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Conquering the West

This issue's focus includes an in-depth look at developments related to Islamic finance in France and Luxembourg. The outlook for this sector continues to be encouraging in the rest of Europe too, with advances being made in the Netherlands, Germany, Italy and Spain, and with Malta wanting to be the Mediterranean's Islamic finance center.

While London is trying to brand itself as the industry's hub for Europe, Paris is determined to challenge this. It has been tinkering with its legal lattice to facilitate this; as our reports note, French law is based on principles that are similar to those of Shariah.

Luxembourg, one of the world's leading financial centers, is also positioning itself to be the premier European center for Islamic finance. Islamic finance in Luxembourg has seen remarkable growth, and can lay claim to the fact that it hosted the first Islamic financial institution in a non-Muslim country, way back in 1978.

Paving the way in Europe are domestic and Middle East Islamic finance institutions and their focus is almost entirely on asset management. That could change in the coming months, should the initiatives being pursued in the conventional finance sphere come through.

President Nicolas Sarkozy of France has outlined plans for a national loan to rebuild and redesign French industry, forming a blue ribbon panel to work out how best to spend the money. The bond is speculated to raise between EUR80 billion (US$114.1 billion) and EUR100 billion (US$142.6 billion).

The funding will go towards the advancement of a knowledge economy, competitiveness and industrial innovation. Sarkozy said the money would be used to set France's industrial focus in a high-tech direction, such as "nanotechnology, biotechnology and energy storage". Aren't projects in these fields right up the alley for Islamic finance practitioners?

While the conventional finance sector will most likely get the lion's share of the financing, it would be good to see Islamic finance institutions also making a case for their involvement. For instance, part of the bond issue could be in the form of Sukuk, which could draw participation from the Middle East and Asia. The Islamic finance players could also be competitive in bidding for the various "real economy" projects and activities.

The conventional sector is providing other opportunities as well, mainly due to its stubbornness to stick to its old ways, showing that it refuses to learn from the global financial crisis.

The talk is once more of "flexibility" and "innovation", of "liquidity" and "competitiveness". These are among the seductive words the conventional players had used to lure clients in the "good old days" and these words are being more frequently used now.

Conventional finance, going by the trend it is sticking to, is in fact on a "beggar thy neighbor" strategy as opposed to the "prosper thy neighbor" approach of Islamic finance.

With Europe continuing to be plagued by problems caused by conventional finance, it is developing into a land of plentiful opportunities for Islamic finance practitioners. However, for them to establish a gainful presence, they need to show not only initiative but also out-of-the-box thinking.

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- **BNP Paribas Securities Services** appoints Karen Ng as head of institutional investors relationship management
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ASIA

Risk management boost

MALAYSIA: Bank Islam Malaysia has signed a partnership deal with analytical software developer SAS Malaysia to leverage on its Risk Intelligence Solution and strengthen the lender's risk management framework.

The first phase of the bank's risk management system will be completed in January and the second in April next year. The first phase will deal with credit and market risks, while the second will study operational risk.

Chief risk officer Jeroen Thijs said the solution was part of the bank's plan to position itself as Malaysia's leading Islamic financial institution with complete adherence to global Shariah standards.

Sukuk to the rescue

MALAYSIA: Sime Darby, the world's largest listed oil palm plantation group, may introduce a Sukuk program for up to US$1.14 billion to refinance the company's working capital and debts.

The firm had previously tapped the market through a Sukuk issue of over RM1 billion (US$283 million), which was given the highest rating of 'AAAID' by the Malaysian Rating Corporation.

Maveric's new market

INDIA: Maveric Systems, an independent software testing company with a strong presence in India, the Middle East, the UK and the US, is to launch operations in Malaysia to tap the growing Islamic banking sector. It will invest US$750,000 to focus on transformation testing in the banking, insurance and the government sectors in Malaysia.

"Our expertise in Islamic banking in the Middle East, as well as our success in the Saudi market within six months of operations, will stand us in good stead," said director P Venkatesh.

Maveric also announced its partnership with Malaysia University of Science and Technology (MUST) to introduce short-term courses and workshops in Takaful and Islamic banking in line with software testing.

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Sukuk tax waiver

SOUTH KOREA: The government plans to exempt interest-income tax for foreign investors wishing to buy Sukuk issued by local firms to encourage fund raising from Islamic bond markets.

Foreign nationals are now exempted from such taxes on investments in foreign currency-denominated bonds issued by South Korean companies, but the rule does not apply to Sukuk because of the different structure of Islamic bonds.

The Ministry of Strategy and Finance said it plans to implement the Sukuk tax exemption from the beginning of next year, once parliament approves the revision of related laws.

There are no South Korean Sukuk deals yet.

Islamic banking lift

MALAYSIA: Banking group RHB Capital has recorded a second-quarter net profit of RM301.5 million (US$85.5 million), up 11% from the corresponding quarter last year, driven mainly by its Islamic banking business.

Income from Islamic banking in the second quarter advanced 43% to RM101.3 million (US$28.7 million), while earnings per share stood at 14 sen (US$0.04) compared with 12.6 sen (US$0.036) a year earlier.

For the first six months, the group's net profit grew 7.4% to RM530.2 million (US$150.6 million) from the corresponding period last year.

Meezan's profit up 14%

PAKISTAN: The country's largest Islamic lender, Meezan Bank, has posted a half-year net profit of PKR506 million (US$6.15 million), an increase of 15% compared to PKR443 million (US$5 million) in the same period last year, despite tough economic conditions.

Income in the core banking business jumped 66% in the first six months, while deposits gained 16% to PKR81.5 billion (US$9.85 billion).

Earnings per share rose to PKR0.96 (US$0.012) for the first half of this year compared to PKR0.87 (US$0.010) last year.

Foreign currency account

MALAYSIA: Affin Islamic Bank, a wholly owned subsidiary of Affin Bank, has launched a Shariah compliant foreign currency deposit product based on the Mudarabah principle.

To open an account, a customer needs to place an initial deposit of RM3,510 (US$1,000), or its equivalent, in other major currencies obtained from export proceeds, receivables, education or employment needs.

Islamic property fund

AUSTRALIA: MCCA Asset Management, a subsidiary of Islamic mortgage originator MCCA, has launched a Shariah compliant retail managed investment mortgage fund. The MCCA Income Fund is targeted at

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members, as well as local and overseas Shariah compliant institutional investors.

The funds will be used to invest in Shariah compliant financing for residential and commercial purposes, according to managing director Chaaban Omran.

The creation of the fund is a departure from MCCA's central business, with the company offering mortgage origination services for the past 20 years.

First for India

INDIA: The Kerala government, in partnership with a few private entrepreneurs, will set up the nation's first government-controlled Islamic investment company.

The Shariah compliant investment firm will initially introduce Islamic leasing, which does not require any regulatory approvals, and disburse housing loans a year later.

The Kerala State Industrial Development Corporation (KSIDC), the industrial and investment promotion agency of the Kerala state government, has initiated the process for registering the company with an authorized capital of US$102.4 million.

It will hold a permanent stake of 11% while the entrepreneurs will hold 51% when the investment company is floated.

Bank Rakyat may top up

MALAYSIA: Bank Kerjasama Rakyat Malaysia (Bank Rakyat) may boost its RM2 billion (US$568 million) paid-up capital by RM500 million (US$142 million).

"We hope to complete our study by the end of the year, and if we decide to go ahead, the proposal may be tabled at our annual general meeting in April," said managing director Kamaruzaman Che Mat.

Members of the Shariah compliant cooperative bank have requested for a top-up because the bank's current paid-up capital has been fully subscribed.

Islamic banking driver

MALAYSIA: The country's biggest lender, Malayan Banking (Maybank), recorded a 10% increase in net income to RM10.5 billion (US$3.1 billion) for the year ended June 2009, boosted by Islamic banking income which grew by almost 27%.

However, net profit for the year plunged 76% to RM691.9 million (US$195.8 million) year-on-year due to write-downs of overseas acquisitions and higher provisions for bad debts.

Islamic facility for Olam

SINGAPORE: Asia-Pacific's biggest food distributor, Olam International, has agreed to a US$100 million Islamic revolving trade-finance facility arranged by The Islamic Bank of Asia.

Separately, Olam will borrow loans worth US$540 million from nine banks to repay maturing debt and help finance acquisitions. The agreements comprise a US$324 million three-year loan and a US$216 million five-year facility.

Growth targets

MALAYSIA: Bank Simpanan Nasional (BSN), the country's Shariah compliant national savings bank, aims to give out RM250 million (US$71 million) in personal financing during the ongoing countrywide Islamic banking campaign that ends in September.

It is also targeting disbursing between RM100 million (US$28.3 million) and RM150 million (US$42.4 million) in home loans, while its Islamic savings accounts are

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expected to rake in RM120 million (US$34 million) in turnover. BSN has over seven million customers among Malaysia's 28 million people.

MIDDLE EAST

Saad Sukuk dissolution?

UAE: Holders of the US$650 million Sukuk issued by a unit of Saad Group, the troubled Saudi conglomerate, have been asked to vote on dissolving the Islamic bond.

Citicorp Trustee, the custodian of the Sukuk, said a "dissolution event" had taken place, triggering the bondholder vote.

The bond would be dissolved if 25% of the Sukuk holders agree to the proposal, or if Citi is directed by an extraordinary resolution by the holders.

A dissolution of the Islamic bond issued via the Golden Belt 1 Sukuk Company — a special purpose vehicle registered in Bahrain — could be a step towards bondholders claiming their money back from the Saad Group.

The Sukuk was issued in 2007 by Saad Trading Contracting & Financial Services and matures in 2012. The next coupon payment is scheduled for November.

Restructuring begins

UAE: Dubai Holding has merged the portfolios of its property subsidiaries — Dubai Properties, Sama Dubai and Tatweer — as part of its ongoing restructuring plans.

The state-owned firm has also completed the consolidation of its business parks, which integrates the existing operations of Tecom, Dubai Healthcare City and Dubai Industrial City.

Dubai Holding announced last week it would reorganize its companies into property, business parks, hospitality, and investment units to streamline operations and cuts costs during the economic downturn.

Time for a turnaround

UAE: Mashreq Capital, a specialist fixed income asset manager and broker, hopes to turn profitable this year after three years of operation, said CEO Abdul Kadir Hussain. The company was set up in the middle of 2006.

"We survived last year, which was a disastrous year for fixed income. However, this year our funds have shown positive returns. We are slightly in the black and we'll grow from here," he said.

The company refused to disclose its projected profit as its parent company, Mashreq Group, does not disclose segmental profitability.

AUB ahead of schedule

BAHRAIN: Ahli United Bank (AUB), which also offers Shariah compliant banking, will repay US$400 million of a US$1.2 billion syndicated loan by the end of August, ahead of its maturity date.

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The three-year loan facility was signed in October 2006 with 51 international banks and was then the largest financing deal ever secured by a Middle Eastern bank.

The loan will be refinanced by a two-year US$800 million forward start facility signed last September.

Strategic partnership

BAHRAIN: Gulf Finance House (GFH) plans to establish a joint Islamic financial services platform in the Middle East with Macquarie Group, Australia's largest investment bank.

The platform will offer a broad range of wholesale Shariah compliant financial services solutions to the Middle East and North Africa (MENA) region.

The proposed partnership includes a joint presence based in the region and about a US$100 million convertible Murabahah investment by Macquarie in the Islamic investment bank, as part of GFH's current capital management efforts.

(Also see IFN Report on page 12)

Gold for Morgan Stanley

UAE: Dubai Gold Securities (DGS), the only Shariah compliant exchange-traded commodity in the Middle East and North Africa region, has accepted Morgan Stanley to trade the product on the NASDAQ Dubai stock exchange.

Morgan Stanley will be able to redeem the DGS and take physical delivery of the underlying physical gold bullion.

DGS, listed on the NASDAQ Dubai in March, has attracted interest from Islamic financial institutions, asset managers and private banks, who view it as a cost-effective, efficient, Shariah compliant alternative to a physical gold trade.

Mashreq targets SMEs

UAE: Shariah banking service provider Mashreq is targeting small- and medium-sized enterprises (SMEs) to achieve growth over the long term. "For starters, growth in the current economic situation will come from this segment rather than from large corporates," said Ali Moosa, who is in charge of the bank's expansion strategy in Abu Dhabi and Al Ain.

SMEs are becoming increasingly important to Middle East economies and account for 30% of the gross domestic product in the UAE alone.

Mashreq, one of the largest UAE banks, will open 10 more branches over the next two years.

Second Ijarah facility

BAHRAIN: National carrier Gulf Air, which recently put in place a restructuring plan, has signed a US$70 million Ijarah facility with Bahrain Islamic Bank to partially finance the purchase of eight A320s.

The four-year medium-term loan is the second credit facility for the carrier from Bahrain Islamic Bank within a month.

The bank had recently contributed to a US$140 million syndicated Ijarah facility for Bahrain's sovereign wealth fund, Mumtalakat, which owns Gulf Air.

Nakheel sells stake

UAE: Nakheel has sold its stake in Mirvac Group, an Australian real estate investment trust, to Deutsche Securities Australia for AU$200 million (US$166 million).

Dubai's state-owned real estate developer has been struggling after its property sales were battered following the global financial meltdown.

Investors are also eager to see how, or whether, Nakheel will be able to pay off its maturing US$3.52 billion Sukuk in December.

Islamic funds down

GCC: Islamic funds in the Gulf Cooperation Council (GCC) region underperformed their conventional peers during the first half of the year by gaining only 4.68% against 16.03%, according to Lipper, a fund research and analysis firm.

In its GCC Fund Market Insight Report, Lipper said equity was the best-performing asset class, gaining almost 10% due mainly to the robust results from funds in Emerging Markets Global and Emerging Markets Asia, which both increased over 40%.

The five Lipper Islamic Indices confirmed these trends, with the Islamic Equity Funds Index headlining with an improved return of 11.4% for the first half of the year.

Mudarabah goes high tech

UAE: ADCB Meethaq, the Islamic banking unit of Abu Dhabi Commercial Bank (ADCB), has approved a AED300 million (US$81.68 million) Mudarabah medium-term facility for Dubai Silicon Oasis Authority to partly finance its developments.

Dubai Silicon Oasis is a free zone technology park for semiconductor, microelectronic and other high technology-based companies.

ASIA

Staff Takaful scheme

MALAYSIA: Takaful Ikhlas has launched a comprehensive Takaful financial protection scheme for staff of the immigration department. Besides savings for retirement, the scheme includes coverage for accidents, death, hospitalization benefits, and 40 critical illnesses.

Takaful Ikhlas aims to sign on 2,000 new members with a contribution of about RM1 million (US$284,000) in the first year.

StudentCare Takaful

BRUNEI: Islamic insurance provider Takaful IBB has launched the StudentCare Takaful to provide coverage for local students studying abroad. The package consists of medical insurance and coverage against risks, such as loss of baggage, laptops and other belongings, as well as trip cancellations/ curtailment, and death by accident or natural causes.

