKAFUL

- **MAA Holdings** to conclude the sale of its nonlife insurance business and stake in **MAA Takaful** by year-end
- **Manulife Holdings** to apply for Takaful license before end of October
- **Syarikat Takaful Malaysia** suggests securitization of Takaful premiums
- **MAA Holdings**' non-core business operations for sale
- **Insurans Islam TAIB** coverage for **Universiti Brunei Darussalam**'s army cadets
- **Qatar Financial Centre** extends invitations to Malaysian Takaful firms

RATINGS

- **Saad Group**'s ratings withdrawn due to lack of adequate information
- RAM Ratings reaffirms **Al-Aqar Capital**'s top ratings
- **Boon Koon Group**'s US$30 million Islamic papers kept on MARCWatch Negative
- MARC assigns **CIMB Bank**'s proposed Junior Sukuk 'AA/AAIS' with stable outlook
- RAM Ratings places **Binariang GSM** on Rating Watch, with negative outlook
- S&P affirms **Qatar Insurance**'s 'A' ratings, with stable outlook
- S&P cuts **Gulf Investment Corporation**'s long-term counterparty credit rating to 'BBB'
- **Arcapita Bank**'s long-term counterparty credit rating lowered to 'BB-' from 'BB'
- S&P revises outlook for **Saudi Investment Bank** to negative from stable

MOVES

- **Morgan Stanley** names Gary Lynch as vice-chairman of the board
- Dr Salah Al-Majdhoub is **Tharawat Investment House**'s COO
- **RBS Group** appoints Peter Najarian as global head of local markets sales
- **EFG-Hermes** appoints Hossam Yousef Radwan as CEO for its Saudi unit
- Rindala Beydoun rejoins **Vinson & Elkins** as partner in its Dubai office
- Raja Teh Maimunah Raja Abdul Aziz to head **Bursa Malaysia**'s, **BMIS**
- **The National Bank of Abu Dhabi** appoints Jeff Fallon as head of trade finance for Europe
- MD & CEO of **First Bank of Nigeria** is appointed governor of **Central Bank of Nigeria**
- **DIFC Authority** appoints Abdulla Mohammed Al Awar as CEO
- Robert Rankin to join **Deutsche Bank** as the CEO of its Asia-Pacific operations
- James Walker is **Credit Suisse**'s head of Americas investment banking operations
- **BNY Mellon** appoints Julian Poodhun, Huw Rees and Kelly Wilson to its alternative investment and broker dealer global client management division
- Dean Maki is head of US economic research and chief US economist for **Barclays Capital**

ASIA

Musharakah boost for local entrepreneurs

MALAYSIA: Malaysia Building Society's Musharakah program for entrepreneurs introduced in April has strengthened the firm's position in the corporate business and Islamic financial product market, said the firm's chairman Abdul Halim Ali.

He also said the program is the first of its kind in the country, which offers partnership in property development, contract financing and object or asset financing, especially to developers, landowners and contractors.

Meanwhile, CEO Ahmad Zaini Othman said the company plans to increase its profit for 2009 from last year's RM38 million (US$11 million). The firm recorded a pre-tax profit of RM9.8 million (US$2.8 million) in the first three months of this year, despite the global financial crisis.

"The achievement is attributed to the launch of the company's two new products, including the special personal financing product for teachers and school staff as well as police personnel," he noted.

SC approves CIMB Sukuk

MALAYSIA: CIMB Islamic Bank has received approval from the Securities Commission, the country's regulator, to issue up to RM2 billion (US$574 million) worth of Sukuk. The bank is the world's top arranger of Islamic bonds.

Proceeds from the proposed Sukuk, issued under the Tier 2 Junior Sukuk Program, were approved in April by the central bank, Bank Negara Malaysia, and will be used for CIMB Islamic's operations or any other Shariah compliant use.

Alternative to KIBOR

PAKISTAN: Islamic banks in the country have finalized two interbank trading agreements, Interbank Musharakah and Interbank Wakalah, as standard contracts for the Islamic banking industry in a move to develop a Shariah compliant interbank market.

An Islamic interbank market will pave the way for a Shariah compliant alternative to

continued...

continued...

the conventional Karachi Interbank Offered Rate (KIBOR) and offer an avenue for Islamic banks to lend excess funds to each other, said Meezan Bank's CEO Irfan Siddiqui.

He also said the timeline for its formation was not fixed as the banks still need the endorsement of international accounting bodies.

More Sukuk from Indonesia

INDONESIA: The government may issue up to IDR5 trillion (US$491 million) worth of corporate Sukuk by the end of this month to help plug the budget deficit, said Dahlan Siamat, director of Islamic finance at the treasury. The government has forecast a deficit of IDR140 trillion (US$14 billion) for 2009, which is 2.5% of the country's gross domestic product.

Besides planning to issue up to IDR100 trillion (US$10 billion) worth of Sukuk and conventional bonds this year, the government also intends to borrow IDR45 trillion (US$4.4 billion) from the World Bank, Asian Development Bank, Japan and Australia.

Dahlan said the finance ministry is also appraising assets of other government ministries and agencies in its bid to look for more underlying assets to back the issuance, as only IDR500 billion (US$49.1 million) worth of assets are now available.

In August last year, Indonesia issued its first Sukuk in two series, worth IDR2.7 trillion (US$266 million) and IDR1.2 trillion (US$118 million). It also raised US$650 million of US dollar-denominated global Sukuk in April.

PLUS sells Sukuk

MALAYSIA: Toll operator PLUS Expressways has sold RM600 million (US$171 million) worth of Sukuk to repay its maturing debt. CIMB Investment Bank assisted in the sale of the Musharakah-structured Sukuk maturing in May 2023 with a 6% yield.

PLUS has another RM558 million (US$158 million) worth of bonds maturing in 2010 and RM1.36 billion (US$384 million) in 2011.

New resolutions by Shariah scholars

INDONESIA: Three resolutions were passed in the Muzakarah Cendekiawan Syariah Nusantara, a gathering of Shariah scholars across the Asean region.

The main resolution was on the establishment of Majma' Kewangan Islam Nusantara (MAKIN), a regional Shariah scholars' coordination body to facilitate the development and harmonization of Shariah issues, especially on Islamic financial matters, which would aid border transactions among Islamic finance players in the region.

The other two resolutions were on swap and forex. The swap resolution was based on Waad, Murabahah, Musawamah, Tawarruq and Muqasah, as long as it observed the condition on combination of contracts and was used only for hedging purposes.

The forex resolution was on the interbank forex transaction where Islamic banks can trade the currency once it is credited into its nostro account.

continued...

continued...

The meeting was organized by the International Shariah Research Academy for Islamic Finance, in collaboration with Majelis Ulama' Indonesia and STEI Tazkia, under the patronage of the central banks of Malaysia and Indonesia.

'Islamic finance needs global rules'

MALAYSIA: Islamic finance has a bright future, but there is still room for improvement, especially when it comes to global rules and regulations, said CIMB Group CEO, Nazir Razak. He pointed out that on the global front there is no governance of what a bank does with the money invested in a Shariah compliant product.

Malaysia, on the other hand, said Nazir, has very transparent regulations on Islamic finance. "When you deposit money with CIMB Islamic, the rules and regulations are stated clearly as to how the bank must use that money," Nazir explained. "That is why we are pushing for a stronger, consistent governing framework for global Islamic finance."

Brunei launches its 31st short-term Sukuk

BRUNEI: The latest issuance of the government's short-term Sukuk Ijarah securities has been priced successfully, said the country's finance ministry. The BND35 million (US$24 million) worth of Sukuk has a 91-day maturity period, ending on the 20th August and has a 0.3% rental rate.

This is the 31st issuance of short-term Ijarah securities by the Brunei government since the maiden offering in April 2006.

Investment Dar's default to impact RHB?

MALAYSIA: RHB Capital may suffer losses from the default of a Sukuk issued by Kuwaiti-based Islamic investment firm The Investment Dar. RHB Bank, via its Shariah compliant unit RHB Islamic Bank, had subscribed to US$25 million of the US$100 million Sukuk, but they are now defaulted papers as the firm seeks to restructure its debts.

Investment Dar and its financial advisor, Credit Suisse, plan to hold meetings with debtors and investors in Dubai on the 8th June to discuss the company's financial obligations.

Investment Dar failed to pay the periodic distribution to holders of its US$100 million Sukuk, making it the first company in the Persian Gulf to default on its Islamic bonds. The cash-strapped company was unable to make the payment, which fell due on the 27th April, to holders of its Sukuk which matures in 2010.

Market slow, but new Sukuk expected

MALAYSIA: Despite the slow market conditions, new Sukuk will still be issued this year, said Malaysian Rating Corporation (MARC) CEO, Mohd Razlan Mohamed. This can be attributed to the increase in capital by banks due to expectations that asset quality may be lowered and the number of non-performing loans may rise. Investors also see the Islamic bond sector as less risky when compared to real estate and manufacturing, said Razlan.

However, he said, demand for new financing has fallen due to the slowing down of economic activity. "On the supply side, increased risk aversion on the part of investors has made it increasingly difficult for lower-rated investment grade issuers to access the domestic bond market," he added.

continued...

continued...

Meanwhile, the CEO of RAM Ratings Services Liza Mohd Noor said the agency has about RM20 billion (US$6 billion) worth of rated Sukuk in the pipeline, but how much of those would be issued would depend on financial market conditions. She added that sovereign issuers are expected to play a bigger role in the Sukuk market this year and in 2010, as demand for government bonds remain strong.

Bursa forms a unit for Islamic capital market

MALAYSIA: Bursa Malaysia's wholly owned subsidiary, BMIS, has been established to handle Islamic capital market operations and business activities for the exchange.

The bourse said Shariah compliant BMIS is focused on developing and promoting the country's Islamic capital market through innovative products and infrastructure.

The private limited firm was incorporated in April under the name Komposite Prima, and changed its name a month later. BMIS has an authorized share capital of RM100,000 (US$30,000) or 100,000 shares at RM1.00 each (US$0.30).

IDB collaboration lauded

MALAYSIA: The country expressed its willingness to collaborate with the Islamic Development Bank (IDB) and its member countries to enhance Islamic finance skills via the International Centre for Education in Islamic Finance (INCEIF) and the International Shariah Research Academy for Islamic Finance (ISRA), said the country's second finance minister Ahmad Husni Hanadzlah.

He said these two institutions offer platforms for greater engagement among practitioners, scholars, regulators and academics through research, and at the same time act as an arsenal of knowledge in Islamic law on contemporary issues.

"I strongly believe that we can expand the influence of the Islamic finance throughout the world for the benefit of the global community," Ahmad Husni added.

He also said the financial crisis has yet to be resolved, making it imperative for IDB to promote Islamic finance as a viable alternative.

CIMB launches China fund

CHINA/MALAYSIA: CIMB-Principal Asset Management (CIMB-Principal) is planning to tap high-growth sectors in China with its newly launched CIMB Islamic Greater China Equity Fund, said CEO J Campbell Tupling

He said the fund will invest in Islamic equities and equity-related securities of companies based in the greater China region which offer attractive valuations and medium- to long-term growth potential.

"As China is in the midst of recovery boosted by its US$585 billion stimulus packages, this is an opportunity for investors to participate in the market," the CEO added.

Islamic investment firm for Kerala

INDIA: The Kerala State Industrial Development Corporation (KSIDC) plans to launch an Islamic investment company with a capital of INR1 billion (US$21 million).

Following a feasibility study on the investment company, accountants Ernst & Young in Mumbai proposed that KSIDC form a non-banking financial firm with a minimum 26% paid-up share capital from government agencies. Individuals and corporations, in and outside Kerala, will make up the balance. KSIDC is the industrial and investment promotion agency of the Kerala state government.

Multi-country Islamic infrastructure fund

SAUDI ARABIA: Manila-based The Asian Development Bank (ADB) and Jeddah-based Islamic Development Bank (IDB) have collaborated to set up Asia's first multi-country Islamic infrastructure fund targeting US$500 million.

The first Islamic fund for ADB will make Shariah compliant equity investments in the 12 countries — Afghanistan, Azerbaijan, Bangladesh, Indonesia, Kazakhstan, Kyrgyz Republic, Malaysia, Maldives, Pakistan, Tajikistan, Turkmenistan and Uzbekistan — that are borrowing members of both development banks.

"With increasing demand for Islamic finance by both investors and clients, we expect the fund to attract capital not only from the Islamic world, notably the Middle East region, but from a wide range of institutional investors all over the world," said the director of IDB's country operations department for Asia, Walid Abdelwahab.

"Despite the tightening liquidity around the world, there is still a substantial amount of wealth and many investors are increasingly interested in putting their money to work in a way that complies with their faith," he added.

EUROPE

Shariah growth fund in UK

UK: ASC Financial Management is offering an Islamic fund, the Shariah Growth Fund, to meet the Shariah compliant needs of its investors.

continued...

continued...

The fund is backed by Insynergy Investment Management and aims to provide long-term capital growth from an actively managed portfolio of Shariah compliant UK equities.

According to ASC's director, Gary Hanmer, the strict Shariah law has reduced the number of investments available. "Usually we have about 3,000 funds to choose from, but there are less than a handful of Shariah compliant investments," he explained. Newcastle-based ASC has been in operation for more than 35 years.

GLOBAL

Need for financial engineering

KUWAIT: Islamic finance is still the "optimal solution" in avoiding the effects of the financial crisis, but the sector needs to be revitalized, said Safa Abdul Rahman Al-Hashem, chairman and managing director of Advantage Consulting Company.

"Islamic finance was considerably affected by the crisis due to the fact that the Islamic banking system is a part of the capitalistic system and endeavors to realize profits by reformulating products in an Islamic framework and then selling them at a higher price as compared to the original traditional financial products," she claimed.

Al-Hashem added: "With the current financial crisis invading Kuwait and other countries in the world, Islamic banks and their investment instruments will soon be forced to reconsider financial engineering."

IDB funding to power Syria

GENERAL: Saudi Arabia-based Islamic Development Bank (IDB) will provide EUR100 million (US$143 million) worth of financing to Syria to fund the expansion of the Deir Ali power station in the country. The bank is also willing to consider additional requests for funding made by the government, said president Ahmed Mohamed Ali.

IDB has so far financed 30 major projects in Syria at a cost of US$740 million.

In a separate development, IDB will also be extending US$100 million worth of financing, on a one-year term, to Turkish exporters that are experiencing problems due to the global financial crisis.

The bank will give the money to Exim Bank, which will then distribute the funds to exporters in the country.

IFSB alert for banks

GENERAL: The Islamic Financial Services Board (IFSB), an international standard-setting body, has warned Shariah compliant banks that they can be affected like any other conventional institution if the financial meltdown continues.

IFSB secretary-general Refaat Abdel Karim said the Islamic financing sector needs to develop its legal and liquidity infrastructure if it wants to present itself as a global alternative to conventional financing, adding that the board was working on achieving this goal.

IFSB, based in Malaysia, has 178 members including regulatory and supervisory authorities, market players and professional firms operating in 34 jurisdictions.

The board promotes the development of a prudent and transparent Islamic financial

continued...

continued...

services industry through introducing or adapting existing international standards consistent with Shariah principles, and recommending them for adoption.

Islamic investment needs framework

BAHRAIN: An adequate and straightforward regulation is needed for Islamic investment instruments so industry players can grow their activities further, said Abdul Rahman Al-Baker, an executive director of financial supervision at the Central Bank of Bahrain.

"There is also a need for Islamic financial institutions to develop strategic alliances with other financial institutions globally, especially in product structuring and offerings, as the formation of such alliances will help to achieve economies of scale and improve services across the Islamic investment industry," he added.

There are more than 500 Shariah compliant funds globally, with one third launched within the last two years.

(Also see IFN Report on page 17)

'Tawarruq is Shariah compliant'

GENERAL: The use of organized Tawarruq should be allowed as it does not violate Shariah law, said Malaysian-based scholar Mohammad Akram Laldin.

However, he added that as the structure focuses on the creation of debt rather than economic activity, further discussion will be needed even as the Islamic finance industry strikes a balance between debt and equity-based instruments.

The International Council of Fiqh Academy had announced recently that the classic Tawarruq and Reversed Tawarruq are not permissible because simultaneous transactions between the financier and the Mustawriq, whether explicitly or implicitly or based on common practice, in exchange for a financial obligation is considered to contain the element of riba.

Organized Tawarruq is similar to the basic form of Tawarruq, except that the transactions are executed through banks.

MIDDLE EAST

Deyaar ties up with banks

UAE: Deyaar Development, a Dubai-based regional real estate company, has announced strategic partnerships with leading banks to offer highly competitive financing options exclusively for its customers, including up to 90% financing and repayment periods of up to 25 years.

"Dubai Islamic Bank is providing up to 90% financing for UAE nationals, while expatriates wishing to purchase a property from Deyaar will obtain up to 80% financing.

Noor Islamic Bank is offering up to 85% financing for UAE nationals and up to 80% for expatriates, Abu Dhabi Commercial Bank will provide up to 80% finance on all Deyaar projects, and RAK Bank has agreed to provide up to 80% finance on selected properties," said the Dubai-based real estate company.

The alliance with the banks is testament to the banks' confidence in Deyaar to deliver on its commitments, said its CEO Markus Giebel.

