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Being regulated can be good for business

What Islamic finance participants really wish for is certainty and predictability for financial transactions. For this to happen, there has to be a strong legal and Shariah framework. This will also increase public confidence in the system. And this is becoming all the more important as innovation and a "thinking out of the box" mindset develop within the industry. In addition, it provides the mechanism for dispute settlement.

Hence the legal services industry serves as an important "bridge" between Shariah and legal parameters, making it possible to transform Shariah principles into legally enforceable financial practices. However, the disparities in Shariah interpretations among jurisdictions, owing largely to the different schools of thought — and perceptions that particular jurisdictions are "superior" to others — tend to throw a spanner in the works for cross-border transactions.

There are moves to bring about a sturdy platform for Islamic finance by having a national Shariah council as the final arbiter on Shariah matters in Islamic finance. Just as significant is the trend for several jurisdictions to work towards mutual recognition of the interpretation of Shariah principles. Such pragmatic engagement among regulators and other authorities will surely be welcomed by the industry and will help realize the aspiration to have Islamic finance gain global acceptance.

Malaysia has introduced a new central bank law that explicitly codifies the duality of the Malaysian financial system — Islamic and conventional. As Islamic finance disputes go to the civil courts because the Shariah courts' jurisdiction is limited to matters concerning Muslim individuals, the new law states that Bank Negara Malaysia's Shariah Council is the ultimate body that can rule on the Shariah aspect of a civil court case concerning banking and financial matters.

Malaysia is also setting Shariah Parameters to outline the main Shariah requirements in contracts and provide examples, methods and models for practical application. These moves will help bring about consistency and predictability in the interpretation and application of Shariah principles for financial transaction in the country.

Bank Negara governor Zeti Akhtar Aziz, well known for championing Islamic finance at a global level, stresses that the first pillar of competitiveness is an institutional structure with a legal and administrative framework. "The ability to execute financial transactions efficiently — with sufficient certainty and enforceability, and a clear process for resolving ambiguities and possible breaches of the contract — will enhance competitiveness, both at the institutional level as well as for the financial system as a whole," she adds.

Worldwide, Islamic financial assets are projected to grow to US$1.6 trillion by 2012 while the global Sukuk has a combined outstanding value to date of approximately US$152.8 billion. The level of innovation, scale and complexity of Islamic financial transactions is increasing at a tremendous pace. This means the legal sector will have a lot of complex matters to resolve.

This is where a clear and firm regulatory environment will truly be good for business. For this to come about, there needs to be a commitment by Shariah scholars to work towards a convergence of views and opinions, to focus more on the positive aspects in the development of Islamic finance.

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AFRICA

Islamic banking touted as savior

NIGERIA: Governor Bukola Saraki of Kwara state in Nigeria has stressed the need for the federal government to accept Islamic banking as the solution to the current global downturn. Saraki was also confident that had the government adopted Islamic banking, the country would have been less affected by the financial crisis. Saraki was speaking at the First University of Ilorin's International Conference on Islamic Banking and Finance.

AMERICAS

Latin American funds eye Mideast investors

SOUTH AMERICA: Latin American hedge fund managers are actively seeking new sources for potential clients especially in Islamic banking, with more investors pulling out of global funds to liquidate their assets.

Prior to the credit crunch, Latin America's commodity rich nations had attracted serious interest through BRIC and Agro funds. However, with the fall in the price of commodities, Latin investors are looking to diversify into the Middle East- one of the regions least affected by the credit crunch.

According to early analysis by the US-based Council on Foreign Relations, sovereign funds with high allocations to equities, emerging markets and private equity lost up to 40% in portfolio value between December 2007 and December 2008.

Islamic ETF for the West

US: Financial products and services provider Shariah Capital plans to launch an exchange traded fund (ETF) simultaneously in London and New York, based on the success of its Dubai-based funds, said CEO Eric Meyer. According to him, there are 383 Shariah compliant funds with more than US$25 million of assets in the world but not all of them have performed well.

"Shariah Capital has carefully examined the existing Shariah compliant ETF offerings and concluded that the mixed results obtained by earlier offerings could be overcome

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through focused marketing and distribution. As a firm interested in developing Islamic products, we believe that we can meet these challenges," Meyer said.

US-based Shariah Capital manages five commodity funds in Dubai, established in conjunction with the Dubai Multi Commodities Centre Authority, and they had outperformed a number of international benchmarks, according to financial reports issued last July.

The firm is also seeking partners in the form of co-development and shared equity strategic ETF alliances.

IFC goes for Sukuk

US: The World Bank's financing unit, International Finance Corporation (IFC), plans to raise US$100 million in Sukuk. This is to show its commitment in the region through Islamic financing and also because it has limited Ijarah contracts, sources were quoted as saying.

HSBC, Dubai Islamic Bank, Kuwait Finance House-Bahrain and Liquidity Management House have been mandated to organize a road show for the Sukuk, which will commence on the 18th October.

In June, IFC had said it planned to issue US$3 billion in short-term debt to increase funding for development activities in poor countries.

Moody's Investors Service has assigned an 'Aaa' rating to the proposed Sukuk, which is to be issued by Hilal Sukuk Company, an Islamic financing conduit for IFC. Moody's said the rating is based on its 'Aaa' issuer rating for IFC as well as an analysis of the transaction structure.

ASIA

Merger approved

PAKISTAN: The certificate holders of Al-Zāmin Leasing Modaraba, a Shariah compliant financial institution, have approved the scheme of arrangement and the resolution for the merger of Al- Zāmin Leasing Corporation, a non-banking institution, with Invest Capital Investment Bank.

The new entity would be involved in activities that include equity and debt brokerage, treasury operations, foreign exchange trading, corporate finance, advisory services, leasing, project financing and related activities.

With an equity of about PKR1.34 million (US$16,000) and an asset base of PKR 7.57 million (US$91,000), its range of Shariah compliant will include products which Al-Zamin had acquired over the last few years.

Bank purchase moves denied

MALAYSIA: Malayan Banking (Maybank) CEO Abdul Wahid Omar has dismissed reports that the group is looking to purchase new banking assets abroad. "That's certainly not true. Perhaps the matter was taken out of context," said Wahid.

He was commenting on a news report quoting the chairman of Pakistan's Nishat Group, Mian Mohammad Mansha, on the possibility of a collaboration between Pakistan's MCB Bank and Maybank to acquire banks in the UAE and Indonesia.

Wahid, who is also the bank's president said Maybank has undertaken "enough" acquisitions — three last year worth RM11.1 billion (US$3.17 billion) — and that the focus for it now is organic growth. However, Wahid said the bank plans to open more branches in the Philippines and Cambodia.

The CEO has also touched on the growth potential for its Islamic subsidiary, Maybank Islamic: "To date, the total Islamic assets are

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RM35 billion (US$10.3 billion) that the bank has, making it the largest Islamic banking player in the Asia Pacific region. Hence we believe there's a huge opportunity to grow Maybank Islamic organically within the region and in the countries we are in."

Luring Qatari investors

MALAYSIA: Credit rating agency, RAM Ratings is looking into cross-border collaborations with Qatari institutions in the areas of funding and investment, particularly in Islamic finance.

This is in line with its plans to expand its activities in the country, said deputy CEO of RAM Holdings Wong Fook Wah. According to Wong, RAM Ratings could offer guidance to Qatari investors who wish to be involved in the Malaysian bond market.

According to RAM Ratings' CEO, Liza Mohamed Noor, the outlook for capital market growth in both countries are strong as demand for capital has increased in tandem with the global economic recovery.

Top of the class

MALAYSIA: CIMB Investment Bank topped the Malaysian Rating Corporation (MARC) Lead Managers' League Tables based on issuance value and holds the top spot with Maybank Investment Bank for issue count.

Well-known rated bonds assigned by MARC include Sime Darby's proposed RM4.5 billion (US$1.3 billion) bonds issue, CIMB Bank's planned RM5 billion (US$1.4 billion) Subordinated Debt and Junior Sukuk Program, UMW Holdings' RM800 million (US$230.5 million) Islamic Commercial Papers/Medium Term Notes and CIMB Islamic Bank's RM2 billion (US$585 million) Junior Sukuk Program.

According to the rating company, the total value of MARC-rated bonds issued from January to September 2009 amounted to RM8.85 billion (US$2.6 billion) with 17 bonds issued, where the Islamic bond issues outshone conventional bond issues in terms of issued value and issue count, accounting for 62% and 88.2% of the total issue value and issue count respectively.

For the first nine months of 2009, the total value of newly-rated bonds assigned and announced in Malaysia amounted to RM32.2 billion (US$9.46 billion), of which 56.2% were rated by MARC. Going forward for the next six months, MARC expects an increase in corporate bond activity in line with the expected positive economic performance.

Zero sale at Sukuk auction

INDONESIA: There were no sales at Indonesia's first-ever Sukuk auction this Tuesday, with the finance ministry attributing this to investors demanding higher yields. "If we sold the Sukuk at the auction, we would not have been prudent and may have damaged investor confidence," said debt management director general Rahmat Waluyanto.

The ministry had planned to sell IDR1.5 trillion (US$150 million) worth of Sukuk while the investors sought to purchase a six-year Sukuk of IDR1.57 trillion (US$166.3 million) and a 11-year one of IDR3.51 trillion (US$371.6 million) with returns of between 9.75% and 11.5% as well as between 10.5% and 12.5% respectively. While total bids by investors were more than triple that targeted by the government, they were all rejected as it considered the yields demanded too high.

Even though Indonesia scrapped the auction, Royal Bank of Scotland Group wrote in a note to clients that there is still value in Indonesian government bonds, citing a 37% drop in supply for the fourth quarter compared with the average for the first three quarters.

The finance ministry's director for Islamic finance, Dahlan Siamat, called the auction move a positive step despite notching no sale, contending: "It went very well, as we can see by the strong demand."

He attributed the rejection of all the bids to a mismatch in perceptions — while investors wanted higher yield premiums for government Sukuk, the ministry expects to price such debt in a similar way to how it prices its conventional bonds, which are generally sold at relatively thin premiums.

"The (pricing) benchmark should be the same," Dahlan contended, adding that the ministry will work toward reining in investor expectations ahead of future Sukuk auctions, the next of which is planned for the 27th October.

Profit hike for PTB

MALAYSIA: PTB Unit Trust (PUTB), manager of the Shariah compliant Terengganu-based trust fund Tabung Amanah Saham Darul Iman, recorded a profit of RM12.7 million (US$3.4 million) in the first six months of the year from the corresponding period last year of RM381,000 (US$112,000).

PTB manager Muhatar Abdullah, while giving no reason for the increase, said the company has accumulated a paid up capital of RM2.5 million (US$738,000) as at the 30th September this year, with shareholder funds increasing to RM8.6 million (US$2.18 million).

Win-win cooperation

MALAYSIA: The country has raised the idea of working together with Brunei in promoting the two countries jointly as an Islamic banking center. The Malaysian High Commissioner to Brunei, Ku Jaafar Ku Shaari, said such collaboration would give both countries the edge in the face of increasing competition regionally and globally.

Malaysia, he added, is looking at the prospect of "exporting" its Islamic banking experts to Brunei should the collaboration work out.

Loan for power plant

MALAYSIA: Maybank Investment Bank (Maybank IB) and Affin Investment Bank have arranged Shariah compliant syndicated credit facilities of RM668 million (US$196 million) for Ranhill Powertron II, a subsidiary

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of engineering company Ranhill, to build a 190-megawatt combined cycle gas turbine power plant in Kota Kinabalu, capital of Sabah state.

Maybank IB is the joint mandated lead arranger with Affin Investment Bank for the syndication while Maybank Islamic is the Shariah advisor for the project, which aims to enhance infrastructure development in Sabah as well as neighboring Sarawak state.

MCCA picks M+K

AUSTRALIA: The Muslim Community Cooperative of Australia (MCCA), a specialized Islamic financial and wealth management services provider, has asked law firm Macpherson+Kelley (M+K) to design and create an Australian-based Islamic financing vehicle that attracts offshore investors.

MCCA, which has a registered managed investment scheme and has an Australian financial services license, provides mortgages to customers based on Shariah principles. M+K was involved in the first Australian Shariah compliant managed discretionary account established by fund manager Intrinsic Investment Management at the request of MCCA.

Licenses in the pipeline

PAKISTAN: The country is likely to issue new Islamic banking license for Gulf banks next year, said the incoming CEO of Pakistan's Dawood Islamic Bank, Pervez Said, who is the former director of Islamic banking at the State Bank of Pakistan.

The issuance of the new licenses, according to him, is in line with the central bank's initiative to increase Islamic banking in the country to 12% of the banking sector by 2012 from the present 5%.

"Foreign banks, especially those in the Middle East, are looking to invest in Pakistan. There are also some investor groups in the Gulf looking to set up an Islamic bank in the country," he added.

Two Gulf-based banks are operating in Pakistan — Dubai Islamic Bank began its operations in the country in 2006 while Emirates Global Islamic Bank, owned by investors from the UAE and Saudi Arabia, commenced its activities in 2007.

Islamic window

AZERBAIJAN: The International Bank of Azerbaijan (IBA) is preparing for the initial operations of its Islamic banking system by year-end with the assistance of the Islamic Development Bank (IDB), said chairman Jahangir Hajiyev.

The bank had raised financing earlier for the Islamic window from IDB's financial unit, Islamic Corporation for the Development of the Private Sector. IBA, which has a representative office in Dubai, plans to open a subsidiary in Qatar next year.

More capital for Kovsar Bank

AZERBAIJAN: The only Shariah compliant bank in the country, Kovsar Bank, is to raise its capitalization to AZN12.2 million (US$15.2 million) from the current AZN10.2 million (US$12.7 million). The Azerbaijani State Securities Committee (SSC) has approved the provision of an additional 10,000 shares worth AZN200 (US$249) each.

Established in 1989 as Universal Bank, Kovsar Bank was one of the country's first commercial banks. In 2001 it was renamed as Kovsar Bank and became Shariah compliant.

Islamic banking law due soon

AFGHANISTAN: The draft of an Islamic banking law will be completed in about three months to cope with the demand for a full-fledged Islamic banking system in the country, said Kabul Bank's Islamic banking chief Alam Khan Hamdard.

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"The current scenario for Islamic banking is very positive with some banks approaching the government for approval to start Islamic services across the country," said Hamdard. The main hurdle is the lack of human resources and he wants the government to seek assistance from other Islamic nations.

Kabul Bank, he added, plans to have Islamic finance services initially in Kabul and later extend this to its branches in other provinces. For this, the bank will work with counterparts in the Gulf countries including Saudi Arabia, the UAE and Kuwait, in addition to cooperating with the Asian Development Bank and the Islamic Development Bank, according to him.

Higher capitalization

PAKISTAN: The central bank may increase the minimum capital requirement for Islamic banking subsidiaries set up by conventional banks to PKR5 billion (US$600 million) from PKR1 billion (US$120 million), according to sources. The units may also have to maintain the same capital adequacy ratio as that of conventional and Islamic banks.

It was reported that should the State Bank of Pakistan impose the requirement, conventional banks will find it very difficult to have Islamic banking subsidiaries, as they already have to meet this higher paid-up capital requirement. At present, 12 conventional banks have Islamic banking operations.

Also being speculated is that the paid up capital to be subscribed personally by the sponsor directors could be increased from 15% to 20%.

The number of Islamic banking institutions rose from four in 2003 to 18 in 2007 but has been stagnant since then. The number of branches, however, has grown from 17 in 2003 to 528 by June 2009.

(Also see IFN Report on page 15)

EUROPE

Work in progress

FRANCE: Despite having issued a Sukuk law this year, France's economic minster, Christine Lagarde believes more work is needed to attract Shariah compliant financing into the country.

Lagarde revealed the government's plans to issue two new tax laws in the coming weeks for Ijarah and Istisna, and added that the country needs to ensure that its legal framework—dubbed Fiducie, the French equivalent of trust— is Shariah compliant. The country's Financial Markets Authority has also recently established approval guidelines for Shariah compliant investment funds and Sukuk issues.

At the same time, Lagarde proposed to follow in Malaysia's footsteps to further develop the country's Islamic capital markets. She is slated to visit the country in November to sign changes to the double taxation agreement.

Hedging funds hit Europe

UK: European Islamic Investment Bank (EIIB) has signed a deal with Standard Chartered Bank to hedge foreign exchange risk— in a bid to allow EIIB to broaden its investment horizons.

To assist the hedging process, Standard Chartered Bank said it had developed new documentation, allowing foreign exchange hedging with an option component; backed by an exchange of commodities for each leg of the transaction.

Islamic forex hedging transactions involves tangible assets and the exchange of commodities, which is essential to the underlying contract.

Prosperity city

UK: Birmingham is just behind London as Europe's leading hub for Islamic finance due to its lower cost base, according to consultant Mohammad Nazir, who chairs the West Midlands Minority Ethnic Business Forum. Hence the city's legal and other professional firms are increasingly completing Islamic finance-based deals for corporate and high net worth individuals in the Middle East, he added.

However, he warned that the growing Muslim population in Europe — currently standing at 24 million — will lead to ever-increasing competition from other European business centers such as Paris, which he felt is bound to take over the position as the main regional hub for Islamic finance.

According to Nazir, stemming from growing demand for UK academic courses in Islamic finance, opportunities would open up not only for legal firms but also those involved in accountancy, banking, consultancy services, marketing and training and education.

