

Islamic Finance news

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ALERTS

Risk Has No Religion

Just this week, the Islamic Financial Services Board (IFSB) and Bank Negara Malaysia held a conference in Kuala Lumpur on financial stability. Dr Muhammad Sulaiman Al-Jasser, governor of the Saudi Arabian Monetary Agency (SAMA) and IFSB chairman, succinctly articulated: "Risk has no religion."

This was in response to a question posed regarding risk management in Islamic financial institutions (IFIs), specifically under dual financial systems. Al-Jasser's reply essentially conveyed that Islamic firms face the same risks commercial banks do: financial, business, treasury, operational, governance, and so forth.

In turn, these exposures substantiate the importance of IFIs' adherence to robust financial regulatory principles, such as the Basel Accords.

Simultaneously, IFIs do have an additional layer of obligations to consider: the Shariah. After all, Shariah compliance is what makes finance Islamic. And, ultimately, consumers rely on an IFI to issue product structures that adhere to Islamic principles.

Unfortunately, the general public is not familiar with banking operations, particularly on the retail side. Thus, consumers rely heavily and trust IFIs — ultimately, the Shariah board — to handle their monies Islamically.

Keeping this in mind, Shariah risk comes to the forefront. If an IFI were to breach its consumer base's trust; several critical concerns arise.

At an institutional level, the firm could become insolvent all together — by way of withdrawals — if customer confidence plummets. At the customer level, individuals stand to lose investment profits if the transaction is voided due to Shariah incompliance.

Often times, the greatest lessons are learned through first-hand experiences. A recent example of Shariah risk is when Sheikh Taqi Usmani called into question Sukuk and the validity of the underlying asset. As a well respected scholar, he singlehandedly managed to influence the Sukuk market.

In the end, just because a product is deemed Shariah compliant; that does not necessarily mitigate the financial risks.

Risk, for a financial institution, is indeed simply risk — even for an IFI. At the same time, IFIs also have to consider their moral obligations to both the Shariah and a trusting market, whilst using solid financial frameworks.

Shariah compliance only covers one aspect of an IFI's operations. Islamic finance comprises just that: Islam and finance. Ultimately, IFIs need to strike a balance by implementing equally effective measures that comply with both Shariah and sound financial practice.

Due to Eid al Adha, **Islamic Finance news** has posted this publication a day early. Eid al Adha falls on Friday, the 27th November 2009.

Translated as Festivities of the Sacrifice, this holiday commemorates the Prophet Abraham's trials and the Hajj. According to Islamic tradition, the Prophet Abraham saw the command in a dream to sacrifice his son to God.

Upon seeing his willingness to do so; God spared the Prophet Ismail's life because the act itself was not intended to serve as worship through sacrificial means. Rather, the more important intent conveyed by the Prophet Abraham was his worshipping God by way of submission, devotion, and obedience.

From our family to yours, Eid Mubarak! ☺

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NEWS

- General Electric completes its inaugural US\$500 million Sukuk offering
- Indonesia: Investors to be briefed on new tax law
- **Citigroup**: Korea's decision to enter Islamic finance industry is on time
- India should focus on other alternatives in Islamic finance
- Aluminum manufacturer **Nalco** seeks loan for Iranian project
- **OCBC Al-Amin** introduces Musharakah Mutanaqisah home financing package
- **Affin Holdings**' third quarter profit soars
- India: Mechanisms coming into place for first Islamic bank
- **Asian Finance Bank** records its maiden profit of the year
- **Middle East and Asia Capital Partners** to introduce SPV for clean energy fund
- **CIMB Standard** targets Brunei for its US\$500 million infrastructure fund
- Malaysia offers to help Korea issue Sukuk
- Thailand to introduce Sukuk law in first quarter of 2010
- **IFSB** approves three initiatives to enhance the Islamic financial industry
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- **Islamic Bank of Britain** teams up with mortgage provider for home purchase plan

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● Participation Banks Association of Turkey's profit up 18% in third quarter

● Europe urged to deepen knowledge of Islamic banking

● IFC Linova is the first Russian institution to become an **IFSB** member

● Islamic banks urged to tap women's market

● International Shari'ah Research Academy to form hub to construct more Islamic products

● Emirates NBD sees no financial loss in fourth quarter

● More commercial property investment for **Abraaj Capital** in 2010

● Algoosaibi and Saad Group owe UAE banks US\$2.9 billion

● Shariah scholar defends Murabahah financing instrument against critics

● Emaar Properties sees merge pact in a month

● Islamic International Arab Bank to establish an Islamic bank in Syria

● New brand launch marks merger for Emirates-National Bank of Dubai

● International Investment Bank reports net loss of US\$600,000

● Al Yusuf introduces Shariah compliant savings account

● Tamweel posted a 95% drop in its third quarter net profit

● Unicorn Investment Bank considers buying Dubai Group's stake in **Bank Islam**

● Sharjah and Family Development Centers to re-launch savings account

● Abraaj Capital raises capital through US\$375 million rights issue

● Kuwait Finance House chooses SunGard's risk management solution

● Deutsche Bank converts Murabahah into shares for **Gulf Finance House**

● Laws to be amended to enhance Islamic finance sector in Lebanon

TAKAFUL

- Insurance Islam Tabung Amanah Islam Brunei offers protection scheme for fire fighters
- **MDIC**: Islamic deposit insurance to create level playing field among banks
- Foreign interest in Indonesia's Takaful market

RATINGS

- RAM Ratings reaffirms Kajang-Seremban Highway's Sukuk Istisna at 'AA3' and 'A1'
- Fitch revises outlook on **Bank Internasional Indonesia**'s national rating to positive
- RAM Ratings reaffirms Syarikat Borcos Shipping's Sukuk Ijarah at 'A1'
- Long-term Issuer Default Rating of 'A+' for post-merger **Emirates NBD**

MOVES

- **Emirates NBD** appoints Khalid Juma Al Majid as new director, replacing Al Futtaim
- **IFSB** appoints Dr Sabir Mohamed Hassan as chairman and Dr Umayya Toukan as his deputy
- Amir Riad is **Abu Dhabi Islamic Bank**'s global head of corporate finance and investment banking
- Ahmed Humaid Al Tayer replaces Omar Sulaiman as new governor of **DIFC**

AMERICAS

Sukuk selling well

US: GE Capital, the financial unit of General Electric, has completed its inaugural five-year Sukuk offering of US\$500 million through special purpose vehicle GE Capital Sukuk at 175 basis points over US Treasuries, tailored for investors across the Middle East, Asia and Europe.

The success of the Ijarah-structured Sukuk is attributed to the recent revival in Sukuk markets which has led to investors being more willing to invest beyond benchmark bonds such as US Treasuries.