A "compassionate passage" is also included in the benefits to cover the expenses incurred for a student's return home in an emergency.

Shariah compliant option

INDIA: Shriram Life Insurance will be launching a pension plan that offers customers a Shariah compliant option. Insurance regulator, Insurance Regulatory and Development Authority, has approved the new plan.

The firm, which has been focusing only on its customer base in South India, is now looking at other markets in the rest of the country for expansion.

Shriram Life Insurance is a joint venture between the Shriram Group of India and Sanlam Group, one of the largest providers of life insurance in South Africa.

EUROPE

Halal business insurance

UK: Salaam Halal Insurance, the UK's first Shariah compliant motor insurance provider, plans to launch a range of commercial line products in the first quarter of next year for UK Muslims who own businesses.

"The decision to introduce such a range builds on the strategy that the company tested with its first Shariah compliant UK motor policy in July 2008, which was well accepted," said CEO Bradley Brandon-Cross.

In a separate move, the Islamic Bank of Britain, which launched Scotland's first Islamic mortgage earlier this year, plans to introduce Shariah compliant pension funds in the coming year.

It said research among its existing mortgage customer base, a large proportion of whom are professionals, identified a clear demand for Islamic pension products.

MIDDLE EAST

'Islamic' pension fund

TURKEY: Anadolu Hayat Emeklilik, the second-largest pension insurance firm in the country in terms of assets under management, may launch an interest-free pension fund.

The TRY1.74 billion (US$1.2 billion) fund, yet to be named, will not be called Islamic or Shariah compliant, according to assistant general manager Ugur Erkan, so as not to drive away some of the firm's existing and more secular customers.

The firm will focus on developing new products for its female customers that make up 39% of all its contributing members.

Higher paid-up capital

BAHRAIN: Takaful International, the first Islamic insurance company in the region, will increase its paid-up capital by BN$1 million (US$693,000) to BN$6.3 million (US$4.4 million) through a rights issue.

The move is to support its underwriting operations and the expansion of business, as well as to enhance underwriting capacity of its insurance portfolios.

The company has also developed several strategic plans to expand its insurance activities and its ability to participate in large-scale projects in the region.

ASIA

Debt facility cancelled

MALAYSIA: The 'A3/P2' ratings assigned by RAM Ratings on Minetech Resources' RM100 million (US$28 million) partially underwritten Murabahah notes issuance facility/Islamic medium term notes issuance facility (2006/2013) are no longer applicable.

The turnkey quarry operator has redeemed the outstanding amount in full, thus cancelling the debt facility. RAM Ratings no longer has any rating obligation on the debt program.

RAM reaffirms Formis

MALAYSIA: RAM Ratings has reaffirmed the respective long- and short-term ratings of 'BBB1' and 'P2' for Formis Resources' (Formis) RM80 million (US$23 million) Murabahah underwritten notes issuance facility/Islamic medium term notes facility (MUNIF/IMTN) (2005/2012). The outlook on its long-term rating has been revised from negative to stable.

The ratings reflect Formis' strong operating track record and vast experience in the Malaysian information, communication and technology (ICT) industry. The ratings are also supported by its healthy balance sheet.

Sound asset quality

MALAYSIA: RAM Ratings has reaffirmed its 'AA1' rating on Standard Chartered Bank Malaysia's RM186.2 million (US$53 million) Islamic payment notes and RM500 million (US$142 million) subordinated bonds.

The bank's long- and short-term financial institution ratings have been reaffirmed at 'AAA' and 'P1' respectively. All the long-term ratings have a stable outlook.

The bank's asset quality remained sound, supported by vigilant loan monitoring and a good risk-management framework. The overall gross and net non-performing-loan ratios of the bank and wholly owned Islamic unit, Standard Chartered Saadiq, came up to a respective 2.7% and 1.8% as at end-March 2009, comparing well against its 'AAA'-rated peers.

Highly stable cash flow

MALAYSIA: RAM Ratings has reaffirmed the enhanced 'AA3(s)' rating of multi-purpose port facility owner and operator Lumut Maritime Terminal's (LMT) RM60 million (US$17 million) Bai Bithaman Ajil Islamic Debt Securities (BaIDS) with a stable outlook.

The credit profile is supported by LMT's highly stable cash flow-generating ability, laudable operating track record and 20-year port exclusivity. The enhanced rating reflects the satisfactory level of its structural enhancement via the ring fencing of the fixed payment receivables towards the redemption of the BaIDS.

Vigorous loan monitoring

MALAYSIA: RAM Ratings has reaffirmed OCBC Bank (Malaysia)'s long- and short-term financial institution ratings at 'AA1' and 'P1' respectively.

The ratings of OCBC's RM200 million (US$57 million) Islamic subordinated bonds and RM400 million (US$114 million) subordinated bonds have been reaffirmed at 'AA2', while the ratings of the RM400 million innovative Tier-1 capital securities and RM400 million preference shares issue have been reaffirmed at 'AA3'. All the long-term ratings have a stable outlook.

The ratings reflect the bank's healthy asset quality and commendable performance, supported by strong funding and liquidity positions, as well as a comfortable capitalization level. The bank has been able to safeguard its asset quality through stringent credit-underwriting standards and vigilant loan monitoring.

MIDDLE EAST

Upgrade for Emaar

UAE: Investment bank EFG-Hermes has upgraded Emaar Properties to a 'neutral' rating from 'reduce' in the short term, due to its better-than-expected second-quarter results and its stronger performance in the second half.

However, the firm would not increase the long-term 'neutral' rating of Emaar, the largest property developer in the UAE, citing a lack of transparency in the potential merger with three property companies of Dubai Holding.

Though Emaar made a loss of AED1.3 billion (US$354 million) in the second quarter, EFG-Hermes said the property developer would have reported a second-quarter net profit of AED413 million (US$112 million), if not for the one-off writedown of AED1.7 billion (US$463 million) for its US subsidiary, JL Homes.

Moody's downgrades HBME's ratings

UAE: Moody's Investors Service has downgraded the bank financial strength rating (BFSR) of HSBC Bank Middle East (HBME) to 'C' from 'C+' and its long-term local currency debt rating and foreign currency deposit and debt ratings to 'Aa3' from 'Aa2'.

The bank's short-term local currency and foreign currency deposit ratings remain unchanged at 'Prime-1'. The ratings outlook is stable.

The downgrade reflects the likelihood that HBME will encounter pressure on its profitability and asset quality in the countries in which it operates, especially in the UAE, which accounts for 70% of the bank's operations. The rating agency has also taken into consideration the recent deterioration in HBME's loan book, both in its corporate loans and in its weakening retail banking exposure.

HBME offers a full range of banking services, including Islamic and private banking in the Middle East.

Negative funding trends

UAE: Investment bank Goldman Sachs has revised its ratings on four UAE banks. First Gulf Bank's rating has been lowered to 'neutral', while Dubai Islamic Bank and Abu Dhabi Commercial Bank have been raised to 'neutral'. National Bank of Abu Dhabi was downgraded to 'sell' from 'neutral'.

Goldman Sachs said it expects the funding trends to become more challenging and negatively affect UAE banks' growth potential. It also said that the main risks for

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the UAE banks are the continuous pressure on real estate prices and falling corporate profits, which could result in higher-than-anticipated credit losses and lower investment values.

RHB Investment reaffirmed at 'A2/P1'

MALAYSIA: RAM Ratings has reaffirmed RHB Investment Bank's long- and short-term financial institution ratings at 'A2' and 'P1' respectively.

The ratings of the bank's RM245 million (US$70 million) Subordinated Notes Program (Sub-Notes) and proposed RM75 million (US$21 million) Hybrid Tier-1 Securities (Hybrid Securities) have been reaffirmed at 'A3' and 'BBB1' respectively. All long-term ratings have a stable outlook.

The ratings reflect the bank's established franchise in the debt and equity capital markets, its prominent role as an institutional stockbroker, and the benefits of operating under the universal-banking model of the RHB Banking Group.

The investment bank focuses on Islamic banking, commercial banking, investment banking and insurance businesses collectively grouped under RHB Capital.

'AA' for Mubadala

UAE: Fitch Ratings has affirmed Mubadala Development's (Mubadala) long-term issuer default rating (IDR) and senior unsecured rating at 'AA' respectively, while its short-term IDR has been affirmed at 'F1+'. The outlook for the long-term IDR is stable.

The rating affirmation affects Mubadala's global medium-term notes program, with US$1.85 billion worth of notes outstanding, which remains rated at 'AA'.

Fitch believes that a strong relationship exists between the company and the Emirate of Abu Dhabi ('AA'/stable), and Mubadala's rating is therefore aligned with Abu Dhabi's sovereign rating.

Mubadala's development mandate has been supported by significant capital contributions from the government, totaling AED39 billion (US$11 billion) as of the 31st December 2008 and another AED21 billion (US$5.7 billion) in 2009.

Strong government links

UAE: RAM Ratings has reaffirmed Abu Dhabi Commercial Bank's (ADCB) respective long- and short-term financial institution ratings at 'AAA' and 'P1'. The long-term rating has a stable outlook.

The rating reaffirmation reflects the strong linkage between ADCB and the government of Abu Dhabi, whose support has been clearly demonstrated amid the current credit crisis.

Since the second half of last year, ADCB has received AED10.6 billion (US$2.9 billion) in capital injections from the UAE federal government and the government of Abu Dhabi.

UGB well capitalized

BAHRAIN: Rating agency Capital Intelligence has affirmed the long- and short-term ratings for United Gulf Bank (UGB), which also offers Islamic investment banking, at 'BBB+' and 'A2' respectively. The outlook for the ratings remains stable.

UGB's balance sheet is well capitalized, despite the decline in the capital adequacy ratio, reflecting a policy of earnings retention to support investment activity.

While sources of funding are diversified and supported by medium-term financing, the rating agency said that there remains a reliance on interbank deposits, mainly from other entities of parent Kuwait Projects Company Holding (KIPCO).

NBK 'a class above'

KUWAIT: Moody's Investors Service has downgraded National Bank of Kuwait's (NBK) bank financial strength rating (BFSR) to 'C+' from 'B-', which leads to a baseline credit assessment of 'A2', on concerns over its exposure to the real estate and construction sectors, and the corporate sector's exposure to the country's embattled investment companies.

According to Moody's, however, NBK's strong capital base, defendable market leadership, its recent acquisition of a 30% stake in Boubyan Bank, which facilitates access to Islamic banking, and its strong and stable management team, places it a class above its domestically rated peers.

The rating agency has also affirmed the bank's long-term global local and foreign currency deposit rating at 'Aa2'. The long-term foreign currency deposit rating carries a negative outlook, which reflects the outlook on Kuwait's 'Aa2' country ceiling for such deposits.

The bank's short-term local and foreign currency ratings, as well as the rating assigned to its commercial paper program were affirmed at 'Prime-1'. All other ratings have a stable outlook..

Burgan Bank downgrade

KUWAIT: Moody's has downgraded Burgan Bank's deposit rating to 'A2' from 'A1', prompted by a downgrade of its financial strength rating to 'D+' from 'C-'.

Moody's rating action reflects weakening credit conditions in Kuwait over the past 12 months, the poor performance of the Kuwaiti stock exchange, and Burgan's elevated single-party and industry concentration on sectors that have experienced pressure over the past years. Those sectors include construction and real estate, and investment companies..

Unique IDB

SAUDI ARABIA: Moody's has assigned an 'Aaa' rating, with a stable outlook, to the Islamic Development Bank's (IDB) US$1.5 billion Sukuk medium term notes program.

Under the proposed Sukuk structure, IDB Trust Services, a Jersey-based finance vehicle, will issue trust certificates where the net proceeds from the issue will be used to purchase a portfolio of Sukuk assets. The rating of the certificates is in line with the 'Aaa' long-term foreign currency rating of the IDB's ordinary capital resources.

The bank enjoys a high level of liquidity and a very low level of debt, partly because of the asset-based nature of its operations that is unique among multilateral development banks..

UK

What's going on?

Since the Financial Services Authority (FSA) authorized the Islamic Bank of Britain (IBB) in 2004, four more Islamic banks have been set up in the UK —the European Islamic Investment Bank (EIIB) in 2006, Bank of London and the Middle East (BLME) in 2007, and European Finance House (EFH) and Gatehouse Bank in 2008.

These five institutions constitute one of, if not the, largest concentration of Islamic banks outside of a Muslim country. And yet with such numbers, some quarters suggest that the Islamic banks in the UK have yet to show some, or if at all any, promising signs.

IBB has seen the price of its shares fall from GBP30 (US$48.66) when it was first listed in the London Stock Exchange (LSE) to a mere GBP7.50 (US$12.17).

However, some analysts view this bank in a positive light, pointing out that year after year, IBB has been able to grow its revenues and reduce administrative and other costs which they claim has been a driver that led to an improvement in the net income from a loss of GBP6.9 million (US$11.19 million) in 2007 to GBP5.9 million (US$9.57 million) last year.

EIIB has not been so lucky. Despite increasing its revenue, its bottom line worsened to a loss of GBP14.8 million (US$24 million) in 2008 from negative GBP4.5 million (US$7.30 million) the previous year. It did not help that one of its subsidiaries, The House Limited, which held the bank's UK property portfolio, recently sought the appointment of a receiver for the property portfolio.

EIIB also informed the LSE two months ago that it had been approached by third parties for a possible takeover. However, that fell through.

Gatehouse Bank has not been spared either. Its annual report last year revealed an operating loss of GBP8.5 million (US$13.79 million), with the bank explaining that a lack of income generation was due to the deteriorating conditions in the credit and capital markets throughout last year.

However, one bank, BLME, has managed to beat the odds and managed to come up tops. It was the only Islamic investment bank to register an operating profit — GBP5.8 million (US$9.41 million) in its first full year of operations while its total assets in 2008 grew to GBP872 million (US$1.41 billion) from GBP298 million (US$483.44 million) a year earlier.

So, this begs the question: What is happening to these banks?

Islamic Finance *news* s spoke with BMB Islamic CEO Dr Humayon Dar who said that one must keep in mind that Islamic banks in the UK were still in their infancy and it was only natural for them to post losses in the initial years. He predicted a three- to five-year window for these banks to go into the black.

However, a senior industry practitioner well versed with the UK market, who spoke to Islamic Finance *news* on condition of anonymity, disagreed with Dar.

Save for IBB, he was critical of the four Islamic investment banks' existence in the UK, insisting that the UK's "small" market of an estimated 2.5 million Muslims for Islamic retail banking means that "one bank is sufficient for this market".

To him, that single bank ought to be IBB — with its recent aggressive strategy, especially with its home purchase plan, he is positive that the only Islamic retail bank in the UK would bounce back.

"In the last few months, IBB has attracted a lot of business to this portfolio, especially in providing loans of up to 80% of the property value compared to the 60% or 70% offered by many high street banks."

He questioned the reasons for the existence of the other four banks, contending that even though they possess Islamic banking licenses, they mainly concentrate their efforts in the asset management area.