He was addressing a seminar which coincided with the launch of Clarke Willmott's new client service that specializes in Islamic wills, tax planning and estate administration.

ING Islamic property fund

UK: Dutch bank ING's real estate investment unit is preparing its first GBP200 million (US$320 million) Shariah compliant product, a UK commercial property fund with Amiri Capital, a global Islamic investment management group. It is set to be launched next year, said Ian Whittock, chief investment officer of ING Real Estate's UK arm.

While the GBP200 million is expected to be financed by British and European banks, the leveraged fund will seek additional equity from investors in Asia and the Middle East. He said the financing has not been arranged as yet and would not identify the banks likely to be involved.

He added that the fund would be exposed to UK retail and industrial properties in a bid to achieve annual returns of 10% to 12%. ING Real Estate would manage the fund while Amiri Capital will provide the branding, marketing and Shariah compliancy.

Venture into Islamic finance, Guernsey told

UK: Offshore financial center Guernsey should focus on Islamic finance as it is becoming a growing force in the business world, said Ernst & Young senior manager Bilal Ahmed. He said Islamic finance is opening all sorts of possibilities for the Channel island businessmen as it gains prominence in the wake of the global financial crisis.

He noted that new funds are being invested in the Middle East and with oil prices set to improve next year, he felt the market is bound to pick up again and the British crown dependency should exploit the consequent opportunities.

Guernsey issued interest-free money from 1822 to 1836. Financial services such as

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banking, fund management and insurance account for about 32% of its total income. It is a popular offshore financial center for private equity funds.

Ahmed felt that the Channel Islands, which have been dealing with the Middle East for a long time, should seize the fresh opportunities for investments from that region by using Islamic finance.

High Court denies Islamic finance

FRANCE: The country's highest constitutional authority, the Constitutional Council has nullified the provision of a new law that would have opened up the French banking system to Islamic finance.

The Council ruled that the law should not be included in the bill on financing for medium and small businesses, as it was a separate issue.

It also stressed that the provision was objected "not on the grounds of its content but rather over the procedure followed in parliament."

The National Assembly had previously adopted measures to allow Shariah compliant financing in September, despite great opposition from the Socialist party.

(Also see IFN Report on page 15)

GLOBAL

Overactive rumor mill

BAHRAIN/MALAYSIA: The headline news about Bahrain-based Unicorn Investment Bank's (UIB) proposed takeover of Dubai Financial Group's (DFG) 40% stake in Bank Islam Malaysia has been dismissed as untrue.

The story, according to a spokesperson at UIB, was taken out of context by the journalist concerned during an interview with UIB managing director/CEO Majid Al Sayed Bader Al Refai.

According to the spokesperson, Al Refai had stated that "anything is possible for UIB at this point," with no specific reference to the speculated takeover of DFG's stake.

Industry sources in Malaysia also confirmed that there were no prospects of UIB buying into Bank Islam Malaysia at this point in time. One source said: "If this is true, it would be UIB's second attempt at buying into Bank Islam, and to be honest, the chances of being second-time lucky are very slim.

"Also, since Bank Islam is under BIMB Holdings, a government-linked company, any changes in the top management would have to be approved by the Malaysian prime minister (Najib Razak) himself, who is also the finance minister."

MIDDLE EAST

Profits attributed to prudence

QATAR: Qatar National Bank (QNB) has posted a 4% growth in its net profit to QAR3.1 billion (US$851.3 million) for the first nine months of the year, over the corresponding period last year. The bank's CEO, Ali Shareef Al Emadi, attributed the hike to prudent risk management and the effective execution of the bank's strategic plans.

QNB's net operating income increased 9.8% to QAR4.2 billion (US$1.15 billion) while earnings from financing activities rose to 32.8% at QAR2.7 billion (US$742 million). This is despite the provisions towards credit losses on loans and advances for the third quarter which went rose by ten-fold to QAR105 million (US$29 million).

Meanwhile, the net profit for Al Islami, the Shariah-principled arm of QNB financing, went up 11% to QAR 281 million (US$77 million), while net operating income grew by 12% to QAR4.5 billion (US$1.24 billion).

Beefing up capital

BAHRAIN: Shariah compliant Gulf Finance House (GFH) plans to raise US$345 million this month through a rights issue that will offer shareholders a 45% discount on the average share price over the past three months and a 36% discount on the current share price.

The offer will open on the 15th October and close on the 29th October with the allotment date set for the 5th November. Existing shareholders will have an entitlement of 19 shares for every 20 held. The rights issue, which will result in GFH raising its issued and paid up capital to US$615 million, is intended to strengthen the bank's balance sheet in view of the global economic situation, said CEO Ahmed Fahour.

Bank of America Merrill Lynch is the financial advisor and corporate broker to GFH while KPMG is the issue manager. Both Khaleeji Commercial Bank and the Commercial Bank of Kuwait have been appointed as receiving banks for the capital raising exercise.

Credit crunch to spur interest

QATAR: Qatar Financial Centre (QFC) is hoping to attract between five to eight more companies by year-end, as the current financial crisis has caused people to look favorably towards Qatar, said CEO and director general of QFC Authority Stuart Pearce.

"Although a couple of firms had to shut down their operations, there are others that are still comfortable doing their business in QFC and more are looking forward to start their operations here," Pearce added.

Pearce said there are an increasing number of Asian firms conducting their business in the center, including The Industrial and Commercial Bank of China — the largest bank in China, Pacific Star Group — a Singapore asset management company, and Nomura Group from Japan.

New bank to spur growth

SAUDI ARABIA: The Islamic Development Bank (IDB) has launched an Islamic investment bank with initial capital of US$1 billion to promote the growth of the Islamic financial industry. The paid-up capital is US$250 million, it added.

The new entity is aimed at facilitating the establishment of an Islamic inter-banking market in line with Shariah principles and work out suitable processes for liquidity management, said IDB president Ahmad Mohamed Ali.

Return of 65.5%

KUWAIT: Al-Madina for Finance and Investment Company's India Fund recorded a return of 65.5% at end-September this year, said its funds and portfolios department manager, Mohamed Saud Al-Dawood. He attributed this to the various activities that

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the company participates in together with 40 Shariah compliant companies.

The firm, he added, is to launch a new set of investment tools soon under a strategy that covers the local as well as the other markets in the region. All the tools and investment options to be offered in the few coming months would be Shariah compliant.

Draft on Islamic finance

IRAN: A new draft on Islamic banking regulations is slated to be handed over to the Iranian government by next week, governor of the Central Bank of Iran, Mamoud Bahmani affirmed. He added that the outline of the new law will be submitted to the parliament to be ratified once the bill is approved.

The Central Bank had sought the opinion of scholars, lawyers and banking experts for the drafting of the Islamic banking law.

Joint effort to buy QCon

QATAR: A consortium from Qatar and Bahrain has acquired Qatar Engineering & Construction Company (QCon), an industrial contracting company owned by Qatar Shipping (QShip), for US$135 million.

The consortium, whose collaboration transaction is according to Shariah principles, involves Qatar America Asia Consortium (QAAC), Unicorn Investment Bank (Unicorn), Qatar First Investment Bank (QFIB) and The First Investor (TFI) acquiring all of QCon. QFIB and TFI are the largest shareholders in the consortium, each with a 41% stake.

The transaction sees QAAC being appointed as the co-originator, while Unicorn is acting as co-originator and arranger.

Calculating index

UAE: The asset management group of the National Bank of Abu Dhabi (NBAD) has signed up Standard and Poor's (S&P) Custom Indices for the calculation and maintenance of the NBAD UAE Listed Islamic Index. Since August 2006 the index has been evaluating the overall performance of Shariah compliant securities listed on the Abu Dhabi Securities Exchange and Dubai Financial Market.

The appointment further ensures independence and greater transparency to one of the firm's benchmarks, said NBAD's chief economist, Giyas Gokkent. To be qualified for inclusion in the index, stocks must have an average daily traded value of more than US$100,000 over a three-month period.

Debts to be refinanced

SAUDI ARABIA: State mobile operator Etihad Etisalat (Mobily), an associate of Emirates Telecommunications, is to refinance a SAR1.5 billion (US$400 million) Islamic loan. The short-term loan was used in 2008 to finance Mobily's acquisition of telecommunication company Bayanat al-Oula for Network Service.

It said the loan will be transferred to a medium-term loan over a four-year period. The banks involved include Samba Financial Group, National Bank, Riyad Bank and the Saudi British Bank-Saudi Arabia.

Winning advantage

UAE: The country's land department has cut its Islamic mortgage charges on completed projects which will make the Islamic finance option much more attractive than conventional offerings, according to experts in the mortgage finance industry.

The mortgage registration fee rate, based on the mortgage value, have been lowered from 1.75% to 1.25%, while transfer fees based on the total value of the property have been halved to 1%.

According to mortgage consultants, the reduction on the transfer fee will have a bigger impact as this is charged based on the full property price. The move is especially significant in Dubai where almost 60% of the home financing is according to Shariah law.

Explaining the impact of the reduction in Islamic mortgage charges, the managing director of mortgage consultants Home Matters, Jean-Luc Desbois, said that in typical home financing of 75% loan-to-value, the Land Department's fee in conventional finance is about as much as 10% more than that of the corresponding Islamic mortgage fee. "This difference will be more explicit now as the loan to value has been dropped by almost all home financiers," he added.

Towards clearer rules

UAE: The Dubai Financial Services Authority (DFSA) has issued a consultation paper with proposals to enhance the clarity and accessibility of the Islamic finance regulations of the Dubai International Financial Centre. The paper, posted on the DFSA website, seeks feedback by the 10th December.

The proposals aim to better promote the visibility and accessibility of the DFSA's regulatory requirements for Islamic financial activities that are currently contained in a number of DFSA Rulebook modules.

CEO Paul Koster said: "We are now making the regime more accessible, and easier for the industry to use, so that Islamic finance can grow and prosper here."

ANB, Derayah ink deal

SAUDI ARABIA: ANB Invest, the investment unit of Arab National Bank, has signed a distribution deal for all of its Islamic mutual funds to be made available on the website of financial service firm Derayah Financial.

ANB Invest's director of sales and marketing, Nasser Al-Tuwaijiri, said the joint effort enables the company to increase the marketing channels for its investment funds and thus widen its customer base.

ANB's profit up 1.1%

SAUDI ARABIA: Arab National Bank (ANB), which markets Shariah compliant financing products, said its net profit rose 1.1% to US$553 million in the first nine months of 2009 over the same period last year. Managing director and CEO Robert Eid said this reflects the bank's conservative culture.

Net profit for the third quarter saw an increase of 0.9% US$169 million from the same period last year, but this was a 15% decline from the previous quarter's US$200 million.

Total operating income increased by 5.2% in January-September 2009 to US$916.3 million while net special commission income increased by 3.5% to US$705.2 million.

Sukuk for oil refinery

SAUDI ARABIA: International petroleum company Saudi Aramco and its partner France-based Total are expected to issue more than US$500 million Sukuk next year to finance a Jubail oil refinery that costs more than US$12 billion.

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Jubail Refinery's project director Daniel Lacombe said the Sukuk will target the country's state-owned pension funds and private investors. The project will be funded on a 65% debt and 35% equity ratio, he added.

Funding for the refinery, which also includes a 700,000 tonnes per year petrochemical plant, will also come from commercial banks in Europe, the Middle East and Asia, export credit agencies and Saudi funds, Lacombe said.

The 400,000 barrels per day refinery will be commissioned by end-2012 and is expected to come online in March 2013, he added.

Self-sufficient

UAE: Abu Dhabi Islamic Bank (ADIB) said it has accumulated enough reserves against potential losses and does not need to increase its provisions as its funding base is strong.

Head of wealth management Malik Sarwar even said that the bank's profits will probably increase next year although it had booked US$228 million in provisions as of the 30th June.

However, ADIB and First Gulf Bank are the only two Abu Dhabi-based financial institutions that have not disclosed specific exposure to indebted Saudi groups Saad and Ahmad Hamad Algosaibi. HC Brokerage expects ADIB's third-quarter net profit to fall by 32.3%.

Sarwar said ADIB is looking to expand in the Gulf Cooperation Council and Middle East and North Africa regions in addition to its focus on the domestic markets.

Sweet success

QATAR: A subsidiary of the Qatar Investment Authority, Qatari Diar Real Estate Investment Company, has raised QAR4 billion (US$1.1 billion) through a Murabahah financing facility, 14% more than what it mandated, making it the largest to be syndicated in the Qatar market.

This is also the first time that a local bank, Qatar Islamic Bank (QIB), has been appointed as the sole initial mandated lead arranger (MLA) and book-runner for the high profile transaction, whose proceeds are to be used for its domestic and overseas, particularly European, investments.

"It shows the opening of the five-year financing market, which is quite an achievement in the current market conditions," said QIB CEO Salah al-Jaidah.

"Develop expertise"

UAE: International Shariah scholar Mohd Daud Bakar wants to see increased industry focus on nurturing talent and developing cross-border expertise in Islamic finance as there is an urgent need for more Shariah scholars who are acknowledged in both Shariah and modern finance.

Daud said the industry must work to build a pool of expertise if it is to continue to drive the growth of Islamic finance and enable it to flourish alongside its conventional counterpart. He noted that global qualifications such as CIMA's Certificate in Islamic Finance are essential tools in this process.

Left in a lurch?

BAHRAIN: Holders of the US$650 million Saad Trading Sukuk remain clueless as to whether the company will make the next payment in a month's time after reports that Saad had allegedly struck an agreement with creditors in Saudi Arabia.

In a statement posted on the Bahrain Stock Exchange, the trustee, Citicorp, asked Saad to confirm whether the reports are accurate and, if so, to provide further information.

Citicorp also sought an update on the financial condition of the Saad Group in view of the next periodic distribution due on the 15th November.

Citicorp has yet to receive any response. Saad Trading's Sukuk, which distributes payments twice a year, is due to mature in 2012.

In June, the Saad Group announced plans to restructure its debts, causing the Saudi Arabian Monetary Authority to freeze the bank accounts of its chairman Maan al-Sanea.

Numerous international and regional banks have invested billions of dollars in Saad and Ahmad Hamad Algosaibi.

Sukuk to finance growth

UAE: Mobile operator Emirates Telecommunications is finalizing a Sukuk and bond program which could see its first US$500 million tranche being sold either by the end of the year or early next year to help finance overseas expansion.

Chief financial officer Salem al-Sharhan said no banks had yet been mandated for the sale.

Due: Biggest Gulf Sukuk

UAE: Tourism Development & Investment Company (TDIC), a state-owned developer of hotels in Abu Dhabi, may raise US$1 billion from a five-year Sukuk that could turn out to be the biggest international sale from the Gulf this year.

The Sukuk, which may be priced to yield around 240 basis points above the benchmark mid-swap rate, has exceeded US$4 billion in bids.

TDIC is re-entering the bond market after selling US$1 billion of conventional bonds in June that were priced to yield 390 basis points over benchmark US Treasuries.

HSBC Holdings, Abu Dhabi Commercial Bank and Standard Chartered are the managers for the Sukuk sale.

According to Standard & Poor's rating agency which has assigned an 'AA' preliminary rating for the Sukuk, TDIC plans to use the proceeds to fund land development.

Merging into Islamic

UAE: Ithmaar Bank is planning a comprehensive reorganization with its Islamic subsidiary, Shamil Bank, as part of a new strategy to further improve liquidity, lower the risk profile, enhance shareholder value by strengthening existing synergies and take advantage of the current business opportunities.

Chairman Khalid Abdulla-Janahi said the reshuffle will turn Ithmaar Bank into an Islamic bank with the acquisition of Shamil Bank's assets, liabilities and business.

Following this, he said, Ithmaar will undertake retail banking activities locally and regionally while maintaining its investment activities with the application of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standards.

"Shamil Bank will see its brand replaced by Ithmaar Bank, which will emerge as a much

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larger, stronger, full-service Islamic bank that will be better equipped to take advantage of business opportunities in the Islamic banking and financial services sector," said Ithmaar Bank CEO Mohamed Hussain.

Expansion pays off

QATAR: Qatar Islamic Bank's (QIB) net profit increased by 20% to QAR1.01 billion (US$275 million) for the nine months period ended the 30th September 2009, compared to last year's QAR1.2 billion (US$330 million) in the corresponding period.

The bank attributes the profit hike to increased revenue from its operational activities and expansion of its non-operational revenues sources, despite the downturn.

Income from financing operations went up 44.6% to QAR1.3 billion (US$357 million) from QAR903 million (US$248 million) in the third quarter of 2008 while its financing and investment portfolios rose by 25.1% to QAR22.4 billion (US$6.2 billion).

Branch plans curbed

UAE: Recently established Ajman Bank will cut back on plans to open eight branches concentrate instead on launching its home financing and shares financing units to boost its stakes in the real estate, stock market as well as small- and medium-scale enterprise sectors.

Acting CEO Ali Alshaqoosh Al Mueen cited the lack of suitable locations as the reason to limit the number of branches to about six by year end, selecting Abu Dhabi for at least three of its branches due to its growth potential.

Ajman Bank's loan portfolio has reached AED200 million (US$54.45 million) while its deposits exceed AED500 million (US$136 million).

The bank is capitalized at AED1 billion (US$272 million). Al Mueen was confident that the bank is well on track to break even in the final quarter of 2009.