Apart from diversifying its investor base to incorporate Islamic investors, managing director and CEO Aris Kekedjian, said GE's inaugural entry into the Sukuk market complements and solidifies its growing presence in the Middle East and Asia.

Citigroup, Goldman Sachs, the National Bank of Abu Dhabi, and the Bahrain-based Liquidity Management Centre are managers for the Sukuk sale. 

ASIA

Tax evasion under scrutiny

INDONESIA: The country is to brief market players on a new regulation which aims to prevent tax evasion by domestic bond investors, which covers the use of special purpose vehicles (SPVs) to buy Sukuk and conventional bonds.

Head of the debt management unit at the finance ministry Rahmat Waluyanto said the law also extends to holders of sovereign Sukuk and conventional bonds in order to provide more detailed information for tax purposes.

Rahmat said the regulation was introduced over concerns of possible capital controls which hit the rupiah recently. He said this in response to recent news that the country is tracking foreigners' use of SPVs for the purchase of government debt in order to curb tax evasion and not as a way of controlling capital flows. He added that the ruling was not intended to erode the confidence of foreign investors.

On the 18th November, the head of tax planning at the tax directorate, Wahyu *continued...*



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Tumakaka said that in future bond holders would have to provide more detailed information to determine whether they are entitled to withholding tax rates below the standard rate of 20%. ⁽³⁾

Perfect timing

KOREA: With early signs of an economic revival in Asia and the Middle East, Korea's move to position itself as an investment hub for Islamic investors is timely, said the head of Islamic banking at US-based Citigroup Mudassir Amray, adding that Islamic funds are looking to diversify their portfolios.

Amray said Korean companies such as GS Caltex, a private petroleum refining firm and automobile company Hyundai Motor be able to sell Islamic bonds as economic growth picks up and ties with the Middle East improve.

In line with the country's plans to provide Islamic bonds worth between US\$500 million and US\$1 billion slated to be issued next year, Korea Exchange, the nation's bourse operator, said the exchange will consider introducing an Islamic equity index to aid companies tapping. ⁽³⁾

"Regulations in the way"

INDIA: Islamic banking is not practicable in the country as the current regulations do not allow Islamic banks to be involved with trading and this will affect their survival, said UK Islamic banking and finance scholar Abdul Kadir Barkatullah.

He suggested that the country seek other alternatives in Islamic finance, such as real estate funding and venture capital, as these fields have abundant growth potential in India. ⁽³⁾

Funding for power

INDIA: State-owned aluminum producer Nalco is in talks with an Islamic bank in Indonesia for a loan of US\$1 billion to partly finance its newly-revived US\$1.6 billion 310,000-tonne smelter and a power plant in Iran.

The project is based on the pact that the company signed with Iran's state-run Kerman Development Corporation in 2007. However the project met with a financial deadlock as sanctions were imposed on Iran by the EU and the US. As a result, no bank came

forward to fund the project, according to the mining ministry.

So far, the name of the Indonesian bank along with the quantum of loan has yet to be disclosed.

The company had recently dropped a similar plan in South Africa citing insufficient reserves of coal that were offered for the project. ⁽³⁾

Islamic home financing

MALAYSIA: Shariah compliant OCBC Al-Amin Bank (OCBC Al-Amin) has introduced a new home financing package known as the OCBC Al-Amin Manarat Home-i, which is based on the Musharakah Mutanaqisah.

According to CEO Syed Abdull Aziz Syed Kechik, the product, which is tailored to meet local and global Islamic banking market standards, has lower stamp duty and no processing fee. Established in 1998, OCBC Al-Amin Bank is the Islamic unit of OCBC Bank. ⁽³⁾

87% increase in profit

MALAYSIA: Affin Holdings (Affin), the owner of Affin Islamic Bank, reported an 87% increase in its pre-tax profit to RM140 million (US\$41 million) in the third quarter.

The group's net profit was up by 37.9% to RM288 million (US\$85 million) from the corresponding period a year ago. However,

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its revenue was down by 6.5% to RM1.5 billion (US\$442 million).

Affin Bank, the group's main earnings contributor, recorded a higher nine-month pre-tax profit of RM324 million (US\$95 million) which is credited to an increase in Islamic banking income of RM12.1million (US\$3.6 million) and lower impairment losses on securities by RM12.5 million (US\$3.7 million). (2)

Right direction

INDIA: Strategic processes are in the works to launch the first Islamic financial institution in India as a non-banking financial company (NBFC) before the year end. The Kerala state government and the NBFC's non resident Indian promoters are awaiting New Delhi's approval, expected this week, for the proposed Al Barakah Financial Services.

It was reported that a meeting of the core group of promoters last week saw a 11% stake in the company being taken up by the Kerala State Industrial Development Corporation within the 51% equity earmarked for promoters. The remaining 49% would be for private placement.

The company's operations are expected to begin by April next year. (2)

Turnaround realized

MALAYSIA: Asian Finance Bank recorded its maiden profit before tax of RM4.4 million (US\$1.3 million) for the first nine months of the year, reversing from a loss of RM10.9 million (US\$3.2 million) for the corresponding period last year. CEO Mohamed Azahari Kamil attributed the turnaround to a year-on-year growth of 232% in its financing assets to RM614.5 million (US\$181 million) as at end-September.

Backed by a strong risk weighted capital ratio of 42.49%, Shariah compliant AFB is poised to chart further growth in its funded assets before the financial year-end as well as in 2010 as it has already achieved a total of RM1 billion (US\$295 million) in approved and accepted applications to date. Total assets amounted to RM1.4 billion (US\$413 million).

"For the financial year ending December, we are looking at a profit of RM8 million to RM10 million (US\$2.4 million to US\$3 million," he added. (2)

Shariah based vehicle

HONG KONG: Private equity firm Middle East and Asia Capital Partners (MEACP) plans to introduce a Shariah compliant investment vehicle to its US\$400 million clean energy fund to attract Islamic capital, said company director Vince Choi.

MEACP, will expand the fund, set up last year, to US\$500 million upon the launch of the fund's Shariah compliant special purpose vehicle (SPV) next year.

The company has targeted a capital commitment of US\$100 million for the first phase of fundraising by the middle of next month, said Choi.

Thus far, the Asian Development Bank had provided the fund with seed capital of US\$20 million, while Overseas Private Investment Corporation has offered US\$50 million, he said.