"These banks are taking on a role that is very similar to an asset management company and for that, they could have gotten an asset management license instead.

"This is a case where one bank obtained the Islamic banking license and the others just followed suit. In my view, there was no real reason for establishing themselves in the UK as it is not a big market for Islamic financial services, although the government has been trying its best to showcase its capability and resources for offering them," he said.

His argument is that these banks would be better off establishing an offshore entity instead. "If I am based in London and developing my asset management capability, I should go to Guernsey or other UK offshore jurisdictions. Why be obsessed with opening up in London? I just do not understand that," he said.

The practitioner claimed that because of the lack of clarity, the managements of these banks, which lured Middle East investors into establishing Islamic investment banks in the UK, had basically painted "a rosy picture" by saying there is a huge amount of business.

"It was the pre-financial crisis period – 2007/2008 — when everyone was happy, so you could go to the GCC region and tell investors that you were sitting on a goldmine and they would invest.

"And the investors assumed that they were telling them the truth. And at that time, they were indeed telling the truth but now the market conditions have changed. Also, I do not think there is a significant amount of business for these banks in London. They should go to other markets where the governments have taken a strategic view, like Malaysia for example, where the whole infrastructure is very much in favor of Islamic finance international services.

"Going to that region would make a lot more sense. Not only will they be targeting the Malaysian market but with the Malaysia International Islamic Financial Centre initiative, if they have the ability to offer non-ringgit products, they could target the whole region," he said.

Going forward, the expert strongly urged these banks to re-evaluate their core business model and decide accordingly. He said that if their core

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What's going on?

continued...

business model was that of an investment company then they should convert their existing bank into an investment company.

"When they do so, they must consider the tax advantages. If it makes sense for them to go to an offshore jurisdiction and run the asset management company from there, then they should wind up their business and say goodbye to London," he said.

The practitioner said that despite the improved situation in the UK with the recent amendments to tax laws and the government being very receptive towards Islamic banking and finance, such developments are aimed at introducing Islamic banking and finance in a way that it would not lose its mainstream relevance.

However, he was unconvinced of the UK's Islamic banking and finance future prospects. "When it comes to making changes in the system to allow the functioning of Islamic banking and finance and the issuance of products based on certain contracts, I do not think much has been done in the UK and I do not think it is feasible.

"This is a predominantly non-Muslim country. Muslims should not expect such things from the FSA or the UK government. Whatever the UK government has done is more than what it was supposed to do and it had its reasons for doing so.

"But I do not think there is scope for any radical changes to be introduced in the UK in favor of Islamic banking and finance. And I don't think this is going to happen in the future," he said.

AUSTRALIA

Off to the Middle East

It seemed only logical when the Macquarie Group, Australia's largest investment bank, this week announced a proposed partnership with one of the leading Middle Eastern Islamic investment banks, as only a month ago Ahmed Fahour was appointed as Gulf Finance House's (GFH) CEO. He was formerly executive director and CEO for the Australian operations at National Australia Bank.

The proposed partnership, which is subject to board, internal and regulatory approvals, will see Macquarie's maiden entry into the Middle East market. University of South Australia's professor of banking and finance Mervyn K Lewis told Islamic Finance *news* that in general terms, Macquarie has been trying to move away from its old strategy of buying and pooling assets (Macquarie Infrastructure Group, Macquarie Leisure) to one of advisory business and asset management.

GFH COO John Wright was quoted as saying that the strategic relationship would bring together GFH and Macquarie to create the standard in Shariah compliant products and services for the MENA (Middle East and North Africa) region.

He added that GFH's link up with a conventional investment bank would enable it to develop a platform and attract a broader coverage in the region while structuring existing Macquarie products into Shariah compliant offerings.

Islamic Finance *news* spoke to Associate Professor Ishaq Bhatti, director, masters of Islamic banking and finance, La Trobe University, on Macquarie's proposed partnership and the latest developments in the Australian banking industry.

Bhatti termed Macquarie's investment as a breakthrough and a natural transition, saying that during Fahour's visit to the university last month, he had given an indication that there was interest by Australian financial institutions in investing in the Gulf and likewise by Middle East firms entering the Australian markets.

"I believe that Macquarie's investment via an Islamic transaction with GFH is an excellent move and can open many avenues as Fahour's capabilities are well known and his expertise is well recognized. This is the beginning of a new era as the interest grows in Australia," he said.

Bhatti revealed that Australia's fourth largest bank, ANZ Bank, would be following suit to introduce Islamic products. He said it already has a presence in the sector as ANZ Panin Bank in Indonesia, the most populous Muslim nation. "I think all the Australian banks have no other option but to get with the program as well, seeing how Islamic finance is having a very big impact globally," he said.

On Australia's progress in terms of introducing Islamic finance, Bhatti said several academics are working with legal firms to prepare a recommendation for the government. However, he declined to disclose details as it is still in progress.

Bhatti also made known that in November, Treasury officials would be reciprocating the first Islamic financial services mission of the UAE Down Under by making a trip to the Emirates.

Reports by Raphael Wong

The Islamic Finance Legal Framework in France

By Gerald Pasquier and Ibrahim-Zeyyad Cekici

In the European landscape, along with Frankfurt, Zurich and Luxembourg, Paris is one of the financial centers willing to challenge London's leadership in Islamic finance. The French civil law system takes its historical roots in both Roman law and Canon law. As such, French law rests on principles that are similar to those of the Islamic law: some prohibitions are common to both legal systems even though their scope varies.

For instance, the prohibition on paying, charging and facilitating interest in the Shariah compliant law may be similar to French laws prohibiting usury under which interest rates applicable to some loans granted to non-professionals do not exceed 33% of the average rate used by banks for the same category of loans.

Accordingly, when the Shariah contract law prohibits uncertainty in object, price and delivery, the French Civil Code stipulates that the object of the contract shall be determined or capable of determination. Also, the prohibition of haram items by the Islamic law echoes French laws aimed at ensuring public protection and morals, that may not be waived or derogated from by private agreements.

Over the past few years France has seen noticeable developments in its legal framework that are aimed at better accommodating Islamic finance products and activities. French public authorities, organizations, scholars and legal professionals have discussed the need for amendments to the French laws and regulations if Paris wants to become a prominent Islamic finance center.

The most salient measures facilitating Islamic finance in France have been taken by the financial regulator l'Autorité des Marchés Financiers (AMF), on one hand and the tax authorities on the other.

Policy statements

AMF has issued two statements relating to Islamic finance. The first statement, on the 17th July 2007, relates to the asset management industry. It should be noted at the outset that the structures of investment funds available under French law are compatible with the Mudarabah, the Islamic law structure typically used to set up Shariah compliant investment funds.

Under the Mudarabah model, the party funding the scheme is to be distinguished from the party bringing-in the knowhow, which corresponds to the classic division between the investors and the managers of a French collective investment scheme.

However, some special features of the management techniques used by Shariah compliant investment funds had to be addressed by the AMF.

Setting-up Shariah compliant investment funds

In order to be Shariah compliant, a fund manager shall operate a financial screening of the assets invested by the fund, typically in order to avoid investments in companies having a gearing ratio higher than 33% and a too high liquidity ratio. An extra-financial moral screening shall be conducted as well, in order to avoid investments in haram assets.

In its statement, the AMF treats Shariah funds in the same manner as it treats other investment funds using extra-financial criteria to build their portfolios, such as socially responsible funds. The regulator insists on the fact that such screening process shall not impair the independence of the management company.

An external investment advisor may duly provide the manager with its opinion with respect to the selection of investments, but the ultimate decision shall rest in the fund manager.

As a Shariah board usually elaborates extra financial investment guidelines to be observed by the manager, such independence condition can easily be fulfilled provided that:

The guidelines comply with French public policy principles.

The manager is able to understand and assess those guidelines.

If a fund invests in a Shariah compliant index such as the Dow Jones Islamic Index, the practices of the entity compiling the index will be scrutinized by the AMF when assessing the independence of the manager.

Secondly, Shariah compliant funds commonly use purification techniques aimed at morally neutralizing an investment that appear to be non-Shariah compliant, typically after an audit has been conducted on the morality of the assets. Such purification is effected by distributing part of the fund's income to charities or selected non-profit organizations. This may harm the interests of the investors in the fund, as it will negatively impact the return on their investment.

Therefore, the AMF authorizes such management techniques under the condition that both the use of purification and the details of each charitable organization be stated in the fund's prospectus. The regulator also recalls that the investors shall be offered the possibility to trace the purification monies.

It is not surprising that the very first piece of French legislation dealing with Islamic finance focuses on the asset management industry: with a volume of assets under management ranking third after the US and Luxembourg, France is a strong player. On a global scale, Islamic asset management is however developing at a slower pace than other branches of Islamic finance, certainly because of the difficulties to screen non-equity assets.

New screening processes for such non-equity assets would be worth developing further. Sukuk are currently difficult to price because they are commonly held until maturity: their secondary market is therefore not a relevant benchmark for pricing since it is poorly liquid. If fund managers were to increase their exposure to Sukuk, such liquidity gap may be plugged.

Issuing Sukuk

The second statement dated the 2nd July 2008 explicitly states that Sukuk are admitted to the French regulated market, although they can

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The Islamic Finance Legal Framework in France (continued)

only target qualified investors. The AMF identifies two broad categories of Sukuk:

- Asset-backed Sukuk, where cash outflows are solely linked to the performance of underlying assets.
- Asset-based Sukuk, namely guaranteed Sukuk.

The AMF has warned that it shall not be expected to verify the compliance of a Sukuk with the Islamic law. However, as a Sukuk's prospectus should inform the investors of such Shariah compliance issues, the statement sets out a summary of the European laws governing the drafting of prospectuses, and indicates for each category of Sukuk how to construe the EU laws when preparing a prospectus.

In its statement, the AMF seems to consider a Sukuk as a debt instrument, which substantially differs from the Bahrain-based Accounting and Auditing Organisation for Islamic Financial Institutions' definition, according to which Sukuk are "certificates representing undivided shares in the ownership of tangible assets, usufruct and services or (in the ownership of) the assets of particular projects".

This should be of particular concern since some influential scholars consider that a large majority of existing Sukuk structures are not Islamic.

French law is however sophisticated enough to allow the issue of a wide range of fixed-income securities, including intensively equity-tainted hybrid instruments called "titres participatifs", that could possibly permit the structuring of Sukuk affected by little Shariah risk.

As seen hereunder, such type of Sukuk may however not benefit from a favorable tax treatment.

Tax authorities' policies

On the 25th February 2009, the French tax department issued a statement clarifying the tax treatment of Sukuk and Murabahah. The statement is binding upon the tax authorities and will be referred to in tax rulings, thus providing consequent legal comfort.

Taxation of Sukuk

The main operative provisions pertaining to Sukuk state that the remuneration received by an investor in a Sukuk may be deducted from the issuer/borrower's income tax basis, and that no withholding tax shall apply at source when the investor is not a French resident.

Such deductibility is available only when the Sukuk is structured as a debt instrument. In order to be considered a debt instrument, a Sukuk shall meet two series of conditions.

- The Sukuk shall not have the characteristics of an equity instrument. The investors shall rank above the issuer/borrower in the event that the latter defaults, and the investors shall not be granted the economic or political rights usually conferred to equity investors.
- The cash flow received by the investor shall be structured in accordance with specific rules. The remuneration of the Sukuk (which would correspond to the payment of interest in a conventional debt instrument) can effectively be correlated to the performance of the underlying assets, but it shall not exceed a recognized market rate increased by a margin (such as LIBOR + 2%). As for the reimbursement of the capital, its nominal value may not entirely be repaid if the value of the underlying assets is insufficient, but it may not exceed the nominal value if the underlying assets' value is relatively higher.

Moreover, in compliance with the general French tax rules, the issuer/borrower may deduct the remuneration only if the investor in the Sukuk is a minority shareholder of the issuer/borrower or a company connected to the issuer/borrower — where one company directly or indirectly owns a majority stake in the other company.

Finally, the deductibility is also limited by the average rates set out by the French banks in loans extended to companies which incorporate a maturity exceeding two years and a floating rate. Some exceptions apply to this last rule.

Considering the AMF's statement, Shariah risk may be carefully weighted against tax efficiency when structuring a Sukuk under French law: if a Sukuk is structured as an equity-tainted hybrid, the issuer may not be allowed to deduct the remuneration it pays to the investor from its income tax basis. To date, no Sukuk is listed on the Paris stock exchange.

Taxation of Murabahah

Murabahah is a technique used to finance an asset acquisition: a bank or its special purpose vehicle, acting as a financier, purchases an asset from a seller and subsequently transfers the asset to a buyer for a profit margin, and settled by the buyer in installments.

The two main features of a Murabahah transaction are therefore a double property transfer on the one hand, and the intermediation of a financier on the other, both of which triggered disadvantageous consequences under French tax law that have been neutralized by the statement.

The statement indicates that the profit margin paid to the financier by the buyer shall be treated as an interest under French tax law, which implies that it can be deducted from the financier's income tax.

To allow such deductibility, the agreement shall:

- State that the asset purchased by the financier shall be transferred to the buyer within a six-month period.
- Stipulate the acquisition price by the buyer and by the financier.
- Distinguish which part of the profit margin results from commission fees and which part results from the facilitation of a deferred payment. Only the latter part of the profit margin may be deducted — on a linear basis until maturity — which certainly means that the commission fees have to be computed on a lump sum basis.

Besides income tax issues, the statement comprehensively addresses other tax regimes as well, with this paper covering only some of the most relevant aspects.

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The Islamic Finance Legal Framework in France (continued)

The statement notably deals with the taxation of real estate transactions. Under French tax law, a tax is levied on capital gains realized on such transactions.

With Murabahah operating a double transfer of property, double taxation would have been detrimental to the development of Islamic finance in France, especially since Murabahah is commonly used to structure the acquisitions of real estate properties by retail clients, which is a promising market niche for Islamic banks willing to set up in France.

The statement provides that the profit margin paid by the buyer to the financier shall not be treated as capital gains. It further provides that if the buyer sells the property, capital gains shall be derived from the price paid by the seller to the financier, and not on the price paid by the buyer to the financier, this regime being aimed at discouraging speculation.

The statement also envisages the taxation of commodity Murabahah, which are crucial to the sound functioning of Islamic banks that are obliged to back their financing operations with real assets in order to be compliant with the Shariah.

According to French tax law; only the physical delivery in France of personal chattels is subject to VAT, therefore commodity Murabahah transactions conducted at a foreign exchange such as the London Metal Exchange, are VAT exempt provided that the commodities are not located in France.

Conclusion

Some significant adaptations of the French legal framework to the specifics of Islamic finance have been achieved although additional measures certainly need to be implemented. For example, French law provides that a seller shall warrant a buyer against the hidden defects affecting the goods it sells.

Within the framework of a Murabahah transaction, the financier should be allowed to waive this currently compulsory warranty, as it essentially acts as a financial intermediary.