Looking for more business

BAHRAIN: RAM Rating Services (RAM Ratings) is considering taking up opportunities in Bahrain and elsewhere in the Middle East by either establishing an office or through a joint venture with a local agency.

Ram Holdings deputy group CEO Wong Fook Wah pointed out that cross-border collaborations between Bahrain and Malaysia already exist in numerous areas, particularly in Islamic banking, and that several financial institutions in the Middle East are being rated by RAM Ratings.

Wong also said that RAM Ratings, which rates both conventional and Islamic financial institutions, wants to expand by banking on its expertise in the Islamic market. "If there are Gulf institutions looking at a funding source, then Islamic banking will be the key," he said.

Faith in GFH's ways

BAHRAIN: Gulf Finance House (GFH) has received US$100 million in commitment subscription offers prior to the official launch of its capital raising initiative on the 15th October.

Earlier, GFH had said it was looking to raise between US$200 to US$300 million in new capital from shareholders, to strengthen its balance sheet in the face of the global economic downturn, and to take advantage of current high value investment opportunities in the market.

CEO Ahmed Fahour said, "The high level of commitment subscription offers we've received are a reflection of the faith they are placing in our approach."

EU Shariah compliant fund

KUWAIT: Sorooh Investment Company has signed a memorandum of understanding (MoU) with Prime Property Consultants to create a five-year Shariah compliant fund dubbed the "Sorooh European income-generating Fund."

The fund is worth EUR200 million (US$299 million), representing a total investment volume of EUR650 (US$971.2)

According to Sooroh Investment's CEO, Mohsen Mohammed Al-Harbi, the fund, which targets source companies, institutions and individual investors from Europe and the Gulf will invest in commercial real estate property in western Europe. Income distributions will be given out to European and Gulf investors on a quarterly basis.

Managing director of Prime Property Consultants, Axel Czaja said the fund will select investment opportunities based on parameters such as income rates, property performance and market growth.

Return of 65.5%

KUWAIT: Al-Madina for Finance and Investment Company's India Fund recorded a return of 65.5% at end-September this year, said its funds and portfolios department manager, Mohamed Saud Al-Dawood. He attributed this to the various activities that the company participates in together with 40 Shariah compliant companies.

The firm, he added, is to launch a new set of investment tools soon under a strategy that covers the local as well as the other markets in the region. All the tools and investment options to be offered in the few coming months would be Shariah compliant.

ASIA

Takaful gains ground

INDIA: The country's largest lender, State Bank of India (SBI), and insurance company Life Insurance Corporation (LIC) are looking to launch Shariah compliant products, particularly Takaful.

LIC chairman TS Vijayan said the state-run insurer had put in place a team to study Takaful products, and has appointed its representative office in Singapore to serve as a base to cater to the Malaysian and Indonesian markets.

The work at SBI however is in the preliminary stage, with the bank still studying the feasibility of launching Islamic products and the systems that need to be put in place, according to SBI deputy general manager, overseas expansion and planning, Naresh Malhotra.

EasyLife Takaful

MALAYSIA: CIMB Islamic Bank has launched the EasyLife Takaful Life Plan, a health plan managed by its Takaful unit CIMB Aviva Takaful. The plan provides health and hospital benefits that including surgery costs and daily payment during hospitalization.

Other benefits are lump sum payments for critical illness, outpatient treatment for dialysis, anti-cancer treatment and benefits in case of death. The plan, the first in the EasyLife Takaful Solutions range, offers customers fixed cash benefits regardless of the actual cost incurred.

"We are expanding our range of products as the demand for Takaful products has been growing at a steady pace, with Malaysians increasingly seeking the transparency and security of such Shariah compliant products," said CIMB Islamic Bank CEO Badlisyah Abdul Ghani.

Manulife seeks partner

MALAYSIA: Insurer Manulife Holdings is looking to secure one of the two family Takaful licenses to be issued by Bank Negara Malaysia and is seeking to work with a local company with a large client base as a faster way to tap the mass market for Takaful.

"It has to be in a partnership because as a foreign-owned insurance company, we can only own 70% of the Takaful license," said group CEO Michael YL Chan. Manulife, which is 46% held by Canadian Manulife Financial Corp, has yet to identify the potential partner, he added.

With a minimum capital of RM100 million (US$30 million) required to operate a separate Takaful entity, Manulife would need to attract 500,000 customers in five years to justify the investment, according to Chan.

Currently, it has Takaful operations in Indonesia, with plans to expand into the Philippines, Thailand and China, where Manulife Group has a significant presence.

MIDDLE EAST

Cancer insurance

UAE: The Islamic Insurance Company and Bahrain-based Takaful International have joined forces to provide a new insurance product named Heya for breast and cervical cancer. It will also provide a second medical opinion service, for annual payments ranging from QAR1,000 (US$275) to QAR4,500 (US$1,236).

Islamic Insurance's Takaful and health insurance manager Mohamed Mahir al-Jabri, noting that breast and cervical cancer afflict one out of every eight women worldwide, said any female citizen or resident up to the age of 60 could participate in the Heya program. The policy's duration is five years.

If the policy holder is diagnosed with cancer, the company would meet the cost of the treatment which the patient would be free to choose within the Gulf Cooperation Council or abroad. In the event of death due to illness or accident or total disability, the plan provides payment of the insured sum.

Emirates NBD offers tailor-made Takaful

UAE: Emirates NBD, one of the region's largest banks by assets, has conducted a campaign to promote the latest offerings in its Islamic savings schemes, mainly focusing on Takaful programs. Customers are offered tailor-made solutions to help plan their savings better and maximize their financial potential.

The Takaful program is a regular savings plan that helps customers increase their savings with Takaful protection. It also offers various health insurance programs with hospital coverage and accident medical reimbursements.

New identity

BAHRAIN: American International Group's (AIG) Islamic insurance unit AIG Takaful-Enaya has changed its name to Chartis Takaful-Enaya as part of a major restructuring and rebranding by the parent company in the US. Chartis Takaful-Enaya, a locally-registered company and fully capitalized, will continue as a Takaful provider.

"Chartis is the marketing name for the general insurance operations of Chartis Inc," explained Chartis Takaful-Enaya board member and general manager for the Arabian region Ayman Al Ajmi.

Chartis is derived from the Greek word for map, underscoring the company's 90-year history as a global pioneer that provides customized solutions.

ASIA

Lowered risk exposure

PAKISTAN: Pakistan Credit Rating Agency (PACRA) has assigned an A+ to the Pak-Oman Advantage Islamic Income Fund (POAHF), an open-ended Shariah compliant income fund. The rating is based on the fund's relative stability in returns and lowered risk exposures.

Efficient player

MALAYSIA: RAM Ratings has reaffirmed the respective long- and short-term ratings of Kuala Lumpur Kepong's (KLK) RM500 million (US$147 million) Sukuk Ijarah commercial paper/medium term notes program (2007/2012) at 'AA2' and 'P1'. The long-term rating has a stable outlook.

KLK is one of the largest plantation players in the region, with more than 220,000 hectares of plantation in Malaysia and Indonesia. Its track record reflects its operating efficiencies and lean cost structure —production cost has remained competitive vis-à-vis other plantation players rated by RAM Ratings.

RAM said the group's ratings are also supported by its resilient balance sheet, strong cashflow-generating ability and healthy liquidity profile. It sees KLK's performance to remain supported by continued demand for crude palm oil from both developing and developed economies, aided by structural changes within the industry.

On the other hand, KLK's ratings are moderated by its larger risk appetite, as reflected in its increasing debt load to finance capital expenditure for its plantations and resource-based manufacturing business, as well as by the inherent cyclicality of the plantation, property and retail sectors.

Stable outlook for Encorp Systembilt's BBA Notes

MALAYSIA: RAM Ratings has reaffirmed the 'AA2(s)' ratings of four tranches of Encorp Systembilt's Bai Bithaman Ajil Notes issuance facility (BBA Notes), with a stable outlook.

They are:

- RM1.3 billion (US$388 million) BBA Notes (Tranche 1).
- RM510 million (US$150 million) BBA Notes (Tranche 2).
- RM250 million (US$73 million) BBA Notes (Tranche 3).
- RM667 million (US$196 million) BBA Notes (Tranche 4).

Encorp Systembilt is the concessionaire for the development of 10,000 units of teachers' quarters throughout Malaysia, based on the "build, transfer and finance" concept. The quarters were completed in December 2003 and handed over to the government in early 2004.

Since November 2006, Encorp Systembilt has been receiving steady concession income from the ministry of education under a privatization agreement.

RBS out of RAM's watch

MALAYSIA: RAM Ratings has lifted the Rating Watch with a negative outlook on The Royal Bank of Scotland (RBS) after concluding that RBS Group's divestment of its retail and commercial business in Malaysia will not have a major impact on RBS' operating performance.

The bank's respective long- and short-term financial institution ratings have been reaffirmed at 'AA2' and 'P1'. The 'AA3' rating of its RM200 million (US$59 million) subordinated negotiable instruments of deposit (Sub-NIDs) has also been reaffirmed. Both long-term ratings have a stable outlook.

The ratings reflect the strong operational support from the RBS Group. RBS, which is also involved in Islamic finance activities, also leverages on the group's global franchise and extensive customer base.

CI affirms Public Bank

MALAYSIA: International credit rating agency Capital Intelligence (CI) has affirmed Public Bank's foreign currency ratings at 'A-' long-term and 'A2' short-term.

The second largest commercial bank in Malaysia is largely privately owned, but given its systemic importance, CI believes that it would receive official support in case of need.

The financial strength rating is maintained at 'A'. A stable outlook has been assigned to all the ratings, which reflect the bank's sound financials and its continuing good performance in the current year, besides its leadership position in the domestic market and its good management.

CI found that the contraction of Malaysia's gross domestic product in the first half of this year has not had an adverse impact on Public Bank's financials so far owing to the bank's diversified business base and its strong credit risk profile.

Bad debts could nevertheless rise in the second half but the bank has built substantial general provisions for such a contingency, he added.

Public Bank has among its subsidiaries Public Islamic Bank.

Improved traffic flow

MALAYSIA: MARC has affirmed the 'A+ID' and 'MARC-2ID /A+ID' ratings on toll road concessionaire Maju Expressway's RM380 million (US$113 million) Bai Bithaman Ajil primary serial Medium Term Notes (BBA MTN) and up to RM80 million (US$24 million) Murabahah Commercial Papers/Medium Term Notes (MCP/MTN) respectively. The ratings outlook is stable.

The affirmation reflects the strong growth in the expressway's average daily traffic volume with a reduction in downside risk even though traffic and revenue levels have continued to underperform compared to the original forecast.

The affirmation also incorporates the concessionaire's adequate available liquidity to meet its debt servicing obligations during the extended ramp-up period.

MARC said the current stable outlook for the notes reflects the prefunding of profit payments under the Islamic securities and anticipated steady growth in traffic volumes.

Strong standalone profile

MALAYSIA: Malaysian Rating Corporation (MARC) has affirmed the 'AAAID' and 'AAA' ratings for the

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Export-Import Bank of Korea's (Korea Eximbank) Islamic and conventional medium term notes programs with a combined nominal value of RM3 billion (US$885 million). The outlook on the ratings remains stable.

Korea Eximbank's key role in supporting Korea's export and import industries, strong standalone financial profile and its full government ownership reflects the affirmation of the ratings, according to MARC.

Its strong standalone credit quality is underpinned by its relatively healthy capital structure, with a total capital ratio of 10.6% as at the 30th June 2009, modest profitability and sound asset quality as evidenced by low and well reserved non-performing loans with a ratio of less than 1% for the past five years.

The stable outlook is attributed to the stable Korean economy which is currently poised for a recovery as well as MARC's expectation that the bank's economic importance and close ties with the government of Korea will remain intact over the medium term.

AmIslamic reaffirmed

MALAYSIA: RAM Ratings has reaffirmed the long- and short-term financial institution ratings of AmIslamic Bank at 'A1' and 'P1', respectively.

The bank's RM400 million (US$119 million) subordinated Sukuk Musharakah (2006/2016) has been reaffirmed at 'A2'. While both long-term ratings have a stable outlook, the agency said the one-notch difference denotes the subordination of the Sukuk to the bank's senior unsecured obligations.

The ratings hinge on the fact that AmIslamic has a credit risk profile that is similar to that of AmBank and also relies on the parent bank's backroom operations and risk management system.

With Australia and New Zealand Banking Group as the strategic stakeholder of AMMB Holdings, which is the ultimate holding company of AmIslamic, the bank's credit underwriting and risk management ability is anticipated to enhance over time, RAM Ratings said.

MARC affirms Antara BaIDs

MALAYSIA: Malaysian Rating Corporation (MARC) has affirmed its 'AID' rating on Antara Steel Mills' RM500 million (US$150 million) Bai Bithaman Ajil Islamic debt securities (BaIDs) with a stable outlook, based on expectations of improvements in its operating performance in 2010.

The affirmation is due to signs of a recovery in global and domestic steel demand as well as Antara's continued ability to generate sufficient operating cash flow to pay down debt, the rating agency said.

However, MARC has expressed concerns over the company's continued large cash outlays for dividend payouts of RM129 million (US$38 million) and RM30 million (US$9 million) investment in the loan stocks of retailer Lion Diversified Holdings in its 2009 financial year.

Despite that, MARC said, the company's cash balances remained strong at RM169 million (US$50 million) of which RM90 million (US$27 million) was used to redeem its BaIDs in August.

MIDDLE EAST

HBME's Sukuk gets 'Aa3'

NEW

UAE: Moody's Investors Service has assigned a 'Aa3' rating, with negative outlook, to the upcoming senior Sukuk trust certificates of HSBC Bank Middle East (HBME), to be issued under a US$5 billion Trust Certificate Issuance Program. The rating is subject to a review of the final terms of the Sukuk issuance.

Accordingly, the 'Aa3' rating is placed at the same level as the long-term foreign currency deposit rating already assigned to HBME, the obligor, as HBME will cover any shortfall in rental and other payments and will purchase the issuer's interest in the Trust assets at the exercise price upon maturity or due to dissolution.

HBME's deposit ratings are set at 'Aa3/ Prime-1, based on its bank financial strength rating of 'C'. This reflects its strong regional franchise and good financial fundamentals in addition to the very high likelihood of support from the bank's parent and 100% owner, HSBC Holdings.

PAKISTAN

Good things come in small packages

Pakistan has seen its Islamic finance industry flourish over the last few years with the growth rate consistently besting that of its conventional counterpart. This has prompted many conventional banks to establish Islamic windows so as not to miss the boat. According to a recent State Bank of Pakistan (SBP) report on the state of the Islamic banking sector, while in December 2003, there were only two full fledged Islamic banks, accounting for only 0.5% of the banking sector, now there are six, for a 5.1% share.

Total Islamic banks assets increased from PKR13 billion (US$156.7 million) in 2003 to PRK313 billion (US$3.8 billion) by June this year. Deposits rose from PKR8 billion (US$96.4 million) to PKR238 billion (US$2.87 billion). All this may change should the talk of the town materialize — that the minimum capital requirement of the Islamic subsidiaries of conventional banks be increased to match that of their parent banks, to PKR5 billion (US$60 million) from the current PKR1 billion (US$12 million).

SBP's Islamic Banking Department Circular No. 2 of the 29th April 2004 set the minimum capital requirement for the Islamic banking units of conventional banks at PKR1 billion. However, when the mandatory level was raised to PKR5 billion at the end of last year, Islamic windows were left out. Speculation abounds that this omission would be rectified soon. And not a moment too soon, as the minimum capitalization for conventional and Islamic banks is mandated to increase once again to PKR6 billion (US$72.4 million) by the end of this year.

Would such a move hinder the growth of the Islamic finance industry? Islamic Finance *news* posed the question to the Pakistan Credit Rating Agency's senior financial analyst, Aisha Khalid. She felt that rather than hurting the Islamic banking sector, such a move would instead strengthen it. Her reasoning is that such a requirement would mainly affect the smaller banks, which would struggle to meet the requirement and eventually resort to rights issues.

"Those in the banking industry who are truly interested in establishing Islamic subsidiaries would possess and allocate the necessary resources to set them up, compared to new entrants which only seek to establish their networks in the conventional banking industry as well," she said.

"If the Islamic banking sector wants to be as competitive as its conventional counterparts, the requirement, if implemented, would play an essential role. If small banks are allowed to continue operations in the Islamic space, how will they be able to compete and create a parallel for the Islamic banking sector," she asked, agreeing somewhat to the notion that the requirement could be seen as SBP's way of "filtering out" the weak.

Khalid also agreed that a decrease in the number of Islamic banks in Pakistan would reduce the competitiveness between them, should the new requirement come to pass, conceding that having more banks would lead to better product structuring and offerings due to competition. "However, if a conventional bank wants to enter the Islamic space, it would be better for it to open more conventional branches instead because the former would entail it having a completely new set up, fulfilling the minimum capital requirement and other criteria for the Islamic banks set by SBP," she contended.

FRANCE

Court decision explained

Islamic finance industry practitioners in Europe were all ears when France's highest constitutional authority this week ruled against a provision that will allow the issuance of Sukuk under French laws.

It was reported that the Constitutional Council held that the provision that would have facilitated the issuance of Sukuk should not have been lumped into a broader bill on financing for small- and medium-scale businesses as they are separate issues. It quoted a statement from the council as saying that the provision was being challenged "not on the grounds of its content but rather over the procedure followed in parliament."