Choi said MEACP is looking to invest in a range of renewable energy projects in Asia, with the focus on India, Indonesia, China, the Philippines, Thailand and Vietnam, where it plans to invest in clean power generation assets, mainly wind, solar, geothermal energy, small hydropower and biomass projects. (2)

Brunei the target

SINGAPORE: CIMB Standard Strategic Asset Advisors, a private equity and infrastructure fund specialist, is targeting Brunei for its US\$500 million Islamic Infrastructure Fund (IIF), citing the sultanate's Islamic background and strong interest in Islamic finance.

Investing in the fund will benefit Brunei in its effort to become an Islamic financial

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hub because of the nature of the investment, said CEO Johan Bastin.

The IIF, backed by the Asian Development Bank and Islamic Development Bank, focuses on Islamic countries in southeast, central and south Asia.

The fund's focus is on sectors such as private infrastructure, transportation, energy and water utilities, renewable energy, communications and social infrastructure. (3)

The three documents are the guiding principles on governance for Takaful operations, conduct of business for institutions offering Islamic financial services and guiding principles on the Shariah governance system.

The council also admitted eight new members into the organization comprising regulators and supervisors of the banking, capital market and Takaful sectors.

They include the UAE Insurance Authority, the central banks of Luxembourg and Turkey as well as the Arab Chamber of Commerce and Industry Hong Kong.

The IFSB council also appointed Dr Sabir Mohamed Hassan, governor of the Central Bank of Sudan, as chairman for the 2010 term. He succeeds Dr Muhammad Sulaiman Al-Jasser, the Saudi Arabian Monetary Agency governor, whose term ends on the 31st December. Dr Umaya Toukan, the Central Bank of Jordan governor, was appointed deputy chairman. (3)

Standardized Wakalah

MALAYSIA: The Association of Islamic Banking Institutions Malaysia (AIBIM) has

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Sukuk platform for Korea

MALAYSIA/KOREA: Malaysia can be a platform for Korean issuers to issue non-ringgit Sukuk in both countries, in view of Korea's potential to be the "next cradle of Sukuk", said the global head of Islamic markets at Bursa Malaysia, Raja Teh Maimunah.

She noted that South Korea is home to many global brands, deep markets, and its government's efforts to promote Sukuk issuance. (3)

(Also see IFN Report on page 13)

Sukuk law out soon

THAILAND: The country's Securities and Exchange Commission (SEC) will introduce a new regulation for Sukuk sale in the first quarter of 2010, as it wants to provide an alternative source of funding for local companies, said the director of its research and development department, Sureerut Suradecha.

The move is part of the SEC's plan to develop its bond markets to help companies reduce their dependence on loans from banks. Loan recalls triggered by a currency collapse worsened the country's 1997-98 financial crisis.

Initially, only firms registered in Thailand will be allowed to sell Sukuk. The Islamic Bank of Thailand is expected to issue the country's first Sukuk. (3)

Further enhancements

MALAYSIA: The Islamic Financial Services Board (IFSB) Council will approve three documents for the betterment of the Islamic financial services industry. The decision was made at its meeting held in Kuala Lumpur this week.

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launched the standard Wakalah Placement Agreement (WPA) aimed at standardizing the agreement for deposit placements by corporate customers with Islamic financial institutions (IFIs) as well as for the interbank placements among IFIs.

In addition to cutting costs and resources, the adoption of the standardized WPA would promote transparency, consistency, operational efficiencies and robustness in Islamic deposit placement transactions. The WPA is also expected to further enhance the acceptance and practice of Islamic banking locally and globally.

So far, 26 institutions which are made up of IFIs and corporations from Malaysia, Brunei, Indonesia and the UK have signed the memorandum of adoption for the WPA.⁽²⁾

EUROPE

"Sukuk not viable"

UK: The government has decided against issuing Sukuk for now, finance minister Alistair Darling told parliament this week. A ministry spokesman elaborated: "We have decided that it would not be a viable option to pursue at present as it would not offer value for money. We will continue to review the situation."

However, the spokesman said the government will support the issuance of the Islamic bond by introducing legislation to remove stamp duty and other barriers on Sukuk.

Currently, when a company issues a Sukuk by selling a building to a special purpose vehicle, leasing the property for the maturity of the bond and buying it back, each transaction draws stamp duty. The proposed law will recognize the whole process as a single transaction.

The announcement dashed experts' hopes for government approval of the country's first Sukuk, which was highlighted in a pre-budget report in 2007. The government had also expressed confidence that GBP2 billion (US\$2.98 billion) of Sukuk would be achievable over time.

PricewaterhouseCoopers' partner and Islamic finance head Mohammed Amin described the move as disappointing. He said the decision could make it easier for

other western countries to catch up with the country as Islamic finance centers, attracting banks that may otherwise set up operations in the UK.⁽³⁾

Strategic move

TURKEY: Kuwait Turkish Participation Bank (KFH-Turkey), the Turkish subsidiary of Kuwait Finance House, has obtained a license to operate in the UAE at the Dubai International Financial Centre, which will enable it to capitalize on the opportunities in the Gulf region.

According to its CEO Ufuk Uyan, the bank would serve as a financial consultancy and provide intermediary services for companies in the region with Turkey being a focus of investment.

KFH-Turkey had also won a license in September to operate in Germany. This will enable it to develop and reinforce economic and commercial relationships among Kuwait, Turkey, Europe and the Gulf Cooperation Council countries.⁽⁴⁾

Shariah mortgage tie-up

UK: The Islamic Bank of Britain (IBB) is collaborating with The Mortgage Times Group to make its home purchase plan (HPP) available to the group's mortgage intermediaries on a referral basis.

The Shariah-based home purchase plan, which is popular among both Muslim and non-Muslim clients, is made up of two elements: a rental element, whereby the homeowner pays rent on the bank's share of the property, and an acquisition element through which the borrower purchases the bank's share in the property.

Intermediaries from The Mortgage Times Group network will have access to IBB's full range of HPP products, which offers financing starting from GBP70,000 (US\$160,000).

"The tie-up between Mortgage Times and IBB is great news for the bank, as HPP would be able to capitalize on the size and reach of Mortgage Times, where it will enable IBB to reach out to a wider audience who are seeking Islamic banking products," said commercial director Sultan Choudhury. The largest packager in the country offers a wide range of services for mortgages, secured loans and general insurance for intermediaries⁽⁵⁾

Slaking the thirst

UK: Financial service provider Montpelier Group plans to offer Islamic financial products in the future in view of the demand for them, said Montpelier Asia Pacific CEO Stuart Williamson.

The UK-based financial group provides a wide range of financial services worldwide, from onshore and offshore tax solutions to accountancy services and investment portfolio management for high net worth individuals and leading corporations.⁽⁶⁾

Profit up 18%

TURKEY: The Participation Banks Association of Turkey (TKBB) posted an 18% profit increase in the third quarter to US\$353 million. Funds for the participation banks were up 30%, reaching US\$16.6 billion.