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Developing an Islamic Finance Hub in Europe: Luxembourg

By Bishr Shiblaq

Luxembourg is a small Central European country which has been recognized as one of the leading financial centers, with a leading position in investment management, wealth management, insurance and reinsurance, as well as capital markets and structured finance. It has in fact become the second-largest investment fund center in the world after the US, the premier captive reinsurance market in the European Union (EU) and the premier private banking center in the Euro zone.

This strong position is based on a stable regulatory environment, flexible and innovative legal frameworks and a favorable tax treatment for cross-border transactions. Although Luxembourg is not located in the Middle East or Asia, Islamic finance in Luxembourg has seen remarkable growth in the key strengths of the Luxembourg financial market.

A growing market

Luxembourg was in fact witness to the first steps of Islamic finance. The Islamic Banking System (which later changed its name to Islamic Finance House Universal Holdings) was established in 1978 in Luxembourg, the first Islamic financial institution in a non-Muslim country. Building on the strengths of Luxembourg in private wealth management, the Islamic banking system was established with the purpose of serving high net worth individuals in a Shariah compliant way.

> "Building on the strengths of Luxembourg in private wealth management, the Islamic banking system was established with the purpose of serving high net worth individuals in a Shariah compliant way"

In 1983, Luxembourg was also chosen for the first Shariah compliant insurance company in Europe. Other innovators in Islamic finance followed, with the incorporation of Faisal Finance (Luxembourg) and Faisal Holdings (Luxembourg) in 1990.

Over time, an increasing number of the companies that are registered in Luxembourg, currently more than 125,000, became involved in Shariah compliant transactions around the world.

In 2005, the Central Bank of Luxembourg recognized the growing importance of Islamic finance and hosted the first Islamic Financial Services Forum with the Islamic Financial Services Board. In April 2008, the Luxembourg government set up a working group, bringing together interested parties in Islamic finance, in order to identify potential obstacles hindering the development of Islamic finance and to propose improvements to further develop Islamic finance in Luxembourg.

More recently the government expressed support for the application by the Luxembourg Central Bank to become the first "non regional" associate member of the Islamic Financial Services Board.

The Luxembourg authorities are showing a proactive approach to accommodate the interests of the Islamic finance industry. The growing awareness has also led to the establishment of specialized teams in many financial institutions, law firms and audit companies.

In addition Alfi, the representative body for the Luxembourg investment fund industry, has set up a working group with the task of analyzing the regulatory framework and proposing improvements to facilitate the setting up of Shariah compliant funds.

Sukuk

To many Islamic finance professionals Luxembourg is already known as a listing location for Sukuk, as it is one of the preferred jurisdictions for the listing of international bonds. The Luxembourg Stock Exchange has indeed played a leading role as the first European stock exchange to enter the Sukuk market.

Many sovereign Sukuk are listed in Luxembourg. Based on unofficial numbers, Sukuk with a combined value of US$8.8 billion are currently listed and traded on the Luxembourg Stock Exchange. The inaugural US$1.5 billion Sukuk of Malaysian oil firm Petronas, issued in August this year, was triple-listed on the Euro MTF market of the Luxembourg Stock Exchange, Labuan International Financial Exchange and Bursa Malaysia.

One of the legal frameworks in Luxembourg allows for innovative Sukuk structures. The Luxembourg securitization law of 2004 creates a legal framework for securitization transactions and is said to be the most complete, comprehensive and advantageous legal framework in Europe today. It is also the first securitization law in Europe which was specifically designed for cross-border transactions. The main goals were to:

- Allow for a high degree of flexibility when structuring a securitization transaction through Luxembourg.
- Ensure a high level of investor protection and legal certainty.
- Ensure a tax-neutral treatment of securitizations in Luxembourg.

The securitization law covers basically all types of securitization transactions in the broadest meaning of the term, ranging from term transactions and commercial paper conduits to simple repackaging, regardless of the type of asset classes. This gives the concept of securitization a very flexible scope so as to cover both traditional securitization structures as well as the most innovative ones.

The practical applicability of the securitization law in a Sukuk issuance can be demonstrated by a recent example. In early 2009, Deutsche Bank established the Al Mi'yar issuance platform, taking advantage of the various benefits offered by the Luxembourg legal framework.

It is considered to be a Shariah compliant multi-party Medium Term Notes (MTN) program, allowing for multiple market participants to be originators.

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Developing an Islamic Finance Hub in Europe: Luxembourg (continued)

The Al Mi'yar transaction illustrates how the features of the Luxembourg securitization law can be used for an innovative Shariah compliant transaction. The issuance of Sukuk has been embedded into a fiduciary framework in order to maximize investor protection. This transaction is considered to be a new standard in Sukuk issuance, as issuance platforms are usually closely controlled by the deal-originating banks.

The popularity of Sukuk also brought about the establishment of a local Sukuk broker-dealer. One of the advantages for the listing of Sukuk in Luxembourg is that it is the domicile of the leading international clearing and settlement house Clearstream, which has accepted international Sukuk issues.

Holding companies and venture capital vehicles

Due to their high flexibility and the ability to structure global investments in a highly tax-efficient manner using Shariah compliant financing instruments, participation companies (société de participations financières, Soparfi) have been used for a long time in many Shariah compliant transactions. A Soparfi is an unregulated vehicle that may adopt any company form available under the Luxembourg law on commercial companies.

> "Other Luxembourg investment vehicles are also being discovered by the Islamic finance industry"

It is a fully-taxable Luxembourg company whose primary corporate purpose is the holding of financial participation, but it offers the flexibility to opt for a mixed holding activity in carrying out related management, financing, commercial or industrial activities.

Soparfis are eligible for the extensive Luxembourg tax treaty network, as well as the EC Parent-Subsidiary Directive. This is particularly the case for investments in companies holding real estate assets, as well as directly in real estate assets situated in or outside Luxembourg.

The use of Soparfis (as well as other investment vehicles) in Shariah compliant transactions has not been limited to assets located in pan-European countries, but has also included real estate acquisitions in North America, the UK, Russia, Central Asia, Turkey and the MENA region.

Another holding regime is the family estate planning company (société de gestion de patrimoine familial, SPF). The SPF is a recently introduced instrument which replaced the 1929 holding company. It is not limited to family wealth and has as a tax-efficient vehicle designed for wealth management — ideal attributes for the Shariah compliant wealth management of European-based investments.

Other Luxembourg investment vehicles are also being discovered by the Islamic finance industry. One interesting vehicle is the investment company in risk capital (société d'investissement en capital à risque, Sicar), which is an investment vehicle with the principal purpose of investing in risk-bearing assets issued by domestic and foreign enterprises.

A Sicar can be incorporated in the corporate or partnership form and can also be set up with different compartments, allowing for an umbrella structure of the vehicle. It also benefits from a very attractive tax regime, depending on the legal form under which the Sicar has been created.

Although none of the 221 Sicars has been officially declared Shariah compliant, in practice this vehicle has been very much of interest to the financial industry and is well-suited for unleveraged investments in risk-bearing assets, in accordance with Shariah principles encouraging risk sharing and prohibiting the taking of interest.

Investment funds

The Luxembourg investment fund industry in general has grown rapidly over the years and despite the financial crisis, the number of investment funds has been constantly increasing from 3,284 funds in August 2008 to 3,435 funds, as of the 30th June 2009. Luxembourg investment funds currently have EUR1,631 trillion (US$2,335.69 trillion) of assets under management. This is also applicable to the growth of Islamic funds in Luxembourg.

Luxembourg has established itself as an international hub for Islamic funds and is, according to the recently published Islamic Funds Report by Ernst & Young, among the four leading jurisdictions, and the leading non-Islamic jurisdiction, for the setting up of Islamic funds. About 72% of the Islamic funds in Luxembourg have been set up as an undertaking for collective investment in transferable securities (UCITS). This is a subcategory of funds that fulfill the relevant EU regulations and may be offered to investors throughout the EU on the basis of a single authorization from one member state.

Some of the highest-performing Shariah compliant investment funds with a global mandate are domiciled as UCITS funds in Luxembourg, such as the BNP Paribas Islamic Fund, the HSBC Amanah Global Equity Index Funds and the UBS (Lux) Islamic Fund.

Most funds that have been approved so far by the Luxembourg Financial Services Authority (Commission de Surveillance du Secteur Financier, CSSF) under UCITS regulations have been mainly Shariah compliant equity funds. Luxembourg introduced the specialized investment fund (SIF) in 2007, creating a new type of investment vehicle which benefits from great flexibility in terms of organization and eligible assets and investments, and which may be offered to a wider range of eligible investors.

In addition to the "traditional" institutional investor, SIFs can be offered to "professional" investors within the meaning of Directive 2004/39/EC, as well as other well-informed investors. A SIF may also start its activities even before it is approved by the CSSF, provided that within a month of its launch, an application for approval is filed.

Examples of Islamic SIFs are the Shariah compliant umbrella fund set up by the Bank of London and the Middle East (BLME Umbrella Fund SICAV-SIF) and the Credit Suisse Virtuoso SICAV-SIF Prime Islamic Fund I, managed by European Finance House (EFH), a subsidiary of Qatar Islamic Bank, for Credit Suisse.

The possibilities offered by the SIF regime and the flexibility of its legal framework make this vehicle an ideal instrument for the structuring of

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Developing an Islamic Finance Hub in Europe: Luxembourg (continued)

Shariah compliant investments in a tax-efficient manner. So far, 15% of all Luxembourg Islamic funds have been set up as SIFs.

The advantages for Islamic funds set up in Luxembourg are not only the reliable legal and regulatory framework or the tax-efficient structures. Luxembourg certainly also has the advantage that it is in the heart of Europe and within the Euro zone, giving immediate access to Muslims in countries such as France, Germany, Italy, Spain and the UK.

UCITS, for example, may not only be marketed to both retail and institutional investors throughout Europe but also around the world, with a dominant position in Asia and South America. The potential for the growth of UCITS in the Muslim world, and the Gulf region in particular, is promising, as UCITS are perfectly fit for Shariah compliant investment structures.

Legal certainty is an important factor in the structuring of Islamic finance products. Luxembourg has chosen to offer innovative legal frameworks to meet the needs of investors. It offers a wide choice of different investment vehicles for the different Shariah compliant products. It has also decided to offer a wide network of double taxation treaties which it is constantly seeking to increase.

Luxembourg has also concluded investment protection treaties with more than 79 countries (including Saudi Arabia, Kuwait, the UAE, Kazakhstan, Uzbekistan, Malaysia, Turkey and India), while new treaties with Azerbaijan, Sudan, Pakistan and Bahrain are in the process of being ratified or negotiated.

The global financial crisis has shown that Luxembourg is a reliable jurisdiction for international investment structures. Despite the economic slowdown, the number of conventional and Shariah compliant investment funds has increased. Additionally Sukuk structures were set up and Soparfis were involved in Islamic cross-border transactions.

A proactive financial community, government support and a stable regulatory framework which is flexible enough to allow for innovative Shariah compliant structures, combined with a favorable tax environment for international investment, are a good basis for the structuring of Islamic finance products.

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Bishr Shiblaq is the head of the Dubai representative office of Arendt & Medernach, a law firm in Luxembourg, where he is part of the bank lending and structured finance practice. He specializes in finance, securitizations, asset finance and Islamic finance. He can be contacted at Bishr.Shiblaq@arendt-medernach.com

Dow Jones Islamic Market Indexes in August: Who will oil the next global economic boom?

By Gérard Al-Fil

According to US Federal Reserve chairman Ben Bernanke, the world economy began to recover slightly this quarter. Rising oil prices indicate growing demand for the "black gold" and therefore rising economic activity. Investors have been reaping the benefits of injected liquidity, which started with the US$787 billion economic stimulus package in the US in February this year, in the form of rising stock markets.

As a result of oil prices soaring above the level of US$70, August was the month of Middle Eastern markets. The Dow Jones Islamic Markets (DJIM) Kuwait Index gained 6.95% in the last month (as of the close of trading on the 25th August), closing at 1,045.73 points.

The oil-rich northern Arabian Gulf state was only topped by the DJIM Turkey gauge, which ended 8.17% higher at 2,944.31 points. The DJIM GCC Index, which measures the performance of Islamicly pure or halal stocks in Saudi Arabia, Kuwait, Bahrain, Qatar, the UAE and Oman, emerged as number three by closing at 1,419.17 points.

Higher oil prices lead to higher revenues in the GCC states and trigger new investments in the oil, transport and industry sectors. According to the Organization of Arab Petroleum Exporting Countries (OAPEC), Arab states from Morocco to Iraq will invest US$96.4 billion in new refinery projects until 2015.

The DJIM Oil & Gas Index surged 3.22% in August, outperformed only by the DJIM Consumer Services Index (3.33% higher) and the DJIM Industrials Index.

Prominent Shariah-compliant Western energy entities are British Petroleum (BP), Italy's ENI and Total (France). They are halal since they do not produce alcohol, weapons, interest-bearing products or entertainment goods, and their total debt does not exceed a third of their market capitalization. These three oil giants are constituents of the DJIM Oil & Gas Index as well as of the DJIM Europe Titans 25 Index.

The latter gauge posted the fourth largest advance among the DJIM stock composites last month, climbing 3.79% up to 1,947.86 points. The conventional global bellwether Dow Jones Industrial Average added 4% (ending at 9,539.29 points).

East Asia hit the bottom of the charts amid profit taking. The DJIM Singapore Index lost 2.09% and finished at 966.78 points. The DJIM Taiwan Index (down 3.04%) and the DJIM China Offshore Index (3.70% lower) closed at 3,639.52 points and 2,290.55 points, respectively. China launched an economic stimulus package worth US$586 billion in spring this year.

"After the financial crisis, the world economy has been falling even more rapidly than during the Great Depression in the 1930s, but concerted counter measures have been faster and more effective this time", says Dr Nasser Saidi, chief economist at the Dubai International Financial Centre.

But the question remains: Who will be the driving force behind the next economic boom — if there is indeed to be one in the short-term? With unemployment figures still on the rise globally, consumers worldwide remain on the sidelines, tightly holding onto their wallets, as the DJIM Consumer Goods Index demonstrates, as it added just 0.31%, ending as the worst Shariah-compliant sector index.

"If the world takes effective steps against global warming, then environmental protection can be the driving force for a boom", renowned economist and Nobel Prize winner Paul Krugman said recently. Obviously, Arab states should ride the wave of alternative energies if they do not want to miss the trend of tomorrow. The Abu Dhabi-based "zero-carbon" city Masdar being built for a population of 50,000 is a first step in the right direction.

Gérard Al-Fil reports extensively from the UAE, Kuwait, Bahrain, Qatar, Oman, Turkey and Iran. He can be contacted at alfil27@msn.com.

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Dow Jones Islamic Market Indexes in August: Who will oil the next global economic boom? (continued)

Islamic Markets Measure: August 2009
Monthly report on the performance of the Dow Jones Islamic Market Indexes

Based on the close of trading on the 25th August, the global Dow Jones Islamic Market (DJIM) Titans 100 Index, which measures the performance of 100 of the leading Shariah compliant stocks globally, gained 2.22% month-to-date, closing at 1939.19.