Global to sell Al Salam stake

BAHRAIN: Kuwait's largest investment bank, Global Investment House (Global), plans to sell its 14.1% stake in Bahrain-based Shariah compliant lender Al Salam Bank by the 9th June in a move to offload its assets following a debt default earlier this year.

The Shariah compliant investment bank, which aims to book the profits in the second quarter, said it hopes to sell the shares in one go to a single investor, an alliance or a temporary consortium of investors.

It added that the lowest price it would accept for Al Salam's shares was BHD0.14 (US$0.37) per share, which would generate profits of KWD6.4 million (US$17 million).

continued...

continued...

continued...

Global is among the most prominent financial firms in the Gulf Cooperation Council (GCC) region to face serious problems as credit conditions tightened during the financial crisis.

In December last year, Global closed the sale of a 14.7% stake in the Bank of Bahrain and Kuwait for KWD43.6 million (US$115.7 million), making a loss of KWD18 million (US$47.8 million).

Saudi's Fannie Mae by year-end

SAUDI ARABIA: The country plans to set up a company similar to the Federal National Mortgage Association (Fannie Mae) in the US that will buy mortgages from financial institutions and help develop the country's Sukuk and debt markets, said the finance minister Ibrahim al-Assaf.

The set-up is expected to take place by the end of the year, in conjunction with the introduction of Saudi's first mortgage law, he added.

Ibrahim said the home ownership level in Saudi is 62%, and most home financing has been done through traditional family financing means and government loans. With a mortgage law in place, borrowers will be able to secure loans at lower costs because of the legal backing.

In the US, Fannie Mae is a primary purchaser of eligible home loans from issuers. It was created to establish a secondary market for government-backed mortgages.

(Also see IFN Report on page 16)

Uptick for Iraqi Islamic banking

IRAQ: The Central Bank of Iraq (CBI) is mulling over ways to boost Islamic finance given its growing popularity and huge potential in the country. Islamic banks first opened in Iraq in the 1990s and seven of the country's 42 banks are now Shariah compliant.

"There is a great demand for Islamic banks in Iraq. The problem is that Iraqi banking law does not differentiate between regular and Islamic banks," said CBI's senior advisor Mudher Kasim, who added, "For a start, we are studying a new law for Islamic banks." No timeline was given.

The central bank's move is in response to Islamic banks' requests to loosen broader banking rules on the size and type of investments they can make relative to capital and cash reserves.

The rules are to ensure banks are solvent, but Islamic banks derive much of their profits from investments, which are distributed among account holders in place of interest.

Unicorn buys oil and gas services firm

BAHRAIN: Unicorn Investment Bank said its Unicorn Global Private Equity Fund, a closed-end collective investment fund regulated by the Central Bank of Bahrain, has acquired a 70% stake in Bahrain Maintenance and Diving Services (BMDS).

The acquisition was completed via the fund's wholly owned subsidiary, Regional Energy Services Holding.

The investment bank said the purchase marks the sixth investment by the fund. "We look forward to working with BMDS's highly experienced management team to explore the synergies with other portfolio companies held by the Unicorn Global Private Equity Fund and to support the company's next phase of growth," said Ahmed Abdul Rahman, Unicorn's director of private equity.

Established in 1976, BMDS is a leading Bahrain oil and gas services company specializing in commercial diving, rigging, marine construction and fabrication.

Sukuk fund by HSBC

GCC: HSBC Amanah has launched its Islamic bond fund in the UAE to tap investors' demand for an alternative asset class. The HSBC Amanah Sukuk Fund is sized at US$100 million and the Islamic bank expects strong demand from investors due to the growing Sukuk market and the increasing popularity of Islamic finance.

The Sukuk fund will be managed by HSBC Global Asset Management and is expected to close on the 14th July. It will be structured as a fixed-term investment with a four-year maturity period, targeting mid- to high-single digit returns to investors. It will be invested in Sukuk issuances mainly by sovereigns, quasi sovereigns and companies in the GCC region.

Sukuk from Dar Al Dhabi

KUWAIT: The shareholders of Kuwait-based investment firm Dar Al Dhabi Holding have approved the firm's plan to issue KWD100 million (US$346 million) worth of Sukuk, said the company's chairman and managing director, Khaled Al Mutawa.

The Islamic bond is expected to be issued within this year in one or several issues, he added.

New group identity for ABG

BAHRAIN: Albaraka Banking Group (ABG) has launched its new unified corporate logo representing the vision of the group's board of directors, management as well as subsidiaries, said chairman Shaikh Saleh Abdullah Kamel. The defining element of the new logo is the Al Baraka name with a symbol adapted from Arabic.

The banking group also expects to take advantage of the new trends emerging from the global financial crisis as the recovery slowly starts to set in.

President and CEO Adnan Ahmed Yousif said, "We are in a unique position that all of our banks in the group performed well under difficult conditions and therefore this is the most opportune moment for us to launch a new identity for our group."

AlBaraka Banking Group offers retail, corporate and investment banking and treasury services in accordance with Shariah principles.

KHCB facility for Bukhatir

UAE: Shariah compliant Khaleeji Commercial Bank (KHCB) has signed a US$25 million financing facility agreement with Bukhatir Investment Group.

Under the agreement, the bank will assist Bukhatir Investment to implement its expansion plans in various sectors while allowing the bank to also boost its presence in the Gulf Cooperation Council (GCC) region, said Ebrahim H Ebrahim, CEO of KHCB.

Meanwhile, Abdul Rahman Bukhatir, the chairman of Bukhatir Investment said the facility provided by the bank will greatly

continued...

continued...

support the group's plans, especially in the midst of the financial crisis.

Bukhatir Investment Group is one of the largest diversified business groups in the UAE, with interests in construction, education, engineering services, information technology, manufacturing and real estate.

DIB makes partial cash tender offer

UAE: Dubai Islamic Bank (DIB) has purchased US$51 million worth of trust certificates from the partial cash tender offer to retire US$200 million of its outstanding Sukuk certificates.

This makes DIB the first Shariah compliant bank to make such a purchase. The transaction was completed on the 21st May at 88% of the face value.

The transaction is proof that the market is confident in DIB's future earning capabilities and growth strategy, said the bank's chief of treasury, Mohammed Saleem, adding that DIB remains to be in a positive liquidity position and maintains sufficient funding to retire the facility earlier than maturity.

Separately, Credit Suisse research analyst Mohamad Hawa said DIB has high liquidity and is benefiting from the low market price of its Sukuk.

He said the bank increased its deposits in the Central Bank of the UAE by AED9 billion (US$2.5 billion) during the first quarter of the year to AED14 billion (US$3.8 billion), when most banks have reduced their reserves. The deposit requirement is set at AED10 billion (US$2.7 billion).

New headquarters for KFH-Bahrain

BAHRAIN: Kuwait Finance House-Bahrain (KFH-Bahrain) has officially relocated its headquarters to the Bahrain World Trade Center (BWTC) from the West Tower, said its chairman Bader Al-Mukhaizeem.

He said the new headquarters was necessary as the bank required more space to accommodate its growing needs. "This move to our new headquarters is the beginning of our journey to further consolidate our team and enable us to work more cohesively in order to address the challenges that arise on our way forward," Bader added.

The new headquarters will also allow KFH-Bahrain to serve the expanding needs of its customers and investors, as well as the growth of all its units including investment, retail and priority banking, and its related products, said Abdulhakeem Alkhayyat, managing director and CEO of the bank.

Iran gets US$120 million aid for five projects

IRAN: The Islamic Development Bank (IDB) has allocated funds to finance five development projects in Iran, said the country's deputy finance and economic affairs minister Hamid Purmohammadi.

He said US$60 million will be used to fund the construction of Kahir Dam while another US$60 million will finance four projects related to tire manufacturing, lead and zinc mining.

Plan for Awal Bank to restructure debts

BAHRAIN/SAUDI ARABIA: Saad Group plans to restructure the debts of some of its subsidiaries, including Bahrain-based Islamic lender Awal Bank, due to the financial crisis.

It added that the economic meltdown led to a short-term liquidity squeeze that is affecting its companies in the Middle East.

However, the Central Bank of Bahrain said the restructuring measures by the group does not affect the Bahraini banking sector.

Sukuk market may face 'indigestion'

GENERAL: The Sukuk and conventional bonds in the Gulf region market may suffer from "indigestion" due to the increasing number of issuances launched in a market that is still recovering from the financial crisis, said Nish Popat, the regional head of fixed income at ING Investment Management.

According to HSBC and NASDAQ Dubai, the aggregate spread of Gulf Islamic and conventional bonds over US Treasuries has narrowed from 825 basis points at its peak on the 12th February to under 500.

"The demand for high-grade bonds continues to be strong, but riskier names will find it tricky, and you can see some indigestion problems there," said the head of Mashreq Capital, Abdul Kadir Hussein.

He named Aldar Properties as an example of a firm that had to pay an 8.75% coupon rate, which is 475 basis points more than Abu Dhabi's five-year sovereign bond, despite a guarantee from the government and an 'A-' rating from Standard & Poor's Ratings Services.

'Islamic banking lessens credit crisis impact'

BAHRAIN: The Islamic banking sector may have played a part in reducing the effects of the financial crisis in Bahrain, said economist Taqi Al Zeera. He also said many financial institutions have taken the Islamic route in the last 10 years, and have become more conservative in their transactions and investments.

"The sovereign funds, which are the biggest investment vehicles in the Gulf, have also reduced their investments in the Western hemisphere. But whether the Gulf region has been hit or not, because they have reserves or for some other reason, we cannot escape the global economy," Taqi said.

He also said the Gulf is experiencing a chain reaction effect from the crisis, mainly in the banking, real estate and building sectors.

LMH loan for driller

KUWAIT: Burgan Company for Well Drilling, Trading & Maintenance has signed a three-year debut loan agreement with Shariah compliant Liquidity Management House (LMH), a unit under Kuwait Finance House (KFH), for US$125 million to finance the firm's projects.

No collateral was required as Burgan Company has been in the business for more than 30 years and has no outstanding debts against it, said LMH's chairman and managing director, Emad Al Monayea.

Meanwhile, KFH's acting CEO, Emad Al-Thaqeb, said KFH with eight other international banks will cover the financing for Burgan Company.

Global cuts price target for Mashreq Bank

UAE: Kuwait-based Global Investment House (Global) has cut its price target for Dubai-based Mashreq Bank, citing the impact of the economic downturn and its high exposure to retail loans. Mashreq Bank's price estimate was reduced to AED101.52 (US$28) from AED123 (US$34) per share.

"We expect the growth rate of the bank to slow down considerably in the coming years, in contrast with high growth rates achieved in the past years," said Global.

"Though Mashreq Bank has been conservative in its approach, we are a bit concerned about the high retail exposure of the bank in the current scenario," it added. Mashreq's retail banking segment has the highest contribution to the total operating income.

Mashreq Bank was established in 1967 with a Shariah compliant unit, Badr Al Islami.

Sukuk part of Qatar's plan

QATAR: The country may issue Sukuk as part of its long-term strategy to diversify the government's financing needs, said Abdul Rahman al-Shaibi, a committee member of the country's state finance policy committee.

He also said Qatari state-related firms are expected to issue between US$3 billion and US$4 billion worth of bonds this year to refinance existing debt and to fund new projects.

Abdul Rahman added that there is possibility of issuing more sovereign bonds as part of a government strategy to secure good pricing for outstanding bonds and narrow spreads. "If the government feels that we should accelerate our strategy to issue more bonds this year, we will do that," he noted.

Mubadala, GE ink deal

UAE: Mubadala Development and US-based General Electric (GE) have signed a commercial finance joint venture agreement with an allocation of US$4 billion each in equity over a three-year period. Both firms are currently awaiting legal and regulatory approvals before launching the joint venture to be headquartered in Abu Dhabi.

The venture will have two strategic pillars; access to investment opportunities generated through GE Capital's existing global origination platform and the creation of a Middle East and African platform with selected focus areas.

GE is a diversified infrastructure, finance and media company, and operates in more than 100 countries worldwide.

EIB keeps growing

UAE: Emirates Islamic Bank (EIB) has opened another branch in Um Suqueim as part of its plan to expand its branch network throughout the UAE.

The new branch will also strengthen EIB's position as the fastest growing Islamic bank in the region, said CEO Ebrahim Fayez Al Shamsi. EIB was launched in 2004 and is headquartered in Dubai.

GIB profit almost doubles in first quarter

BAHRAIN: The consolidated income for Gulf International Bank (GIB) for the first quarter of the year grew to US$43 million compared to US$23 million in the same period last year.

The bank attributed the increase to the elimination of trading losses following the

continued...

continued...

termination of proprietary trading activities in 2008.

However, net interest income fell 12% to US$8.5 million, while fee and commission income dropped 49% to US$9.7 million. GIB's consolidated assets at the end of March 2009 stood at US$24.2 billion, which is reflective of an exceptionally high level of liquidity following the sale of US$9.5 million investment securities.

Sukuk oversubscribed

BAHRAIN: The monthly Sukuk Al-Salam issuance by the Central Bank of Bahrain has been oversubscribed by 205%. The BHD6 million (US$16 million) issuance received BHD12.3 million (US$33 million) worth of subscriptions.

The Sukuk has a 91-day maturity period from the 3rd June until the 2nd September 2009 and an expected return of 1%.

BSB accepts Al Salam's takeover offer

BAHRAIN: Bahrain Saudi Bank (BSB) has agreed to Al Salam Bank's (ASB) takeover offer for BHD27 million (US$72 million), marking one of the first acquisitions among Gulf banks this year. ASB said the offer has now become unconditional and the offer period has been extended to the 28th June.

Earlier last month, ASB said the move will be financed through a one-for-two share swap, one new ASB share for every two ordinary BSB shares held.

According to consulting firm AT Kearney, the financial crisis has created opportunities for mergers, and the large public ownership of banks in the GCC countries will also facilitate consolidation. The firm said there is great potential for banks in the region to consolidate and grow within the region.

Barwa Bank gets the nod

QATAR: Barwa Real Estate Company, the country's largest property developer, said that its banking unit — Barwa Bank — has received approval from the Qatar Central Bank to start operations.

"Barwa Bank will select an appropriate date for commencing its banking activities at a later time," said the company, giving no further details. Barwa Real Estate is an affiliate of the state-owned Qatar Investment Authority's US$40 billion property wing, Qatari Diar.

It said earlier this month it was considering buying financial and investment companies to incorporate Barwa Bank to help fund its property projects.

Qatar's First Finance said on the 11th May it had initially accepted a takeover offer from Barwa.

Floating Sukuk plan

SAUDI ARABIA: The country's finance minister Ibrahim Al-Assaf has welcomed plans by the Islamic Development Bank (IDB) to mobilize funds from member countries by requesting that their central banks, sovereign funds and investment firms put their money in the bank via a floating Sukuk.

He also urged member countries to increase their contributions in the bank's anti-poverty fund. He highlighted some of the bank's efforts, including its special program for African states to achieve sustained economic growth and the energy-for-the-poor initiative which was launched last year.

NBK's Ijarah fund fully subscribed

KUWAIT: The National Bank of Kuwait's (NBK) Islamic KD Ijara Fund I has been fully subscribed within the first two days of its offer period.

The KWD40 million (US$140 million) fund offers private banking clients an investment product that generates a reliable monthly income, said NBK Capital's managing director of asset management Nabil Maroof.

The fund is denominated in Kuwaiti dinars with a five-year term and two one-year extensions and is expected to make monthly distributions of 6.5% yearly. Its launch follows the strong demand received during the previous launch of the NBK Ijara US Dollar Fund.

Merger for Nakheel

UAE: Shariah compliant developer Nakheel has merged with the property wing of the Dubai Multi Commodities Centre (DMCC) to optimize the firm's resources and expertise in view of the current market conditions. Both firms are owned by Dubai World, which is in turn owned by the Dubai government. Dubai's real estate sector has been battered as prices plunge, projects cancelled or delayed and jobs slashed.

Dubai Sukuk Centre to distribute profit

UAE: Dubai Sukuk Centre, the special purpose vehicle for DIFC Investments, said it will give out profit to its Sukuk holders on the 12th June.

The US$5.6 million profit distribution for the US$1.25 billion trust certificates has a profit rate of 1.7%. The Murabahah-structured Islamic bond is due in 2012.

ASIA

MAA to conclude sale

MALAYSIA: MAA Holdings expects to conclude the sale of its 5% stake in MAA Takaful and general insurance business to AMG Insurance by the fourth quarter of this year. Its CEO and group managing director Muhamad Umar Swift said the MAA Takaful stake was priced at RM16.2 million (US$5 million) and the general insurance business at RM275 million (US$80 million).

Both parties have agreed to the terms and the next step is to secure the approval of Bank Negara Malaysia (the central bank) and shareholders. Muhamad Umar said once the transaction with AMG Insurance was completed, the group would have a clearer picture on the best course of action to raise fund. "We are trying to move away from debt and head towards equity funding," he said.

Regarding the group's plan to expand its overseas operations, Muhamad Umar said, "We have invested a lot in these operations and are looking for strategic partners that can take us to the next level," he said.

Manulife taps Takaful

MALAYSIA: Insurer Manulife Holdings plans to apply for a Takaful license before the end of October to tap the growing Islamic insurance market and to take advantage of the government's move to liberalize the financial sector in allowing more Takaful players.