Earlier this month, the National Assembly adopted a measure to allow Shariah compliant financing in France despite opposition from the Socialists, who accused the government of undermining the country's secularism, arguing that Shariah principles should not be recognized in legislation. They then challenged the legality of the new legislation before the Constitutional Council.

In April the French government began revamping the tax laws to facilitate Islamic financial transactions such as Murabahah and Sukuk, after declaring its intention last year to begin a tax neutrality review to facilitate the issuance of Shariah compliant products.

The Constitutional Council's decision would seem like a blow to the Islamic finance industry in France and to the government's efforts in trying to make Paris Europe's Islamic finance capital. Not so, Islamic Finance Committee of Europlace chairman Gilles Saint Marc told Islamic Finance *news*.

He said the decision by the Council merely invalidates a technical amendment to the fiducie regime, which is the equivalent of English trust law. Europlace is an organization that promotes Paris as a financial market.

"This technical reason was due to the fact that this amendment has no direct connection with the law within which it (the amendment) was embodied. The decision of the Constitutional Council is not a ruling against the development of Islamic finance in France," he stressed. "The government this week expressed its intention to have this amendment tabled again in parliament, this time in a legislation relating to a banking regulation," he said.

Saint Marc, who is also a partner at law firm Gide Loyrette Nouel, said the invalidation of this amendment will not in the meantime prevent the structuring of Sukuk under the existing French fiducie framework. France's first sovereign Sukuk, originally expected this month, has been delayed. However, many of the country's Islamic finance advocates are expecting it to be issued by the end of this year or early 2010.

Saint Marc clarified: "This amendment was aimed at clarifying the question of the respective rights of the fiduciaire (equivalent of trustee), who has the ownership rights over the entrusted assets, and of the designated beneficiaries of the fiducie, but this is something which is already implicit in the existing framework."

By Raphael Wong

Islamic Finance in Russia

By IFC Linova

The growing interest of foreign investors in Russia, which is among the world's 10 largest economies, appears to be reasonable, as Russia, being the third largest trade partner of the European Union and its main energy provider, also plays a leading role in the international arena.

Observer status in the Organization of Islamic Conference (OIC) was granted to Russia in 2005, enabling the country to enhance its position in the international, political, cultural and economic arenas among Muslim states. To date, the main partners of Russia in the OIC are Malaysia, Turkey, Kazakhstan, Uzbekistan, Azerbaijan, Egypt and Kyrgyzstan. Russia's share in the total foreign trade of OIC member states amounts to 2.4%, indicating the active development of contacts between Russia and the Islamic world.

Muslims, as the main users of Islamic financial services, make up 15% of the Russian population, which means 22 million citizens are interested in the Islamic industry because of their belief. However, the number of halal producers is too small to meet the needs of all the Muslims. For example, according to www.halalpages.ru, there are only 12 halal producers of different meat and bakery products for almost two million Muslims in Tatarstan.

The growing Russian halal market needs Shariah compliant financial and investment institutions. The return of the Muslim population to their traditions and the growing desire to live and work in compliance with Islam, growth in the number of Muslims who are actively practicing the religion, interest in Islamic finance, rationality and the attractiveness of the classic forms of financing for business — all these give momentum to the development of Islamic finance.

Legal base

Russian legislation facilitates investments by non-residents and has considerable benefits and guarantees for foreign investors. Russian corporate law provides for the development of equity finance institutes. Equity agreements, participation agreements and agreements on a company's legal incapacity and operating period facilitate the effective use of special purpose vehicles (SPV) in commerce.

Along with generally recognized rules for international deals, Shariah compliance should be stipulated in contracts with Russian contractors as an obligatory condition for doing business.

Contractual jurisdiction makes it possible for foreign companies to reduce their risks by choosing an optimal jurisdiction. A legal case can be considered by the international commercial arbitration center at the Chamber of Commerce and Industry of Russia, if there is an appropriate stipulation in the contract. Another advantage of the corporate, financial and contractual laws of Russia is their regulation character, which is mainly optional and allows parties to structure the most effective forms of interaction.

Taxes

Taxation is an important issue, concerning the implementation of Shariah compliant deals. It is about the convenient operation of the Islamic finance system within a certain jurisdiction in accordance with laws of the countries where the deals are made. On the microeconomic level, the relevance of taxation issues lies in the ability to implement Shariah compliant deals and having positive socio-economic effects.

Russia supports international agreements on the avoidance of double taxation (with 77 countries), allowing businesses to select a country with an appropriate tax regime for closing a deal.

Depending on the structure of a deal and amount of tax payments, either the Russian partner's jurisdiction or that of a foreign partner can be chosen, including that of a subsidiary company registered in the territory with preferential taxation.

In the process of taxation optimization it is advisable to take into account not only the interests of the parties in a deal, but also those of the state where the principal place of business is located.

Investments

An Islamic finance group is allowed to establish a fund, bank, trade financing company, microfinance institution, leasing and insurance companies, as well as make direct investments in infrastructure projects in Russia. Similarly, a mutual investment fund can accumulate the funds of individuals and legal entities to co-finance business projects organized by an Islamic investment company.

Shariah compliant investing is realized in the form of Musharakah and Mudarabah contracts. This is actually project financing such as the direct participation of an investor in the preparation of feasibility studies, attraction of investors, support and implementation of investment projects.

The law regarding foreign investments "having strategic importance for the national security of the Russian Federation" restricts foreign investments to 42 "strategic" sectors.

Except for direct investing, Shariah compliant equity financing is also possible via the securities market — primarily Sukuk (state, municipal, corporate), foreign securities and interest-free bills, which are in the aggregate investment-attractive financial instruments. The securities legislation allows the generation of returns on bonds, like a shareholder return.

Taking into account the fact that Russian banks do not have experience in issuing Sukuk, it makes sense to use this financing instrument, as a temporary measure, with participation of foreign banks.

Banking

The Russian banking system is based on interest, mitigation of risks through insurance of deposits and the establishment of reserves to secure loans in high risk deals. According to the Civil Code of Russia and banking laws, a borrower has to not only repay the debt but also pay interest on it.

The regulator does not categorize Russian banks clearly into commercial, savings, investment, mortgage or corporate, but introduces universal requirements. Bank owners choose the bank type they want to have, including mixed.

continued...

Islamic Finance in Russia (continued)

Russian legislation enables the establishment of an Islamic bank which, excluding credit and deposit functions, can also perform the following banking operations:

- Bank account services.
- Encashment and cash services.
- Foreign currency exchange.
- Bank guarantees.
- Money transfer services to individuals.
- Fiduciary management of cash and other property.
- Operations with precious metals/stones.
- Storage of documents and valuables.
- Professional activities in the securities market.

Taking into account the regulatory restrictions, an Islamic bank can operate without deposits and loans, but with project financing and investment accounts as an investment and clearing bank.

The fact that non-cash payments make up no more than 75% of all cash transactions shows the commercial attractiveness of clearing and settlement of transactions.

The prohibition of direct participation by banks in production, trading and insurance activities makes it possible for them to focus on Musharakah, Mudarabah and Wadiah contracts, leaving Murabahah and Salam transactions to trade financing companies, including subsidiary companies, as the banking law does not introduce any restrictions quantity-wise in terms of participation.

A bank can place funds raised in compliance with the Shariah through investments — buying shares or Sukuk. Banks can both buy and sell securities. Additional income can be generated through intermediary financing — assistance in the issuance and placement of securities.

Banks can use the following forms of equity and debt financing in compliance with the Shariah:

- Share acquisition in the authorized capital of the SPV.
- Encouraging customers to buy stocks or equity shares in the authorized capital of the SPV.
- Origination and issuance of Islamic bonds (full or partial).
- Selling securities (shares and Sukuk) of Russian or foreign issuers, including through bank-managed mutual funds.

Participants of the Russian Islamic financial system, SPVs or other legal entities, individuals, and foreign companies interested in using Islamic banking services are expected to be bank clients.

The idea of establishing an Islamic bank is supported by statistics — the income of credit organizations managed by non-residents amounted to RUB37.8 billion (US$1.3 billion) in the first half of 2009, while the income of all the other Russian credit organizations reached RUB6.8 billion (US$232 million) only.

Among the factors favoring the banks managed by non-residents are the availability of western sources of financing, quality risk management, banking technology and corporate governance.

On the 1st July 2009, 12.1% of the Russian banking sector's assets were concentrated in banks with foreign participation, with a 21.4% share of all loans, deposits and other funds. But these banks only had 6.3% of the deposits.

Takaful

Under Russian law, traditional insurers cannot provide Takaful services. However, it is possible to establish mutual insurance companies, which are subject to licensing but are less regulated, to develop Takaful. Mutual insurance companies can reinsure their risks (claim payment risks) through a reinsurance company, including international companies having Takaful solutions in their portfolios.

This makes it possible to create a two-level insurance system, where a mutual insurance company acts as the front office of a re-Takaful company and issues insurance policies and other documentation, pays insurance claims, and ensures that there are no violations and fraudulent actions in the process.

For example, the re-Takaful company searches for entrepreneurs interested in establishing mutual insurance companies, provides them with documentation and teaching materials, coordinates their work, handles funds attracted by the mutual insurance company, pays insurance claims, determines the general insurance conditions, and develops a business model. The reward for the re-Takaful company is its share of the insurance premiums as a fee and the profit generated from the performance of its funds made up of the premiums. The development of the Takaful industry in Russia appears to be attractive not only to insurers but also to large international Takaful players.

Regulators

A Shariah board can be established in the form of an independent non-profit organization or partnership to examine the Shariah compliance of commercial projects, business solutions and financial instruments that are being developed. There is also a Shariah arbitration court and an auditing unit that supervises the compliance of the company to the adopted business model.

The Shariah arbitration court is required to settle economic disputes between entrepreneurs who participate in Shariah compliant business projects. The court and the contractual character of commercial relationships enables the integration of the Shariah into the Russian legal system.

Educational centers provide assistance to regulators, in particular the Russian Center of Islamic Economics and Finance, which was established in 2008 and operates under the Russian Islamic University. It organizes monthly courses on the basics of Islamic finance, international seminars on certain aspects of Islamic finance, and also conducts research on the theoretical issues of Islamic economics.

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Adaptability of Shariah Compliant Banking

By Nicholas Brewer

Over the past few decades, the Islamic banking space has transformed into a global financial ecosystem that is experiencing tremendous expansion, with some estimates pacing the future of the industry at a 15%-20% growth rate. As a result, the industry is seeking methods to temper its growth with treasury and core banking systems that can handle the unique needs of Islamic banking with regard to its rules and compliance with Shariah. Most importantly, the focus is on finding treasury, risk management and core banking solutions that are able to address risks and meet basic requirements.

To succeed in the Islamic banking space, established Islamic banks and conventional banks opening Islamic arms need the right processes, technology and systems to help them:

- Get new products and services to the market with efficiency and accuracy.
- Know and understand target markets and their needs.
- Maintain Shariah compliance across borders and jurisdictions, including providing the capability to have cross-border transactions and facilitating Islamic payments and trading.

Maintaining Shariah compliance is the primary concern of newly formed Islamic banks and conventional banks interested in opening Islamic windows. For Islamic banks considering expanding across regional markets, the adaptability of their operations is a major concern.

Differing interpretations of the Shariah exist across multiple jurisdictions, which mean that a bank operating in multiple territories must comply with a wider set of regulations. These challenges require flexible, scalable technology to ensure compliance and to help alleviate some of the pain points faced by Islamic banks and conventional banks opening Islamic windows.

> "For Islamic banks considering expanding across regional markets, the adaptability of their operations is a major concern"

With the rapid growth of the Islamic banking industry, competition has also become more aggressive as banks strive to grow their client base. A whole range of products such as Islamic deposits, loans, trade and treasury must be readily offered to increasingly self-educated and sophisticated customers. Startup Islamic banks, therefore, need to enter the market quickly with Shariah compliant products and services.

As these new banks enter the market, it is important for domestic banks already in operation to ensure that their products and services are competitive and their operations adhere to international best practices. Faced with an expanding market, increasing competition and stricter regulations, banks that successfully break into the Islamic banking arena will need a flexible, core banking system that can scale with increasing business requirements and complies with international and Islamic regulations. Having the proper IT resources and technology backing up operations will be critical to sustained growth and success.

Gain a centralized view of operations and a full view of the customer

The first consideration for Islamic banks is to ensure that their systems are capable of communicating with each other and are able to provide comprehensive retail and commercial banking coverage and structured tools that do not require extensive coding or code wrapping.

In many instances, this will require banks to replace current legacy systems that do not meet these fundamental requirements.

A proper core banking solution should provide the ability to efficiently design and deploy Shariah compliant products and services such as savings and deposits, loan servicing, branch delivery, trade services, domestic payments processing, and funds transfer options.

The right technology will help Islamic banks integrate their enterprise to ensure connectivity between business processes, channels, people and technology. It will also centralize and optimize branch operations in order to prevent data silos and deliver a single customer truth.

Islamic banks need to leverage a centralized set of enterprise-wide customer definition and product parameters on one technology platform to ensure the consistency of customer data, activities and processes. A single, centralized enterprise foundation will provide a consistent, complete and real-time view of operations, risks and profitability.

An integrated infrastructure that does away with disparate systems and application and data silos can provide a fuller, more complete picture of the bank's customers and business operations. This will aid in strategically targeting customers with products and services designed to meet their specific needs.

Expand across borders and Islamic jurisdictions

Islamic banking core systems need to be adaptable and easily implemented in any Islamic bank or branch, whether the requirements are for cross-jurisdictional expansion or for the replacement of domestic legacy solutions.

An effective approach to core banking systems implementation will provide intuitive solutions for restrictions on scalability due to legal, regulatory and cultural differences in other jurisdiction areas, while providing the infrastructure to grow in size, scale and sophistication.

A contributing factor to the need for unique and module-based core banking and treasury solutions is the fact that there are currently a number of regulatory frameworks within which Islamic banking is developing. These frameworks and rules can often be contradictory and lead to difficulty in maintaining Shariah compliance.

continued...

Adaptability of Shariah Compliant Banking (continued)

Standardization of Shariah compliant rules on accounting risk management and corporate governance across the Islamic banking industry is becoming increasingly necessary as there are a number of different conditions to be applied in each region.

Some organizations, including the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB), are reaching out and making an effort to bring regulations to the auditing and accounting standards. Solutions providers need to accommodate these institutions in different ways.

For example, in certain regions data need to be segregated differently, while in another there may only be a need to change terms within an existing solution (terms like "profit sharing" may need to be inserted wherever there is a similarity to interest).

Presently, there is a lack of consistency in the accounting methods of numerous Islamic financial institutions, resulting in difficulties comparing the results and performance of one Islamic financial institution to another.

This presents an interesting challenge from a technology and solution standpoint. Many pre-packaged and in-house solutions are designed to comply only with the specific requirements of a specific local Islamic jurisdiction and require significant reworking to meet growth challenges.

This lack of flexibility presents challenges as these systems are not readily re-usable across a bank's regional branches and subsidiary operations, and can inhibit growth, slow down time-to-market for new solutions and hinder operational processes.

For a conventional bank operating an Islamic window, it is essential that the core system is able to segregate Islamic from conventional funds, in accordance with Shariah law.

To achieve this, the conventional bank needs to ensure that its infrastructure is capable of keeping its Islamic and conventional operations separate and operating independently. Aligning business processes and IT resources is vital to meeting customer needs and supporting the business.

From a technology perspective, a flexible, modular-based core system allows both Islamic and conventional banks to easily redesign their products to cater to different Islamic jurisprudences as operations extend across regions.

Leadership at Islamic banks and conventional banks opening Islamic banking windows needs to consider how technology and the right infrastructure can help offer Shariah compliant products and services that conform to the requirements of the various Islamic jurisdictions.

System solutions for Islamic financial institutions and conventional banks

Clearly, an Islamic core banking system has more stringent requirements than the conventional core system implemented by a conventional bank. Conventional banks opening Islamic windows will require a fair amount of customization; profit-rate parameters must be set according to Shariah. It needs to be enhanced and tailored to meet the needs and requirements of Islamic financial products. Such enhancements include:

- On the deposit side, the system has to cater to the different types of deposit products, including Wadiah as well as Mudarabah- and Musharakah- based deposits. It also has to handle profit sharing between the depositors/investors and the bank.

- On the financing side, the system has to cater to the different types of financing contracts including Murabahah, Musharakah, Ijarah and Salam. As an example, the form of financing which is based on a buy/sell transaction requires the system to handle the two-step process (the purchase of the asset by the bank and the sale of it to the customer). It can entail the upfront recording of unearned profit upon transfer from the funding to the financing account. A core banking system has to consider the computation of the selling price, rebates for early termination, grace period, non-capitalization of charges and so on.

For risk management and compliance solutions, both Islamic and conventional banks should seek systems offering a centralized view of cash, liquidity and risk across their institutions. Solutions encompassing these traits will lighten the burden and improve decision-making while maximizing returns. A fully featured solution should deliver a scalable framework combining market, credit, stress and scenario-based risk management with Shariah and Basel II compliance, in addition to reporting in a single, integrated suite.

As the Islamic banking market continues to grow, there is and will continue to be a considerable need for core banking, risk management, treasury and other systems that can effectively manage the unique needs of this segment.