In comparison, the Dow Jones Global Titans 50 Index, which measures the 50 biggest companies worldwide, posted a gain of 3.88%, closing at 160.55.

The DJIM Asia/Pacific Titans 25 Index, which measures the performance of 25 of the leading Shariah compliant stocks in the Asia/Pacific region, increased 1.33%, closing at 1698.43. The Dow Jones Asian Titans 50 Index, in comparison, posted a gain of 1.68%, closing at 126.34.

The DJIM Europe Titans 25 Index, which measures the performance of the 25 of the leading Shariah compliant stocks in Europe, closed at 1947.86, a gain of 3.79%, while the pan-European blue chip Dow Jones STOXX 50 Index gained 6.53%, closing at 2584.76.

Measuring the performance of 50 of the largest Shariah compliant US stocks, the DJIM US Titans 50 Index increased, closing at 1969.58. This represents a gain of 1.77%. The US blue chip Dow Jones Industrial Average increased 4.01%, closing at 9539.29.

Asia: Performance of Dow Jones Islamic Market versus Conventional Dow Jones Indexes

Dow Jones Islamic Market Indexes			Conventional Dow Jones Indexes		
Index Names	Index Close August 2009	MTD 2009	MTD 2009	Index Close August 2009	Index Names
DJIM Asia/Pacific Index	1174.12	1.07%	1.57%	116.03	DJ Asia/Pacific Index
DJIM China Offshore Index	2290.55	-3.70%	-3.26%	3796.48	DJ China Offshore 50 Index
DJIM Hong Kong Index	1228.60	-0.92%	-2.52%	379.27	DJ Hong Kong Index
DJIM India Index	1394.76	-0.21%	-0.51%	1493.48	DJ India Total Stock Market Index
DJIM Indonesia Index	1110.22	1.72%	2.47%	136.44	DJ Indonesia Index
DJIM Japan Index	982.59	2.49%	2.35%	84.13	DJ Japan Index
DJIM Malaysia Index	1235.20	0.60%	-0.20%	169.00	DJ Malaysia Index
Dow Jones-JS Pakistan Islamic Index	9277.12	3.25%	6.91%	542.61	DJ Pakistan Total Stock Market Index
DJIM Philippines Index	1422.70	0.86%	1.03%	149.74	DJ Philippines Index
DJIM Singapore Index	966.78	-2.09%	-1.19%	232.98	DJ Singapore Index
DJIM South Korea Index	673.41	3.14%	1.66%	208.64	DJ South Korea Index
DJIM Amana Sri Lanka Index	1101.97	-1.48%	0.28%	159.71	DJ Sri Lanka Index
DJIM Taiwan Index	3639.52	-3.04%	-4.21%	128.51	DJ Taiwan Index
DJIM Thailand Index	1291.88	3.00%	4.89%	84.46	DJ Thailand Index

Next Forum Question

The inherent conservatism of many Islamic banks has caused them to hoard cash, thereby restraining their growth and holding the industry back. Is this harming the recovery, and what can these banks do to improve the situation for themselves and the economy?

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, 2nd September 2009.

The Hare and the Turtle: Pakistan versus Malaysia in Advancing Islamic Finance (Part 2 of 3)

By Rosmah Ismail

Malaysia has been fortunate in having a wealth of history on legislative frameworks, master plans and strategic frameworks since the introduction of the New Economic Policy in 1971. Islamic finance was given the limelight in Malaysia and regionally with the Financial Markets Master Plan, the 10 Year Islamic Finance Master Plan, the Capital Markets Master Plan and the current Malaysia International Islamic Financial Centre (MIFC) Initiative.

In Pakistan, the strong spiritual commitment to assert Muslim life and deliver Islamic ideals to its Muslim population was the key impetus in the growth of Islamic finance. In Pakistan, the catalyst was its spiritually inclined leadership and as with such cases, the growth would depend very much on the continuation of the leadership.

> "Unlike Malaysia, Pakistan does not leave the permitted activities of a bank to be defined"

Although both countries' regulatory, legislative and judicial history stemmed from the Commonwealth, the catalysts, path and development of each has differed. In part II of this article, we discuss some of the regulations that have been amended to suit Shariah transactions in Pakistan.

Conflict of Laws

Taking Malaysia as an example of a country with an established Islamic banking and finance legal framework, the State Bank of Pakistan (SBP) issued a draft Banking Act and had invited comments from specialists and the public.

Below are some points of comparative analysis between SBP's Draft Banking Act 2006 and Malaysia's Banking and Financial Institutions Act 1989 (Bafia) and Islamic Banking Act 1983 (IBA).

a. Licensing

Definition of Bank and Banking business: Unlike Malaysia's Bafia and IBA, the Draft Banking Act of Pakistan contains a very extensive list of definitions:

A bank is defined as "a company incorporated in Pakistan or overseas licensed to carry on banking business in Pakistan which is governed by the Companies Ordinance 1984". Bafia on the other hand defines a bank as "a person which carries on banking business" whilst IBA stipulates that a bank is "any company which carries on Islamic banking business", whereby a person includes an individual, any corporation or incorporate or unincorporated entity.

In the SBP Draft Banking Act 2006, banking business means:

- Accepting or receiving money on current account, deposit account or other similar account.
- Paying or collecting checks drawn by or paid in by customers.
- Provision of finance.
- Other business as may be prescribed by the SBP from time to time.

Unlike Malaysia, Pakistan does not leave the permitted activities of a bank to be defined. It may be useful in this occasion not to define all activities so narrowly as to endeavor to name all the permissible banking activities available in the country. In an industry that has been moving and innovating at such a fast pace, the legislator's speed to update the list of services and products may not be speedy enough for the market.

Definition of Depositor, Customer: The SBP defines creditor to include any person from whom deposits have been received on the basis of participation in profit and loss and a bank from which credit facility has been received on the basis of participation in profit and loss, mark up in price, hire purchase, lease or otherwise.

Debtor includes any person who is obligated or liable to pay a claim or demand, which is due or may become due; whilst person means an individual, corporation, statutory body, local authority, society, trade union, cooperative society, partnership and any other body, organization, association or group of persons whether incorporated or otherwise.

Depositor has been defined by SBP as a person who is entitled to the repayment of a deposit. This reflects that the banking business relationship is a debtor-creditor on, that is, conventional banking. This is the same as in Bafia. In IBA however, the depositor means a person who has an account at an Islamic bank, be it current account, savings account, investment account or any other deposit account.

This goes to show that the Draft Banking Act 2006 has inadvertently excluded the Islamic depositor from its Act, or is the reader to assume that all depositors have been lumped under the umbrella of persons with entitlement of repayments? This would not be accurate and may have legal repercussions to claims in cases where the bank is under liquidation.

In Malaysia, it is very clear that the Islamic depositor has a better standing than a conventional depositor in getting back his deposits. The Malaysian Islamic depositor ranks above all creditors as the deposit account is based on Wa'adiah; unless the deposit account has been based on Mudarabah or Musharakah contract whereby he would rank pari passu with all the other creditors. The SBP Draft Banking Act therefore has not taken into account the position of the Islamic depositor.

There is no definition on what or who is the customer; neither is it defined in IBA or Bafia.

b. Business supervision and the duties of a banker

The business supervision provisions seem to be the rather standard provisions. The duties of a bank are like Malaysia's, covering those

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The Hare and the Turtle: Pakistan versus Malaysia in Advancing Islamic Finance (Part 2 of 3) (continued)

activities within the maintenance of statutory requirements and the publishing of financials.

c. Shariah supervision
Part IV of the Draft Banking Act 2006 provides for the regulation of Islamic banks. Islamic banking business may be conducted via a branch, subsidiary or on the basis that the business is not repugnant to Shariah principles. Such entities must ensure compliance with SBP's Shariah compliance standards and appoint Shariah advisors who meet SBP's "fit and proper" criteria. The Shariah advisor is required to provide a statement with each annual report of the bank.

SBP's Shariah Advisory Council members are prohibited from being Shariah advisors to other banks. Where there is a conflict of opinion between a bank's Shariah advisor and the SBP's Shariah Advisor, the SBP's Shariah Advisory Board takes precedence and its opinions are binding upon the others.

> "SBP's Shariah Advisory Council members are prohibited from being Shariah advisors to other banks"

The minimum qualification for a Shariah advisor is a second class bachelor's degree in economics or Fiqh, with sufficient understanding of banking and finance; or a postgraduate degree in Islamic jurisprudence and experience in banking and finance; and additionally at least three years of issuing Shariah rulings or five years in Islamic banking and finance research with Arabic and English proficiencies.

Malaysia, on the other hand, is lacking in Shariah expertise and therefore is not in a position to dictate the minimum qualifications of a Shariah scholar. The central bank leaves it to the bank or the organization to appoint and be fully satisfied with the qualifications of its own Shariah board members.

Unlike Malaysia, the SBP released the Draft Shariah Compliance Risk Guidelines for financial institutions and organizations to refer to for direction and measurement of acceptable standards. This is a commendable act for Pakistan and could prove to be a useful tool for a multi-religious country such as Malaysia.

d. Customer protection
Notwithstanding the terms used such as banker, creditor, debtor and customer, Article 30 of Part IV provides that the banker-customer relationship in Islamic transactions shall be as per the particular transaction contract. SBP reserves the right to specify model contracts and corresponding responsibilities in relation to the transactions.

Depositor protection is provided for in Part XIII whereby a customer is provided up to 80% of his deposits if his bank becomes insolvent. The fund is contributed by banks as well as government funding.

Bafia provides up to 60% deposit protection through the Malaysia Deposit Insurance Corporation. IBA's Part XII Article 45 provides Islamic depositors top priority over other creditors. Customer protection is also provided for through the Banking Mohtasib. This is a person of judicial level whom the public may approach to investigate or arbitrage in any banking matters.

Part III of this article will compare and contrast Malaysia's and Pakistan's legal framework for Islamic banking on risk management and corporate governance, briefly discuss Pakistan's five-year strategic financial plan and will conclude with a summary of this three-part series.

Rosmah Ismail is an executive advisor on Islamic banking, with over 20 years of experience in the financial sector. She is based in Qatar.

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

Name: Anthony Chan

Position: Managing partner

Company: Hammonds China

Based: Hong Kong

Age: 48

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

I came to Hong Kong in 1992 after working in the UK in 1977 and have not looked back since!

As a corporate/investment lawyer, I have been involved in Asian cross-border deal work since 1992; represented both banks and borrowers on key debt restructurings in Hong Kong and mainland China as well as major project and asset based financings in the Asia Pacific region.

I am also heavily involved in establishing investment funds, either through private placement or listing.

I have always been interested in Islamic principles, having studied Islamic law at university. I ventured into Islamic banking in the late 1980s and early 1990s, and for the past 12 months have been very actively involved in this industry.

I am also currently the chairman of the International Chamber of Commerce, Hong Kong, which has allowed me to do my bit in assisting enterprises in promoting their goals.

What does your role involve?

My role at the firm involves leading my team in deal and advisory work within three main practice areas:

- Private equity/investment funds.
- China inbound and outbound investments and divestments.
- IPO/securities work.

Within the team, I work closely with my partners — Julianne Doe, Jeffrey Cheung and Valda Chan.

With the current global economic trends as they are, we also have a very busy dispute resolution practice led by my partner, Keith Brandt. The team specializes in domestic and international commercial dispute resolution and arbitration in a broad spectrum of industries. These range from commodities to maritime, oil and gas to property, and from construction to IT.

We currently have a team of three lawyers focusing on Islamic financial products, although our emphasis in this practice area remains in private equity and funds.

What is your greatest achievement to date?

I'd rather not say. However, I am now working on a number of Shariah compliant funding initiatives for Asian jurisdictions involving the use of Islamic financing structures, as well as exploring how to introduce Shariah compliant private equity into China and Korea in an attractive way.

Which of your products/services deliver the best results?

As a full service law firm, we have specialists in all areas of law. We combine solid legal advice with strong business acumen to deliver innovative and workable solutions that help our clients succeed.

And as law practices are service-oriented businesses, if the client is happy with our services, then we are happy.

What are the strengths of your business?

What makes us different is that we provide more than just expert legal advice. We have a good team of high quality, dedicated lawyers with local knowledge, industry experience and the appropriate international expertise.

The Hammonds' Beijing office works as one with the Hong Kong office in consolidating the firm's operations in the Far East, and provides legal solutions for our domestic, regional and international clients who transact business there.

We are also a key liaison office for the EU and other European law work.

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

The success of our firm would have to be credited to three things: Our high quality staff, our pragmatic advice and innovative approach to solutions for our clients, and finally, a little bit of luck.

What are the obstacles faced in running your business today?

As with most businesses in the service industry, the rising costs and volatile regional economy have proven to be a challenge for us.

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

The next five years may see continued growth in the Islamic finance industry. I would also expect to see an increased rate of penetration and a wider acceptance of Islamic financing as an accepted system of funding.

I also hope to see private equity products being more widely used in order to fuel the growth of privately-owned sectors.

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

I would like to see increased market penetration of Islamic financial services into north Asia.

Bakrieland Development's Sukuk Ijarah

INSTRUMENT	Sukuk Ijarah
ISSUE SIZE	IDR150 billion (US$15 million)
FACILITY DESCRIPTION	The Sukuk will consist of two tranches: Series A Sukuk of IDR60 billion (US$6 million) with a tenor of two years and Series B Sukuk of IDR90 billion (US$9 million) with a tenor of three years
ISSUER	Bakrieland Development (Bakrieland)
PRINCIPAL ACTIVITIES	Bakrieland is an integrated property developer in Indonesia. The company owns the largest development area and largest land bank in Jakarta's prime Central Business District. It also has projects in city property, landed residential, hotels and resorts, and property-related infrastructure. Bakrieland is part of the diversified Bakrie Group
DATE OF ISSUE	7th July 2009
LISTING DATE	9th July 2009
JOINT LEAD UNDERWRITERS	Bahana Securities and Madani Securities
SHARIAH ADVISOR	Indonesian National Shariah Board
TRUSTEE	Bank Mega
RATING	The issuance has received a rating of 'idBBB+(sy)' from Pemeringkat Efek Indonesia (Pefindo)
COUPON RATE	IDR154.8 million per IDR1 billion for Series A and IDR160 million per IDR1 billion for Series B (15.48% for Series A and 16% for Series B)
MATURITY DATE	7th July 2011 for Series A and 7th July 2012 for Series B
PAYMENT	Payable every three months
PURPOSE OF ISSUANCE	To increase cooperation with Middle East and Muslim investors via the issuance of a Shariah compliant instrument
UTILIZATION OF PROCEEDS	The proceeds of the Sukuk issuance (after deducting issuance costs) will be used as follows: • Approximately 80% or IDR120 billion (US$12 million) for the development of a subsidiary's residential project • Approximately 13.33% or IDR20 billion (US$2 million) for the development of central facilities of small and medium enterprises • Approximately 6.67% or IDR10 billion (US$1 million) for the issuer's working capital and business development

ADIB

UAE: Abu Dhabi Islamic Bank (ADIB) has appointed Dhafer Faroq Luqman as head of strategy, product management and international retail banking.