"We, too, want a slice of the booming Takaful market as the present penetration rate in this segment is about 7% compared with about 40% in the conventional side,'' said group CEO Michael Chan.

He explained that having a Takaful business fits into the group's aspirations as it has Islamic insurance operations in Indonesia, and plans to expand to the Philippines, Thailand and China, where Manulife Group has a significant presence.

Securitization of Takaful premiums

MALAYSIA: With the corporate bond market in a moribund state, another avenue for bond issuance is via the securitization of Takaful premiums. According to Syarikat Takaful Malaysia chief investment officer Azian Kassim, the idea is good but needs to be subjected to a thorough study as the underlying principles of the Takaful business are totally different from the conventional businesss.

Securitization, the process of pooling and repackaging cash flow producing financial assets into bonds, will provide an opportunity for Takaful operators to unlock the value of the underwriting business by transferring certain portions of risks to capital markets.

Azian also reckoned that the securitization of Takaful contributions would spread risks more broadly rather than just "warehousing" it in a particular Takaful company, which has lower capacity and diversification potential than the capital market as a whole.

Non-core units for sale

MALAYSIA: The sale of non-core business operations is being considered as one option to raise capital for the group's further business development and growth, said MAA Holdings. It is looking at various fundraising options to improve its capital level to repay its medium term notes and to support the core business and operations of the group.

The insurance group is also expected to conclude the sale of its nonlife insurance business and a 4.9% stake in MAA Takaful to AmG Insurance in the fourth quarter of this year.

Takaful for army cadets

BRUNEI: Insurans Islam TAIB has signed an agreement with Universiti Brunei Darussalam (UBD) Army Cadet Platoon to provide a group Family Takaful coverage plan designed for uniformed cadets.

The plan provides army cadets with monetary benefits in the event of bodily injuries caused by accidents as well as a one-year worldwide coverage for activities and programs.

It is part of the university's efforts to give financial protection to its army cadets against casualties and body injuries during their training.

Insurans Islam TAIB senior manager Noraini Hj Sablon said the Takaful business has shown progressive development in Brunei and globally. Experts estimate that global Takaful contributions will hit US$1.5 billion by 2015.

MIDDLE EAST

QFC invites Malaysian Takaful firms

QATAR: Malaysian financial institutions will find real opportunities in areas such as Takaful and re-Takaful in the Qatar Financial Centre (QFC) due to the small number of Islamic insurance companies in the Gulf Cooperation Council, said Qatar Financial Centre Authority CEO and director general Stuart Pearce.

"We look forward to meeting them and helping them explore how best to approach this market," he stressed, pointing out that QFC, while being neither an offshore center nor a free zone, has a flat tax regime of 10% on profits. It also allows 100% foreign ownership, and all profits can be remitted to destinations outside Qatar. Licensed companies also do not have to be physically in QFC.

AMERICAS

Saad's ratings withdrawn

CAYMAN ISLANDS: Moody's Investors Service has withdrawn all ratings for financial services provider Saad Group and its related entities due to lack of adequate information, said the rating agency.

Moody's had earlier downgraded the issuer ratings of Saad Trading Contracting & Financial Services (STCFS), Saad Investments Company and Saad Group to 'B1' from 'Baa1'. This followed reports that the assets of the group's chairman, Maan Al Sanea, have been frozen on the orders of the Saudi Arabian Monetary Agency, which did not give specific reasons.

Moody's said the move had resulted in heightened risk of default at entities within the Saad Group that are closely linked to Al Sanea, the key shareholder who also owns a 3.1% stake in HSBC.

The ratings withdrawal affects the Saad Group and its entities including Golden Belt 1 Sukuk Company, a Bahrain-registered entity tasked with issuing Sukuk on behalf of STCFS.

Al Sanea owns Bahrain-based Awal Bank, either directly or through the Saad Group, which offers a full range of wholesale banking services including Islamic products.

ASIA

Top ratings for Al-Aqar Capital

MALAYSIA: RAM Ratings has reaffirmed the 'AAA', 'AA2', 'AAA(bg)' and 'P1' ratings respectively of Al-Aqar Capital's RM165 million (US$47 million) Class A Islamic medium-term notes (IMTN), RM30 million (US$8.6 million) Class B IMTN, RM90 million (US$26 million) Class C IMTN and RM15 million (US$4.3 million) Islamic commercial paper (ICP) under its RM300 million (US$86 million) Sukuk Ijarah program.

For the Class A IMTN, Class B IMTN and ICP, this is based on the sturdy cash flow generated by the portfolio of 11 hospitals, the structural features of the transaction and the loan-to-value ratios as well as debt service coverage ratios that are commensurate with their respective ratings.

The Class C IMTN is enhanced by a bank guarantee from Public Bank. As such, the rating reflects Public Bank's 'AAA/P1' general bank ratings, which were reaffirmed by RAM Ratings on the 22nd April; the long-term rating has a stable outlook.

Al-Aqar Capital is a special purpose vehicle used to acquire hospitals. It is leased to Al-'Aqar KPJ Real Estate Investment Trust and operated by KPJ Healthcare.

Vehicle rebuilder on watch

MALAYSIA: Malaysian Rating Corporation (MARC) is maintaining Boon Koon Group's (Boon Koon) 'MARC-2ID/A-ID' ratings on its RM100 million (US$30 million) Islamic commercial paper/ Islamic medium term notes program on MARCWatch Negative, placed there on the 25th February after its breached its debt to equity ratio covenant.

The status reflects Boon Koon's weak liquidity position and strained financial flexibility in addition to its breach of the covenant under the rated notes. Boon Koon is a domestic commercial vehicle rebuilder with an annual production capacity of around 2,800 vehicles.

CIMB gets 'AA/AAIS'

MALAYSIA: Malaysian Rating Corporation (MARC) has assigned 'AA/AAIS' to CIMB Bank's proposed Tier 2 Subordinated Debt Program and Junior Sukuk Program respectively with a combined nominal value of RM5 billion (US$1.4 billion). The ratings carry a stable outlook.

The ratings are one notch lower than CIMB Bank's financial institution rating, reflecting its position relative to deposits and senior debt.

Underpinning the ratings is CIMB Bank's strong market standing in its domestic market, sound asset quality, robust capital adequacy as well as strong ability to mobilize deposits and access capital market funding.

The prospect of regulatory support, given the bank's importance to the domestic financial system, is also reflected in the ratings. The stable outlook is in view of the bank's financial performance and/or asset quality, the quality of the bank's franchise, improved earnings capacity and its effective management of credit and market risks which are well positioned to cope with the more challenging operating environment ahead.

Binariang on watch

MALAYSIA: RAM Ratings has placed the respective 'AA3' and 'P1' long- and short-term ratings of investment holding company Binariang GSM's RM19 billion (US$5.4 billion) Islamic medium-term notes program and RM2 billion (US$573 million) Islamic commercial papers program on Rating Watch with a negative outlook.

Concurrently, the 'A2' rating of the company's RM3 billion (US$860 million) cumulative non-convertible Islamic junior Sukuk has also been placed on Rating Watch with a negative outlook.

The Rating Watch is based on RAM's growing concerns over the performance of Maxis' 74%-owned Indian subsidiary, Aircel.

MIDDLE EAST

Cautious okay for Qatar Insurance

QATAR: Standard & Poor's (S&P) has affirmed its 'A' long-term counterparty credit and insurer financial strength ratings for Doha-based Qatar Insurance with a stable outlook. This is based on its finding that capitalization remains a relative strength for the firm.

However, S&P recognizes the negative impact of recent global and local market dislocation on capital adequacy, resulting in unrealized investment losses and changes in fair-value reserves totaling about QAR1.6 billion (US$440 million) as at the 31st March.

"While markets have since recovered somewhat, we expect capital adequacy to moderate in the medium term as a result of continuing business growth," said S&P's credit analyst Neil Gosrani. "The stable outlook reflects S&P's expectation that QIC will maintain its risk-based capitalization at a very strong level with at least strong operating performance."

continued...

GIC dropped to 'BBB'

KUWAIT: Standard & Poor's Ratings Services (S&P) has lowered its long-term counterparty credit rating on Kuwait-based Gulf Investment Corporation (GIC) to 'BBB' from 'BBB+'.

The long- and short-term counterparty credit ratings remain on CreditWatch, where they had been placed with negative implications on the 9th February.

"The one-notch downgrade primarily reflects GIC's overall stand-alone credit profile that has materially weakened and our expectation that the company's business profile will lead to more modest performance," said S&P credit analyst Paul-Henri Pruvost.

"We have maintained the CreditWatch placement to re-assess the company's ability to reshape its business model and the support we factor above its stand-alone credit profile."

The ratings are constrained by limited customer franchise resulting in weak recurring income streams, high market risks linking performance to shifts in global markets valuations, and the relative illiquid nature of its project investments.

Arcapita Bank downgrade

BAHRAIN: S&P has lowered its long-term counterparty credit rating for Arcapita Bank to 'BB-' from 'BB' and removed it from CreditWatch, where it was placed on the 28th January with negative implications. At the same time, the rating agency affirmed its 'B' short-term rating on Arcapita with a negative outlook.

The ratings reflect Arcapita's stand-alone credit profile and do not include any uplift for extraordinary external support. However, S&P recognizes that ongoing support from Arcapita's shareholders has been significant and is incorporated in Arcapita's stand-alone credit profile.

The negative outlook is based on Arcapita's excessive market value gearing for the current ratings. It also reflects its earnings which will likely remain susceptible to portfolio provisions, and the need to preserve cash could constrain its ability to make new investments.

Outlook revised for SAIB

SAUDI ARABIA: Standard & Poor's has revised its outlook for the Saudi Investment Bank (SAIB) to negative from stable. However, it affirmed its 'A-' long-term and 'A-2' short-term counterparty credit ratings.

"The outlook revision mainly reflects a weakening in the bank's profitability as well as potential deterioration of its financial profile that could result from an increase in non-performing loans and provisioning needs," said S&P credit analyst Paul-Henri Pruvost.

While the current ratings reflect adequate liquidity profile and good capitalization, the negative rating factors include the bank's limited customer franchise, significant concentration risks and limited geographic diversification.

The long-term rating on SAIB is one notch above the bank's stand-alone credit profile, reflecting S&P's expectation of support from the Saudi Arabian government (AA-/Stable/A-1+) in case of need.

SAUDI ARABIA

A "Fannie Mae" clone for Saudi Arabia

Saudi Arabian citizens will find it easier to own homes following this week's announcement that the government will establish a mortgage institution which will not only provide greater mortgage accessibility to the public but also buy mortgages from financial institutions and help develop national Sukuk and debt capital markets.

Finance minister Ibrahim al-Assaf said the Saudi version of the US' Fannie Mae, which will also buy bonds from real estate financing companies and create a secondary market, will be set up after the kingdom's first mortgage law comes into force by year-end.

Expressing confidence that this mortgage financing arrangement will be a success as owning a home is a significant step in life in any culture, he said: "The mortgage law will also be a key trigger for the development of the local bond market as developers issue bonds or Sukuk to raise funds for home finance."

In the US, the Federal National Mortgage Association, better known as Fannie Mae, is a corporation created in 1938 to purchase and securitize mortgages to ensure that funds are consistently available to the financial institutions that lend money to home buyers.

At the height of the recent subprime crisis, Fannie Mae also fell victim and has been placed under the newly formed Federal Housing Finance Agency, which is expected to help in bringing stability to the US financial market, especially in easing the mortgage crunch.

Islamic Finance *news* spoke to NCB Capital chief economist Dr Jarmo T Kotilaine, who said the proposed Saudi Fannie Mae indicates that the government recognizes that home ownership is a good thing.

According to him, Saudi had earlier tried to promote its home ownership scheme through the government-owned special real estate development fund but it encountered a lot of problems because the commercial loans were not done properly. Also, there were issues over real estate maintenance and defaults, among others.

With the Fannie Mae style institution, the government hopes to create a mechanism that will be effective in providing Saudi citizens with access to affordable housing and real estate loans. Kotilaine said the benefits of such an institution are numerous.

For one, having a society of home owners will inculcate a culture of aspiration as it will give the people a more concrete stake in the country and its economy while providing them with a sizeable and tradable asset.

The mortgage law and the Fannie Mae institutional framework will also be good for the financial sector in Saudi Arabia because it will help grow mortgages.

"In mature financial markets, the value of mortgages is equivalent to 50%-100% of the country's gross domestic product (GDP). In Saudi Arabia, the figure is at a mere 1%-3%. This shows a missed opportunity that, if taken up, will translate into economic growth, jobs, knowledge and skills," he said.

A further benefit, he pointed out, would be stimulating the development of the capital markets. "A Fannie Mae style institution will buy mortgages and turn them into mortgage-backed securities and this will stimulate the Sukuk and bond markets. In Saudi Arabia over the past decade, the government had pared public debt from a peak of 119% of GDP to slightly above 10% now," he said.

Kotilaine added that the issue now will be: How can a debt market be created without government benchmarks? He suggested that it could be done through government-related entities, with the Saudi Fannie Mae among them.

A mortgage law, he pointed out, had become a necessity in Saudi Arabia as the previous mechanisms for Saudi citizens to own homes had not been adequate.

"There are conflicting estimates of home ownership in Saudi Arabia. Some suggest it is as high as 62% of the citizen population while others place it at half that. Our internal estimate is about 40%. Therefore, there is considerable room for growth and in that sense and historically, too, mortgages are the most effective way of making that growth happen in a sustained and sensible way," he said.

Kotilaine painted Saudi Arabia as demographically a dynamic country with very rapid population growth.

"It is a young population and at the same time, it is a country where the disposable income levels are going up. Families are also becoming smaller and increasingly you have younger people becoming professionals and wanting to move out of their family homes, hence there is a rapid increase in demand for housing," he said.

On whether the Fannie Mae style institution would use conventional or Shariah compliant financing or both, Kotilaine said that remains to be seen. He felt it was not necessary for the institution to take a stand on this as the actual distribution of mortgages would be by "mortgage banks", some of which could be Shariah compliant.

"What the central institution could perhaps do is provide both Shariah compliant and conventional forms of finance and then sell structured Sukuk and bonds. There is no reason by principle why such a procedure could not be followed," he said, adding that one other possible solution would be to set up divisions within that organization to cater for the different types of clientele.

Kotilaine saw a need for a national Sukuk market to serve the needs of the ever increasing number of Shariah compliant financial institutions in the country.

continued...

continued...

Asked whether it is an appropriate time to implement the mortgage law and establish the Saudi Fannie Mae in view of the ongoing global financial and economic crisis, Kotilaine deemed it crucial for Saudi Arabia to establish itself as a mature financial market.

"This is a bold but necessary move if Saudi Arabia wants to establish the gamut of financial services that a mature financial market has. This would include the missing elements of mortgages and debt capital markets. Both are very important for mature financial markets but relatively absent in the country," he said.

He recalled that the mortgage law has been in the works for a long time and that when work on it began about a decade ago, the financial situation was different. Kotilaine dismissed any possibility that the move will be a high risk one.

"On the contrary, it is one of the safest markets you can have, especially when it is properly regulated. Of course, Saudi Arabia has a very strong track record of financial regulation," he said.

"Fannie Mae (in the US) operated very successfully for a very long time. It was only when financial innovation was allowed to get ahead of financial regulation in recent years did the equation break down. Saudi Arabia would have learnt from that mistake and be that much more cautious. Basically, it will be creating this new market from scratch, starting with low risk customers, and it can make significant progress without incurring any significant risk," he asserted.

Kotilaine explained that what happened in the US was not the failure of Fannie Mae or Freddie Mac (Federal Home Loan Mortgage Corporation) as institutional set-ups as such but rather the failure of regulation. Fannie, to him, scored "considerable success" in providing Americans with access to affordable housing.

Things went wrong, he said, when the US government did not stop mortgage banks from issuing subprime mortgages and did not prevent Fannie Mae and Freddie Mac from repackaging the subprime mortgages into mortgage securities that were incorrectly rated.

While the goal was to give every American a chance to own a home, the reality was that, as in any country, there are those who should not own homes because they could not afford them, and allowing them to do so ignited the subprime problem.

"What allowed it to go on was the fact that the market was booming, so the assumption was that even if borrowers did not have a lot of cash, they had the presumption that the value of their homes would go up and they could remortgage, free up some cash and secure their mortgage loans.

"So, with that qualification, if we look at the big picture and ask whether institutions like Fanny Mae are capable of improving home ownership in a country, the answer is definitely yes. This is the reason it is being done in Saudi Arabia."

BAHRAIN

More power, more responsibility

During a recent conference in the Kingdom, a senior official at the Central Bank of Bahrain (CBB) voiced his concern about the need for adequate regulations and transparency in Shariah compliant investment instruments.

The central bank's executive director for financial institutions supervision, Abdul Rahman Mohammed Al-Baker, was reported to have said that in addition to adequate regulations, there was also a need to create the necessary framework for Shariah compliant investment instruments. Such instruments, he said, could target the entire gamut of investors ranging from the small-timer to professionals and high net worth individuals who wish to invest according to Shariah principles.