These base requirements reveal that a conventional bank looking to break into Islamic banking must do more than simply introduce Islamic banking products to its existing portfolio or suite of products. The initiation of those financial devices will require scalable, adaptable back- and front-office treasury, cash management and core banking systems.

These banks will require cohesive, proven solutions that are capable of providing the necessary levels of transparency to ensure the segregation of funds and establish a successful Islamic banking segment. To enter the rapidly growing Islamic banking arena, these banks should look to a solution provider that can offer a system that is able to meet the current requirements of Shariah boards and scholars with a flexible infrastructure that will allow them to adapt to future regulations.

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Innovating Islamic Plastic (Part 1 of 3)

By Dr Sayd Farook

Most Islamic banks carry at least one credit card product each. Yet many Islamic bankers will tell you that the Islamic credit card business is not as profitable as the conventional credit card business, and if it is offered, it's only to complement their other products and achieve cross-selling objectives.

On the other hand, some may be just as profitable as conventional credit cards, but in the process of doing so, push "Shariah arbitrage" to its limits with substantial manipulation of the credit card 'form'. This study reviews the need for 'Islamic plastic', the available Islamic alternatives in the market and assesses whether any of these provide any economic value or social value.

Finally, the study recommends a new type of credit card which is substantially aligned with Islamic principles (Shariah-based) while providing economic and social value to both the card user and the issuer.

The issues with conventional credit cards

Conventional credit or charge cards profit on the concept of an interest rate, calculated based on the extent of credit actually extended to the customer.

While there are interest-free periods ranging from 45 to 60 days and credit card providers charge an interchange fee approximating around 1.5% to 2%, most make their substantial profits during the period subsequent to the interest-free period when they charge high interest rates on a daily basis (sometimes up to 29%).

Hence, it is naturally in the interest of credit providers to extend credit to the customer beyond the interest-free period. Indeed, the credit card is one of the most profitable business lines for banks nowadays.

Bankers will provide a number of reasons to justify the exorbitant interest rates, topping the list being the high risk exposure associated with the unsecured credit risk of each customer. One could argue that banks do not reduce the interest rates for customers who have a good credit track record.

Hence, the exorbitant interest rates do not really reflect the credit risk of the customer. Bankers may also cite the capital adequacy charge of unsecured lending practices as one of the reasons.

Regardless, the conventional credit card presents a number of problems, from both an ethical and religious perspective. It is no secret that bankers prey on financially ignorant customers to ensure that they utilize their credit beyond interest-free periods. These customers enter into agreements with credit card providers on the basis that the credit facility may help them manage their liquidity better or provide some cushion in times of liquidity shortage or mismatch.

True, the credit card does this if used efficiently. The problem is that the majority of customers are not aware of the downside risks associated with paying the credit card off a little later, because of their relative financial ignorance compared to financial institutions. Hence, millions of customers keep on extending themselves beyond their means based on their credit facilities.

Financial institutions, on the other hand, have no incentive to disclose the dangers of credit cards to their financially unaware customers, for fear that this may affect one of their most profitable lines of business.

The magnitude of this problem has ballooned as of late. If one reviews the personal debt levels in countries with developed financial systems such as the UK, the US or Australia, it is evident that individuals are stretching their financial limits.

For instance, the personal debt levels in the UK have reached GBP1.35 trillion (US$2.2 trillion), according to a report by Grant Thornton. Among the personal debt, personal loans and credit cards spiraled to a staggering GBP214 billion (US$347 billion) while mortgage debt rose to GBP1.131 trillion (US$1.83 trillion).

What this essentially implies is that people in the UK were for the first time owing more to the banks than the value of all products and services produced in every factory or office in the country, or in other words, living beyond their productive means.

The figures are a lot worse for Australia (where personal debt is 156% of GDP) and the US (more than 180% of GDP). In most of these countries, personal debt to income ratios are somewhere near 170%, meaning that individuals on average owe 70% more than what they earn in a year. And that is just the average over the whole population, which means that there are many who owe a lot more.

While this may be total personal debt, the share of personal loans and credit cards are increasing by the day, as families struggling to pay their mortgages offload some of the pressures onto their credit card.

Encouraging consumption spending in such an explicit manner, without providing for financial education, is therefore a serious ethical question that should be raised to all credit card providers in those economies.

The worst part is, just like tobacco companies, credit card providers move to greener pastures in search for profitable and credit worthy exploits such as the emerging markets of GCC, India, China and Southeast Asia.

In addition to the general ethical dilemma associated with consumption based-credit, credits cards pose serious Islamic restrictions. For one, credit cards charge interest based on the amount of credit extended to the client. For the majority of Islamic scholars, this represents unacceptable usury.

Existing Islamic credit cards in the market

Regardless of the ethical and religious issues presented by credit cards, they still provide an innovation in the market that caters to a genuine need: the need for emergency liquidity or for liquidity mismatches, just like a mobile phone provides a means for customers to call people in times of emergency from anywhere in the world. In the absence of a strong social network (which is dwindling by the day), credit cards provide a mechanism for people to borrow short term to pay for their daily needs.

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Innovating Islamic Plastic (Part 1 of 3) (continued)

Hence, Islamic customers rightfully demand such sorts of products to manage their liquidity needs. To circumvent the restrictions on usury, Islamic banks have come up with a number of interesting credit card products, some original and some dubious. The major restriction on Islamic credit cards is that they cannot impose any charges whatsoever based on the extent of principal owing.

So how do Islamic banks make Islamic credit cards viable as a profitable line of business? Of course there are other ways in getting profit besides charging interest or fee for the extension of a credit facility to a customer.

In Islamic banking, these alternatives are based on certain Shariah nominate contract models. All these models have one similarity in that the profit rate, or the fee charged to the customer, is fixed and transparently known from the beginning.

Unlike its conventional counterpart, where the interest charged on the customer will vary from customer to customer depending on the time pattern of the credit installment, Islamic credit cards make customers pay a contractually binding fixed amount.

Another distinguishing feature is that the underlying reason for charging a fee or an extra amount in addition to cost is not because of credit extension but because of reasons of maintenance or service provision, depending on the type of contract used.

The majority of credit card products in the market are based on four Shariah nominate contract models:

- Bai al Inah (Buy back finance based).
- Tawarruq (Cash finance based).
- Ijarah (Lease based).
- Ujrah (Fee based).
- Kafalah (Fee for guarantee).

The Bai al Inah and Tawarruq based models essentially utilize Islamic legal stratagems to extend a line of credit to customers, through executing a number of sales with the customers. The Ijarah card in its operational resemblance is closest to a conventional credit card, while the Ujrah and Kafalah cards are viewed as being closest to Shariah principles.

Bai al Inah credit card structure

This model is mostly used in Southeast Asia, more specifically Malaysia as its pioneer. Examples of these credit cards in the industry would be the Bank Islam Card (BIC) issued by Bank Islam Malaysia and the Al-Taslif credit card issued by AmBank, a Malaysian-based conventional bank with an Islamic window.

In Bai al Inah-based credit cards, the bank engages in a number of contracts with the customer in several stages:

Stage1: In the first instance, a piece of land owned by the bank is sold to the customer at an agreed price through installments for a certain period of time when a customer's Islamic credit card application is approved.

Stage 2: The bank then re-purchases that land at a lower price, where the amount acts as the credit limit.

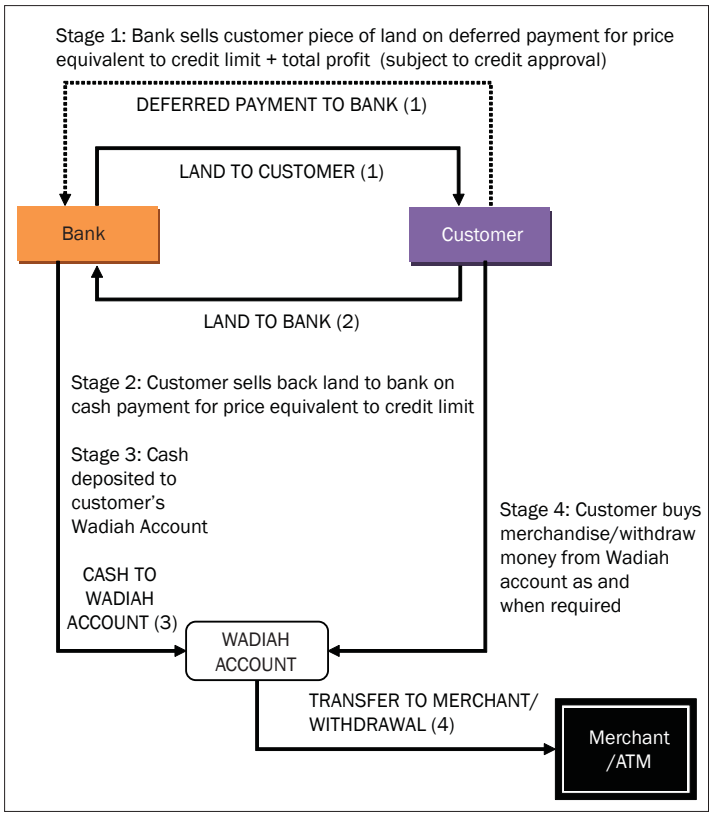
The difference between the higher price paid by the customer and the lower price paid by the bank is the maximum profit that can be charged by the bank. Comparatively, this is more transparent than conventional credit cards since the maximum profit that can be charged for the period is fixed and known to the customer.

Stage 3: The bank disburses the proceeds of the sale of the land owned by the customer to a Wadiah (safe custody) account maintained by the bank.

Stage 4: This account provides the cash from which the customer can withdraw funds or pay for purchases just like conventional credit cards, the difference being that there is real cash backing up the credit facility.

Besides paying the installments for the purchase of the land, the customer also pays a certain amount as management fee, equivalent to the annual membership fee of a conventional credit card. The figure below shows an example of Bai al Inah credit card structure.

Figure 1: Bai al Inah based credit cards as practiced in Malaysia



Tawarruq credit card structure

The Tawarruq model used in Islamic credit cards is a response to the earlier implementation of Bai al Inah. Widely used in the Middle East, Tawarruq has one significant difference to the Bai al Inah version. Instead of retaining the commodity sold to the client, the Islamic bank

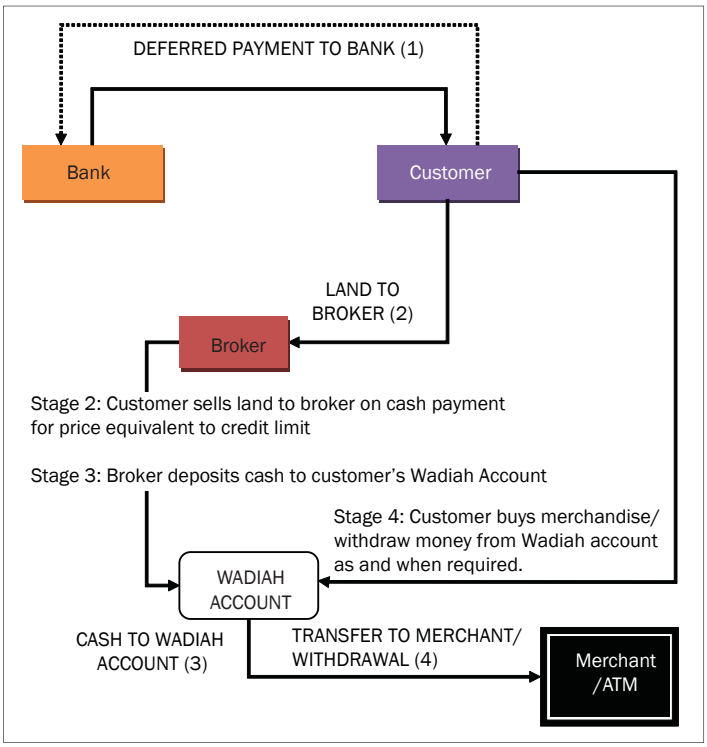
continued...

Innovating Islamic Plastic (Part 1 of 3) (continued)

has a third party or parties to replace its role as a buyer. This third party is often called the commodity broker and is already arranged by the Islamic bank. Just like the Bai al Inah based credit card, the proceeds from the sale are channeled to an account of the Islamic bank, usually a Wadiah.

A simple structure is shown in Figure 2. Examples of the use of Tawarruq are the products of Saudi Arabian banks: National Commercial Bank Arabia (Al Tayseer Al-Ahli) and Arab National Bank (Al Mubarak).

Figure 2: Tawarruq-based credit cards as practiced in Saudi Arabia



Part II of this article will discuss the other three Shariah nominate contract models for credit card products – Ijarah (Lease based), Ujrah (Fee based) and Kafalah (Fee for guarantee) while Part III will provide the outline of a credit card solution developed by Dar Al Istithmar and Oxford Islamic Finance.

دار الإستثمار
Dar Al Istithmar

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Global experts have warned that the push to clear over-the-counter (OTC) derivatives through central counterparties (CCPs) could become a new form of risk in the financial system. Will CCP risk become a threat to the Islamic finance industry? What are the safeguards needed?

As a former director of a global energy exchange, I have for several years been concerned about, and warning against, the concentration of risk in single points of failure such as clearing houses. I take no pleasure in saying that my fears were justified by the cases of Fannie Mae, Freddie Mac and AIG.

The disastrous effects of a credit discontinuity on concentrated credit risk are an exact analogy to the concentration of market price risk in a central counterparty, and the susceptibility of the CCP to a discontinuity in market price. The overnight collapse of the tin market price in 1985 from US$800 to US$400 per tonne is an example of what is possible.

The logic of the internet is of "peer to peer" disintermediation, and the evolution of middlemen to service provision. In my view, the solution to the problem of risk management in a global market lies in:

- Transaction registration — using a generic transaction and title repository — in the stewardship of a trusted third party or "custodian", and accessible to regulators where necessary.
- Framework of trust — a globally valid "Guarantee Society" agreement backed by assets, and/or provisions into a default fund, again held by a neutral custodian.

The latter proposed risk sharing mechanism will of course be immediately recognizable to anyone familiar with Islamic finance.

So, in summary, the use of central counterparties to clear over the counter transactions is entirely misconceived, and an alternative or complementary Islamic model for risk management and sharing may well in fact be optimal.

CHRIS COOK: Principal, Partnerships Consulting

Oh my goodness! The derivatives people did such a wonderful job managing OTC risks, they will surely continue as before. Central counterparties will help bring transparency, which may reduce risks.

But the global derivatives industry requires better risk management, more transparency and stricter regulation. After all, the cost of cleaning up derivatives messes is great to society than the apparent savings from unregulated, non-transparent OTC deals to individual businesses and bankers.

ABDULKADER THOMAS: CEO and President, SHAPE — Financial Corp

I think the volume of Islamic risk management products being executed today is relatively small. I believe that they will grow strongly once standard documentation is in place.

I disagree that using exchanges to clear OTC vanilla derivatives will increase risk; it should reduce this with strong standardization and margining. For Islamic finance, there is no reason why the market cannot evolve the same way, but again standardization of documentation is key.

SIMON EEDLE: Global head of Islamic banking, Calyon Credit Agricole CIB

Central counterparties are typically used to reduce the amount of counterparty risk that market participants are exposed to. Central banks and regulators have recently been pushing for the clearing of OTC derivative instruments using CCPs in order to eliminate the risk of direct financial loss through a default and the risk of indirect loss through having to unwind a trade.

It is, after all, the CCP that will make good in the event of a default. Although there are obvious advantages to the involvement of a CCP, their effectiveness will depend on the implementation.

Like any other market participant, CCPs will need to be regulated in order to ensure that the counterparty credit risk is indeed reduced, and not just shifted to another type of counterparty. Additional risks and challenges exist with regard to the number of CCPs, not only globally but also per country.

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Currently, the Islamic finance industry does not use any CCPs beyond the ones shared with the conventional financial institutions such as Euroclear and BACS. Any attempts to set them up have so far been unsuccessful. There are numerous reasons for this, including the historical average transaction size and relatively small size of the market.

The risks facing the Islamic finance industry when it comes to CCP will be exactly the same as those for the conventional finance industry and there is potentially a lot of benefit in CCPs that cater for both Islamic and conventional finance, and by not having separate institutions.

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

Having central counterparties, usually investment banks, improves the efficiency of clearing and settlement procedures and reduces credit risk. There is no problem in this from a Shariah perspective; indeed the increased transparency and clarity reduces any element of gharar, and is certainly preferable to over the counter transactions which are subject to bilateral bargaining and often are accompanied by considerable uncertainty until the deal is agreed.

The danger is that if the use of central counterparties increases derivatives trading, this could potentially be destabilizing. Trading derivatives is regarded as doubtful in any case from a Shariah perspective, and any excessive move to short positions can de-stabilize financial markets. This was not the prime cause of the 2008 financial crisis, but it certainly exacerbated the crisis.

The problem, in other words, is not the method of trading but rather what is being traded. In Islamic finance a distinction is made between holding derivatives, which is legitimate, and trading these instruments, which can involve exploitation of other parties, and is therefore haram.

PROFESSOR RODNEY WILSON: Director of postgraduate studies, Durham University

Clearing OTC derivative contracts through a central counterparty is an initiative undertaken after the recent credit crisis and has some features that are considered helpful in reducing counterparty risk.