The Istanbul-based TKBB has four members —Albaraka Turk, Bank Asya, Turkiye Finans, and Kuveyt Turk. Albaraka Turk is a fully-fledged Islamic bank, while Turkiye Finans, Bank Asya and Kuveyt Turk are involved in Shariah compliant banking.⁽⁷⁾

Getting acquainted

LUXEMBOURG: European banking authorities need to familiarize themselves with Islamic banking, said the governor of the Central Bank of Luxembourg Yves Mersch. He felt this would help meet the needs of the Muslim population in the region, which accounts for about 5% or 38 million of Europe's population.

He added that the conventional banking system has thus far failed to meet these needs, despite the efforts of governments and financial institutions alike.⁽⁸⁾

Russia's first

RUSSIA: Islamic Finance Council (IFC) Linova has become the first Russian institution to be admitted as an observer member by the Islamic Financial Services Board (IFSB).

IFC Linova, a company which provides investment banking and financial consulting services in compliance with Shariah principles, was founded in Kazan and currently has its headquarters in Tatarstan.

It is the second company in the Commonwealth of Independent States to *continued...*

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be admitted into the IFSB. The first was Azerbaijan's Kapital Management and Consulting.⁽²⁾

GLOBAL

Good potential

GLOBAL: Islamic banks in the Middle East are well positioned to capture a share of women's rapidly growing demand for banking services, especially educated and working women who represent a commercial opportunity for businesses that eclipses the economic rise of both China and India, according to a report.

The report said Islamic banks can play a role in the women's banking arena because they offer unique elements in the sector such as a pre-disposed distribution network, with some Islamic banks already offering women's branches. It also stated that halal products are important for women, as they think about setting aside money which is "clean" for the next generation.

It added that the growing demand from women for Islamic financial services should prompt Islamic banks to study women's needs and change their offerings, and help boost this important commercial opportunity.⁽³⁾

Product boost

GLOBAL: The International Shari'ah Research Academy for Islamic Finance (ISRA) plans to set up a center under the supervision of the International Islamic Fiqh Academy (IIFA) to carry out research on and design Islamic banking products.

The move is based on the fact that 70% of the transactions in Islamic banks are based on debt, said ISRA executive director Mohamad Akram Laldin. IIFA secretary-general Abdul Salam Al-Ebadi said it is crucial to create new products to help the Islamic economic system in facing new economic and financial challenges through Shariah compliant ways.⁽⁴⁾

MIDDLE EAST

Minimal exposure

UAE: Emirates NBD, the Gulf's biggest lender, has exposure of up to US\$350 million to

financially-stricken Saad Group and Ahmad Hamad Algosaibi and Brothers which are restructuring their debt, but CEO Rick Pudner said this will not affect the bank's balance sheet and results for the fourth quarter.

While not providing further particulars, he added the bank has been more conservative than required by the central bank's provisioning guidelines, which require banks to take provisions worth half their exposure to the two Saudi firms by year-end. Emirates NBD has said since July its exposure to Saad and Algosaibi "is not material in relation to" its balance sheet, but until now declined to give a more specific number.⁽⁵⁾

Eyeing property

UAE: Abraaj Capital is on the lookout for commercial property buys in the Middle East. The firm said it intends to take advantage of attractive investment opportunities in the market next year, as 2010 is slated to be a significant investment year for private equity.

CEO Arif Naqvi declined to give further details, only saying that Abraaj Capital would announce investment initiatives in the commercial real estate sector in the region at a later date.⁽⁶⁾

Major debt

UAE: UAE's central bank has confirmed that the total funded and unfunded exposure of the financial institutions in the country to the Saad Group and Ahmad Hamad Al Gossaibi and Brothers amounts to US\$2.9 billion.

In a statement, the regulator also disclosed that a total of 13 UAE banks and seven foreign financial institutions have been identified as being owed money by the two conglomerates. It has told these institutions to set aside 50% of their exposure to Saad and Algosaibi by year end and 100% for provisions made to Bahrain's The International Banking Corp and Awal Bank.

It was reported that the amount falls within analysts' estimates of between US\$2 billion and US\$3 billion. On the 13th November, Saad Group defaulted on payment of its US\$650 million Golden Belt 1 Sukuk.

Several UAE banks have begun disclosing their exposure to the two conglomerates – Abu Dhabi Commercial Bank is owed a total of AED2.24 billion (US\$610 million) while the total amount owed to Mashreqbank stands at US\$560 million. Abu Dhabi Islamic Bank has US\$100 million in outstanding loans, while Emirates NBD has termed the exposure

as negligible. However, the central bank considered these exposures as "good under the current circumstances," despite a fall in profits of all banks in the UAE of AED6.8 billion (US\$1.85 billion) from AED26.8 billion (US\$7.29 billion) at the end of last year.⁽⁷⁾

Murabahah in the real economy

QATAR: Murabahah or cost-plus financing differs from interest-based lending as it is based on economic activity, said Shariah scholar Ali Muhyiddin Al-Qura Daghi. He said this in response to critics who dismissed Shariah banking as another form of conventional finance.

Al-Qura Daghi who advises the Accounting and Auditing Organization for Islamic Financial Institutions, said the two financing arrangements differ based on the structure of the instruments and contracts as well as the bearer of the responsibility.

"In Murabahah, the bank assumes responsibility if the commodity is damaged or destroyed during the period, while in interest-bearing loans the lender does not assume any risk whatsoever," he explained.

Critics point to the use of the conventional London Interbank Offered Rate for pricing Islamic products and Shariah banks' preference for a predetermined return instead of sharing profits and losses.

But Daghi said cost-plus financing cannot be equated with conventional lending. "From an economic aspect, Murabahah is linked to the real economy whereas the interest-based lending system is a step removed from that."⁽⁸⁾

Merger talks to succeed

UAE: Real estate firm Emaar Properties expects "technical talks" on its planned merger with state owned developers to be concluded within a month, said chairman Mohamed Ali Alabbar.

The firm, he added, will announce new projects after the merger with three local real estate companies – Dubai Properties, Sama Dubai and leisure developer Tatweer – without giving details on the size of the envisaged projects or an exact date for the finalization of the merger.

Emaar Properties had said in June that the merger would have a positive impact on *continued...*

continued...

the profitability of the firm for many years to come. The merger is expected to be completed within four months, due to the large size of the firms and their projects.⁽²⁾

Syria is next

JORDAN: Islamic International Arab Bank plans to establish an Islamic bank in Syria in the next two years, said chairman Tayseer Smadi. No further details were available. The Jordan-based Islamic bank has already signed an initial agreement with the Syrian government to proceed with the legal procedures.