Islamic Finance *news* spoke to Al-Baker, who reiterated that such regulations were crucial in the industry, especially for Islamic investment instruments, to ensure that the industry has a solid foundation for future development and growth. "Basically, there should be a specific regulation that creates the necessary framework which would be suitable and able to address the various types of investors. It should also address the wide range of Shariah compliant investment products available in the market such as equity, Sukuk, various types of Islamic funds with moderate risks, high-risk funds, Islamic REITs (real estate investment trusts) as well as other alternative investments," he said.

Al-Baker stressed that a regulation addressing the various types of investors and Islamic investment products would not only strengthen the Islamic investment industry but enhance its growth as well. "Once you have this regulation in place, it would guarantee widespread use not only in the region, but also in the international arena," he said.

Corporate governance was another issue close to Al-Baker's heart as he urged all Islamic institutions to adopt the practice to increase investors' confidence. He said it included the requirement of accurate and adequate terms and conditions of Islamic products including fees, brokerage, as well as being transparent about disclosing the information when required. "Islamic banks need to have this in place. These are part and parcel of the documentation process. Whenever Islamic banks make an agreement with non-parties, they should clearly stipulate all information to make it clear. It should be transparent and upfront to investors in Islamic banks," he said.

Al-Baker also pointed out that if a particular Islamic investment product was risky, it was the responsibility of the bank to immediately disclose this information to the investor. "I think corporate governance should be implemented by all the Islamic financial institutions, taking into consideration what is happening in the market. They need to implement these standards. Corporate governance will lead to investors having full confidence in the market", he said.

Al-Baker said since the commencement of Islamic banking, corporate governance has been an issue. "Islamic banks should also be socially responsible to the community. And, whenever awarded projects, they should be responsible and make sure that the right people are entitled to the right investments at the right time," he said. The credo of a comic book superhero comes to mind that sums up Al Baker's sentiments on the matter: "With great power comes great responsibility".

Reports by Raphael Wong

Allons (Let's Go) Islamic Finance!

By Islamic Finance *news*

Though the UK has been trying to establish itself as the Islamic finance gateway to Europe, the global economic crisis has somewhat dampened the government's efforts to move ahead. The proposed issuance of a sovereign Sukuk, for example, has been postponed several times. Late last year, the matter was finally put to rest when chancellor Alistair Darling ruled out the issue of the UK's much anticipated GBP2 billion (US$3.1 billion) Ijarah-structured Sukuk.

Meanwhile, across the English Channel, despite having a population of about six million Muslims, approximately three times that of the UK, Paris was left behind in the pursuit of Shariah compliant financing. However, all that changed with the Sarkozy administration, which has been busy setting the stage to welcome Islamic finance. On her part, French minister of economy, industry and employment Christine Lagarde also began looking East, the Middle East that is.

That led to the senate, the upper house of the French parliament, bringing together politicians, bankers and Shariah scholars to discuss how to support Islamic finance by raising awareness and changing the legal and fiscal framework. The results, about a year later, saw the recent introduction of tax laws to facilitate Islamic financial transactions such as Murabahah and Sukuk.

In mid-April, Paris Europlace, the body promoting Paris as a financial center, was quoted as saying that France would license its first Islamic bank, codenamed Project Omega, by the end of June. Its chairman Giles Saint Marc said a license application was placed in early March and that the bank was likely to launch with EUR40 million (US$56.5 million) capital, raised from investors in Bahrain and Qatar.

It was also reported that a French financial institution plans to sell a EUR1 billion ($1.41 billion) Sukuk this year, marking the first issuance of Islamic corporate debt in Europe. A week after the report, Bahrain-based Islamic lender Al Baraka Banking Group announced its plans to enter the French market to tap western Europe's largest Muslim community.

Islamic Finance *news* spoke to Saint Marc on France's position in the Islamic finance arena in Europe. He said France would be a challenger to London with the tireless efforts of the government and its industry players. "Local financial market players in Bahrain, Doha, Abu Dhabi and Dubai, for example, were impressed when key members of Paris Europlace visited their countries and expressed a keen interest in pursuing Islamic finance.

Several memorandums of understanding (MoUs) were signed, in particular with the AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions), the Qatar Financial Center and the Dubai Financial Center," he said.

Saint Marc added that strong ties were also developed with their Southeast Asia counterparts when the Banque de France (the central bank) recently hosted the Islamic Financial Services Board (IFSB) meeting in Paris. The relationship will be further cemented, he said, with the possible participation by the Malaysia International Islamic Financial Center (MIFC) in an international forum to be organized by Paris Europlace in early July, where he anticipates the signing of MOUs.

"All these market players were particularly interested by the way France went through the financial crisis, in particular, the quality of its regulations which are not based on self-regulation and the French universal banking model (which is also being considered by the US, with the supervision of both investment and commercial banks by the Federal Reserve)," he said.

Cleary Gottlieb Steen & Hamilton partner, Arnaud de Brosses, echoed similar sentiments. Predicting that France would either come up tops or remain closely behind London, Brosses said France's commitment to Islamic finance continues to impress many regulators and players in the Middle East. Brosses said the determinant would be how creative Paris can be. "For a long time, there has been financial rivalry between Paris and London and Paris has been always been seen as moving slower. However, here is where we see Paris moving very quickly," he said, adding that part of the developments in the Islamic finance domain would be the establishment of an Islamic bank.

On tax neutrality laws, both practitioners conceded that it was very well received. Saint Marc said with the implementation, Murabahah transactions could now be carried out at the same costs as conventional financing. "However, regarding the tax regime of Sukuk, we are still missing the legal regime piece. This is a work-in-progress and we hope to have a legal regime fixed before the end of June," he said. Brosses said the French Islamic finance industry was still in its infancy.

"Most of the transactions are in the real estate sector. We have yet to have an Islamic finance bank but there have been several banks, which have applied for the license to set up subsidiaries in France. There are several legal issues which the Banque de France is addressing and it is also working on how to harmonize laws in France and the conditions under which such banks can operate," he said.

Asked how France overcame the barriers of tax neutrality in such a short time, Brosses said the French government did not pass any new law but instead published a regulation by the French Tax Society (which is part of the Ministry of Finance) interpreting the current law. He said transactions like Murabahah, where the profits arising from this transaction, for tax purposes, could be treated as an interest. "There has been a lot of discussion and the Parliament is aware. There has even been a report issued by the French senate and parliament, but to date, there has been no specific law for Islamic finance has been passed," he said.

On the sectors within Islamic finance that France would be concentrating on, Brosses said the important ones were real estate and project and infrastructure, especially those involving public amenities. "I believe Islamic finance will flourish in these sectors because the assets are safe, and there is a good and fixed return, so it is a good way to finance public utilities and infrastructure. It could of course, also be used by the private sector to finance its development.

We may also see the issuance of Sukuk doing that. Knowing the Islamic investors, they may want to first invest in the public sector, then the private sector, even thought we have some clients who are already investing in French companies," he said.

continued...

Allons (Let's Go) Islamic Finance! (continued)

Saint Marc said Islamic finance is expected to answer the needs of both individuals and corporate or public entities while for individuals, the offer would encompass mortgage or consumer financing using Murabahah or Ijarah. "With respect to corporate or public entities, the offer will be made on both the equity and the debt side. On the equity side, it would be through Shariah compliant asset management funds or private equity funds, in particular for small- and medium-sized enterprises (SMEs). The debt side would be through project financing, asset financing (real estate assets, car fleets, aircrafts, shipping) or general corporate financing using the techniques of Murabahah, Ijarah, Musharakah and the issuance of Sukuk," he said.

Brosses pointed out that the banking retail sector is also an important sector. He said that new products have to be introduced and the accounting, banking and legal issues have to be resolved when Islamic retail is conducted by the French banks. "The French government is working on this matter to facilitate the setting up of an Islamic bank in France. What is currently happening is that Islamic banks in the UK can conduct business and sell some of their products to French clients using the 'passport' given to them under European Union regulations. The next step is to see that these banks, either from the UK or the Middle East, open a branch in this country and then move on to open subsidiaries," he said.

Both practitioners agree that language would not be a barrier for the development of Islamic finance in France. Both also stated that professionals were currently trained through the numerous training sessions being offered while academic training was being offered by two universities, Strasbourg and Reims. Brosses said: "In Strasbourg (University), the first Masters degree in Islamic finance was introduced this year. Students are being taught accounting and financing and legal issues. That's a start." Saint Marc added: "There is also a project to create a non-profit French Institute of Islamic Finance which will offer training sessions on a more regular basis to professionals."

Brosses was also confident that as soon as the new products are in place with the approval of the Shariah board, so too will the expertise. "To ensure that these products are of high quality, shariah compliant and do not have tax issues would take some time but French banks are already working on this and have hired some people to solve these problems," he said.

Asked about the other initiatives to be taken by the French government in the near future, Saint Marc said that Paris Europlace would first work on the French legal regime applicable to Sukuk. "Our next assignment would be the introduction of Takaful and re-Takaful in the country," he said, adding that it would also consider creating its own Shariah index.

Brosses said France was now finalizing with various organizations on taking the necessary steps to facilitate the Islamic finance industry, which would be completed in a matter of months. He stressed that the awareness campaign by the French government was crucial to ensure that people were knowledgeable about the new system. "For France, it is an opportunity to offer alternative financing for the individual who wants to utilize such financing, the retail market and the state. We are a country where the state is separated from the legal system. Because the state is independent, we have to be very careful about implementing something new," he cautioned.

Next Forum Question

What are the consequences and significance of the UAE's withdrawal from the GCC monetary union? What effect will it have on investors' confidence, the goal of a single currency, and the overall Islamic finance industry?

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, 10th June 2009.

Expanding Financial Frontiers — Final Part

By Hossein Askari, Zamir Iqbal and Abbas Mirakhor

In the first part of the extract, the writers discussed financial engineering and its role in creating Shariah compatible products to add depth and breadth to Islamic capital markets.

Financial engineering is an area where Islamic financial institutions could benefit from more experienced Western institutions, which are more sophisticated in engineering and marketing the right product to the right client. Conventional investment banks, which have invested heavily in the infrastructure for developing new products, can work for or with Islamic financial institutions to develop Shariah compliant products. Once a financial engineering shop is set up, they can develop different products with different risk and return profiles. In this respect, Islamic financial institutions would do well to develop synergies and collaborate with conventional institutions. Islamic financial institutions can outsource the development part to conventional institutions and keep the marketing part to themselves, a division of labor that could benefit both institutions.

It is also useful to make some observations on current practices of financial engineering. There is growing concern that financial engineering is not taking place in a coordinated or systematic fashion. Financial institutions are very secretive about the structures they create and there is a sense of a lack of transparency with many products. Therefore, it is critical that a more organized and systematic approach is taken towards the process of innovation.

During high-growth periods, there is real danger of introducing innovations under intense competition, which can expose the institution to the risk of introducing a product that is not in full compliance and, in some cases, may even be opposite to the essence of the system.

In such cases, introducing a new product defeats the whole objective and the purpose of Islamic finance, and can also lead to serious costs in terms of reputational risks. In order to avoid such a scenario, it is important that:

- Underlying principles of financial engineering in Islam are followed
- Serious efforts are made to introduce products with distinct risk/return characteristics, rather than trying to "reverse engineer" a conventional financial product
- Prudent behavior by Shariah scholars is exhibited after careful review of the legal and economic consequences of a product
- Time and effort to introduce new products is minimized
- Steps are taken to develop infrastructure and institutions to promote financial engineering and innovation

Expanding financial intermediation

A financial intermediary transforms savings into investment and, in the process, creates additional value by reducing search, monitoring, and transaction costs, as well as diversification and/or hedging risks, thereby allowing more efficient utilization of resources. A financial intermediary performs these functions through the design and utilization of instruments or products intended to achieve a specific objective.

A financial intermediary in the Islamic financial system is expected to play a critical role. The nature of financial intermediation in Islamic finance is distinct from conventional finance in several ways, but one distinction is critical. Unlike a conventional financial intermediary, which takes on a well-defined and narrow function, a financial intermediary in the Islamic financial system plays multiple roles.

Whereas organized markets — such as money, capital, and derivative markets — complement the role of a financial intermediary in the conventional system, a financial intermediary in the Islamic financial system is expected to undertake some of the functions provided by these organized markets. In other words, an Islamic financial system has more common features with a "bank-centered" financial system, such as those of Japan and Germany, as opposed to a "market-centered" financial system such as those of the US and the UK.

At present, financial intermediation in Islamic financial markets is very restricted. It is limited mainly to commercial banking activities, with the gradual introduction of investment banking activities. Within commercial banking, there is more emphasis on trade financing and some leasing-based assets that are of short-term maturity and often illiquid. In the case of investment banking, the menu of products and services is even more limited and is often targeted at high net worth individuals. There are several areas where there are clear gaps when compared to products and services offered by conventional financial intermediaries.

Islamic financial institutions have to expand the scope of their activities to provide a wider range of products and services in the areas of corporate finance, risk management, small- and medium-sized enterprises (SME) financing, and wealth management. Research has shown that during the early phases of development where capital markets are not well developed, financial intermediaries play a critical role in providing financial services to the corporate sector. In the absence of liquid Islamic capital markets, financial intermediaries will have to become the main source of financing.

Furthermore, the simple availability of financing will not serve this purpose; the mode of the service will have to be improved. The financing would have to be cost effective, flexible, and client-oriented. Financial intermediaries must understand the needs of corporate-sector clients to develop custom-made solutions that can make them competitive in the market.

Major structural changes in the role of financial intermediaries are required in the area of risk management. The emergence of a new form of financial intermediary, with an expanded role, is the key to successful risk management in Islamic finance. Their role in developing a risk-management infrastructure should be twofold; first, to develop and apply risk-management techniques for their own portfolios, and second to offer risk-management services to their clients.

Risk-management tools expand the role of a financial intermediary that can offer innovative products and risk-management services to the client, and can also manage its own exposure more efficiently and in a cost-effective manner. Management of financial risk also creates profitable opportunities for financial intermediaries in several ways.

continued...

Expanding Financial Frontiers — Final Part (continued)

First, a bank's risk experts are likely to provide more effective advice to clients and more effectively differentiate their products. Second, fees associated with supplying risk-management transactions can be an important source of revenue. And finally, since risk-management transactions increase the profits of the intermediary's customers by lowering their probability of financial distress, these transactions indirectly lower the intermediary's loss exposure.

Consumer and retail banking is another area where there are gaps. The question is often raised about the potential for developing financing instruments for consumers that are not based on a tangible asset, as for example, a financial instrument to provide financial assistance for student loans. Education loans do not create any tangible asset and do not have any collateral other than personal guarantees.

Another case is the area of consumer services, such as credit cards. An original purchase on a credit card may not have any conflict with Shariah principles, but once the purchase becomes an interest-bearing loan, the same transaction is in conflict with Shariah. In such cases, Islamic financial intermediaries will have to become innovative and find solutions to such problems. Islamic financial institutions cannot provide selective services; they need to provide a complete set of services for the clients. If such services are not provided, consumers wishing to comply with Shariah will be at a disadvantage, as they will not have access to the full array of options.

Another area requiring attention from Islamic financial intermediaries is financial products and services for SMEs. A vibrant SME sector plays a critical role in the economic development of any country. Proponents of Islamic finance advocate that it encourages grassroots entrepreneurship. However, in reality the majority of Islamic financial institutions do not have any systematic program to promote SMEs.

Advancement in information technology and financial engineering innovations have made it possible for financial instruments disseminated over the Internet to obviate the need for "brick and mortar" banking and financial markets. As Bill Gates once remarked: "Banking is essential, banks are not."

Now consumer and mortgage financing, corporate credit, all depository asset management, and investment banking services — which not long ago would have required considerable physical infrastructural investment to provide — are offered by means of global e-commerce trading systems that can easily accommodate different languages across borders. More importantly, these systems are defined by their product rather than their geographic location.

Islamic financial institutions are scattered over different geographical regions and are therefore overexposed to credit and market risks in domestic markets and regions. Availability of services through the Internet will expand the client base of Islamic financial intermediaries and help them diversify their portfolios.

*This is the final part of an extract from a book titled "**New Issues in Islamic Finance and Economics: Progress and Challenges**". (The first part of this excerpt appeared last week in Vol 6, Issue 21)*

Professor Hossein Askari is the Iran professor of international business and professor of international affairs at the George Washington University. Both he and co-author Dr Abbas Mirakhor served on the executive board of the IMF. Dr Zamir Iqbal works as lead investment officer with the quantitative strategies, risk and analytics department in the treasury of the World Bank in Washington.

An Islamic Alternative to Securitization — Part I

By Mohammad Aamir

This paper is about a Shariah compliant version of the conventional securitization model — Real Asset Benefits (RAB) Realization or Real Economic Asset Vitalization (Revitalization) model — replacing financial receivables with real assets. This leads to an out-of-the-box approach to arrive at what should be a natural model instead of the conventional framework.

Why not to adopt conventional securitization?

In securitization, an originator sells booked receivables or future receivables to a special purpose vehicle (SPV) to raise long-term funds. The essence of this mechanism is the monetary asset that renders it non-Shariah compliant. The SPV mobilizes the funds for acquiring the receivables by floating a fixed income bond (fixed or floating rate coupon). The profit and principal payment to the investors of the bond are made from the receivables.