Luqman will be responsible for planning and directing all business development strategies, introduction of new products, and expansion into new markets to tap new geographies. He has 19 years experience in corporate and consumer banking, and strategy planning across Islamic and conventional banks.

Before ADIB, he was head of corporate development at Dubai Islamic Bank.

BNP PARIBAS SECURITIES SERVICES

SINGAPORE: The wholly owned subsidiary of BNP Paribas Group has appointed Karen Ng as the head of institutional investors relationship management.

Ng was previously the head of operations for Asia ex-Japan at Deutsche Asset Management, where she spent 23 years covering institutional and retail operations for several locations in Asia and the Middle East.

EMIRATES NBD

UAE: The bank has named UK financial industry expert Gary Dugan as its chief investment officer for its private banking division.

Dugan will be in charge of the overall investment policy of the private banking unit and will head a team to provide strategic and tactical asset allocation advice for private banking clients.

Previously, he was the managing director and chief investment officer at Merrill Lynch Global Wealth Management. He has also served as managing director and head of research and investment strategy at Barclays Wealth Management.

BARCLAYS WEALTH

UAE: The global wealth management institution has appointed Fawaz R Baba as the managing director for its Middle East operations. He has over 20 years international banking experience with expertise in fund development and client servicing.

Before joining Barclays Wealth, he was a principal at Investcorp Bank, where he focused on exploring strategic relationships for co-investments in the firm's platform. He has also served as the senior vice-president at HSBC-New York and group deputy CEO at Ahli United Bank-Bahrain.

RBS

INDIA: The Royal Bank of Scotland (RBS) has hired Anil Gudibande from AIG Investments as head of corporate financing and risk solutions for India. He will be responsible for developing the bank's corporate financing and risk solution business and for supporting some of its key relationships in the global banking and markets business.

At AIG Investments, he was part of the private equity team responsible for originating and closing investments in growth companies. He joined AIG in mid-2008 after spending most of his banking career with Citi in India.

Deal *tracker*

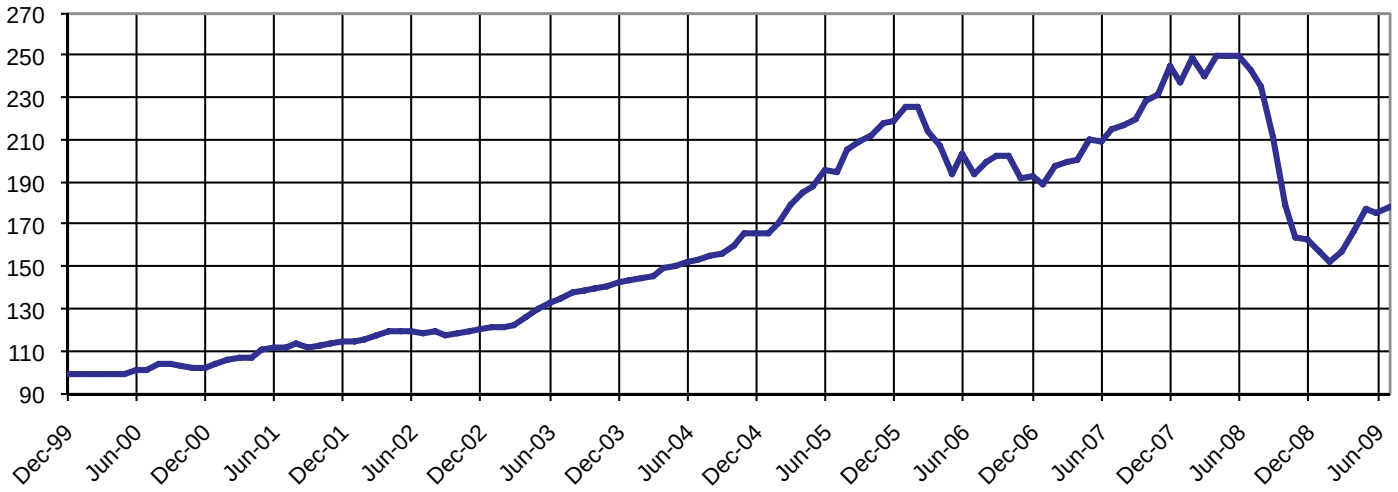
Keeping you abreast of the world's upcoming Shariah compliant deals

Another **Islamic Finance** *news* exclusive

ISSUER	SIZE (million)	INSTRUMENT
Terengganu Investment Authority	US$1.42	Islamic medium-term notes
Dubai Department of Finance	US$10 billion	Sukuk
Sakana Holistic Housing Solutions	US$50	Sukuk
Dar-Al Dhabi Holding	US$346.4	Sukuk
Unicorn Investment Bank	US$425	Sukuk Ijarah
Tourism Development and Investment Company	TBA	Sukuk
Islamic Bank of Thailand	US$1.4 billion	Sukuk
HSBC	TBA	Sukuk
Majlis Bandaraya Melaka Bersejarah	US$27.63	Sukuk
Qatar Gas Transport Company	Up to US$500	Sukuk
Islamic Development Bank	US$500	Sukuk
Cagamas	US$1.1 billion	Sukuk
Bank Negara Indonesia	US$50	Sukuk
Japan Bank for International Cooperation	US$200	TBA
Agni	US$71	Sukuk
Bakrieland Development	Up to US$101	Sukuk
City Development	US$708.32	Sukuk
Malaysian Debt Ventures	Up to US$449.07	Sukuk
Bumiputra-Commerce Holdings	US$572.18	Sukuk
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
Metrodata	US$10,703.00	Ijarah
First Fidelity	US$2.9	Diminishing Musharakah
Prolintas	US$187	US$93.5 million senior Ijarah, US$93.5 million junior Musharakah
Qatar Islamic Bank	US$300	Sukuk
Barwa Real Estate	US$800	Sukuk
Tabreed	Up to US$500	Sukuk

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

Eurekahedge Middle East/Africa Islamic Fund Index



Annualized returns for ALL funds (as of the 27th August 2009)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	IPB Syariah	Kresna Graha Sekurindo	19.31	Indonesia
2	Syariah Fortis Pesona Amanah	Fortis Investments	18.64	Indonesia
3	Manulife Dana Ekuitas Syariah	Manulife Aset Management Indonesia	18.45	Indonesia
4	Mandiri Investa Atraktif - Syariah (Mitra Syariah)	Mandiri Manajemen Investasi	17.31	Indonesia
5	TRIM Syariah Saham	Trimegah Securities	14.57	Indonesia
6	Mandiri Investa Syariah Berimbang	Mandiri Manajemen Investasi	14.13	Indonesia
7	TRIM Syariah Berimbang	Trimegah Securities	13.98	Indonesia
8	CIMB Islamic Asia Pacific Equity	UOB Asset Management	13.54	Malaysia
9	MAAKL Shariah Asia-Pacific	MAAKL Mutual	13.50	Malaysia
10	Prudential Asia Pacific Shariah Equity	Prudential Management	12.54	Malaysia
	Eurekahedge Asia Pacific Islamic Fund Index*		**5.40**	

Annualized Standard Deviation for ALL funds (as of the 27th August 2009)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	HSBC Amanah Saudi Equity Segregated Portfolio	HSBC Amanah Central Shariah Committee	6.56	Cayman Islands
2	Amanah Saudi Industrial	The Saudi British Bank	6.34	Saudi Arabia
3	AlAhli Saudi Mid Cap Equity	NCB Capital Company	6.21	UAE
4	Sanabel Fund	Prime Asset Management	5.80	Egypt
5	Al Yusr Tamoh Multi Asset	Saudi Hollandi Bank	5.54	Saudi Arabia
6	Amanah Saudi Equity	The Saudi British Bank	5.49	Saudi Arabia
7	Al Rajhi Local Shares	Al Rajhi Bank	5.09	Saudi Arabia
8	Al-Saffa Saudi Equity Trading	Banque Saudi Fransi	4.79	Saudi Arabia
9	Amanah Growth Portfolio	The Saudi British Bank	4.73	Saudi Arabia
10	FALCOM Saudi Equity	FALCOM Financial Services	4.68	Saudi Arabia
	Eurekahedge Middle East/Africa Islamic Fund Index*		**1.68**	

EUREKAHEDGE

Contact Eurekahedge

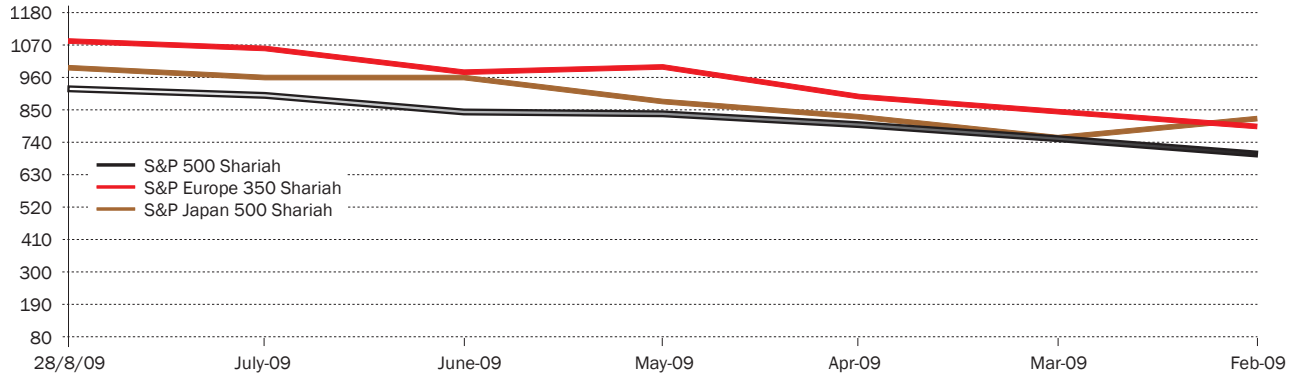
To list your fund or update your fund information: islamicfunds@eurekahedge.com

For further details on Eurekahedge: information@eurekahedge.com

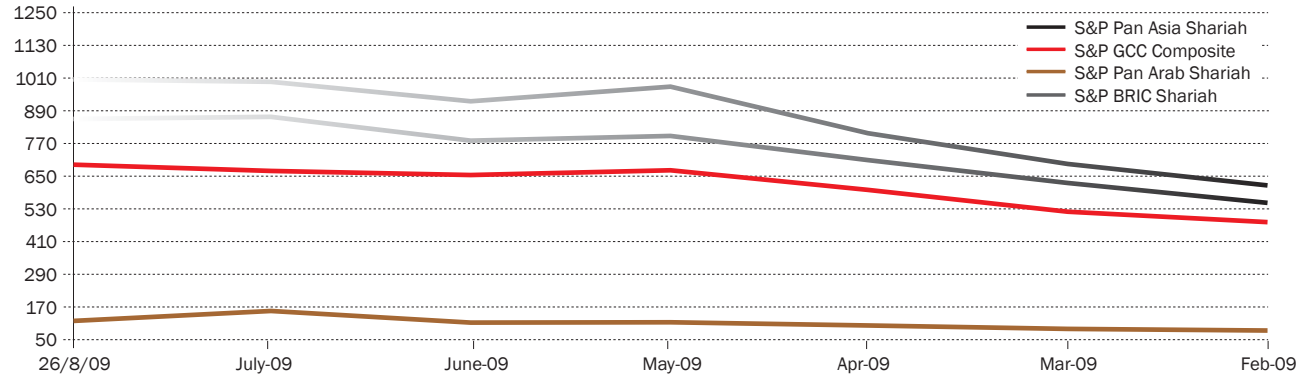
Tel: +65 6212 0900

EUREKAHEDGE

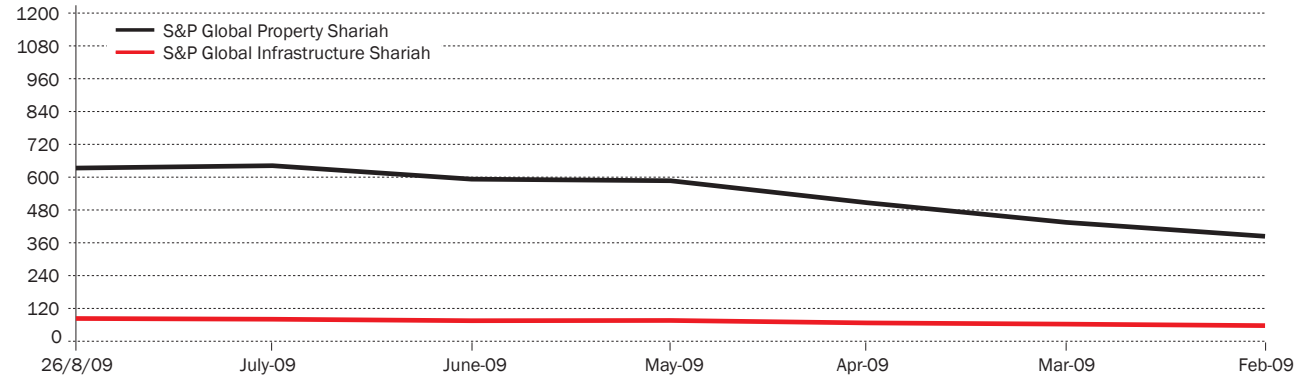
S&P Shariah Indices Price Index Levels



Index Code	Index Name	26/8/09	July-09	June-09	May-09	Apr-09	Mar-09	Feb-09
SPSHX	S&P 500 Shariah	921.367	899.016	842.797	836.573	799.755	752.048	700.074
SPSHEU	S&P Europe 350 Shariah	1083.567	1058.270	977.823	995.630	894.958	843.893	793.619
SPSHJU	S&P Japan 500 Shariah	992.973	959.584	959.584	878.263	826.363	755.552	820.175