Established in 1998, the bank which was set-up to meet the growing demand for Islamic banking services and products, has 19 branches in the country at present.⁽²⁾

New identity unveiled

UAE: Emirates NBD has launched its new identity in line with the conclusion of the merger with National Bank of Dubai, with the introduction of its new logo. The new brand marks the embodiment of the successful merger of Emirates Bank and National Bank of Dubai.

"The launch of the new brand marks and celebrates our achievements over the past two years during which we have focused on capturing synergies, streamlining operations and building on our common values," said Emirates NBD CEO Rick Pudner.⁽²⁾

IIB makes a loss

BAHRAIN: Shariah compliant International Investment Bank (IIB) reversed into a net loss of US\$0.6 million for the third quarter of 2009 from a net income of US\$0.8 million in the corresponding period of 2008. The loss was attributed to lower investment banking transactions due to the economic downturn. As for the nine month financial period, IIB suffered a net loss of US\$2 million compared with a net income of US\$12 million previously.⁽³⁾

Murabahah financing

QATAR: The Islamic banking arm of the International Bank of Qatar, Al Yusr, has launched the Shariah compliant Al Yusr Super Savings Account based on the Mudarabah principle. It enables customers to benefit from higher quarterly revenues,

while allowing full access and control of deposits through the bank's comprehensive range of banking channels.

The account, which requires a minimum balance of QAR10,000 (US\$2,747), also offers the convenience of an instant MasterCard debit card for international cash withdrawals and international payment transfers and demand draft facilities.⁽²⁾

Back on its feet

UAE: Islamic mortgage lender Tamweel posted a 95% drop in its net profit in the third quarter to US\$2.72 million, due to the impairment provisions of AED53.8 million (US\$14.6 million). This was the first quarter that Tamweel announced a profit after reporting three consecutive losses. Islamic financing and investing assets amounted to AED10.4 billion (US\$3.1 billion).

This excludes the securitized asset book of AED304 million (US\$83 million) that has been taken off the balance sheet. As for the first nine months, Tamweel made a loss of AED65.5 million (US\$17.8 million) against a net profit of AED573 million (US\$156 million) last year, as it made impairment provisions of AED194 million (US\$53 million).⁽²⁾

Unicorn to buy stake?

BAHRAIN: Unicorn Investment Bank may consider buying over the Dubai Group's stake in Malaysia's Bank Islam. Frederick Stonehouse, managing director, head of strategic mergers and acquisitions, has reportedly said that Unicorn feels it knows the Malaysian market as a well developed Islamic market and that any opportunity to acquire a major stake would be taken.

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He said Unicorn is aware the Dubai Group is assessing its options with regards to its investment in Bank Islam. The Dubai Group's stake was diluted from 40% to 30% after its financial unit, Dubai Financial Group (DFG), did not take up an offer to subscribe to its portion of Islamic convertible redeemable non-cumulative preference shares issued to raise Bank Islam's capitalization.

The offer was then taken up by state-run pilgrim fund Tabung Haji. Stonehouse said Unicorn also plans to use its strategic acquisitions fund and money from co-investors and shareholders to finance the acquisitions that could include a minority stake in a Bahrain-based Islamic institution and a majority stake in a Gulf-based asset management firm.⁽³⁾

Hasalati re-launched

UAE: Sharjah Islamic Bank has joined forces with the Family Development Centers, a subsidiary of the Supreme Council for Family Affairs, to relaunch its Hasalati savings account program to encourage children to save. Launched in 2005, the Hasalati account is one of the high-end banking services offered by the bank. The savings account is Shariah compliant, with profit added each month.

In addition it offers transparency for children and their families as it comes with free transfers from parents' accounts. Its services are available around the clock.⁽³⁾

Rights capitalization

UAE: Private equity firm Abraaj Capital has raised its capital to US\$1.5 billion through a

US\$375 million rights issue. According to the firm, the proceeds will be used to seed new funds, as well as the possible execution of various strategic opportunities to expand the Abraaj group's sphere of operations.

Chairman Sheikh Abdulrahman Ali Al Turki said: "The success of the rights issue, with its focus on raising strategic capital, stands in contrast to the current global fundraising environment. On a consolidated basis, the investment portfolio of the funds Abraaj manages is healthy on account of the robust performance of our portfolio companies. Most of these operate in defensive or growth-oriented industries that are less impacted by the recession."⁽³⁾

KFH selects SunGard's Ambit

KUWAIT: Shariah compliant Kuwait Finance House (KFH) has implemented SunGard's Ambit risk and performance management solution to handle risk management areas across the group.

The solution meets the requirements of Basel II and the Central Bank of Kuwait, in addition to being compliant with international accounting and Islamic banking standards.

SunGard will help KFH to assess the impact of economic factors on the bank, such as fluctuations in exchange rates, using a comprehensive approach that takes into account a full spectrum of risks and performance criteria. The solution suite also offers the bank a full management reporting and decision support platform.

KFH IT assistant general manager Waleed Essa Al-Hasawi said the previous success that KFH had with the risk management software at its subsidiary in Bahrain, along with its experience in the Middle East

prompted the bank to use the software at its head offices in Kuwait. SunGard provides solutions for retail, corporate and international private banking as well as bank risk management and performance.⁽³⁾

Shares conversion

BAHRAIN: Germany-based Deutsche Bank has converted a third of its US\$100 million convertible Murabahah into shares for Gulf Finance House (GFH). It will receive 78.95 million GFH shares worth US\$30 million.

GFH has also placed a second US\$100 million convertible Murabahah with Australia's Macquarie Group in August and concluded a US\$300 million rights issue in October to raise fresh capital after posting four consecutive quarterly losses.⁽³⁾

Legal boost

LEBANON: The Central Bank of Lebanon (BDL) and the finance ministry are looking into making several legislative amendments to further enhance the domestic Islamic banking industry. Islamic Bank Al Baraka director-general Mutasim Mihmisani disclosed this but gave no details.

The previous amendments were introduced in February 2004 to the law on the establishment of Islamic banks in the country. The central bank has also supported the industry by issuing Islamic bank certificates, he noted.

According to him, the total assets of Islamic banks in Lebanon currently amount to US\$200 million, while the customer base is around 6,000. He said that there are five Islamic banks in Lebanon with the bulk of their investments being in the real estate sector.⁽³⁾



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Vince Cook
Chief Executive Officer,
The Islamic Bank of Asia

ASIA

Round the clock cover

BRUNEI: Insurance Islam TAIB (IIT) has signed an agreement with the country's fire and rescue department to provide its personnel with 24-hour protection under the Group Family Takaful insurance scheme.