The core of the securitization is the receivables, whether present or future, which are unsecured in nature and have no claim on any tangible assets of the originator or the debtor of the originator. So, in the event of a non-recovery of securitized receivables, no recourse is available to the SPV or to its investors, although some cash waterfall mechanism is usually included in the structure to ensure timely payment to investors, but that again is mainly dependent on the cash flow health of the receivables.

Therefore, the investors of the fixed income bond (packaged from the financial receivables) bet on the best-case scenario of receivables collection and cash flow realization from them. By the same token, the bond is traded in the capital market and the investor holding it is only entitled to make a claim on the underlying financial receivables.

This situation can be likened to parents (the underlying tangible assets) disowning their children (resulting financial receivables) to fulfill a key requirement of the securitization structure. It gives rise to a possibility that an nth investor may not be able to track the parent assets that originally generated the financial receivables. In case of a default, the investor has no real asset backing his claim as the rightful owner/beneficiary.

Can there be an alternative model? This paper seeks to explore a possible model using Islamic finance principles.

Is the alternative RAB Realization or Asset Revitalization?

These can be described as a commercial transaction where an investor or a group of investors purchases a real economic asset or assets by forming an SPV to offer usufruct or economic benefits in return for rentals, toll manufacturing/services fee or a share of the profit over a period, with or without transferring ownership risk and rewards, along with the title to the asset user.

How it works and what it requires

Sale/purchase of an asset

a) Unlock cash flows by selling an existing asset in an outright sale and purchase transaction. It has to be a real productive asset complying with Shariah injunctions and not a financial asset. Therefore, solely receivables cannot be a qualifying asset for sale. The asset sale must meet the following criteria:

- It must be an outright sale where the seller will forego all risk and reward of ownership.
- Post sale, the seller should have no ownership rights or obligations attached to the sale.
- The SPV should be the absolute and legal owner of the asset.
- The asset should be properly recorded on the books of the SPV.

b) The SPV can also procure an asset from the market or direct from the manufacturer to make it available for use by the intended user. This will help to boost real economic activities by mobilizing fresh capital.

The SPV – keeping intact the parent-child relationship

To establish clear ownership by the purchaser and the ensuing risk and rewards, a SPV should be set up. This will, firstly, ensure that the real assets remain associated with the cash flow complete with all the risk and reward characteristics. This will allow for the following dimensions of RAB Realization or Asset Revitalization to be realized:

- Absolute legal ownership in favor of the investors of the SPV.
- Proper recording of the asset on the books of the SPV, thus nullifying any risk, however remote, of being involved in any bankruptcy move.
- The ownership rights and privileges, including risks and rewards, automatically go to the SPV and its investors.
- No accounting or any other complexities will be involved as far as the real ownership criteria is concerned.
- Benefits will be directly associated with the identified asset.

The SPV can be set up under a trust structure or as a legal corporate entity to finance and offer certain assets for use in the business in return for expected economic benefits.

The SPV management or the board would be a pro-active unit in terms of supervision and decisions in the same style and spirit as an active investment or asset management company. This should not be underrated in terms of authority and management powers vis-à-vis any trustee appointed on behalf of the minority investors under the RAB Realization or Asset Revitalization.

(The second and final part of the article will appear in next week's issue)

Mohammad Aamir is an investment banker with more than 12 years experience in accounting firms in Pakistan.

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

Name: Martin Crawford

Position: CEO

Company: Labuan IBFC

Based: Kuala Lumpur, Malaysia

Age: 49

Nationality: Australian

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

I have spent most of my working life in western markets, principally Australia and Europe. My last role, based in Sydney, included responsibility for all of the Asia-Pacific region and it was during this time that I was very keen to be based in Asia to experience "eastern" markets.

I was fortunate to be approached about this role soon after I arrived in Kuala Lumpur. My background in managing financial services companies and my early marketing career gave me a solid foundation to promote Labuan as a financial services center.

What does your role involve?

The company I represent is the marketing body for Labuan IBFC, Malaysia's sole offshore jurisdiction. Our main role is to generate a higher level of awareness and recognition for the jurisdiction, attract more business, and act as the "ears" to the market for the regulator, the Labuan Offshore Financial Services Authority.

What do you consider your greatest achievement to date?

The biggest challenge has been to set up this marketing unit from scratch. It's been close to a year from the set-up and about nine months into full operation. We have built a terrific team, comprising experts in their fields.

I think we have done a good job in getting our house in order and having a go at the challenging job at hand. Undoubtedly, we have much further to go and there are always areas that my team and I can improve on but, on the whole, the response from the market has been encouraging.

Which of your products/services do you feel deliver the best results?

My job and that of my team is unique in the sense that we market a jurisdiction. We don't necessarily have a single product which will be the "crown jewel" as all aspects of the jurisdiction are important towards its attractiveness.

What are the strengths of your business?

There are more than 70 jurisdictions competing with Labuan IBFC. So I would say our primary strength is the jurisdiction itself — the laws, how they are regulated, and the benefits available to investors, among others. These fundamentals give us a strong platform to succeed.

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

Labuan IBFC's relationship with the financial services industry onshore in Malaysia is a key factor towards the holistic success of the jurisdiction. We do not exist in a silo, and what happens onshore will affect what happens offshore.

As the promotional arm of the jurisdiction, our main focus is ensuring that it is kept competitive, both from a regulatory standpoint and from a cost-effective angle. The dovetailing of a sound, cost-effective jurisdiction and the promotional efforts by Labuan IBFC should create Asia's premier international business and financial center.

What are the obstacles faced in running your business today?

I think the main obstacle in promoting Labuan IBFC as a jurisdiction of choice is basically a lack of awareness. Labuan IBFC has been in business for nearly 20 years and we have withstood many challenges along the way. Hence, our survival is clear evidence of our strength.

Going forward, we are hoping that our efforts in marketing the jurisdiction will result in more business being booked through the island in years to come. The current situation surrounding the parameters of the exchange of information, as dictated by the Organization for Economic Cooperation and Development (OECD) recently, is also a challenge we are facing. And while these new standards will apply universally to all offshore financial centers, the race among offshore jurisdictions towards compliance of these new standards is on. So, this is definitely a challenge for Labuan IBFC and Malaysia as a whole.

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

The current allure of Islamic financial services is its "day in the sun" feature and those of us in the forefront of this industry must ensure that we take this opportunity wholeheartedly.

The scope of growth is tremendous and we are excited about the "conversion" of Islamic finance into the mainstream of banking and finance. The challenge, though, is ensuring that this growth is sustainable. When the world of conventional finance gets back in order, which it undoubtedly will, we have to ensure that Islamic finance has a permanent role to play in the financial sector. With the increase in awareness, I believe that internationally Islamic finance and banking will be attractive to a larger set of stakeholders, so it will no longer be for Muslims alone.

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

Personally, I would like to see us "demystify" the world of Islamic finance for those people less familiar with it. We use terms that, whilst important in the spiritual sense of what they mean, can create artificial barriers to the understanding and adoption of Islamic finance by non-Muslims.

How many people will immediately identify with a "diminishing Musharakah" for example, as a way to describe an Islamic home loan? In a market like Canada, which has a reasonably large and growing Muslim population, all its laws and marketing literature refer to "alternative finance", thereby making the topic more approachable to novices.

Pinnacle Tower's ICP/IMTN Program

FACILITY DESCRIPTION	RM400 million (US$114 million) Islamic medium-term notes (IMTN) and RM50 million (US$14 million) Islamic commercial papers (ICP) program. The ICP and IMTN are established based on Musharakah principles.
ISSUER	Pinnacle Tower
PRINCIPAL ACTIVITIES	Wholly owned by Sarawak-based Sacofa, Pinnacle Tower is a special purpose vehicle incorporated for the sole purpose of raising financing via the issuance of the Islamic securities program. The principal activity of Sacofa is to carry on the trade or business of a telecommunications infrastructure and services company, including all its related businesses.
MUSHARAKAH PARTNERS	Pinnacle Tower and Sacofa
ISSUANCE DATE	6th March 2009
JOINT PRINCIPAL ADVISORS/JOINT LEAD ARRANGERS	AmInvestment Bank and Maybank Investment Bank (formerly known as Aseambankers Malaysia)
SOLICITORS	Kadir Andri & Partners (due diligence and documentation solicitors) and Alvin Chong & Partners Advocates (submission and information memorandum solicitors)
FINANCIAL ADVISOR	Astramina Advisory
TRUSTEE	Amanahraya Trustees
FACILITY AGENT	Maybank Investment Bank (formerly known as Aseambankers Malaysia)
SHARIAH ADVISORS	Maybank Islamic's Shariah Committee advised on the ICP program, while Kuwait Finance House's (Malaysia) Shariah Committee advised on the IMTN program
ACCOUNTANTS	Ernst & Young
JOINT LEAD MANAGERS	AmInvestment Bank and Maybank Investment Bank (formerly known as Aseambankers Malaysia)
CO-ARRANGER	Kuwait Finance House (Malaysia)
TENOR OF FACILITY	ICP Program Seven years from the date of the first issuance under the ICP Program IMTN Program Seven years from the date of the first issuance under the IMTN Program
RATINGS	MARC has assigned ratings of 'AAAIS' to the IMTN program and 'MARC-1IS' to the ICP program, with a stable outlook

MORGAN STANLEY

UK: The global financial services provider has named Gary Lynch as vice-chairman of the board. He will remain in his current position as chief legal officer and relocate to London, where he will continue to work as part of the firm's senior management on issues of policy and strategy.

He will also join the boards of Morgan Stanley's subsidiaries throughout the region and take on an expanded management and client role within Europe, the Middle East and Africa.

Lynch joined Morgan Stanley in October 2005 as executive vice-president and chief legal officer and before that was with Credit Suisse as executive vice-chairman and global general counsel. Prior to that, he was a partner at law firm Davis Polk & Wardwell.

THARAWAT INVESTMENT HOUSE

BAHRAIN: The Shariah compliant investment company has appointed Dr Salah Al-Majdhoub as its chief operating officer. Al-Majdhoub joined Tharawat at its inception late last July and is one of the few experts who has a rare combination of Islamic and professional financial and banking experiences.

He has participated in developing several innovative Shariah compliant banking products.

Before this, he was with Kuwait Finance House for five years and represented it as a member of the board of directors for Bahrain-based Mena Telecom.

RBS

US/UK: Royal Bank of Scotland (RBS) Group has appointed Peter Najarian as the new global head of local markets sales within its global banking and markets division. He will be based in the US and is responsible for leading the local markets' corporate and institutional sales teams, as well as implementing a global sales strategy across the business sectors.

He was most recently the managing director and head of Asia-Pacific fixed income client coverage at UBS, responsible for the distribution of all fixed income products and structured solutions in the region. Najarian previously spent eight years at Merrill Lynch in emerging markets and fixed income sales.

EFG-HERMES

SAUDI ARABIA: The Egyptian investment banking firm has appointed Hossam Yousef Radwan as the CEO for its Saudi unit. Given his global track record, Hossam will also be part of the executive management of the company. Hossam's appointment is part of the firm's plans to expand in the kingdom where EFG is already offering advisory and brokerage services.

Hossam was most recently the head of the asset management division for the Middle East and North Africa at Goldman Sachs, based in London. He joined Goldman Sachs in 1997 after a four-year stint with JP Morgan in both New York and London.

VINSON & ELKINS

UAE: Prominent global corporate lawyer Rindala Beydoun has rejoined international law firm Vinson & Elkins (V&E) as a partner in its Dubai office after leaving last February to serve as the managing partner of the new Latham & Watkins Dubai office.

She specializes in cross-border and domestic mergers, acquisitions and dispositions, real estate development and asset purchases. Beydoun was recently named one of the "World's Leading Lawyers in Corporate/ Commercial Law" in the UAE.

She is a former board member and executive vice-president of the American Business Counsel of Dubai and the Northern Emirates, and is a founding member of the executive women's group in the UAE.

V&E's finance practice is largely involved in Islamic finance and investment funds.

BURSA MALAYSIA

MALAYSIA: The local bourse has appointed Raja Teh Maimunah Raja Abdul Aziz as its global head of Islamic capital market (ICM) to boost its offering of Shariah products. She will head a new subsidiary, BMIS, which will house the operations and business activities of ICM.

Raja Teh would be spearheading the expansion and development of the ICM infrastructure, products and services as well as the marketing of ICM products internationally. She has also been tasked to develop cross-border ICM capabilities to facilitate the initiatives of the Malaysia International Islamic Financial Centre (MIIFC) to support Malaysia as an Islamic financial hub.

Raja Teh brings with her 17 years experience in the financial services industry. At one time, she was Kuwait Finance House (Malaysia)'s chief corporate officer and head of international business.

NBAD

UK: The National Bank of Abu Dhabi (NBAD) has appointed Jeff Fallon as head of trade finance for Europe to further strengthen its trade finance services. Fallon has extensive experience in trade finance focusing on the European, Middle East and North Africa regions.

In his new role, Fallon plans to utilize the significant strengths of the NBAD brand to deliver a range of innovative products and highest standard of services to achieve customer satisfaction.

Before joining NBAD, he was the European head of export finance marketing in the Arab Banking Corporation in London where he coordinated the marketing for their operations in London, Paris, Frankfurt, Milan, Stockholm, Madrid and Istanbul.

He has also held senior positions with London Forfaiting Company and AON Trade Finance covering the UK and the European markets.

CBN

AFRICA: The group managing director and CEO of the First Bank of Nigeria Sanusi Lamido Aminu Sanusi has been appointed governor of the Central Bank of Nigeria. Apart from banking, he will be responsible for steering Nigeria through the global

continued...

continued...

downturn and forging ahead with reforms to make monetary policy more responsive to the market.

He joined the First Bank of Nigeria in 2005 as executive director of risk and management control before he was appointed group managing director and CEO in January.

He was previously the general manager at the United Bank for Africa, having started off as a principal manager in the credit risk management division.

DIFC

UAE: Dubai International Financial Centre (DIFC) Authority has re-designated managing director Abdulla Mohammed Al Awar as CEO, succeeding Nasser Al Shaali, who is leaving after three years for the private sector.

While previously Abdulla was responsible for overseeing the management of the center and developing its overall strategy, now his tasks include attracting financial institutions to operate in DIFC as well as the creation of an ideal platform for non-financial and professional service providers that support the constant development of the financial sector.

Abdulla has been an integral part of DIFC since its inception in 2004, and a key player in its growth and development as an internationally recognized centre.

DEUTSCHE BANK

HONG KONG: Former UBS veteran Robert Rankin will join Deutsche Bank as the CEO of its Asia-Pacific operations (excluding Japan) effective from the 10th June, succeeding Colin Grassie who will be returning to Europe.

Rankin left UBS in March as head of investment banking for Asia-Pacific. In 2000, he was based in Hong Kong as head of the tech, media and telecom banking team. He became co-head of Asia investment banking in 2003 and in the following year was the sole head of the group.

CREDIT SUISSE

US: The group has appointed James Walker as the new managing director and head of its Americas investment banking operations to be based in New York.

He will also be the head of global over-the-counter (OTC) operations. Walker will be responsible for the global operational support for OTC derivatives, foreign exchange, loans and commodities.

Meanwhile, the group's asset management division has created an investment strategies and solutions group in collaboration with the asset management's global institutional distribution team. David Russ has been appointed as its managing director and chief investment strategist.

Mark Baumgartner, former senior portfolio strategist and head of portfolio architecture at Morgan Stanley's global portfolio solutions group, and Yogi Thambiah, former head of Credit Suisse's US multi-asset class solutions business, are managing directors.

Former senior portfolio manager in Credit Suisse's multi-asset class solutions business, Nicolo Foscari, is the group's director.

BNY MELLON

US: Bank of New York Mellon (BNY Mellon) has appointed Julian Poodhun, Huw Rees and Kelly Wilson to its alternative investment and broker dealer global client management division.

Poodhun joins as the lead client executive for the alternative investment sector after spending nine years at Merrill Lynch where he was responsible for running the prime brokerage sales group.

Rees joins as head of the client executive team for the investment banking sector in Europe after previously being head of European creditor relations.

Wilson will be the client executive for broker dealers after spending seven years at Lehman holding various posts, including relationship manager in creditor relations.

BARCLAYS CAPITAL

US: Barclays Capital, the investment arm of Barclays Bank, has appointed Dean Maki as head of US economic research and chief US economist.

He will be based in New York and will be responsible for analyzing and forecasting the US economy, monetary and fiscal policy.

Previously the co-head of US economic research for Barclays Capital, Maki joined the firm from JP Morgan Chase where he was the vice-president of economic research responsible for forecasts of federal reserve policy, the federal budget and Treasury debt issuance.
Before that, he was a US economist at Putnam Investments and a senior economist with the Federal Reserve Board.

SEC

US: The Securities and Exchange Commission (SEC) has appointed George S Canellos as regional director of its New York regional office. He will oversee the enforcement and examination operations.

Before assuming his new role, Canellos was a partner at law firm Milbank, Tweed, Hadley & McCloy in the firm's litigation group based in New York.

GE MUBADALA VENTURE

UAE: General Electric (GE) and Mubadala Development have appointed Ron Herman, a 25-year GE veteran, to serve as the CEO of their newly formed commercial finance joint venture. Herman has extensive knowledge and experience in the global financial markets and was most recently CEO of GE Equity.