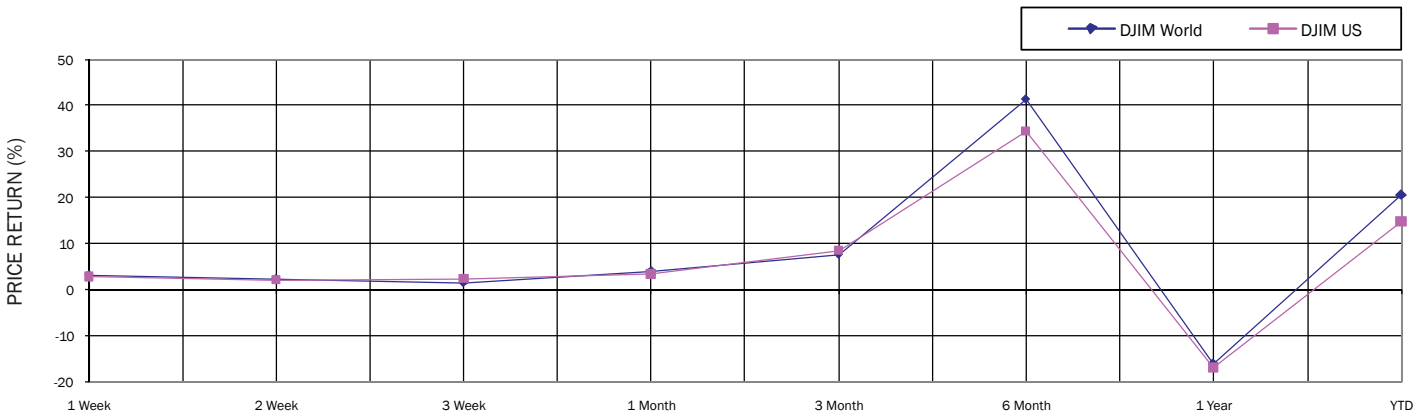
Index Code	Index Name	26/8/09	July-09	June-09	May-09	Apr-09	Mar-09	Feb-09
SPSHAS	S&P Pan Asia Shariah	859.863	867.704	780.340	797.647	708.922	624.982	552.018
SPSHG	S&P GCC Composite Shariah	692.188	669.202	654.208	671.614	599.648	519.529	481.323
SPSHPA	S&P Pan Arab Shariah	118.861	115.322	112.643	113.860	102.133	89.561	83.589
SPSHBR	S&P BRIC Shariah	1005.194	996.242	924.814	978.497	807.592	694.799	616.078



Index Code	Index Name	26/8/09	July-09	June-09	May-09	Apr-09	Mar-09	Feb-09
SPSHGU	S&P Global Property Shariah	633.273	641.907	592.683	586.922	506.477	434.684	383.755
SPSHIF	S&P Global Infrastructure Shariah	83.119	80.488	75.034	75.918	66.983	62.583	57.085

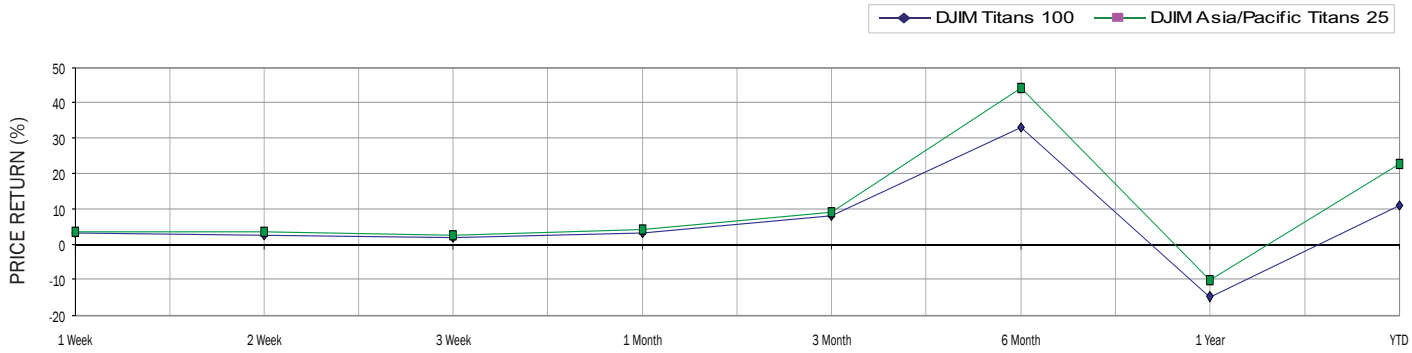
Data as of the 26th August 2009

PERFORMANCE OF DJ INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	3.02	2.22	1.49	3.90	7.62	41.41	-16.11	20.50
DJIM Asia/Pacific	2.72	2.08	2.28	3.27	8.43	34.45	-16.91	14.78

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	3.02	2.45	1.93	3.00	8.1	33.18	-14.80	11.00
DJIM Asia/Pacific Titans 25	3.45	3.55	2.50	4.41	9.1	44.33	-9.97	22.87

DESCRIPTIVE STATISTICS		Market Capitalization (US$ billions)						Component Weight (%)	
Index	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Large	Small
DJIM World	2386	14221.72	11187.47	4.69	0.94	352.68	0.00	3.15	0.00
DJIM US	604	6291.40	5883.40	9.74	2.32	352.68	0.14	5.99	0.00
DJIM Titans 100	100	6388.90	5696.56	56.97	40.64	328.10	11.56	5.76	0.20
DJIM Asia/Pacific Titans 25	25	974.30	649.84	25.99	18.36	76.56	11.56	11.78	1.78

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

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TOP ISSUERS OF ISLAMIC BONDS — AUGUST 2008 – AUGUST 2009

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Saudi Electricity	Saudi Arabia	Sukuk	1,867	1	15.4	HSBC, Samba Financial Group
2	Petronas Global Sukuk	Malaysia	Sukuk Ijarah	1,498	1	12.4	Morgan Stanley, CIMB, Citigroup
3	Terengganu Investment Authority	Malaysia	Murabahah	1,422	1	11.7	AmInvestment
4	Kingdom of Bahrain	Bahrain	Sukuk Ijarah	750	1	6.2	Deutsche Bank, HSBC, Calyon
5	Republic of Indonesia	Indonesia	Sukuk Ijarah	650	1	5.4	Standard Chartered, HSBC, Barclays Capital, (Persero) Danareksa, Trimegah Securities, Bank Mandiri
6	Cagamas	Malaysia	Murabahah MTN	647	5	5.3	Standard Chartered, AmInvestment, Maybank Investment Bank, HSBC, CIMB , RHB Capital
7	Khazanah Nasional	Malaysia	Sukuk Musharakah	601	3	5.0	CIMB, AmInvestment, Maybank Investment Bank
8	Danga Capital	Malaysia	Sukuk Musharakah	444	1	3.7	CIMB, AmInvestment
9	Penerbangan Malaysia	Malaysia	Murabahah MTN	411	1	3.4	HSBC, CIMB, AmInvestment
10	Rantau Abang Capital	Malaysia	Sukuk Musharakah	381	1	3.1	CIMB
11	Islamic Republic of Pakistan	Pakistan	Sukuk	350	3	2.9	Standard Chartered, Dubai Islamic Bank Pakistan
12	RIM City	Malaysia	Bai Bithaman Ajil MTN	277	2	2.3	CIMB
13	Seafield Capital	Malaysia	Sukuk Musharakah	269	1	2.2	CIMB
14	Purple Island	Saudi Arabia	Sukuk Mudarabah	267	1	2.2	HSBC
15	Saudi Hollandi Bank	Saudi Arabia	Sukuk	207	1	1.7	Saudi Hollandi Bank
16	Dar Al-Arkan Real Estate Development Company	Saudi Arabia	Sukuk Ijarah	200	1	1.7	HSBC, Samba Financial Group
17	MISC	Malaysia	Murabahah MTN	196	1	1.6	HSBC, CIMB, AmInvestment
18	Projek Lintasan Shah Alam	Malaysia	Murabahah MTN	174	4	1.4	RHB Capital
19	PLUS SPV	Malaysia	Sukuk Musharakah	151	1	1.3	BIMB Holdings, CIMB
20	Jimah Energy Ventures Holdings	Malaysia	Istisna MTN	149	2	1.2	AmMerchant Bank, Bank Muamalat Malaysia, RHB Investment Bank, MIMB Investment Bank
	Total			**12,114**	**66**	**100.0**	

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TOP ISSUERS OF ISLAMIC BONDS — MAY 2009 – AUGUST 2009

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Saudi Electricity	Saudi Arabia	Sukuk	1,867	1	28.93	HSBC, Samba Financial Group
2	Petronas Global Sukuk	Malaysia	Sukuk Ijarah	1,498	1	23.22	Morgan Stanley, CIMB, Citigroup
3	Terengganu Investment Authority	Malaysia	Murabahah	1,422	1	22.04	AmInvestment Bank
4	Kingdom of Bahrain	Bahrain	Sukuk Ijarah	750	1	11.63	Deutsche Bank, HSBC, Calyon
5	Cagamas	Malaysia	Murabahah MTN	335	2	5.19	HSBC, CIMB Group, RHB Capital
6	Khazanah Nasional	Malaysia	Sukuk Musharakah	214	1	3.31	CIMB, AmInvestment, Maybank Investment Bank
7	MISC	Malaysia	Murabahah MTN	196	1	3.04	HSBC, CIMB, AmInvestment
8	Projek Lebuhraya Utara Selatan	Malaysia	Sukuk Musharakah	75	1	1.16	CIMB
9	Talam	Malaysia	Sukuk	38	1	0.59	RHB Capital
10	Makro Utama	Malaysia	Sukuk Istisna	28	1	0.44	Kenanga Investment Bank
11	Bakrieland Development	Indonesia	Sukuk Ijarah	15	1	0.23	Madani Securities, Bahana Securities
12	Tanjung Langsat Port	Malaysia	Sukuk Musharakah	11	1	0.17	Malaysian Industrial Development Finance
13	TSH Sukuk Ijarah	Malaysia	Sukuk Ijarah MTN	3	1	0.04	OSK Asia Securities
	Total			**6,451**	**14**	**100.00**	

ISLAMIC BONDS		AUGUST 2008 – AUGUST 2009		
	Manager or Group	Amt US$ m	Iss.	%
1	CIMB	2,936	28	24.2
2	HSBC	2,167	13	17.9
3	AmInvestment	2,090	13	17.3
4	Samba Financial Group	1,033	2	8.5
5	Morgan Stanley	499	1	4.1
5	Citigroup	499	1	4.1
7	Standard Chartered	490	7	4.0
8	RHB Capital	383	10	3.2
9	Maybank Investment Bank	291	10	2.4
10	Deutsche Bank	250	1	2.1
10	Calyon	250	1	2.1
12	Barclays Capital	217	1	1.8
13	Saudi Hollandi Bank	207	1	1.7
14	BIMB Holdings	178	4	1.5
15	Dubai Islamic Bank Pakistan	175	3	1.5
16	Bank Muamalat Malaysia	84	3	0.7
17	Malaysian Industrial Development Finance	83	5	0.7
18	EON Bank	66	3	0.6
19	Oversea-Chinese Banking Corp	55	1	0.5
20	OSK Asia Securities	31	2	0.3
	Total	**12,114**	**66**	**100.0**

ISLAMIC BONDS		MAY 2009 – AUGUST 2009		
	Manager or Group	Amt US$ m	Iss.	%
1	AmInvestment	1487	2	23.1
2	HSBC	1351	4	21.0
3	CIMB	1021	6	15.8
4	Samba Financial Group	933	1	14.5
5	Morgan Stanley	499	1	7.7
5	Citigroup	499	1	7.7
7	Deutsche Bank	250	1	3.9
7	Calyon	250	1	3.9
9	RHB Capital	103	2	1.6
10	Kenanga Investment Bank	28	1	0.4
11	Malaysian Industrial Development Finance	11	1	0.2
12	Madani Securities	7	1	0.1
12	Bahana Securities	7	1	0.1
14	OSK Asia Securities	3	1	0.0
	Total	**6,451**	**14**	**100.0**

ISLAMIC BONDS BY COUNTRY	AUGUST 2008 – AUGUST 2009		
	Amt US$ m	Iss.	%
Malaysia	7,712	53	63.7
Saudi Arabia	2,540	4	21.0
Indonesia	762	5	6.3
Bahrain	750	1	6.2
Pakistan	350	3	2.9
Total	**12,114**	**66**	**100.0**

ISLAMIC BONDS BY COUNTRY	MAY 2009 – AUGUST 2009		
	Amt US$ m	Iss.	%
Malaysia	3,820	11	59.2
Saudi Arabia	1,867	1	28.9
Bahrain	750	1	11.6
Total	**6,451**	**14**	**100.0**

ISLAMIC BONDS BY CURRENCY	AUGUST 2008 – AUGUST 2009		
	Amt US$ m	Iss.	%
Malaysian ringgit	6,213	52	51.3
US dollar	2,898	3	23.9
Saudi Arabian riyal	2,540	4	21.0
Pakistan rupee	350	3	2.9
Indonesian rupiah	112	4	0.9
Total	**12,114**	**66**	**100.0**

ISLAMIC BONDS BY CURRENCY	MAY 2009 – AUGUST 2009		
	Amt US$ m	Iss.	%
Malaysian ringgit	2,322	10	36.0
US dollar	2,248	2	34.9
Saudi Arabian riyal	1,867	1	28.9
Total	**6,451**	**14**	**100.0**

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ALL DATA AS OF THE 26th AUGUST 2009

SUKUK MANAGERS (12 months) AUG 2008 - AUG 2009

	Manager	Manager Commitment (in US$)	Issues	Market Share %
1	Malaysia (Government)	19,694,466,036	189	50.3
2	CIMB	3,529,217,864	129	9.0
3	AMMB Holdings	2,684,642,555	115	6.9
4	HSBC Banking Group	1,792,743,770	43	4.6
5	Citigroup	1,628,759,510	10	4.2
6	Malaysian Industrial Development Finance	1,273,732,809	313	3.3
7	Morgan Stanley	1,215,000,000	5	3.1
8	RHB Banking Group	977,597,286	58	2.5
9	Samba Financial Group	933,261,000	1	2.4
10	Malayan Banking	831,546,972	123	2.1
11	UAE (Government)	722,026,696	6	1.8
12	Standard Chartered Bank	595,210,888	18	1.5
13	Barclays Bank	435,500,000	3	1.1
14	Affin Holdings	348,823,748	41	0.9
15	Cagamas	345,537,496	34	0.9
16	Indonesia (Government)	336,214,791	9	0.9
17	OCBC Bank	311,753,943	41	0.8
18=	Danareksa Sekuritas	216,532,738	5	0.6
18=	Trimegah Securities	216,532,738	5	0.6
20	OSK Holdings	216,477,053	26	0.6

SUKUK MANAGERS (3 months) MAY 2009 - AUG 2009

	Manager	Manager Commitment (in US$)	Issues	Market Share %
1	Malaysia (Government)	6,321,382,568	26	41.1
2	AMMB Holdings	1,792,677,751	33	11.7
3	CIMB	1,225,737,692	31	8.0
4	Citigroup	1,224,896,320	6	8.0
5	Morgan Stanley	1,215,000,000	5	7.9
6	HSBC Banking Group	1,187,599,121	17	7.7
7	Samba Financial Group	933,261,000	1	6.1
8	RHB Banking Group	426,623,400	4	2.8
9	Malaysian Industrial Development Finance	332,071,803	71	2.2
10	Malayan Banking	242,061,687	29	1.6
11	Cagamas	160,628,351	13	1.0
12	Affin Holdings	74,831,695	4	0.5
13	OSK Holdings	70,963,135	9	0.5
14	EON Capital	51,189,728	26	0.3
15	Standard Chartered Bank	30,522,929	4	0.2
16	Hwang-DBS (Malaysia)	16,961,782	4	0.1
17	United Overseas Bank	16,228,080	2	0.1
18	Indonesia (Government)	15,309,497	3	0.1
19	OCBC Bank	12,776,084	4	0.1
20	DBS Group	7,952,950	1	0.1