The Islamic derivatives market is quite nascent and the transaction mechanism is yet to be standardized. As such, we don't think the clearing house mechanism will be applied to the Islamic derivative transactions immediately. The settlement efficiency of such transactions will become a constraint only when we have a deep and liquid market in Islamic derivatives which results in huge counterparty exposures.

MUSA ABDUL MALEK: CEO, HSBC Amanah

On the contrary, CCP may strengthen the Islamic finance industry by reducing overall counterparty risk and increasing transparency and liquidity in the marketplace. From this, regulators can assess and monitor derivative transactions, and intervene where necessary to safeguard the industry.

For this to be effective, the safeguards needed are in part dependant on the CCP: they should practice good governance, have robust risk management processes and employ sound valuation for collateral. Further safeguards to the industry include using multiple CCPs instead of relying on just a single CCP.

CHRISTOPHER CHAN: Chief Officer, Products and Marketing, Prudential Fund Management

Next Forum Question

Economists view the establishment of mega Islamic banks as a mechanism to improve the Islamic finance industry. Will these banks play a role in overcoming the challenges faced by the industry? And, does jurisdiction or size matter in spurring a new era of growth for Islamic financial institutions?

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, 28th October 2009.

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

Name:	Liaquat Ali
Position:	Founder
Company:	Truly Interest Free
Based:	Fairfield, Connecticut, US
Age:	46
Nationality:	American

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

I have been a real estate investor for the past 12 years. I have also worked for a few financial institutions in full-time and consulting capacities. When I started writing my book, "Private Money: The #1 Solution to Eliminate Booms and Busts in Real Estate Forever!" my intention was to educate investors with the use of private money in real estate acquisitions.

I define private money as a source of funds where the owner invests directly. Intermediaries if any have low or no influence on transactions. Another feature of private money is that transaction terms are flexible, individually negotiated among principals, and are not dictated by institutional indexes or underwriting criteria. Subsequent to writing the book, when I studied Islamic finance, it appeared to me as a major source of private money.

What does your role involve?

My role involves the development of interest-free products. So far I have developed and helped deploy an interest-free seller financing model. I am now developing short-term loans, small loans, car financing and college tuition financing models. I am also working on a model for the expansion of Zakat through reduction of debt and elimination of riba in people's lives. I call it *Riba Cleansing Therapy*.

What is your greatest achievement to date?

The greatest achievement to date is the writing of my 200-page book which required me to undertake research by reading tens of books and hundreds of papers related to real estate and finance.

Which of your products/services deliver the best results?

Thus far we have only launched the Truly Interest-Free Seller Financing model. It provides real "dollars and cents" savings to our clients. A home financed through our interest-free seller financing model can be paid off within 14 years instead of 30 years with the conventional mortgage with the same amount of monthly payments. Built-in payment holidays have the potential to avoid defaults and foreclosures.

What are the strengths of your business?

Islamic finance instruments were developed long before anything resembling banks or other modern financial institutions existed. The main strength of our business is that our financing models are non-institutional. People can use our models without using our professional services. If they use us we make money for our efforts. If they don't use us and are still able to carry out interest-free transactions, we consider that a big strength of our models. Another strength of our business is that it has low overheads. This allows us to evolve organically through word of mouth; which is the best marketing method among Muslims.

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

Americans spend more than one-third of their after-tax income on interest payments of one sort or the other. My dentist recently told me that he is paying down his US$300,000 student loan. That is 65% higher than the average house mortgage amount as per the Federal Reserve Bank.

Our target clients are middle-class and lower middle-class Muslims and non-Muslims who are either gainfully employed or are running fairly successful small businesses. They are interested in turning their collective "dead capital" into an ethical and sustainable economic system.

What are the obstacles faced in running your business today?

Our core competence is real estate financing. Our interest-free real estate finance model pretty much requires 20% downpayment. It is not too much of an issue in the commercial space where buyers are used to bringing that amount to the purchase transaction.

However, in order to expand this model in the residential space, we need to assist our potential clients to accumulate a significant portion of that downpayment through the elimination of interest in their lives. That is an instant source of savings for them.

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

Any financial system which has trillions of dollars committed to it will do well in the foreseeable future. Islamic finance is largely carried out by practitioners who are accountable to Islamic scholars. In the next five years those practitioners will be required to justify their products and services against the historical Islamic finance rules and regulations. Transparency will only strengthen the Islamic finance industry.

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

Islamic finance was developed well before the existence of riba-based currencies, maysir-based stock markets and gharar-based marketing and contract mechanics.

The riba-based money is a key issue which manifests itself as inflation and necessitates the implementation of the time value of money. This complicates efforts to eliminate riba from transactions. This issue is more political than economic. Smaller sustainable finance movements, such as JAK Bank of Sweden, consider inflation as a price they are willing to pay to expand their interest-free banking model. Islamic finance needs to devise strategies to resolve the riba-based money issue in a timely manner.

Tourism Development & Investment Company's Trust Certificates

ISSUANCE AMOUNT	US$1 billion
TRUSTEE AND LESSOR	TDIC Sukuk
OWNER AND LESSEE	Tourism Development & Investment Company
PRINCIPAL ACTIVITIES	Tourism Development & Investment Company is a developer of leading tourism real estate assets within Abu Dhabi. Since its establishment in April 2006, TDIC has built up an extensive portfolio of projects. These include the eco-sensitive Saadiyat Island and Desert Islands. These projects are part of a comprehensive economic development plan for the emirate.
ARRANGERS	Abu Dhabi Commercial Bank, HSBC Amanah and Standard Chartered Bank
TENOR	Five years
MATURITY DATE	21st October 2014
RATINGS	'Aa2' by Moody's Investors Service, 'AA' by Standard & Poor's Ratings Services and 'AA' by Fitch Ratings
LISTING	London Stock Exchange
DELEGATE	Deutsche Trustee Company
PRINCIPAL PAYING AGENT AND REPLACEMENT AGENT	Deutsche Bank, London branch
REGISTRAR AND TRANSFER AGENT	Deutsche Bank Luxembourg
SPREAD	230 basis points over mid-swaps
SUBSCRIPTION	Oversubscribed by almost seven times
INVESTOR PROFILE	

By region of origin:	Percentage (%)
Middle East	60%
Asia	20%
Europe	20%
By industry:	
Banks and treasury	48%
Asset managers	21%
Central banks	15%
Private banks	14%
Others	2%

FACILITY DESCRIPTION	The TDIC Trust Certificates is the first Sukuk ever to be issued by an Abu Dhabi government entity, and the largest non-sovereign Sukuk to be issued from the Gulf region so far in 2009

NBAD

UAE: The National Bank of Abu Dhabi (NBAD) has appointed Alan Durrant as chief investment officer of its asset management group. He will be responsible for delivering a range of innovative products and services as well as focus on staff and customer satisfaction, the bank said.

Previously, Durrant was head of asset management at Gulf Finance House in Bahrain and most recently was the chief investment officer and chairman of the investment committee at Skandia Investment Management.

Durrant has vast experience in asset allocation and investment selection across equities, fixed interest, property, private equity and alternative asset classes. He had personally managed assets of about US$10 billion. He began his investment with Hargreaves Lansdown, the UK's leading investment broker, where he rose to become investment director.

GFH

BAHRAIN: Islamic investment bank Gulf Finance House (GFH) has hired investment banker Ted Pretty as CEO of GFH Banking's investment management division, while Salah Rahimi is the CEO of GFH Real Estate and Infrastructure.

Pretty was the executive director at Macquarie Bank since October 2005 and before that was group managing director at Australia's telecommunications company Telstra from October 1997 to August 2005. Previous to that he was a partner at law firm Gilbert & Tobin from 1991 to 1994.

Rahimi, formerly the deputy CEO since July 2008 for Gulf Finance House Investment Bank, has over 20 years of finance and banking experience. He has held several key positions with GFH including as chief financial officer.

He has held positions in internal audit at Deloitte & Touche, Al Juraid & Company and United Gulf Bank.

The appointments are in line with GFH's plans to restructure its business by spinning off GFH Real Estate and Infrastructure and GFH Banking, the latter comprising three business units — Islamic commercial banking, investment management and investment banking.

UNICORN INVESTMENT BANK

MALAYSIA: Islamic Finance *news* has learnt that Ikbal Daredia, managing director and head of capital markets and institutional banking at Unicorn Investment (UIB) in Bahrain, has been named CEO of UIB in Malaysia, known as Unicorn International Islamic Bank.

Daredia has over 20 years of experience in Islamic banking. Prior to joining Unicorn, he was the deputy CEO of Noriba, UBS's global Islamic platform for Shariah compliant products and services. Prior to that, he worked for four years with ABN Amro Bank in Bahrain as the global head of Islamic financial services.

Daredia had originated and executed several Islamically structured cross-border transactions for sovereign entities and corporates in Turkey, the GCC countries, the Philippines, India, Pakistan and the UK.

He was also the Noriba project leader for the first ever US$750 million exchangeable Sukuk for government investment arm Khazanah Malaysia and the US$350 million first internationally rated corporate Sukuk for Sarawak Corporate Sukuk Inc (Malaysia) in 2004.

CREDIT SUISSE

US: The co-head of the global investment banking division at Credit Suisse for five years, Marc Granetz, will become the unit's chairman at the end of the year. He will focus on developing relationships with clients, advising them on complex mergers and acquisitions and helping with the firm's strategy.

Having been with Credit Suisse for 24 years, he will continue to serve as a member of the investment bank management committee and the Americas CEO management committee.

CITIGROUP

US: Former Bank of America (BoA) executive David Bailin will join Citigroup Private Bank as managing director and global head of managed investments.

He will be responsible for expanding and distributing investment products and solutions, including alternative and traditional investments. He will also lead Citi's tailored portfolio group that provides discretionary asset management services globally.

Bailin was most recently president of alternative investment asset management for BoA Global Wealth & Investment Management that includes Merrill Lynch and US Trust. Before that, he co-founded Martello Investment Management.

RBS

HONG KONG: The Royal Bank of Scotland (RBS) has appointed Citigroup's Ted Tsao as managing director and head of institutional sales for Asia-Pacific equity derivatives based in Hong Kong.

Tsao has extensive experience in institutional sales concerning hedge funds, mutual funds, sovereign funds, insurance companies and pension funds. He has spent more than 15 years in equity derivatives sales in both Asia and the US.

At Citigroup Global Markets in Hong Kong, Tsao was head of institutional marketing for Asia-Pacific equity derivatives. Before that, he had senior equity derivatives sales roles at Merrill Lynch and Paribas Capital Markets in New York.

RBS is a leading provider of structured products derivatives and has an Islamic unit, RBS Islamic Banking.

BNYM

US: The Bank of New York Mellon has appointed the former CEO of BNY's international operations in India, Sheena Wilson, as its global head of talent strategy based in London.

She will oversee the company's global integrated talent management priorities, including talent acquisition, employee and leadership development, the company's diversity and inclusion commitment, and employee engagement initiatives.

Having joined BNYM in 2002, she was head of human resources for London-based Mellon International, responsible for all aspects of human resources outside North America.

Wilson has more than 30 years of multi-regional international experience in human

continued...

resources management, management consulting, operations management and general management.

ACE

US: Global insurer ACE has appointed Derek Talbott as executive vice-president of international property. His responsibility is the management and performance of ACE's international property insurance business in Europe, the Middle East, Africa, Asia-Pacific and Latin America.

Talbott, who will be based in London, replaces Paul McNamee, who will now lead ACE's North American property business. Talbott joins ACE from Aon Benfield where he was senior vice-president as well as head of global clients and global products based in New York and Boston since 2006.

The ACE Group, which provides insurance and reinsurance products globally, offers Takaful through its subsidiary ACE American Insurance Company based in Bahrain.

DEUTSCHE BANK

US: Former JP Morgan executive Andre Silva has joined Deutsche Bank as managing director and co-head of debt capital markets. He will be responsible for the firm's debt capital market expansion in Latin America.

During his tenure at JP Morgan, Silva was executive director in the Latin American debt capital markets business, responsible for the origination and execution of debt capital markets transactions for Brazilian companies. He has also served as senior vice-president in the Latin American debt capital markets division at HSBC and executive director in the Latin American investment banking division at Morgan Stanley.

EON BANK

MALAYSIA: EON Bank Group has promoted Michael Lor to group CEO from his previous role of head of consumer banking. His role will span EONCAP Islamic Bank— EON Group's subsidiary.

Before joining EON Bank last February, Lor was worldwide director of banking solutions with Hewlett-Packard Asia-Pacific's financial service industry segment. With more than 20 years of banking experience, he has served as executive vice-president and head of consumer banking at RHB Bank as well as managing director at DBS Bank.

Deal *tracker*

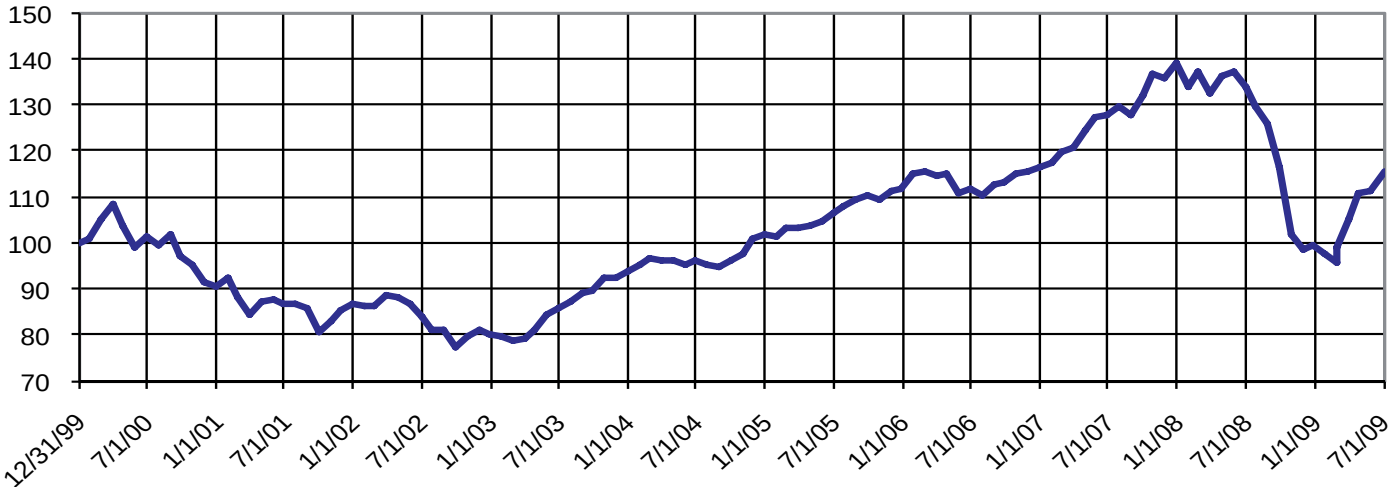
Keeping you abreast of the world's upcoming Shariah compliant deals

Another **Islamic Finance** *news* exclusive

ISSUER	SIZE (million)	INSTRUMENT
Sime Darby	US$1.3 billion	Islamic MTN
Republic of Indonesia	US$1 billion	Global Sukuk
France	US$1.5 billion	Sukuk
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
Cagamas	US$1.1 billion	Sukuk
Bank Negara Indonesia	US$50	Sukuk
Japan Bank for International Cooperation	US$200	TBA
Agni	US$71	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 Islamic Fund Index



Monthly returns for Asia Pacific funds (as of the 14th October 2009)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	Islamic Certificate on the LLB Central Hilal TR Index	ABN AMRO Bank	86.92	Switzerland
2	TRIM Syariah Saham	Trimegah Securities	85.73	Indonesia
3	TRIM Syariah Berimbang	Trimegah Securities	83.44	Indonesia
4	Islamic Emerging Markets Equity Certificate	ABN AMRO Bank	68.60	Not disclosed
5	ETFS Physical Palladium	ETFS Metal Securities	59.63	Jersey
6	AlAhli Emerging Markets Trading Equity	The National Commercial Bank	57.34	Saudi Arabia
7	CIMB Islamic Asia Pacific Equity	UOB Asset Management	55.40	Malaysia
8	Mega Dana Syariah	Mega Capital Indonesia	54.61	Indonesia
9	ETFS Physical Silver	ETFS Metal Securities	51.90	Jersey
10	Islamic Certificate on the LLB Eastern Hilal TR Index	ABN AMRO Bank	51.09	Switzerland
	Eurekahedge Islamic Fund Index*		**21.32**	

Monthly returns for Middle East/Africa funds (as of the 14th October 2009)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	Al Dar Money Market	ADAM	4.63	Kuwait
2	Solidarity Leasing	Solidarity Funds Company	2.73	Bahrain
3	Global Sukuk Plus	European Finance House	1.69	Luxembourg
4	Solidarity International Real Estate	Solidarity Funds Company	0.74	Bahrain
5	SR International Trade Finance (Al Sunbula)	Samba	0.62	Saudi Arabia
6	Solidarity European Real Estate	Solidarity Funds Company	0.62	Bahrain
7	ETFS Physical Gold	ETFS Metal Securities	0.51	Jersey
8	CIMB Islamic Global Emerging Markets Equity	CIMB-Principal Asset Management	0.45	Malaysia
9	AlAhli Saudi Trading Equity	The National Commercial Bank	0.43	Saudi Arabia
10	Mega Dana Syariah	Mega Capital Indonesia	0.41	Indonesia
	Eurekahedge Islamic Fund Index*		**-0.22**	