He has held numerous leadership positions in GE Capital, ranging from private equity to mergers and acquisitions.

GE and Mubadala are now applying for certain legal and regulatory approvals needed prior to the commercial launch of the joint venture. Once approved, the joint venture will be headquartered in Abu Dhabi.

Deal *tracker*

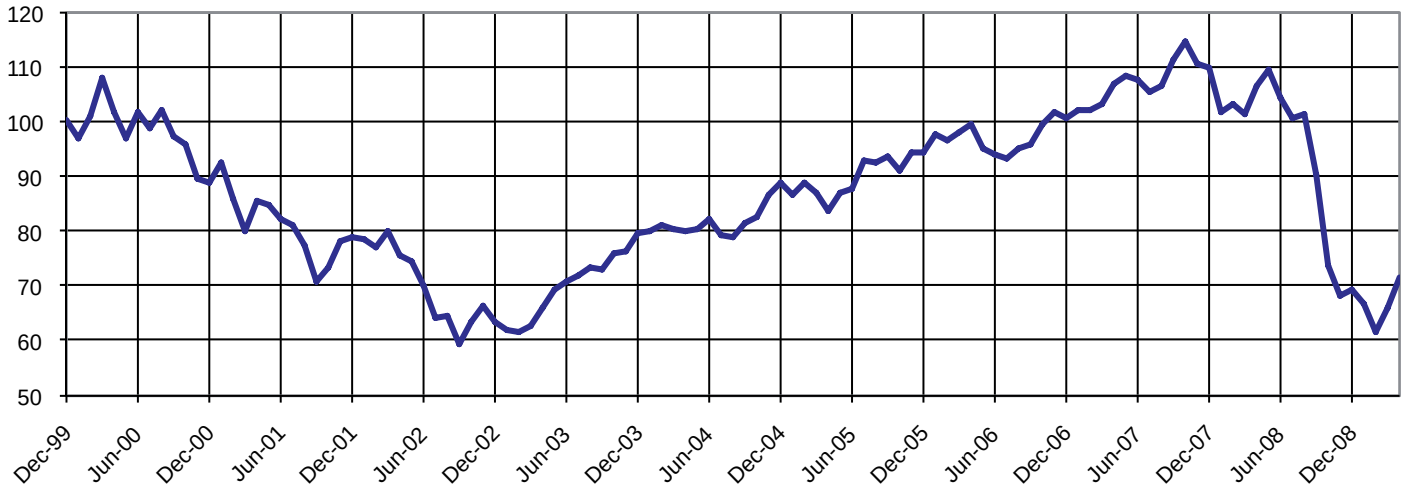
Keeping you abreast of the world's upcoming Shariah compliant deals

Another **Islamic Finance** *news* exclusive

ISSUER	SIZE (million)	INSTRUMENT
Apexindo Pratama Duta	US$22.82	Sukuk
Unicorn Investment Bank	US$425	Sukuk Ijarah
Tourism Development and Investment Company	TBA	Sukuk
Japan Bank for International Cooperation	US$200	TBA
Bank Negara Indonesia	US$50	Sukuk
Majlis Bandaraya Melaka Bersejarah	US$27.63	Sukuk
Qatar Gas Transport	US$500	Sukuk
Islamic Development Bank	US$500	Sukuk
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 program
Islamic Bank of Thailand	US$178.77	Ijarah
ETA Star Property Developers	Up to US$150	Sukuk
Abu Dhabi Commercial Bank	US$1.07 billion	Islamic MTN
Philippines	Up to US$1 billion	Sukuk
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

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

Eurekahedge North America Islamic Fund Index



Monthly returns for Global funds (as of the 3rd June 2009)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	Atlas Pension Islamic Fund - Equity Sub	Atlas Asset Management	56.44	Pakistan
2	Al Meezan Mutual	Al Meezan Investment Management	52.11	Pakistan
3	Meezan Islamic	Al Meezan Investment Management	52.04	Pakistan
4	Atlas Islamic	Atlas Asset Management	50.43	Pakistan
5	BNI Dana Plus Syariah	BNI Securities	45.17	Indonesia
6	TRIM Syariah Saham	Trimegah Securities	34.74	Indonesia
7	TRIM Syariah Berimbang	Trimegah Securities	34.34	Indonesia
8	Syariah Fortis Pesona Amanah	Fortis Investments	32.11	Indonesia
9	Meezan Balanced	Al Meezan Investment Management	31.27	Pakistan
10	Alfalah GHP Islamic	Alfalah GHP Investment Management	31.17	Pakistan
	Eurekahedge Islamic Fund Index*		**0.82**	

Monthly returns for ALL funds (as of the 3rd June 2009)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	ING i-Enhanced Cash	ING Funds	0.14	Malaysia
2	PB Islamic Cash Management	Public Mutual	0.16	Malaysia
3	Public Islamic Money Market	Public Mutual	0.16	Malaysia
4	Al Rajhi Commodity Mudarabah - EUR	Al Rajhi Bank	0.19	Saudi Arabia
5	CIMB Islamic Money Market	CIMB-Principal Asset Management	0.21	Malaysia
6	AlAhli Euro Murabahah	The National Commercial Bank	0.23	Saudi Arabia
7	FALCOM EURO Murabahah	FALCOM Financial Services	0.27	Saudi Arabia
8	FALCOM SAR Murabahah	FALCOM Financial Services	0.27	Saudi Arabia
9	CMS Islamic Money Market	CMS Trust Management	0.28	Malaysia
10	Euro International Trade Finance Fund - Al Sunbula	Samba	0.31	Saudi Arabia
	Eurekahedge Islamic Fund Index*		**9.20**	

EUREKAHEDGE

Contact Eurekahedge

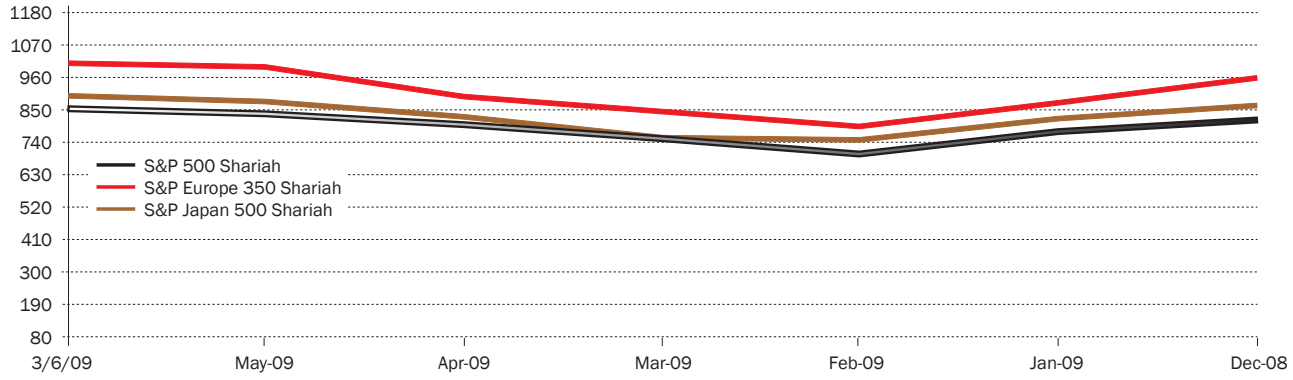
To list your fund or update your fund information: islamicfunds@eurekahedge.com

For further details on Eurekahedge: information@eurekahedge.com

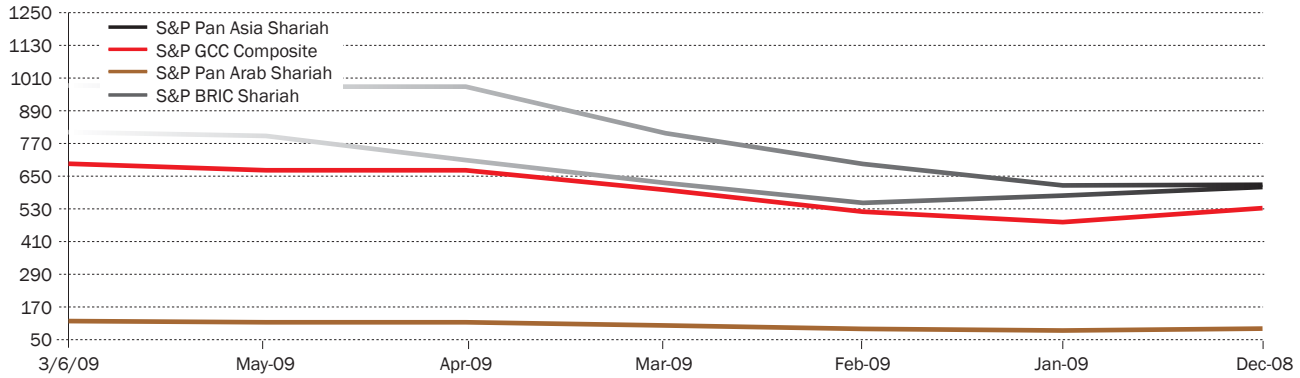
Tel: +65 6212 0900

EUREKAHEDGE

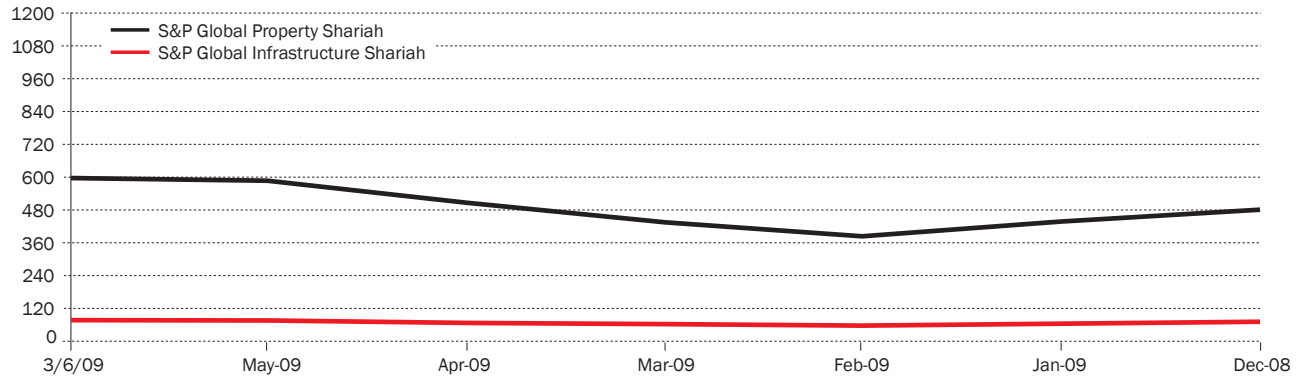
S&P Shariah Indices Price Index Levels



Index Code	Index Name	3/6/09	May-09	Apr-09	Mar-09	Feb-09	Jan-09	Dec-08
SPSHX	S&P 500 Shariah	853.628	836.573	799.755	752.048	700.074	776.118	815.565
SPSHEU	S&P Europe 350 Shariah	1008.069	995.630	894.958	843.893	793.619	873.796	958.391
SPSHJU	S&P Japan 500 Shariah	897.580	878.263	826.363	755.552	748.018	820.175	864.821



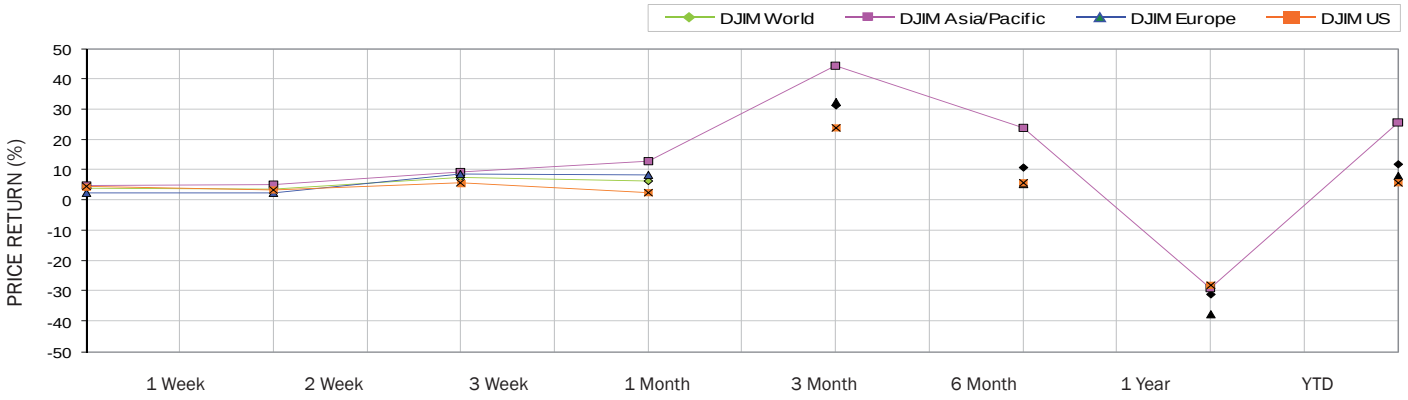
Index Code	Index Name	3/6/09	May-09	Apr-09	Mar-09	Feb-09	Jan-09	Dec-08
SPSHAS	S&P Pan Asia Shariah	811.487	797.647	708.922	624.982	552.018	578.671	610.200
SPSHG	S&P GCC Composite Shariah	695.634	671.614	671.614	599.648	519.529	481.323	532.742
SPSHPA	S&P Pan Arab Shariah	118.275	113.860	113.860	102.133	89.561	83.589	90.597
SPSHBR	S&P BRIC Shariah	982.684	978.497	978.497	807.592	694.799	616.078	618.487



Index Code	Index Name	3/6/09	May-09	Apr-09	Mar-09	Feb-09	Jan-08	Dec-08
SPSHGU	S&P Global Property Shariah	596.724	586.922	506.477	434.684	383.755	437.696	481.061
SPSHIF	S&P Global Infrastructure Shariah	77.144	75.918	66.983	62.583	57.085	64.288	71.250

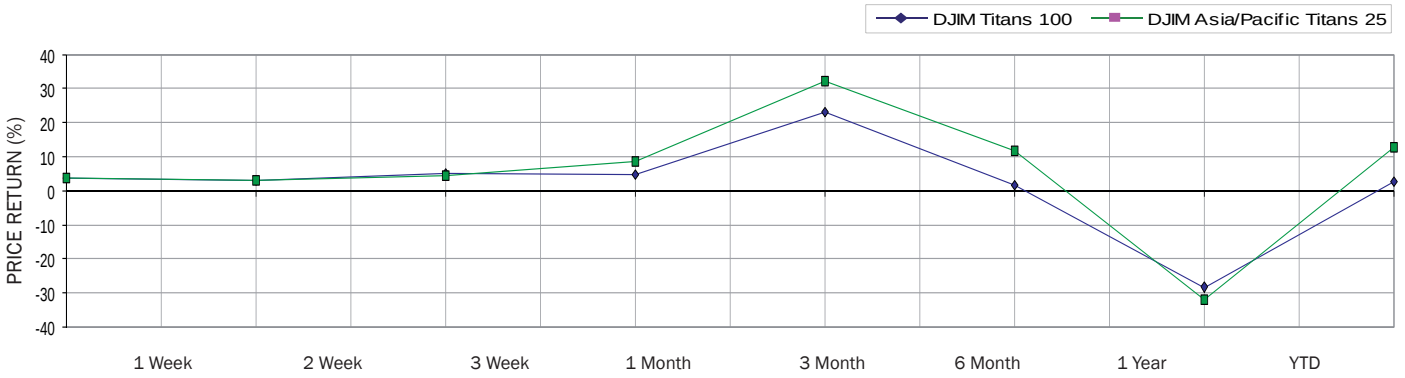
Data as of the 3rd June 2009

PERFORMANCE OF DJ INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	3.90	3.55	7.61	6.45	31.40	10.90	-30.95	11.98
DJIM Asia/Pacific	4.79	5.34	9.51	13.07	44.51	23.77	-28.90	25.74
DJIM Europe	2.32	2.48	8.76	8.47	32.51	5.43	-37.52	8.15
DJIM US	4.52	3.43	5.69	2.64	23.99	5.88	-27.95	5.85

PERFORMANCE OF DJ TITANS INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM Titans 100	3.76	2.89	5.02	4.76	23.2	1.61	-28.44	2.69
DJIM Asia/Pacific Titans 25	3.75	3.13	4.50	8.54	32.3	11.48	-31.94	12.62

DESCRIPTIVE STATISTICS		Market Capitalization (US$ billions)						Component Weight (%)	
Index	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Large	Small
DJIM World	2532	14127.92	11029.43	4.36	0.84	356.19	0.00	3.23	0.00
DJIM Asia/Pacific	838	2186.10	1541.33	1.84	0.47	100.73	0.01	6.54	0.00
DJIM Europe	330	3286.36	2484.62	7.53	1.69	159.46	0.12	6.42	0.00
DJIM US	621	5935.12	5560.76	8.95	2.17	356.19	0.09	6.41	0.00
DJIM Titans 100	100	6106.13	5425.57	54.26	39.07	311.08	11.25	5.73	0.21
DJIM Asia/Pacific Titans 25	25	918.25	605.08	24.20	16.68	68.87	11.25	11.38	1.86