IIT is a wholly owned subsidiary of Perbadanan Tabung Amanah Islam Brunei (TAIB), an Islamic insurance services provider in Brunei.⁽²⁾

Consumer protection

MALAYSIA: The role of Islamic deposit insurance is to create a level playing field for Islamic and conventional banks apart from maintaining a foundation for public confidence in banks, said Malaysia Deposit Insurance Corporation (MDIC) CEO Jean Pierre Sabourin.

"Besides that, the Islamic deposit insurance is to reinforce the consumer protection aspects that are inherent in Islam," he said in pointing out the significance of the Shariah compliant insurance system in the country.

Endorsed by the Shariah Advisory Council of Bank Negara Malaysia and administered by MDIC, Sabourin said fund reserves under Islamic deposit insurance are invested only in Shariah compliant instruments and Shariah compliant activities.

MDIC is tasked with protecting bank customer deposits, promote sound risk management for member banks and contribute to the stability of the country's financial system.⁽³⁾

Investment potential

INDONESIA: An Asian investor has expressed interest in being involved in the country's Takaful industry by establishing a joint

life insurance company, said Indonesia Shariah Insurance Association (AASI) head Mohammad Shaifie Zein. "If it requires IDR50 billion (US\$5.3 million) in capital to establish an Islamic insurance company, they want to double it to IDR100 billion (US\$11 million). As far as I know, they have met with the regulator," Shaifie added without identifying the proposed investor.

In a related development, AASI said three Shariah units will return their business permits to the regulator as they are unable to meet the government's capital requirements introduced last year.

To this, Shaifie said the application of the Accounting and Finance Standard Principle 108 would significantly adjust the Islamic insurance industry's risk-based capital (RBC) by up to 70%. Currently, their RBC is still high due to the inclusion of the company's equities. "Once those equities are separated, the RBC will be sharply corrected." He added.⁽³⁾

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ASIA

LEKAS' outlook stable



MALAYSIA: RAM Ratings has reaffirmed the respective 'AA3' and 'A1' ratings of highway concessionaire Kajang-Seremban Highway's (LEKAS) Senior Sukuk Istisna of up to RM785 million (US\$232 million) and Junior Sukuk Istisna of up to RM633 million (US\$187 million).

It has also reaffirmed the 'B3' ratings of the company's Redeemable Convertible Unsecured Loan Stocks program (RCULS) and Redeemable Unsecured Loan Stocks (RULS). All the long-term ratings have a stable outlook.

The 1-notch rating difference between the Junior Sukuk Istisna and Senior Sukuk Istisna is due to the former's subordination in terms of cash flow priority and security. Meanwhile, the RCULS and RULS will be fully subordinated to the Senior and Junior Sukuk Istisna.

LEKAS is expected to generate RM70 million (US\$21 million) to RM170 million (US\$50 million) of pre-financing cash flow a year during the tenure of the Senior Sukuk Istisna. ⁽³⁾

Positive outlook on BII



INDONESIA: Bank Internasional Indonesia's (BII) increasing strategic alignment with its parent Malayan Banking (Maybank; IDR at 'A-/Stable') and the receipt of possible benefits from Maybank to enhance BII's financial and market positions has led to Fitch Rating's revision of BII's national rating to positive from stable.

The rating agency also affirmed BII's national rating at 'AA-(idn)', long-term foreign currency Issuer Default Rating (IDR) at 'BB' with a stable outlook, short-term IDR at 'B', individual rating at 'C/D', support rating at '3' and US dollar-subordinated debt at 'BB-'. Fitch said BII's financial position improved in the nine months to end-September 2009, with better-reserved non-performing loans and stronger underlying profitability with the improved macro conditions.

Under Maybank's leadership, BII has been placed on a three-year transformation program which aims to develop its franchise in the retail/commercial loan segments. ⁽³⁾

Improved outlook



MALAYSIA: RAM Ratings has reaffirmed the 'A1' rating assigned to Syarikat Borcos Shipping's (Borcos) RM160 million (US\$47 million) Sukuk Ijarah Medium Term Notes (IMTN) (2008/2014).

Its position as one of the leading players in marine support services for the Malaysian oil and gas sector, steady income from time charter contracts, favorable policies as well as stable demand outlook for the industry are among the factors taken into account.

RAM identified the moderating factors as the group's weakening balance sheet due to its debt-funded expansion, exposure to vessel construction risk and aggressive risk appetite.

It also revised the outlook on Borcos' long-term rating from stable to positive based on the firm's improving financial profile.

Meanwhile, Borcos is looking at issuing RM210 million (US\$62 million) of bank-guaranteed debt securities. ⁽³⁾

MIDDLE EAST

Merged entity on watch



UAE: Fitch Ratings has assigned Emirates NBD a long-term Issuer Default Rating (IDR) of 'A+' with a stable outlook, short-term IDR of 'F1', individual rating of 'C', support rating of '1' and support rating floor of 'A+'.

The ratings are with regard to the merger of its subsidiaries Emirates Bank International (EBI) and National Bank of Dubai (NBD).

Meanwhile, Moody's Investors Service has given the merged entity a 'C-' bank financial strength rating (BFSR) which leads to a baseline credit assessment of 'Baa2' and 'A1' long-term local and foreign currency deposit rating.

Both these ratings have been placed on review for a possible downgrade. For the bank's short-term local and foreign currency deposit, a 'Prime-1' rating has been assigned.

Emirates NBD is the main banking entity within the group and assumes all the assets

and liabilities of EBI and NBD as well as all the banking business activities of these two institutions.

As such, Fitch has withdrawn the ratings of EBI and NBD while Moody's will maintain the BFSR, deposit and debt ratings on both entities until the completion of the three-month statutory period.

Emirates NBD is the largest bank in the UAE and Gulf Cooperation Council with total assets of AED291 billion (US\$80 billion) as at end-September 2009 with core activities in Islamic, retail and corporate banking. ⁽³⁾

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KOREA

Sukuk in Seoul

Islamic finance is gaining acceptance in Korea, and the government is not wasting time in accommodating the industry from a legislative standpoint. Inevitably, there were financial regulatory matters that needed to be addressed, particularly regarding tax laws, before Korea could thrive as a non-traditional Islamic financial market.

"The government became aware of the potential Islamic financing tax issues in January this year," Kyu-Dong Kim, senior manager of the Financial Services Tax Group for Samil PricewaterhouseCoopers, explained to *Islamic Finance news*.

At that time, the Islamic Financial Services Board (IFSB) and Korea's Financial Supervisory Service jointly organized a forum stressing on the opportunities and challenges for the industry's growth, specifically, the tax matters stumping Sukuk issuances. This conference served as the catalyst for the creation of a more feasible financial regulatory framework because local tax practitioners highlighted the major hurdles that needed to be mitigated.