EUREKAHEDGE

Contact Eurekahedge

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

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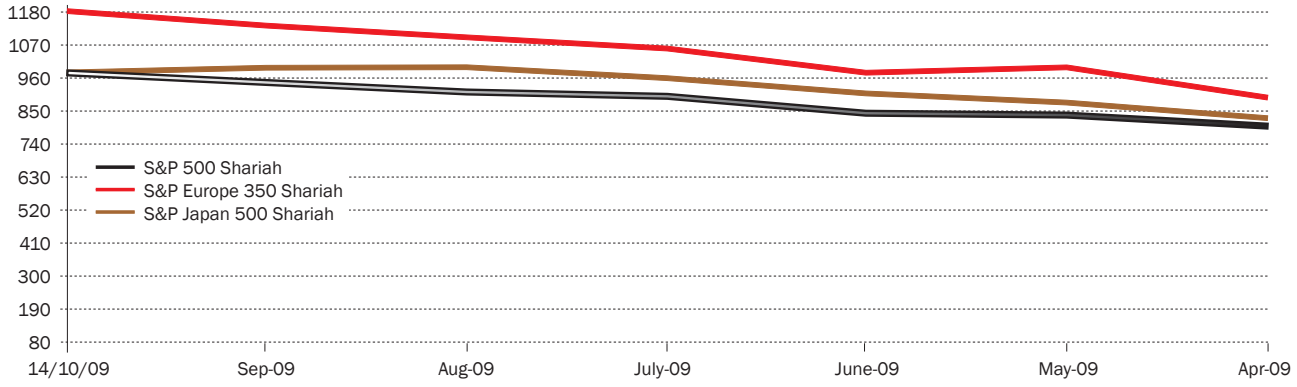
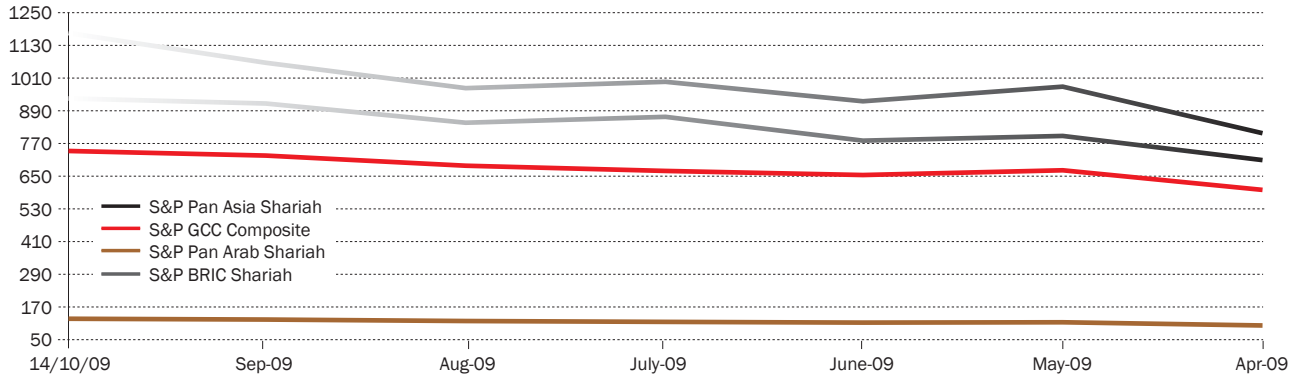
Tel: +65 6212 0900

EUREKAHEDGE

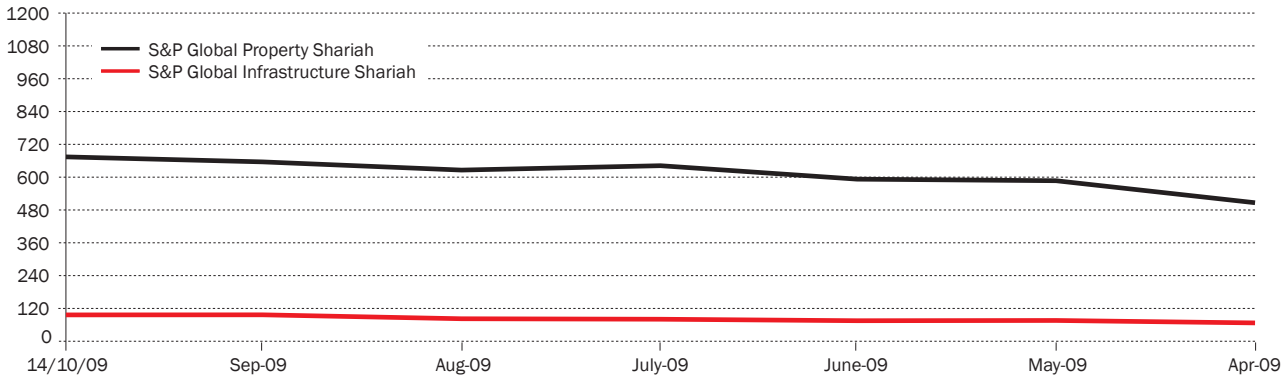
S&P Shariah Indices Price Index Levels



Index Code	Index Name	14/10/09	Sep-09	Aug-09	July-09	June-09	May-09	Apr-09
SPSHX	S&P 500 Shariah	977.104	945.321	913.542	899.016	842.797	836.573	799.755
SPSHEU	S&P Europe 350 Shariah	1183.021	1134.881	1095.741	1058.270	977.823	995.630	894.958
SPSHJU	S&P Japan 500 Shariah	978.750	994.367	996.042	959.584	908.760	878.263	826.363



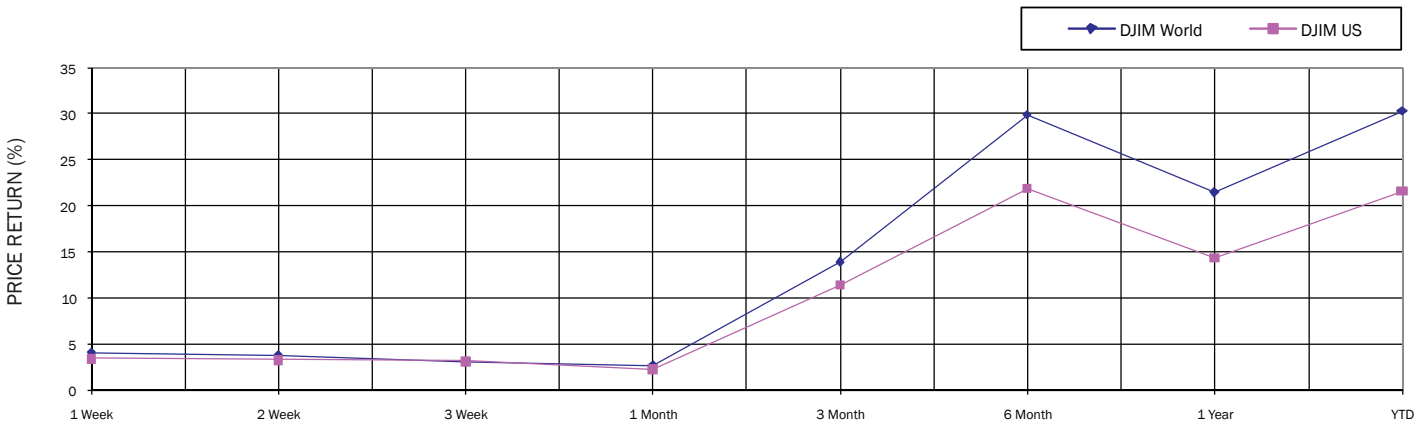
Index Code	Index Name	14/10/09	Sep-09	Aug-09	July-09	June-09	May-09	Apr-09
SPSHAS	S&P Pan Asia Shariah	935.203	916.579	846.106	867.704	780.340	797.647	708.922
SPSHG	S&P GCC Composite Shariah	742.431	725.528	688.379	669.202	654.208	671.614	599.648
SPSHPA	S&P Pan Arab Shariah	126.808	123.831	118.463	115.322	112.643	113.860	102.133
SPSHBR	S&P BRIC Shariah	1175.211	1066.062	973.014	996.242	924.814	978.497	807.592



Index Code	Index Name	14/10/09	Sep-09	Aug-09	July-09	June-09	May-09	Apr-09
SPSHGU	S&P Global Property Shariah	674.134	655.839	625.881	641.907	592.683	586.922	506.477
SPSHIF	S&P Global Infrastructure Shariah	96.289	96.587	82.238	80.488	75.034	75.918	66.983

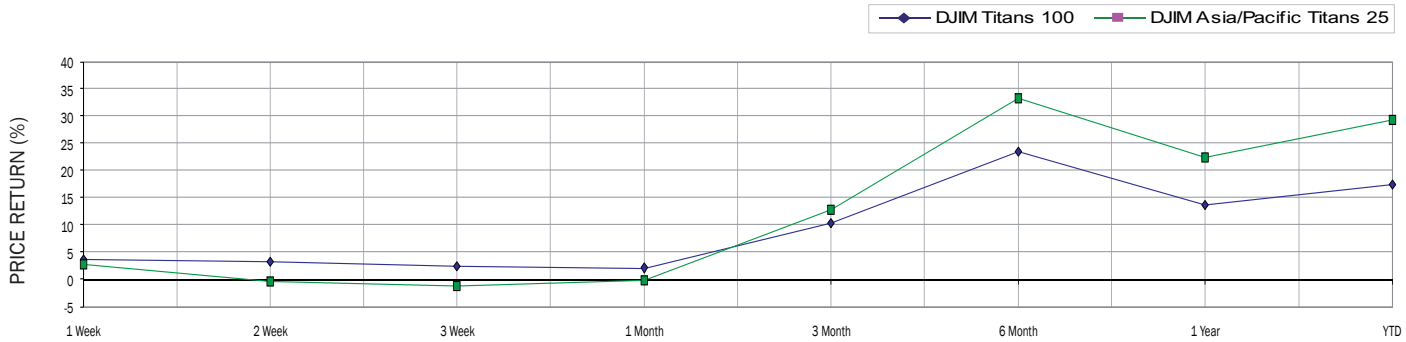
Data as of the 14th October 2009

PERFORMANCE OF DJ INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	4.01	3.81	3.00	2.68	13.86	29.89	21.46	30.32
DJIM US	3.37	3.26	3.09	2.28	11.40	21.90	14.34	21.59

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	3.73	3.24	2.37	2.10	10.36	23.58	13.76	17.40
DJIM Asia/Pacific Titans 25	2.79	-0.32	-1.11	-0.21	12.88	33.38	22.43	29.33

DESCRIPTIVE STATISTICS		Market Capitalization (US$ billions)						Component Weight (%)	
Index	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Large	Small
DJIM World	2411	15424.27	12078.96	5.01	1.01	345.25	0.00	2.86	0.00
DJIM US	622	6709.23	6266.56	10.07	2.43	345.25	0.14	5.51	0.00
DJIM Titans 100	100	6752.1	6043.77	60.44	41.48	345.25	12.55	5.71	0.21
DJIM Asia/Pacific Titans 25	25	1006.82	675.57	27.02	22.40	71.81	12.55	10.63	1.86

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

TOP ISSUERS OF ISLAMIC BONDS — OCT 2008 – OCT 2009

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Saudi Electricity	Saudi Arabia	Sukuk	1,867	1	13.5	HSBC, Samba Financial Group
2	Petronas Global Sukuk	Malaysia	Sukuk Ijarah	1,498	1	10.8	Morgan Stanley, CIMB, Citigroup
3	Terengganu Investment Authority	Malaysia	Sukuk Murabahah	1,422	1	10.3	AmInvestment
4	TDIC Sukuk	UAE	Sukuk Ijarah	1,000	1	7.2	Standard Chartered, HSBC, Abu Dhabi Commercial Bank
5	Islamic Development Bank	Saudi Arabia	Sukuk Wakalah	850	1	6.1	BNP Paribas, CIMB, Deutsche Bank, HSBC
6	Kingdom of Bahrain	Bahrain	Sukuk Ijarah	750	1	5.4	Deutsche Bank, HSBC, Calyon
7	Republic of Indonesia	Indonesia	Sukuk Ijarah	650	1	4.7	Standard Chartered, HSBC, Barclays Capital, (Persero) Danareksa, Trimegah Securities, Bank Mandiri
8	Khazanah Nasional	Malaysia	Sukuk Musharakah	601	3	4.3	CIMB, AmInvestment, Maybank Investment Bank
9	Cagamas	Malaysia	Murabahah MTN	589	4	4.3	Standard Chartered, AmInvestment, Maybank Investment Bank, HSBC, CIMB, RHB Capital
10	Syarikat Prasarana Negara	Malaysia	Ijarah MTN	573	1	4.1	CIMB, Maybank Investment Bank
11	Danga Capital	Malaysia	Sukuk Musharakah	444	1	3.2	CIMB, AmInvestment
12	Islamic Republic of Pakistan	Pakistan	Sukuk	441	3	3.2	Standard Chartered, Dubai Islamic Bank Pakistan
13	Penerbangan Malaysia	Malaysia	Murabahah MTN	411	1	3.0	HSBC, CIMB, AmInvestment
14	MISC	Malaysia	Murabahah MTN	368	2	2.7	HSBC, CIMB, AmInvestment
15	Seafield Capital	Malaysia	Sukuk Musharakah	269	1	1.9	CIMB
16	Saudi Hollandi Bank	Saudi Arabia	Sukuk	207	1	1.5	Saudi Hollandi Bank
17	Dar Arkan Real Estate Development Company	Saudi Arabia	Sukuk Ijarah	200	1	1.4	HSBC, Samba Financial Group
18	Projek Lintasan Shah Alam	Malaysia	Murabahah MTN	174	4	1.3	RHB Capital
19	PLUS SPV	Malaysia	Sukuk Musharakah	151	1	1.1	BIMB Holdings, CIMB
20	Jimah Energy Ventures Holdings	Malaysia	Istisna MTN	149	2	1.1	AmMerchant Bank, Bank Muamalat Malaysia, RHB Investment Bank, MIMB Investment Bank
	Total			**13,849**	**65**	**100.0**	

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Phone: +852 2804 1223

TOP ISSUERS OF ISLAMIC BONDS — JULY 2009 – OCT 2009

	Issuer or Group	Nationality	Instrument	Amt US$ m	Iss.	%	Manager
1	Petronas Global Sukuk	Malaysia	Sukuk Ijarah	1,498	1	30.22	Morgan Stanley, CIMB, Citigroup
2	TDIC Sukuk	UAE	Sukuk Ijarah	1,000	1	20.17	Standard Chartered, HSBC, Abu Dhabi Commercial Bank
3	Islamic Development Bank	Saudi Arabia	Sukuk Wakalah	850	1	17.15	BNP Paribas, CIMB, Deutsche Bank, HSBC
4	Syarikat Prasarana Negara	Malaysia	Ijarah MTN	573	1	11.55	CIMB, Maybank Investment Bank
5	MISC	Malaysia	Murabahah MTN	368	2	7.42	HSBC, CIMB, AmInvestment
6	Khazanah Nasional	Malaysia	Sukuk Musharakah	214	1	4.31	CIMB, AmInvestment, Maybank Investment Bank
7	Islamic Republic of Pakistan	Pakistan	Sukuk	174	1	3.52	Standard Chartered
8	UMW Holdings	Malaysia	Musharakah MTN	141	1	2.84	Maybank Investment Bank
9	CIMB Islamic Bank	Malaysia	Sukuk Musharakah	86	1	1.73	Maybank Investment Bank
10	Makro Utama	Malaysia	Sukuk Istisna	28	1	0.57	Kenanga Investment Bank
11	Tanjung Langsat Port	Malaysia	Sukuk Musharakah	11	1	0.23	Malaysian Industrial Development Finance
12	Offshoreworks Capital	Malaysia	Musharakah MTN	11	1	0.23	MIDF Amanah Investment Bank
13	Serrisa Sinar	Malaysia	Murabahah MTN	3	1	0.06	MIDF Amanah Investment Bank
	Total			**4,957**	**14**	**100.00**	

ISLAMIC BONDS			OCT 2008 – OCT 2009	
	Manager or Group	Amt US$ m	Iss	%
1	CIMB	2,871	27	20.7
2	HSBC	2,530	14	18.3
3	AmInvestment	2,047	10	14.8
4	Samba Financial Group	1,033	2	7.5
5	Standard Chartered	956	8	6.9
5	Maybank Investment Bank	717	11	5.2
7	Morgan Stanley	499	1	3.6
7	Citigroup	499	1	3.6
9	Deutsche Bank	463	2	3.3
10	RHB Capital	335	9	2.4
11	Abu Dhabi Commercial Bank	333	1	2.4
12	Calyon	250	1	1.8
13	Barclays Capital	217	1	1.6
14	BNP Paribas	213	1	1.5
15	Saudi Hollandi Bank	207	1	1.5
16	Dubai Islamic Bank Pakistan	133	2	1.0
17	BIMB Holdings	129	3	0.9
18	Malaysian Industrial Development Finance	98	7	0.7
19	EON Bank	66	3	0.5
20	Oversea-Chinese Banking	55	1	0.4
	Total	**13,849**	**65**	**100.0**