SUKUK ISSUERS (12 months) AUG 2008 - AUG 2009

	Issuer	Issuer Commitment (in US$)	Issues	Market Share %
1	Bank Negara Malaysia	8,857,767,661	156	21.3
2	Malaysia (Government)	7,189,451,599	22	17.3
3	Bank Indonesia	3,019,701,515	52	7.3
4	Petronas Global Sukuk	3,000,000,000	2	7.2
5	Saudi Electricity	1,866,522,000	1	4.5
6	Terengganu Investment Authority	1,419,647,927	8	3.4
7	BNM Sukuk	1,390,824,834	7	3.3
8	Indonesia (Government)	1,300,000,000	2	3.1
9	Perusahaan Penerbit SBSN Indonesia	1,248,001,295	6	3.0
10=	Sun Finance	1,093,979,842	3	2.6
11	Khazanah Nasional	993,753,549	3	2.4
12	Cagamas	927,322,675	34	2.2
13	ESSO Malaysia	552,457,603	12	1.3
14	Danga Capital	454,287,337	2	1.1
15	Penerbangan Malaysia	425,894,378	1	1.0
16	Rantau Abang Capital	369,108,461	1	0.9
17	Pakistan (Government)	348,311,445	3	0.8
18	Malakoff	340,715,503	2	0.8
19	MISC	283,969,000	3	0.7
20	Seafield Capital	269,733,106	9	0.6

SUKUK ISSUERS (3 months) MAY 2009 - AUG 2009

	Issuer	Issuer Commitment (in US$)	Issues	Market Share %
1	Petronas Global Sukuk	3,000,000,000	2	20.6
2	Malaysia (Government)	2,873,721,900	3	19.7
3	Saudi Electricity	1,866,522,000	1	12.8
4	Terengganu Investment Authority	1,419,647,927	8	9.7
5	BNM Sukuk	1,277,253,000	6	8.8
6	Bank Negara Malaysia	907,739,268	16	6.2
7	Bank Indonesia	887,635,985	14	6.1
8	Cagamas	485,812,170	13	3.3
9	MISC	283,969,000	3	1.9
10	Seafield Capital	269,733,106	9	1.8
11=	ESSO Malaysia	211,742,100	3	1.5
12	Projek Lebuhraya Utara-Selatan	170,357,751	1	1.2
13	Perusahaan Penerbit SBSN Indonesia	114,730,912	2	0.8
14	TESCO Stores (Malaysia)	56,711,530	3	0.4
15	Mulpha International	56,608,980	7	0.4
16	Sime Darby	42,875,100	1	0.3
17	Perbadanan Kemajuan Negeri Selangor	42,667,140	4	0.3
18	Hubline	42,462,255	4	0.3
19	BMA International Sukuk	34,185,960	3	0.2
20	Oilcorp	34,094,280	4	0.2

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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.

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ALL DATA AS OF THE 26th AUGUST 2009

LOAN MANDATED LEAD ARRANGERS — AUG 2008 - AUG 2009

	Lender	Pro Rata ($)	Full Credit ($)	Deals	Market Share %
1	Dubai Islamic Bank	1,515,903,212.63	5,533,225,701.00	5	6.6
2	HSBC	647,123,249.30	5,308,000,000.00	5	2.8
3	Standard Chartered	633,950,271.45	4,643,225,701.00	5	2.8
4	Calyon Corporate & Investment Bank	524,789,915.97	5,050,000,000.00	3	2.3
5	Al Hilal Bank	504,863,636.36	2,974,000,000.00	2	2.2
6	Standard Bank Group	493,506,493.51	4,000,000,000.00	2	2.1
7	Arab Bank Group	483,789,915.97	3,018,000,000.00	3	2.1
8	Noor Islamic Bank	467,763,636.36	4,657,000,000.00	4	2.0
9	Samba Financial Group	422,900,000.00	1,746,000,000.00	2	1.8
10	Mashreqbank	395,150,462.45	3,081,325,892.00	4	1.7
11	Al Rajhi Banking & Investment	374,789,915.97	2,800,000,000.00	2	1.6
12	Emirates Bank	372,069,879.29	3,387,225,701.00	4	1.6
13=	Gulf Bank of Kuwait	357,142,857.14	2,500,000,000.00	1	1.6
13=	National Bank of Kuwait	357,142,857.14	2,500,000,000.00	1	1.6
15	Royal Bank of Scotland	286,363,636.36	3,750,000,000.00	2	1.2
16	Citigroup	238,346,833.33	2,440,027,000.00	3	1.0
17	Deutsche Bank	225,013,500.00	2,400,027,000.00	2	1.0
18	Barclays Bank	204,400,000.00	2,522,000,000.00	2	0.9
19=	Abu Dhabi Islamic Bank	179,766,848.99	1,847,225,701.00	2	0.8
19=	First Gulf Bank	179,766,848.99	1,847,225,701.00	2	0.8
21=	JPMorgan	150,000,000.00	2,250,000,000.00	1	0.7
21=	UBS	150,000,000.00	2,250,000,000.00	1	0.7
21=	Dubai Bank	150,000,000.00	2,250,000,000.00	1	0.7
21=	Morgan Stanley	150,000,000.00	2,250,000,000.00	1	0.7
25	WestLB	144,647,058.82	935,000,000.00	2	0.6
26=	Qatar National Bank	137,500,000.00	275,000,000.00	1	0.6
26=	Qatar International Islamic Bank	137,500,000.00	275,000,000.00	1	0.6
28=	Al Khalij Commercial Bank	136,363,636.36	1,500,000,000.00	1	0.6
28=	Abu Dhabi Commercial Bank	136,363,636.36	1,500,000,000.00	1	0.6
28=	Commercial Bank of Dubai	136,363,636.36	1,500,000,000.00	1	0.6
28=	Commercial Bank of Qatar QSC	136,363,636.36	1,500,000,000.00	1	0.6
28=	Commerzbank	136,363,636.36	1,500,000,000.00	1	0.6
33	Industrial & Commercial Bank of China	127,000,000.00	635,000,000.00	1	0.6
34=	National Bank of Bahrain	125,000,000.00	250,000,000.00	1	0.5

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

	Lender	Pro Rata (US$)	Full Credit (US$)	Deals	Market Share %
1=	Calyon Corporate & Investment Bank	1,250,000,000.00	5,000,000,000.00	1	6.3
1=	Al Rajhi Banking & Investment	1,250,000,000.00	5,000,000,000.00	1	6.3
3	Noor Islamic Bank	899,000,000.00	9,314,000,000.00	4	4.5
4	Standard Chartered	792,112,850.50	8,142,451,402.00	3	4.0
5	Dubai Islamic Bank	745,500,000.00	8,718,000,000.00	3	3.8
6	Hilal Bank	618,500,000.00	5,948,000,000.00	2	3.1
7	Royal Bank of Scotland	500,000,000.00	7,500,000,000.00	2	2.5
8	Samba Financial Group	368,500,000.00	2,948,000,000.00	1	1.9
9	Mashreqbank	357,713,041.50	1,062,651,784.00	2	1.8
10	Citigroup	345,013,500.00	4,880,054,000.00	3	1.7
11	HSBC	270,000,000.00	4,580,000,000.00	2	1.4
12=	Standard Bank	250,000,000.00	3,000,000,000.00	1	1.3
12=	First Gulf Bank	250,000,000.00	3,000,000,000.00	1	1.3
12=	Khalij Commercial Bank	250,000,000.00	3,000,000,000.00	1	1.3
12=	National Bank of Bahrain	250,000,000.00	500,000,000.00	1	1.3
12=	Dubai Bank	250,000,000.00	4,500,000,000.00	1	1.3
12=	Barclays Bank	250,000,000.00	4,500,000,000.00	1	1.3
12=	JPMorgan	250,000,000.00	4,500,000,000.00	1	1.3

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

	Borrower	Country	Islamic Loan Amount (US$)
1	Zain	Kuwait	2,500,000,000
2	Investment Corp of Dubai	UAE	2,250,000,000
3	Dubai Financial	UAE	1,500,000,000
4	Dubai Electricity & Water Authority	UAE	1,474,000,000
5	Borse Dubai	UAE	827,000,000
6	Dubai Department of Civil Aviation	UAE	635,000,000
7	Al Ghurair Centre	UAE	347,225,701
8	Al Dur Power & Water	Bahrain	300,000,000
9	Qatar Real Estate Investment	Qatar	275,000,000
10	Emirates Group	UAE	272,000,000
11	Bahrain Mumtalakat Holding	Bahrain	250,000,000
12	Dolphin Energy	UAE	218,000,000
13	Al Jaber Group	UAE	184,100,191
14	Commercial Real Estate	Kuwait	155,000,000
15	Port & Free Zone World FZE	UAE	150,027,000
16	Burgan Co for Well Drilling, Trading & Maintenance	Kuwait	125,000,000
17	Boyner Holding	Turkey	40,000,000

ALL DATA AS OF THE 26th AUGUST 2009

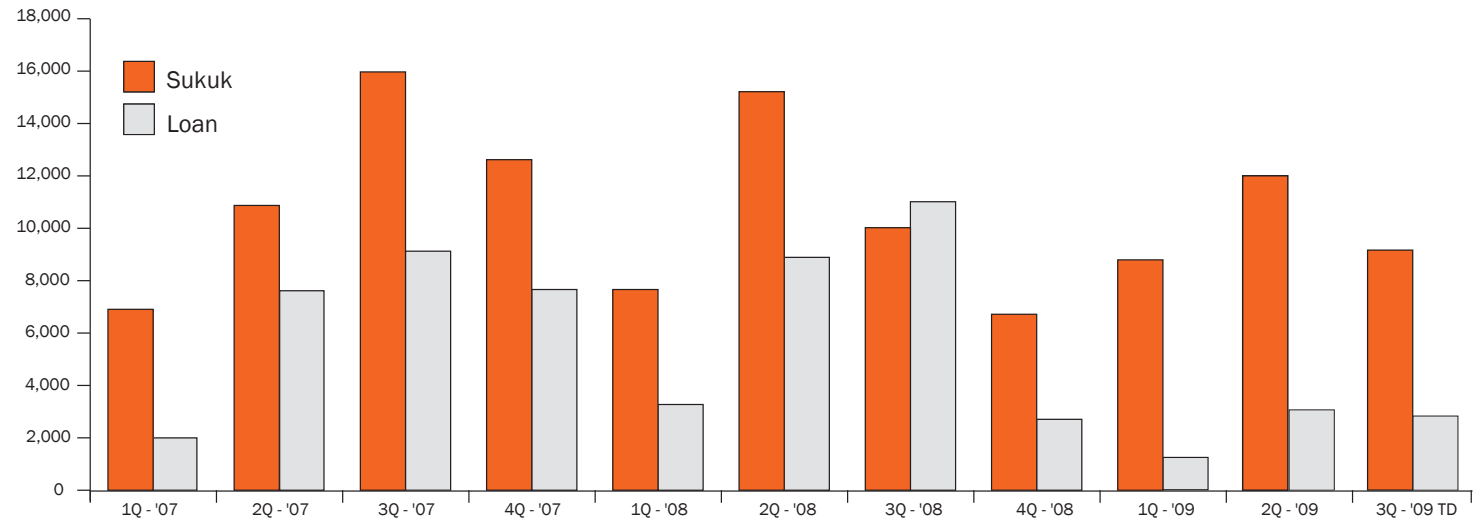
SUKUK BY COUNTRY	(12 Months)	AUG 2008 - AUG 2009
Country	Volume Issued	Volume Outstanding
Malaysia	28,978,679,675	16,582,225,256
Indonesia	4,411,205,503	1,655,780,984
Eurobond	2,150,000,000	2,150,000,000
US	2,150,000,000	2,150,000,000
Saudi Arabia	2,073,188,667	2,073,188,667
Jersey	1,093,979,842	1,093,979,842
Pakistan	348,311,445	348,311,445
Bahrain	265,016,419	73,984,315
Singapore	67,944,014	67,944,014
Cayman Islands	-	-
UAE	-	-

LOANS BY COUNTRY	(12 Months)	AUG 2008 - AUG 2009
Country	Volume (US$)	Market Share(%)
UAE	7,857,352,892	68.3
Kuwait	2,780,000,000	24.2
Bahrain	550,000,000	4.8
Qatar	275,000,000	2.4
Turkey	40,000,000	0.3

SUKUK BY INDUSTRY	(12 Months)	AUG 2008 - AUG 2009
Industry	Volume Issued	Volume Outstanding
Sovereign	20,903,611,100	20,903,611,100
Other financial	11,888,761,806	10,443,053,082
Agency	2,352,565,084	2,295,779,167
Manufacturing	1,695,329,783	596,301,445
Electric power	1,985,214,278	1,959,660,615
Service company	917,150,705	626,233,029
Energy company	712,711,332	148,836,371
Transportation	547,598,736	409,892,887
Banks	263,452,584	263,452,584
Consumer goods	185,899,491	110,658,151
Gas distribution	-	-

LOANS BY INDUSTRY	(12 Months)	AUG 2008 - AUG 2009
Industry	Volume (US$)	Market Share(%)
Government	2,885,000,000	25.1
Financial services	2,577,000,000	22.4
Telecommunications	2,500,000,000	21.7
Utilities	1,774,000,000	15.4
Real estate	430,000,000	3.7
Retail and supermarkets	387,225,701	3.4
Oil and gas	343,000,000	3.0
Transportation	272,000,000	2.4
Construction	184,100,191	1.6
Business services	150,027,000	1.3

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



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EVENTS DIARY 2009

DATE	EVENT	VENUE	ORGANIZER
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
12th – 15th	Funds World Turkey 2009	Istanbul	Terrapinn
20th	Brunei IFN Roadshow	Brunei	Islamic Finance *events*
November			
2nd – 3rd	Private Client Symposium Middle East	Dubai	IBC
2nd – 4th	Islamic Funds World Middle East 2009	UAE	Terrapinn
2nd – 6th	6th KLIFF 2009	Kuala Lumpur	Cert Events
3rd	India IFN Roadshow	India	Islamic Finance *events*
3rd	4th World Islamic Infrastructure Finance Conference	Doha	MEGA Events
4th – 5th	The International Real Estate Finance Summit 09	London	ICG-Events
5th	Pakistan IFN Roadshow	Pakistan	Islamic Finance *events*
5th	Islamic Finance Intelligence Summit	London	FT Global Events
9th – 10th	Real Estate Investment World Summit	Riyadh	Naseba Group
	3rd World Islamic Infrastructure Finance Conference	Qatar	MEGA Events
	Islamic Investment World Middle East 2009	Middle East	Terrapinn
December			
6th – 8th	16th World Islamic Banking Conference	Bahrain	MEGA Events

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