Once the tax issue was concisely accentuated; the Korean government acted quickly to attenuate it. Kim said: "On the 24th August 2009, the government announced an Islamic financing tax regime focusing on Sukuk to be issued overseas ... the proposed tax law changes only cover structures whereby Korean entities set up an SPV (special purpose vehicle) overseas and have it issue Sukuk there to Islamic investors."

The Korean parliament has yet to approve the new tax law. However, many foresee it going into effect in January 2010. Kim explained: "The new provision will eliminate the transaction taxes (typically) involved when transferring the underlying asset from the owner to the SPV and upon the assets' return."

The new tax structure would viably position Korea to participate in the global Sukuk market and, ultimately, assist the country in attracting a diversified investor pool from the Middle East, Southeast Asia and the UK. But, there are still more steps to take before Korea can become a hub for Sukuk issuances.

"At this stage, the eligible structure would be the offshore issuance of Sukuk, not domestic issuance. Eligible products [would] only cover two types of products: Sukuk Ijarah and Sukuk Murabahah," Kim said.

"That is because there is no legal infrastructure in Korea to support the domestic entity to issue the Sukuk directly. The Korean government is currently working on how to regulate the domestic issuance of Sukuk, but I think it'll take another year to get that done."

Currently, there is a task force comprising academicians from local universities, tax practitioners and government officials researching how to best accommodate domestic Sukuk issuances.

Regardless, even within a year Korea has made significant strides in developing a regulatory framework for Sukuk. And, the country continues to participate in cross-border initiatives.

Just last week, the Korea Exchange (KRX) and Bursa Malaysia hosted the first capital markets conference in Seoul. Additionally, a Korean government entity is on track to issue its first Sukuk worth around \$1 billion next year.⁽²⁾

Indeed — by Korean standards — time is money, which is why the country is not wasting a single moment.

Report by Fatimah S. Baeshen

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Reprints

Sri Lanka: Uncovering the Islamic Finance Framework

By Muath Mubarak

With the end of the civil war in the country that had plagued the economy for more than three decades, it is high time Sri Lankans began thinking about the development of the nation. Sri Lanka has to grow like other developed countries within a short time by exploiting untapped opportunities.

The post-war period requires rapid development in all sectors of the economy, especially the banking and financial sector. Unfortunately, the sector has seen lackluster growth due to the global financial crisis. The crisis however has led experts and economists alike to consider an alternative financial system.

As one of the fastest growing industries in the world today, Islamic finance is growing at 20%-25% a year, according to analysts and rating agencies. It is forecasted that the industry will hold assets totaling US\$4 trillion by 2012. In addition, seven of the top 10 conventional banks with an international presence have commenced Islamic banking.

The following are the main barriers for the growth of Islamic finance in Sri Lanka (and most other emerging countries):

- Regulation
- Taxation
- Standardization
- Awareness
- Skill

The Islamic finance framework

Islamic finance and Takaful are not unfamiliar to the Sri Lankan business community. The concept was introduced a decade ago, and several initiatives via seminars and workshops have also been undertaken by companies and organizations to create public awareness and educate the masses and officials concerned.

The Banking Law of Sri Lanka was amended in 2005 to allow both commercial banks and specialized banks to operate on a Shariah compliant basis. But there is no specific law for Shariah compliant financial transactions.

For example, the definition of "deposit" in the law provides the same treatment for deposits in conventional banks and Islamic financial institutions, which disadvantages these institutions in terms of taxes and statutory requirements.

On the other hand there is an initiative by the Securities and Exchange Commission of Sri Lanka to enact a law on securitization to facilitate the issuance of asset-backed securities through the creation of special purpose vehicles (SPVs) and for the regulation and supervision of securitized transactions.

One of the key principles of Islamic finance is that almost all the financial transactions should be backed by real assets. The proposed law can lead to the promotion of Sukuk in Sri Lanka.

According to officials, infrastructure development in the country can be financed via Sukuk, with Middle East and other foreign investors possibly interested in participating.

Today's Challenges to regulators:

- Regulatory/law: Existing banking regulations in most countries (including Sri Lanka) are based on the conventional banking model, meaning the need for separate consideration for Islamic banks and financial institutions.
- Accounting, transparency and surveillance.
- An Islamic financial system needs sound accounting procedures and standards.
- Western accounting procedures are inadequate because of the differing nature and treatment of financial instruments.
- Well-defined procedures and standards are crucial for information disclosure, building investors' confidence, and surveillance.
- Shariah compliance.
- Emerging financial markets are trending towards Islamic banking.

"There is an initiative by the Securities and Exchange Commission of Sri Lanka to enact a law on securitization to facilitate the issuance of asset-backed securities through the creation of special purpose vehicles and for the regulation and supervision of securitized transactions"

Conclusion

The increasing acceptance of Islamic banking and finance in Sri Lanka is apparent. There are now eight institutions in the market and five educational institutions offering Islamic finance courses as well as workshops to generate awareness among Sri Lankans. So, in order to nurture this industry in Sri Lanka, it is critical for us to first understand the principles and advantages of Islamic finance. (3)

Muath Mubarak works for First Global Group, a Sri Lanka-based conglomerate of companies involved in the Islamic financial industry. He can be contacted at muath.2009@gmail.com

Post-Crisis Surge in Sukuk Issuances: Overview and Trend Analysis (Final Part)

By Moody's Investors Service

In 2009, Saudi Electricity became the first GCC corporate to issue a multi-billion domestic Sukuk: a SAR7 billion (US\$1.87 billion) issue that attracted a strong order from domestic investors, mainly financial institutions, reaching nearly US\$20 billion, three times the offered size. This was a result of the company's direct and indirect government ownership exceeding 81% and a robust business.

Since the onset of the credit crisis, many issuers have realized the importance of diversification, including the creation of an active Sukuk market in which a wider pool of investors — both institutional and retail — play an active role in their primary market contribution and secondary market trading.

The announcement of the establishment of the Tadawul Sukuk platform by CMA in Saudi Arabia, a market for the trading and pricing of Sukuk, is expected in the longer term to create an active secondary market, where issuances can be fairly priced and existing investors, mainly banks, can overcome liquidity constraints. Similar legislative and regulatory (tax-related) developments are being gradually introduced in several other markets in the GCC and the Asia-Pacific.