ISLAMIC BONDS			JULY 2009 – OCT 2009	
	Manager or Group	Amt US$ m	Iss	%
1	CIMB	1449	7	29.2
2	HSBC	697	4	14.1
3	Standard Chartered	508	2	10.2
4	Morgan Stanley	499	1	10.1
4	Citigroup	499	1	10.1
6	Maybank Investment Bank	427	2	8.6
7	Abu Dhabi Commercial Bank	333	1	6.7
8	Deutsche Bank	213	1	4.3
8	BNP Paribas	213	1	4.3
10	AmInvestment	65	1	1.3
11	Kenanga Investment Bank	28	1	0.6
12	Malaysian Industrial Development Finance	25	3	0.5
	Total	**4,957**	**14**	**100.0**

ISLAMIC BONDS BY COUNTRY		OCT 2008 – OCT 2009	
	Amt US$ m	Iss	%
Malaysia	7,773	51	56.1
Saudi Arabia	3,123	4	22.6
UAE	1,000	1	7.2
Indonesia	762	5	5.5
Bahrain	750	1	5.4
Total	**13,849**	**65**	**100.0**

ISLAMIC BONDS BY COUNTRY		JULY 2009 – OCT 2009	
	Amt US$ m	Iss	%
Malaysia	2,933	11	59.2
UAE	1,000	1	20.2
Saudi Arabia	850	1	17.2
Total	**4,957**	**14**	**100.0**

ISLAMIC BONDS BY CURRENCY		OCT 2008 – OCT 2009	
	Amt US$ m	Iss	%
Malaysian ringgit	6,275	50	45.3
US dollar	4,748	5	34.3
Saudi Arabian riyal	2,273	3	16.4
Pakistan rupee	441	3	3.2
Indonesian rupiah	112	4	0.8
Total	13,849	65	100.0

ISLAMIC BONDS BY CURRENCY		JULY 2009 – OCT 2009	
	Amt US$ m	Iss	%
US dollar	3,348	3	67.5
Malaysian ringgit	1,435	10	28.9
Pakistan rupee	174	1	3.5
Total	**4,957**	**14**	**100.0**

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ALL DATA AS OF THE 14th OCTOBER 2009

SUKUK MANAGERS (12 months) OCT 2008 – OCT 2009

	Manager	Manager Commitment (in US$)	Issues	Market Share %
1	Malaysia (Government)	26,932,853,317	172	54.8
2	CIMB	6,790,106,562	122	13.8
3	AMMB Holdings	2,651,970,776	104	5.4
4	HSBC Banking Group	2,277,482,554	38	4.6
5	Malaysian Industrial Development Finance	1,599,369,658	304	3.3
6	Citigroup	1,267,746,162	7	2.6
7	RHB Banking Group	1,260,427,495	58	2.6
8	Morgan Stanley	1,215,000,000	5	2.5
9	Samba Financial Group	933,261,000	1	1.9
10	Malayan Banking	778,046,118	102	1.6
11	Standard Chartered Bank	620,398,282	17	1.3
12	Barclays Bank	435,500,000	3	0.9
13	Affin Holdings	390,825,451	40	0.8
14	Cagamas	330,276,280	26	0.7
15	OCBC Bank	252,994,713	35	0.5
16	OSK Holdings	241,941,277	26	0.5
17	EON Capital	214,519,659	84	0.4
18	United Overseas Bank	197,826,602	14	0.4
19	Indonesia (Government)	186,708,865	7	0.4
20	Bukhary Capital	80,786,486	6	0.2

SUKUK MANAGERS (3 months) JULY 2009 - OCT 2009

	Manager	Manager Commitment (in US$)	Issues	Market Share %
1	Malaysia (Government)	12,539,470,000	20	55.4
2	CIMB	4,483,206,371	22	19.8
3=	Citigroup	1,215,000,000	5	5.4
3=	Morgan Stanley	1,215,000,000	5	5.4
5	Malaysian Industrial Development Finance	695,429,364	73	3.1
6	HSBC Banking Group	683,984,621	16	3.0
7	RHB Banking Group	624,000,000	5	2.8
8	AMMB Holdings	366,018,885	19	1.6
9	Malayan Banking	194,729,779	20	0.9
10	Affin Holdings	121,358,760	4	0.5
11	United Overseas Bank	100,000,000	4	0.4
12	OSK Holdings	99,365,675	9	0.4
13	Cagamas	90,274,851	10	0.4
14	EON Capital	87,051,316	19	0.4
15	Standard Chartered	61,388,915	3	0.3
16	OCBC Bank	32,129,768	6	0.1
17	Hwang-DBS (Malaysia)	31,283,190	4	0.1
18	Hong Leong Financial Group	2,167,165	1	0.0

SUKUK ISSUERS (12 months) OCT 2008 – OCT 2009

	Issuer	Issuer Commitment (in US$)	Issues	Market Share %
1	Malaysia (Government)	8,340,558,223	23	19.2
2	Bank Negara Malaysia	7,381,333,817	130	17.0
3	Bank Indonesia	3,539,272,307	53	8.2
4	BNM Sukuk	3,403,734,834	14	7.8
5	Petronas Global Sukuk	3,000,000,000	2	6.9
6	Saudi Electricity	1,866,522,000	1	4.3
7	Khazanah Nasional	1,700,063,549	5	3.9
8	Terengganu Investment Authority	1,419,647,927	8	3.3
9	Indonesia (Government)	1,300,000,000	2	3.0
10	Cagamas	866,277,815	26	2.0
11	Perusahaan Penerbit SBSN Indonesia	794,953,034	4	1.8
12	ESSO Malaysia	698,917,844	13	1.6
13	Syarikat Prasarana Negara	577,872,000	2	1.3
14	MISC	572,905,000	6	1.3
15	Danga Capital	454,287,337	2	1.0
16	Pakistan (Government)	440,994,225	3	1.0
17	Penerbangan Malaysia	425,894,378	1	1.0
18	Malakoff	340,715,503	2	0.8
19	Rantau Abang Capital	287,900,000	1	0.7
20	Seafield Capital	269,733,106	9	0.6

SUKUK ISSUERS (3 months) JULY 2009 - OCT 2009

	Issuer	Issuer Commitment (in US$)	Issues	Market Share %
1	BNM Sukuk	3,149,812,000	12	23.9
2	Petronas Global Sukuk	3,000,000,000	2	22.8
3	Malaysia (Government)	2,522,916,500	5	19.1
4	Bank Indonesia	942,595,688	14	7.2
5	Khazanah Nasional	706,310,000	2	5.4
6	Syarikat Prasarana Negara	577,872,000	2	4.4
7	MISC	572,905,000	6	4.3
8	Rantau Abang Capital	287,900,000	1	2.2
9	ESSO Malaysia	259,971,900	3	2.0
10	Cagamas	203,168,170	10	1.5
11	Pakistan (Government)	174,265,020	1	1.3
12	CIMB Islamic Bank	86,680,800	1	0.7
13	Mulpha International	49,549,115	6	0.4
14	Hytex Integrated	42,935,765	19	0.3
15	Hubline	42,891,970	4	0.3
16	Perbadanan Kemajuan Negeri Selangor	42,667,140	4	0.3
17	Oilcorp	40,413,740	5	0.3
18	Goodway Integrated Industries	31,657,846	7	0.2
19	Bayu Padu	29,039,285	4	0.2
20	Makro Utama	28,328,600	5	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 14th OCTOBER 2009

LOAN MANDATED LEAD ARRANGERS — OCT 2008 – OCT 2009

	Lender	Pro Rata ($)	Full Credit ($)	Deals	Market Share %
1	Dubai Islamic Bank	1,365,903,212.63	3,283,225,701.00	4	21.08
2	Standard Chartered	687,864,557.16	3,842,225,701.00	5	10.61
3	Samba Financial	583,214,285.71	2,977,000,000.00	2	9.00
4	Calyon Corporate & Investment Bank	430,961,344.54	2,796,000,000.00	4	6.65
5	Al Hilal Bank	368,500,000.00	1,474,000,000.00	1	5.68
6	HSBC	275,961,344.54	2,021,000,000.00	3	4.25
7=	National Commercial Bank	214,714,285.71	1,503,000,000.00	1	3.31
7=	Alinma Bank	214,714,285.71	1,503,000,000.00	1	3.31
7=	Bank of China	214,714,285.71	1,503,000,000.00	1	3.31
10	Al Rajhi Banking & Investment	172,647,058.82	1,075,000,000.00	2	2.66
11	Emirates Bank	170,403,212.63	982,225,701.00	2	2.62
12=	Standard Bank	155,000,000.00	775,000,000.00	1	2.39
12=	Gulf Bank of Kuwait	155,000,000.00	775,000,000.00	1	2.39
12=	National Bank of Kuwait	155,000,000.00	775,000,000.00	1	2.39
15	WestLB	144,647,058.82	935,000,000.00	2	2.23
16=	Qatar International Islamic Bank	137,500,000.00	275,000,000.00	1	2.12
16=	Qatar National Bank	137,500,000.00	275,000,000.00	1	2.12
18=	Noor Islamic Bank	127,000,000.00	635,000,000.00	1	1.96
18=	Industrial & Commercial Bank of China	127,000,000.00	635,000,000.00	1	1.96
20	Arab Bank	61,247,058.82	518,000,000.00	2	0.94
21	Mashreqbank	61,050,271.45	647,225,701.00	2	0.94
22	Societe Generale	61,247,058.82	518,000,000.00	2	0.94
23=	Arab African International Bank	43,403,212.63	347,225,701.00	1	0.66
23=	Abu Dhabi Islamic Bank	43,403,212.63	347,225,701.00	1	0.66
23=	First Gulf Bank	43,403,212.63	347,225,701.00	1	0.66
23=	Ajman Bank	43,403,212.63	347,225,701.00	1	0.66
27	BNP Paribas	42,647,058.82	425,000,000.00	2	0.65
28=	Ahli United Bank	25,000,000.00	125,000,000.00	1	0.38
28=	Liquidity Management House for Investment	25,000,000.00	125,000,000.00	1	0.38
28=	Gatehouse Bank	25,000,000.00	125,000,000.00	1	0.38
28=	Boubyan Bank	25,000,000.00	125,000,000.00	1	0.38
32=	Export Development Canada	17,647,058.82	300,000,000.00	1	0.27
32=	Riyad Bank	17,647,058.82	300,000,000.00	1	0.27

LOAN BOOKRUNNERS (12 Months) — OCT 2008 – OCT 2009

	Lender	Pro Rata (US$)	Full Credit (US$)	Deals	Market Share %
1	Standard Chartered	542,112,850.50	1,821,225,701.00	2	16.15
2	Dubai Islamic Bank	495,500,000.00	2,109,000,000.00	2	14.76
3=	Al Rajhi Banking & Investment	387,500,000.00	775,000,000.00	1	11.54
3=	Calyon Corporate & Investment Bank	387,500,000.00	775,000,000.00	1	11.54
5=	Al Hilal Bank	368,500,000.00	1,474,000,000.00	1	10.97
5=	Samba Financial Group	368,500,000.00	1,474,000,000.00	1	10.97
7	Mashreqbank	173,612,850.50	347,225,701.00	1	5.17
8=	Noor Islamic Bank	127,000,000.00	635,000,000.00	1	3.78
8=	Emirates Bank	127,000,000.00	635,000,000.00	1	3.78
8=	Industrial & Commercial Bank of China	127,000,000.00	635,000,000.00	1	3.78
8=	WestLB	127,000,000.00	635,000,000.00	1	3.78
12=	Liquidity Management House for Investment	41,666,666.67	125,000,000.00	1	1.24
12=	Gatehouse Bank	41,666,666.67	125,000,000.00	1	1.24
12=	BNP Paribas	41,666,666.67	125,000,000.00	1	1.24

ISLAMIC LOANS RAISED (12 Months) — OCT 2008 – OCT 2009

	Borrower	Country	Islamic Loan Amount (US$)
1	Rabigh Independent Power Project	Saudi Arabia	1,503,000,000
2	Dubai Electricity & Water Authority	UAE	1,474,000,000
3	Borse Dubai	UAE	827,000,000
4	Zain	Saudi Arabia	775,000,000
5	Dubai Department of Civil Aviation	UAE	635,000,000
6	Al Ghurair Centre	UAE	347,225,701
7	Al Dur Power & Water	Bahrain	300,000,000
8	Qatar Real Estate Investment	Qatar	275,000,000
9	Dolphin Energy	UAE	218,000,000
10	Burgan Co for Well Drilling Trading & Maintenance	Kuwait	125,000,000

ALL DATA AS OF THE 14th OCTOBER 2009

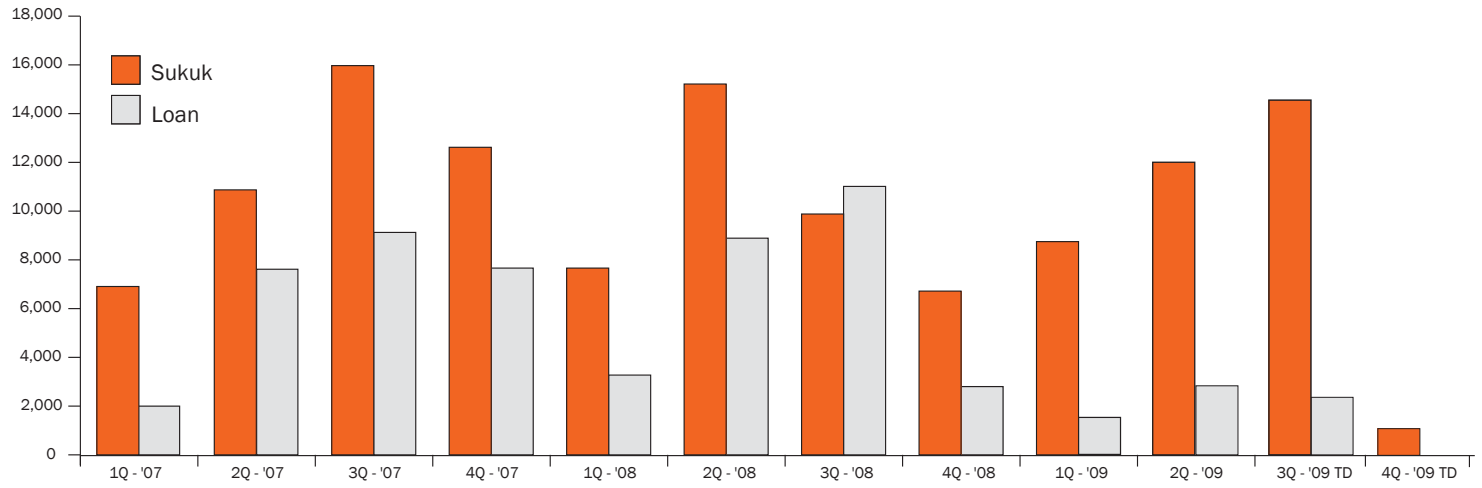
SUKUK BY COUNTRY	(12 Months)	OCT 2008 – OCT 2009
Country	Volume Issued	Volume Outstanding
Malaysia	31,804,219,825	20,076,652,294
Indonesia	4,477,728,034	1,272,071,324
Eurobond	2,150,000,000	2,150,000,000
US	2,150,000,000	2,150,000,000
Saudi Arabia	2,073,188,667	2,073,188,667
Pakistan	440,994,225	440,994,225
Bahrain	251,750,301	44,801,637
Singapore	67,944,014	67,944,014
Cayman Islands	-	-
UAE	-	-
Jersey	-	-

SUKUK BY INDUSTRY	(12 Months)	OCT 2008 – OCT 2009
Industry	Volume Issued	Volume Outstanding
Sovereign	21,177,271,334	10,415,168,045
Other financial	12,443,458,280	10,340,252,019
Agency	2,605,826,824	2,549,040,907
Electric power	1,985,214,278	1,959,660,615
Manufacturing	1,551,822,744	584,483,962
Transportation	1,388,048,585	1,231,920,241
Service company	822,048,506	626,246,452
Energy company	847,044,287	142,159,935
Banks	350,133,384	350,133,384
Consumer goods	164,604,772	76,586,601
Gas distribution	-	-

LOANS BY COUNTRY	(12 Months)	OCT 2008 – OCT 2009
Country	Volume (US$)	Market Share(%)
UAE	3,501,225,701	54.0
Saudi Arabia	2,278,000,000	35.2
Bahrain	300,000,000	4.6
Qatar	275,000,000	4.2
Kuwait	125,000,000	1.9

LOANS BY INDUSTRY	(12 Months)	OCT 2008 – OCT 2009
Industry	Volume (US$)	Market Share(%)
Utilities	3,277,000,000	50.6
Financial services	827,000,000	12.8
Telecommunications	775,000,000	12.0
Government	635,000,000	9.8
Retail and supermarkets	347,225,701	5.4
Oil and gas	343,000,000	5.3
Real estate	275,000,000	4.2

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



EVENTS DIARY 2009

DATE	EVENT	VENUE	ORGANIZER
October			
20th	Brunei IFN Roadshow	Brunei	Islamic Finance *events*
November			
2nd – 3rd	Private Client Middle East	Dubai	IIR
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	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
9th – 10th	Islamic Financial Planning & Wealth Management Conference 2009	Kuala Lumpur	IBFIM
25th – 26th	Pan African Islamic Banking & Finance Summit	Nigeria	MNCapital
	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
14th	Kuala Lumpur Takaful Conference 09	Kuala Lumpur	IBFIM
14th – 15th	2nd Annual MENA Infrastructure Finance Conference	UAE	Fleming Conferences

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