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

Anthony Yeung
Regional Director
Hong Kong, China, Philippines, Taiwan, Korea, Japan, Australia & New Zealand
Tel: +852 2831 2580
Anthony.yeung@dowjones.com

Ariff Sultan
Business Development Director
Malaysia, Singapore, Indonesia, India, Thailand, Pakistan, Sri Lanka & Bangladesh
Tel: +65 6415 4262
ariff.sultan@dowjones.com

Sumeet Nihalani
Senior Director Sales
Middle East
Tel: +971 4364 4968
sumeet.nihalani@dowjones.com

TOP ISSUERS OF ISLAMIC BONDS — JUNE 2008 – JUNE 2009

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Terengganu Investment Authority	Malaysia	Murabahah MTN	1,422	1	12.2	AmInvestment
2	Republic of Indonesia	Indonesia	Sukuk Ijarah	1,162	2	10.0	Barclays Capital , HSBC, Standard Chartered
3	Sun Finance	UAE	Mudarabah Sukuk Asset-backed Securities	1,093	1	9.4	Citigroup Global Markets, Abu Dhabi Commercial Bank, National Bank of Abu Dhabi, First Gulf Bank, Noor Islamic Bank
4	Sukuk Funding (No.2)	UAE	Sukuk Al Ijarah	1,021	1	8.8	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
5	Khazanah Nasional	Malaysia	Sukuk Musharakah	840	4	7.2	CIMB, AmInvestment
6	Cagamas	Malaysia	Murabahah MTN	833	4	7.2	HSBC, CIMB, Aseambankers
7	Danga Capital	Malaysia	Sukuk Musharakah	444	1	3.8	CIMB, AmInvestment
8	Penerbangan Malaysia	Malaysia	Murabahah MTN	411	1	3.5	CIMB, AmInvestment
9	PLUS SPV	Malaysia	Musharakah MTN	385	2	3.3	CIMB
10	Rantau Abang Capital	Malaysia	Sukuk Musharakah	381	1	3.3	CIMB
11	Islamic Republic of Pakistan	Pakistan	Sukuk	350	3	3.0	Standard Chartered (Pakistan), Dubai Islamic Bank Pakistan
12	MRCB Southern Link	Malaysia	Sukuk Istisna	320	2	2.8	HSBC, CIMB, RHB Investment Bank
13	Tamweel Sukuk	UAE	Sukuk	299	1	2.6	Standard Chartered, Dubai Islamic Bank, Badr Al Islami
14	RIM City	Malaysia	Bai Bithaman Ajil MTN	277	2	2.4	CIMB
15	Seafield Capital	Malaysia	Musharakah MTN	269	1	2.3	CIMB
16	Purple Island	Saudi Arabia	Sukuk Mudarabah	267	1	2.3	HSBC
17	Saudi Hollandi Bank	Saudi Arabia	Sukuk	207	1	1.8	Saudi Hollandi Bank
18	Projek Lintasan Shah Alam	Malaysia	Sukuk Ijarah	174	4	1.5	RHB Islamic Bank
19	Jimah Energy Ventures Holdings	Malaysia	Istisna MTN	149	2	1.3	AmMerchant Bank, Bank Muamalat Malaysia, RHB Investment Bank, MIMB Investment Bank, Bank Muamalat Malaysia, Aminvestment
20	Malaysia Debt Ventures	Malaysia	Murabahah MTN	145	1	1.3	Bank Islam Malaysia, RHB Investment Bank, CIMB
	Total			11,620	76	100.0	

For all enquires regarding the above information, please contact:

Jennifer Cheung (Media Relations)
Email: Jennifer.Cheung@Dealogic.com
Phone: +852 2804 1223

TOP ISSUERS OF ISLAMIC BONDS — MARCH 2009 – JUNE 2009

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Terengganu Investment Authority	Malaysia	Murabahah MTN	1,422	1	37.3	AmInvestment
2	Republic of Indonesia	Indonesia	Sukuk Ijarah	650	1	17.0	Barclays Capital , HSBC, Standard Chartered
3	Danga Capital	Malaysia	Sukuk Musharakah	444	1	11.6	CIMB, AmInvestment
4	Seafield Capital	Malaysia	Musharakah MTN	269	1	7.0	CIMB
5	Cagamas	Malaysia	Murabahah MTN	236	1	6.2	CIMB, HSBC, Aseambankers
6	Khazanah Nasional	Malaysia	Sukuk Musharakah	199	1	5.2	CIMB, Maybank Investment Bank
7	Islamic Republic of Pakistan	Pakistan	Sukuk	190	1	5.0	Standard Chartered (Pakistan), Dubai Islamic Bank Pakistan
8	Pinnacle Tower	Malaysia	Musharakah MTN	99	1	2.6	Aseambankers, AmInvestment
9	Putrajaya Holdings	Malaysia	Musharakah MTN	82	1	2.2	Commerce International, Maybank Investment Bank, AmInvestment
10	Jimah Energy Ventures Holdings	Malaysia	Istisna MTN	60	1	1.6	AmMerchant Bank, Bank Muamalat Malaysia, RHB Investment Bank, MIMB Investment Bank, Bank Muamalat Malaysia, Aminvestment
11	Projek Lintasan Shah Alam	Malaysia	Sukuk Ijarah	29	2	0.8	RHB Islamic Bank
12	Dawama	Malaysia	Musharakah MTN	29	1	0.8	MIMB Investment Bank
13	Tadamun Services	Malaysia	Sukuk Musharakah	27	1	0.7	CIMB, Standard Chartered, RHB Capital
14	TH Group	Malaysia	Sukuk Ijarah	24	1	0.6	Commerce International
15	Matahari Putra Prima	Indonesia	Sukuk Ijarah	20	1	0.5	Ciptadana Sekuritas, HSBC Securities Indonesia, Indo Premier Securities
16	TH Plantations	Malaysia	Murabahah MTN	14	1	0.4	BIMB Holdings, Maybank Investment Bank
17	Tesco Stores (Malaysia)	Malaysia	Sukuk	11	1	0.3	CIMB, Standard Chartered
18	Berlian Laju Tanker	Indonesia	Sukuk Ijarah	10	1	0.3	Andalan Artha Advisindo, Danatama Makmur
	Total			3,815	19	100.0	

ISLAMIC BONDS			JUNE 2008 – JUNE 2009	
	Manager or Group	Amt US$ m	Iss.	%
1	CIMB	2,731	32	23.5
2	AmInvestment	2,266	16	19.5
3	HSBC	996	11	8.6
4	Standard Chartered	643	10	5.5
5	Maybank Investment Bank	469	12	4.0
6	RHB Capital	400	11	3.5
7	Noor Islamic Bank	346	2	3.0
8	National Bank of Abu Dhabi	346	2	3.0
9	First Gulf Bank	346	2	3.0
10	Abu Dhabi Commercial Bank	346	2	3.0
11	Barclays Capital	344	2	3.0
12	Dubai Islamic Bank	227	2	2.0
13	Citigroup	219	1	1.9
14	Saudi Hollandi Bank	207	1	1.8
15	(Persero) Danareksa	204	3	1.8
16	Trimegah Securities	193	2	1.7
17	BIMB Holdings	178	4	1.5
18	Dubai Islamic Bank Pakistan	175	3	1.5
19	Bank Mandiri	171	1	1.5
20	Nomura	128	1	1.1
20	Credit Suisse	128	1	1.1
	Total	**11,620**	**76**	**100.0**

ISLAMIC BONDS			MARCH 2009 – JUNE 2009	
	Manager or Group	Amt US$ m	Iss.	%
1	AmInvestment	1815	6	47.6
2	CIMB	668	8	17.5
3	Standard Chartered	410	5	10.7
4	Maybank Investment Bank	262	5	6.9
5	HSBC	223	2	5.9
6	Barclays Capital	217	1	5.7
7	Dubai Islamic Bank Pakistan	95	1	2.5
8	RHB Capital	44	3	1.2
9	EON Bank	44	2	1.2
10	Bank Muamalat Malaysia	15	1	0.4
11	BIMB Holdings	7	1	0.2
12	Indo Premier Securities	7	1	0.2
13	Danatama Makmur	5	1	0.1
14	Andalan Artha Advisindo	5	1	0.1
	Total	**3,815**	**19**	**100.0**

ISLAMIC BONDS BY COUNTRY		JUNE 2008 – JUNE 2009	
	Amt US$ m	Iss.	%
Malaysia	6,972	56	60
UAE	2,414	3	21
Indonesia	1,375	10	12
Saudi Arabia	473	2	4
Pakistan	386	5	3
Total	**11,620**	**76**	**100**

ISLAMIC BONDS BY COUNTRY		MARCH 2009 – JUNE 2009	
	Amt US$ m	Iss.	%
Malaysia	2,946	15	77
Indonesia	679	3	18
Pakistan	190	1	5
Total	**3,815**	**19**	**100**

ISLAMIC BONDS BY CURRENCY		JUNE 2008 – JUNE 2009	
	Amt US$ m	Iss.	%
Malaysian ringgit	6,972	56	60.0
UAE dirham	2,414	3	20.8
Indonesian rupiah	725	9	6.2
US dollar	650	1	5.6
Saudi Arabian riyal	473	2	4.1
Pakistan rupee	386	5	3.3
Total	**11,620**	**76**	**100.0**

ISLAMIC BONDS BY CURRENCY		MARCH 2009 – JUNE 2009	
	Amt US$ m	Iss.	%
Malaysian ringgit	2,946	15	77
US dollar	650	1	17
Pakistan rupee	190	1	5
Total	**3,815**	**19**	**100**

For all enquires regarding the above information, please contact:

Jennifer Cheung (Media Relations)

Email: Jennifer.Cheung@Dealogic.com

Phone: +852 2804 1223; Fax: +852 2529 4377

ALL DATA AS OF THE 3rd JUNE 2009

SUKUK MANAGERS (12 months) JUNE 2008 - JUNE 2009

	Manager	Manager Commitment (in US$)	Issues	Market Share %
1	Malaysia (Government)	20,017,035,768	217	56.6
2	CIMB	3,705,734,663	155	10.5
3	AMMB Holdings	2,560,335,053	111	7.2
4	Malaysian Industrial Development Finance	1,228,855,789	311	3.5
5	HSBC Banking Group	889,400,758	53	2.5
6	Malayan Banking	832,344,457	116	2.4
7	UAE (Government)	722,026,696	6	2.0
8	RHB Banking Group	677,038,624	61	1.9
9	Standard Chartered	616,931,002	17	1.7
10	OCBC Bank	501,987,516	61	1.4
11	Affin Holdings	435,831,916	53	1.2
12	Barclays Bank	435,500,000	3	1.2
13	Citigroup	403,863,190	4	1.1
14	Indonesia (Government)	336,425,597	8	1.0
15	Cagamas	305,224,307	29	0.9
16	Danareksa Sekuritas	243,379,971	7	0.7
17	Hong Leong Financial Group	231,686,544	15	0.7
18	Trimegah Securities	216,532,738	5	0.6
19	OSK Holdings	171,067,582	20	0.5
20	Bukhary Capital	160,854,629	18	0.5

SUKUK MANAGERS (3 months) MARCH 2009 - JUNE 2009

	Manager	Manager Commitment (in US$)	Issues	Market Share %
1	Malaysia (Government)	4,770,017,033	57	43.8
2	AMMB Holdings	1,868,540,606	33	17.1
3	CIMB	1,647,078,448	58	15.1
4	HSBC Banking Group	512,962,041	16	4.7
5	Standard Chartered Bank	492,285,916	8	4.5
6	Barclays Bank	435,500,000	3	4.0
7	Malaysian Industrial Development Finance	259,227,716	70	2.4
8	Malayan Banking	249,148,215	32	2.3
9	RHB Banking Group	242,759,798	21	2.2
10	Affin Holdings	93,128,905	14	0.9
11	EON Capital	73,821,696	30	0.7
12	Cagamas	70,272,574	11	0.6
13	OSK Holdings	39,750,144	5	0.4
14	United Overseas Bank	29,812,606	4	0.3
15	Bukhary Capital	26,405,452	2	0.2
16	Hwang-DBS (Malaysia)	22,714,367	3	0.2
17	Hong Leong Financial Group	17,603,635	3	0.2
18	OCBC Bank	11,357,184	5	0.1
19=	DBS Group	7,952,950	1	0.1
19=	Indonesia (Government)	7,952,950	1	0.1

SUKUK ISSUERS (12 months) JUNE 2008 - JUNE 2009

	Issuer	Issuer Commitment (in US$)	Issues	Market Share %
1	Bank Negara Malaysia	12,691,652,470	189	30.6
2	Malaysia (Government)	5,366,269,165	22	13.0
3	Bank Indonesia	2,745,069,314	52	6.6
4	Khazanah Nasional	1,845,542,306	5	4.5
5	Terengganu Investment Authority	1,419,647,927	8	3.4
6	Indonesia (Government)	1,300,000,000	2	3.1
7	Perusahaan Penerbit SBSN Indonesia	1,133,270,382	4	2.7
8	SUN FINANCE	1,093,979,842	3	2.6
9	ALDAR PROPERTIES	1,021,520,022	1	2.5
10	Cagamas	1,013,628,620	30	2.4
11	DEWA Funding	871,697,085	1	2.1
12=	PLUS SPV	511,073,254	13	1.2
12=	Rantau Abang Capital	511,073,254	2	1.2
14	Danga Capital	454,287,337	2	1.1
15=	Penerbangan Malaysia	425,894,378	1	1.0
15=	ESSO Malaysia	425,894,378	12	1.0
17	Pakistan (Government)	348,311,445	3	0.8
18	Malakoff	340,715,503	2	0.8
19	Tamweel Sukuk	299,645,873	1	0.7
20	MRCB Southern Link	296,422,487	20	0.7

SUKUK ISSUERS (3 months) MARCH 2009 - JUNE 2009

	Issuer	Issuer Commitment (in US$)	Issues	Market Share %
1	Bank Negara Malaysia	2,782,509,938	49	22.4
2	Terengganu Investment Authority	1,419,647,927	8	11.4
3	Indonesia (Government)	1,300,000,000	2	10.5
4	Malaysia (Government)	1,277,683,135	6	10.3
5	Bank Indonesia	1,065,213,370	14	8.6
6	Khazanah Nasional	709,823,964	2	5.7
7	Danga Capital	454,287,337	2	3.7
8	Penerbangan Malaysia	425,894,378	1	3.4
9	Cagamas	281,090,290	11	2.3
10	Seafield Capital	269,733,106	9	2.2
11	ESSO Malaysia	212,947,189	5	1.7
12	PLUS SPV	211,527,541	6	1.7
13	Pakistan (Government)	191,682,301	1	1.5
14=	Projek Lebuhraya Utara Selatan	170,357,751	1	1.4
14=	Malakoff	170,357,751	1	1.4
16	Perusahaan Penerbit SBSN Indonesia	144,599,100	1	1.2
17	Pinnacle Tower	113,571,834	7	0.9
18	Putrajaya Holdings	85,178,876	3	0.7
19=	Tesco Stores (Malaysia)	73,821,692	4	0.6
19=	Jimah Energy Ventures	73,821,692	5	0.6

THOMSON REUTERS

Islamic Sukuk league tables reflect Shariah compliant bonds showing evidence of ownership of assets or their earnings. These results include (but are not limited to) the following securities/assets: Sukuk Salam, Sukuk Mudarabah, Sukuk Ijarah, Sukuk Murabahah, Sukuk Istisna and Sukuk Musharakah.

For more information please contact:

Aimee Webster Telephone: +1-646-223-6816 Email: aimee.webster@thomsonreuters.com

ALL DATA AS OF THE 3rd JUNE 2009

LOAN MANDATED LEAD ARRANGERS — JUNE 2008 - JUNE 2009

	Lender	Pro Rata ($)	Full Credit ($)	Deals	Market Share
1	Dubai Islamic Bank	1,546,261,546	5,715,375,701	6	9.5
2	Standard Chartered	1,029,661,546	6,001,375,701	9	6.3
3	HSBC Banking Group	862,619,511	7,115,597,556	6	5.3
4	Noor Islamic Bank	857,430,303	5,653,000,000	8	5.3
5	Calyon Corporate & Investment Bank	824,286,178	6,975,597,556	4	5.1
6	Samba Financial Group	784,686,178	3,971,597,556	4	4.8
7	Mashreqbank	758,584,615	3,954,770,283	6	4.7
8	Royal Bank of Scotland	640,530,303	6,875,000,000	4	3.9
9	Commercial Bank of Qatar	609,006,515	4,800,714,391	3	3.8
10	Emirates Bank	594,094,879	4,169,375,701	7	3.7
11	Al Hilal Bank	504,863,636	2,974,000,000	2	3.1
12	Qatar National Bank	450,000,000	2,775,000,000	2	2.8
13	BNP Paribas	430,833,333	3,380,000,000	4	2.7
14	Citi	398,489,712	3,240,741,391	4	2.5
15	Al Rajhi Banking & Investment Corp	361,786,178	2,225,597,556	2	2.2
16	National Bank of Abu Dhabi	359,350,000	2,593,700,000	2	2.2
17	National Commercial Bank	320,119,511	1,600,597,556	1	2.0
18	Union National Bank	313,558,333	465,350,000	2	1.9
19	Masraf Al Rayan	312,500,000	2,500,000,000	1	1.9
20	Al Khalij Commercial Bank	296,506,515	2,300,714,391	2	1.8
21	Deutsche Bank	225,013,500	2,400,027,000	2	1.4
22	Barclays Bank	204,400,000	2,522,000,000	2	1.3
23=	First Gulf Bank	179,766,849	1,847,225,701	2	1.1
23=	Abu Dhabi Islamic Bank	179,766,849	1,847,225,701	2	1.1
25	WestLB	177,000,000	785,000,000	2	1.1
26	Qatar Islamic Bank	173,476,212	840,714,391	2	1.1
27=	Brunei Investment & Commercial Bank	168,333,333	505,000,000	1	1.0
27=	Fortis Bank	168,333,333	505,000,000	1	1.0
29	Commercial Bank of Dubai	166,721,970	1,682,150,000	2	1.0
30	Development Bank of Singapore	166,666,667	500,000,000	1	1.0
31=	UBS	150,000,000	2,250,000,000	1	0.9
31=	Arab Banking	150,000,000	350,000,000	2	0.9
31=	JP Morgan	150,000,000	2,250,000,000	1	0.9
31=	Dubai Bank	150,000,000	2,250,000,000	1	0.9
31=	Morgan Stanley	150,000,000	2,250,000,000	1	0.9
36	Qatar International Islamic Bank	137,500,000	275,000,000	1	0.8
37=	Commerzbank	136,363,636	1,500,000,000	1	0.8
37=	Abu Dhabi Commercial Bank	136,363,636	1,500,000,000	1	0.8
37=	Standard Bank Group	136,363,636	1,500,000,000	1	0.8
40	Industrial & Commercial Bank of China	127,000,000	635,000,000	1	0.8
41	National Bank of Bahrain	125,000,000	250,000,000	1	0.8
42	China Construction Bank	54,400,000	272,000,000	1	0.3
43	Kuwait Finance House	51,666,667	155,000,000	1	0.3
44	Islamic Bank of Asia	50,000,000	150,000,000	1	0.3
45	Gulf International Bank	46,850,000	93,700,000	1	0.3
46=	Ajman Bank	43,403,213	347,225,701	1	0.3

LOAN BOOKRUNNERS (12 Months) — JUNE 2008 - JUNE 2009

	Lender	Pro Rata (US$)	Full Credit (US$)	Deals	Market Share %
1	HSBC Banking Group	1,695,298,778	6,390,597,556	4	11.7
2	Calyon Corporate & Investment Bank	1,581,548,778	4,725,597,556	3	11.0
3	Noor Islamic Bank	1,322,000,000	5,503,000,000	7	9.2
4	Citi	1,145,727,891	3,240,741,391	4	7.9
5	Standard Chartered	1,121,362,851	5,042,225,701	6	7.8
6	Dubai Islamic Bank	745,500,000	4,359,000,000	3	5.2
7	BNP Paribas	702,500,000	2,655,000,000	2	4.9
8	Qatar National Bank	625,000,000	2,500,000,000	1	4.3
9	Al Hilal Bank	618,500,000	2,974,000,000	2	4.3
10	Mashreqbank	539,863,042	713,475,892	3	3.7
11	Samba Financial Group	524,750,000	2,099,000,000	2	3.6
12	Royal Bank of Scotland	500,000,000	3,750,000,000	2	3.5
13	Emirates Bank	377,000,000	1,135,000,000	2	2.6
14	Union National Bank	283,200,000	283,200,000	1	2.0
15=	National Bank of Bahrain	250,000,000	250,000,000	1	1.7
15=	Al Khalij Commercial Bank	250,000,000	1,500,000,000	1	1.7
15=	First Gulf Bank	250,000,000	1,500,000,000	1	1.7
15=	Standard Bank	250,000,000	1,500,000,000	1	1.7
15=	JP Morgan	250,000,000	2,250,000,000	1	1.7
15=	Dubai Bank	250,000,000	2,250,000,000	1	1.7
15=	Barclays Bank	250,000,000	2,250,000,000	1	1.7

ISLAMIC LOANS RAISED (12 Months) — JUNE 2008 - JUNE 2009

	Borrower	Country	Islamic Loan Amount (US$)
1	Qatari Diar Real Estate Investment	Qatar	2,500,000,000
2	Investment Corp of Dubai	UAE	2,250,000,000
3	Saudi Electricity	Saudi Arabia	1,600,597,556
4	Dubai Financial	UAE	1,500,000,000
5	Dubai Electricity & Water Authority	UAE	1,474,000,000
6	Borse Dubai	UAE	827,000,000
7	Al-Faisal Holding	Qatar	800,714,391
8	Dubai Department of Civil Aviation	UAE	635,000,000
9	Saudi Arabian Mining	Saudi Arabia	625,000,000
10	Brunei Gas Carriers	Brunei	505,000,000
11	Enoc Supply & Trading	UAE	500,000,000
12	Al Ghurair Centre	UAE	347,225,701
13	Dubai Holding	UAE	300,000,000
14	Arkan Building Materials	UAE	283,200,000
15	Qatar Real Estate Investment	Qatar	275,000,000
16	Emirates Group	UAE	272,000,000
17	Bahrain Mumtalakat Holding	Bahrain	250,000,000
18	Barwa Real Estate	Qatar	190,580,000
19	Al Jaber Group	UAE	184,100,191
20	Emirates District Cooling	UAE	182,150,000

ALL DATA AS OF THE 3rd JUNE 2009

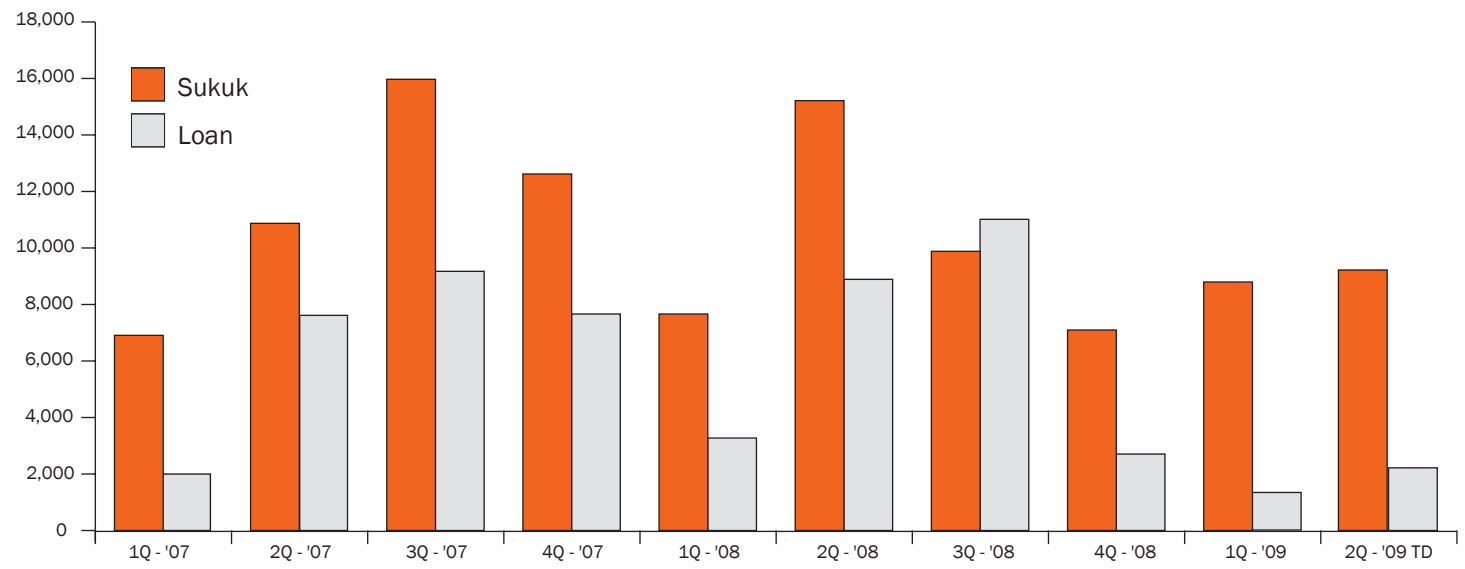
SUKUK BY COUNTRY	(12 Months)	JUNE 2008 - JUNE 2009
Country	Volume Issued	Volume Outstanding
Malaysia	31,763,957,978	18,579,344,691
Indonesia	4,121,266,185	1,693,350,896
Cayman Islands	1,171,342,958	1,171,342,958
Jersey	1,093,979,842	1,093,979,842
UAE	1,021,520,022	1,021,520,022
Eurobond	650,000,000	650,000,000
US	650,000,000	650,000,000
Pakistan	368,323,952	368,323,952
Bahrain	305,120,722	111,435,394
Saudi Arabia	206,666,667	206,666,667
Singapore	67,944,014	67,944,014

LOANS BY COUNTRY	(12 Months)	JUNE 2008 - JUNE 2009
Country	Volume (US$)	Market Share(%)
UAE	8,950,702,892	55.1
Qatar	3,766,294,391	23.2
Saudi Arabia	2,225,597,556	13.7
Brunei	505,000,000	3.1
Kuwait	405,000,000	2.5
Bahrain	343,700,000	2.1
Turkey	40,000,000	0.2

SUKUK BY INDUSTRY	(12 Months)	JUNE 2008 - JUNE 2009
Industry	Volume Issued	Volume Outstanding
Sovereign	22,713,971,538	10,864,659,394
Other financial	10,814,614,906	9,481,991,396
Agency	3,098,063,114	3,041,277,197
Manufacturing	2,150,693,328	759,237,337
Service company	1,002,181,457	607,803,263
Energy company	573,503,598	190,198,657
Transportation	352,038,521	140,510,980
Banks	293,721,995	293,721,995
Consumer goods	203,834,111	128,592,770
Electric power	131,469,109	105,915,446
Gas distribution	86,030,664	-

LOANS BY INDUSTRY	(12 Months)	JUNE 2008 - JUNE 2009
Industry	Volume (US$)	Market Share(%)
Financial services	3,502,850,000	21.6
Utilities	3,074,597,556	18.9
Real estate	3,030,000,000	18.7
Government	2,885,000,000	17.8
Business services	950,741,391	5.9
Construction	657,880,191	4.1
General Manufacturing	625,000,000	3.8
Oil and gas	551,000,000	3.4
Retail and supermarkets	387,225,701	2.4
Telecommunications	300,000,000	1.8
Transportation	272,000,000	1.7

GLOBAL ISLAMIC VOLUME SUKUK/LOANS (US$ IN MILLIONS)



FTSE Shariah Global Equity Index Series

The FTSE Shariah All-World Index in May finished the month in positive territory, up 9.9%, with Emerging markets outperforming Developed markets by 8.1% over the period. The best performing region in May was Latin America, with a performance of 22.7%, followed by Emerging Europe with a performance of 22.3%. India was the best performing country with a performance of 33.2%, with Peru being the second best performing country finishing the month on 31.6%. Both Ireland and Korea were the worst performers in May with a performance of -6.5% and 2.6%, respectively.

Index	No. of constituents	Performance based on percentage (%)						
		1 Month	3 Months	6 Months	Year-to-Date	1 Year	3 Years	5 Years
FTSE SHARIAH GLOBAL EQUITY INDEX SERIES								
FTSE Shariah All World Index	1266	9.88	29.95	15.51	11.36	-31.87	-7.93	22.84
FTSE Shariah ASEAN Index	63	13.33	38.13	38.97	26.31	-35.10	22.04	77.10
FTSE Shariah Asia Pacific ex Japan Index	395	14.25	51.87	47.50	34.47	-29.90	16.84	98.16
FTSE Shariah Asia Pacific Index	652	12.24	37.81	28.25	18.29	-29.35	-6.68	41.07
FTSE Shariah Dev Asia Pacific ex Japan Index	128	16.15	45.16	37.99	28.10	-31.62	26.75	125.41
FTSE Shariah Developed Asia Pacific Index	385	11.91	30.75	19.15	10.90	-29.67	-12.71	28.46
FTSE Shariah Developed Europe Index	201	11.85	32.02	14.42	8.88	-36.01	-10.37	29.55
FTSE Shariah Developed ex Japan Index	607	8.61	26.57	10.88	7.94	-31.50	-7.72	18.67
FTSE Shariah Developed ex US Index	617	12.38	32.07	17.32	10.92	-33.33	-8.51	35.10
FTSE Shariah Developed Index	864	8.80	26.39	11.06	7.50	-31.13	-9.81	16.97
FTSE Shariah Emerging Index	402	16.92	57.09	53.36	43.00	-36.55	8.63	103.35
FTSE Shariah Europe Index	231	12.51	33.98	15.83	10.98	-37.49	-11.30	30.22
FTSE Shariah Eurozone Index	108	11.65	37.79	17.41	6.52	-38.92	-10.40	31.71
FTSE Shariah Japan 100 Index	100	7.25	21.70	10.37	2.02	-30.80	-24.94	5.68
FTSE Shariah Latin America Index	60	22.67	54.89	60.72	53.51	-41.90	36.12	249.00
FTSE Shariah Middle East & Africa Index	53	15.87	36.79	39.05	25.15	-26.62	14.47	112.42
FTSE Shariah Multinational 150 Index	155	8.04	23.71	8.36	5.97	-29.67	-4.42	20.95
FTSE Shariah North America Index	270	6.08	22.16	6.54	5.41	-28.87	-9.17	7.54
FTSE Shariah USA Index	247	5.21	20.81	5.10	4.01	-28.57	-11.10	2.70
FTSE BURSA MALAYSIA INDEX SERIES								
FTSE Bursa Malaysia EMAS Shariah Index	229	8.79	28.54	32.93	23.49	-11.77	36.83	54.23
FTSE Bursa Malaysia Hijrah Shariah Index	30	6.69	24.84	29.19	20.41	-15.52	54.85	93.53
FTSE DIFX SHARIAH INDEX SERIES								
FTSE DIFX Qatar 10 Shariah Index	10	18.63	58.79	39.72	12.22	-36.52	-	-
FTSE DIFX Kuwait 15 Shariah Index	15	9.59	40.20	-13.71	2.15	-49.05	-	-
FTSE SGX SHARIAH INDEX SERIES								
FTSE SGX Asia Shariah 100 Index	100	8.87	28.87	19.34	10.38	-31.04	-15.37	18.77
FTSE SET INDEX SERIES								
FTSE SET Shariah Index	55	20.17	46.97	53.84	31.41	-34.44	15.57	56.87
TSEC TAIWAN INDEX SERIES								
TSEC Taiwan Shariah Index	64	12.68	51.91	50.29	45.06	-23.35	4.09	39.01

Source: FTSE Group, price return data in USD as at the 29th May 2009

EVENTS DIARY 2009

DATE	EVENT	VENUE	ORGANIZER
June			
11th – 12th	International Islamic Business and Finance Summit 2009	Kazan	IFC Linova
29th – 30th	5th International Islamic Finance Forum Asia 2009	Kuala Lumpur	Informa
30th – 2nd	The Takaful Summit 2009	London	Middle East Business Forum
July			
2nd – 3rd	2009 London Sukuk Summit	London	ICG Events
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*
3rd	4th World Islamic Infrastructure Finance Conference	Doha	MEGA 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

Islamic Finance *news* team

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

EDITORIAL TEAM

Managing Editor S.Sivaselvam
Sivaselvam@REDmoneyGroup.com

Editor Raphael Wong
Raphael.Wong@REDmoneyGroup.com

Senior Copy Editor Mary Zachariah
Mary.Zachariah@REDmoneyGroup.com

Copy Editor Sasikala Thiagaraja
Sasikala@REDmoneyGroup.com

Senior Writer Elmira Azlan
Elmira.Azlan@REDmoneyGroup.com

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

Senior Correspondent Jennifer Jacobs
Jennifer.Jacobs@REDmoneyGroup.com

Correspondents Kamal Bairamov, Shirene Shan

Features Editor Shabnam Mokhtar
Shabnam.Mokhtar@REDmoneyGroup.com

Forum Editor Christina Morgan
Christina.Morgan@REDmoneyGroup.com

Publishing Manager Melisa Idris
Melisa.Idris@REDmoneyGroup.com

Production Manager Hasnani Aspari
Hasnani.Aspari@REDmoneyGroup.com

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

Yazid Yahya
Yazid.Yahya@REDmoneyGroup.com

SALES TEAM

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

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

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

Sheikh Mohd Rasyidien Sheikh Razman
Rasyidien.Razman@REDmoneyGroup.com
Tel: +603 2162 7800 x 29

MARKETING TEAM

Marketing Manager Deepa Kaliperumal
Deepa.Kaliperumal@REDmoneyGroup.com

Administration & Marketing Assistant Dhana Dorasamy
Dhana@REDmoneyGroup.com

Financial Controller Faizah Hassan
Faizah.Hassan@REDmoneyGroup.com

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

Managing Director Andrew Tebbutt
Andrew.Tebbutt@REDmoneyGroup.com

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

Individual Subscription Rate: US$675/Year
Company-Wide Subscription Rate: US$2,950/Year

Company Index

Country Index