"Regulatory actions to improve Sukuk offerings in new markets are raising its appeal as an issuance structure, especially for cross-border subscription"

Recent actions taken by governments in the GCC and the Asia-Pacific have created an environment of confidence, especially among international issuers, sovereign and corporates alike, including those in the UK, Asia, the US and Russia. This change is especially marked following the uncertainty in the Sukuk market earlier this year, when issuances declined by nearly 50% due to the credit crisis and criticism on the Shariah compliance of some of the structures issued.

Regulatory actions to improve Sukuk offerings in new markets are raising its appeal as an issuance structure, especially for cross-border subscription. Such recent actions include the tax waiver by the South Korean government on Sukuk return income and the Indonesian government's recent passing of a law scrapping double taxation on Islamic financial institutions.

In the second half of this year, we saw an active build-up of issuers planning Sukuk issuances for later in the year or as early as the first quarter of next year, with many returning to markets after the solid book-building for Sukuk in Bahrain, Indonesia, Saudi Arabia and the UAE. The recovery in oil prices and improved economic growth projections in the GCC and wider Middle East have also created a favorable sentiment among investors, both regional and international.

Recent declines in Sukuk yields to more realistic levels, around 6% for the HSBC/DIFC index, have encouraged many issuers to gradually tap the Sukuk market.

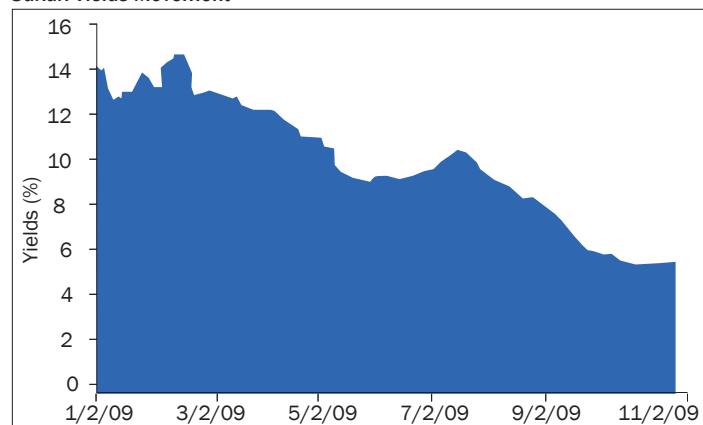
The Dubai government, through the department of finance, was the latest to tap the market, raising US\$1.93 billion through a two-tranche five-year issuance. The US\$1.25 billion tranche will pay a coupon of 6.39%, while a AED2.5 billion (US\$680 million) local currency tranche has a 5.65% coupon. Both issues have been reported to attract strong demand with an order book of over US\$6.3 billion. In the GCC, the financial and, to a lesser extent, the real estate sectors were the first to benefit from improved market conditions. At the time of writing this report, we are expecting both HSBC's MTN program and Tourism and Development Investment Company (TDIC) to have tapped the Sukuk market for US\$5 billion and US\$1.45 billion, respectively.

Launch of Sukuk funds

The decline in confidence in the credit and capital markets has created an opportunity for the launch of a new investment product among leading GCC investment banks. Several Sukuk funds were launched as an alternative investment product for many retail and institutional investors. According to the HSBC/DIFC index, Sukuk yields reached their peak in February 2009, at around 14%, representing an average price of 74.75.

The decline in price was seen as a reflection of severe global credit conditions rather than company-specific news affecting their credit or market profile. Moreover, since hitting a low weighted price of 73 in mid-February, prices started recovering rapidly as signs of a gradual credit market recovery, corporate news and generous returns have caused returns to decline by nearly 50% to around 6%.

Sukuk Yields Movement



In addition, greater confidence in the government of Dubai's commitment to meeting its debt obligations has seen a surge in pricing of the US\$3.52 billion Nakheel Sukuk, which is due for repayment on the 14th December 2009. The increasing role of fund managers in actively participating in Sukuk investment, subscription and trading *continued...*

Post-Crisis Surge in Sukuk Issuances: Overview and Trend Analysis (Final Part) (continued)

will be important for the long-term sustainability of a dynamic and active Sukuk market in which different market participants, including new investors, help diversify the investor base, leading to an active secondary market in which Sukuk can be fairly priced. According to HSBC, one of the lead book runners for the Islamic Development Bank's US\$850 million issue, fund managers have subscribed to nearly 35% of the value of the sukuk underwritten.

The value created by these funds was justified by investors' low risk appetite and declining global capital markets. In the first quarter of 2009, some of these funds were producing returns in the range of 10% to 15%. However, Sukuk funds are still in their infancy due to the limited number of Sukuk that meet the investment criteria that many fund managers set. Nonetheless, the recovery in the global economic outlook, improvement in investor sentiment, new market and jurisdiction issuances should support the gradual introduction of such funds as a new asset class, enhancing both trading and price efficiency in the secondary market. Moreover, the launch of such funds will benefit a wider investor universe, including pensions, Takaful funds and a large segment of retail investors.

The early 2009 announcement of the establishment of the Tadawul Sukuk platform in Saudi Arabia, a market for the trading and pricing of Sukuk, was a noteworthy development that should, over the longer

term, create an active and regulated secondary market in the kingdom. We would also expect issuers to be willing to tap the market for new issuances, as transfer of ownership, tradability and market liquidity can be facilitated at minimum transactional cost.

This legislative development is a positive step towards strengthening the longer-term sustainability of the Sukuk market, as this would attract a larger segment of investors into the market, including institutional investors.⁽³⁾

This is the final part of the report. Part I appeared last week in Vol 6, Issue 46.



Moody's Investors Service

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Drawing Islamic Investment to Australia's Real Estate

By Michael Stockford

Anyone who has ever tinkered with DIY (do-it-yourself) on a small scale at home or ventured into more elaborate extensions to properties knows that the most important aspect is to have a solid foundation. Be it a simple set of screws fixed to a bracket holding up a book shelf, or a deep enough foundation to support a tent built in the yard of a family dwelling, the shelf or the tent will not remain upright unless the foundation is sufficiently solid.

The same can be said of real estate investment. Recent property crashes in Dubai have lent weight to the argument that fundamentals were ignored as speculators fuelled the property boom, not believing that prices could ever fall. History is replete with such examples of bubbles bursting, Japan being one of the most famous in the late 80s, yet memories seem to be short. Japan has still not fully recovered and it remains to be seen how long Dubai will take in recuperating back to health.

Given that Gulf investors still understandably like real estate as an asset class, especially given the volatility expected in the stock markets in 2010, where should they look for investment opportunities? Whilst the US and Europe may seem reasonably priced at the moment, nobody really knows what long term effects the economic tsunami will have on the speed of recovery of asset prices in these regions.

Australia could be an alternative destination for excellent real estate investment opportunities. The foundation is certainly there. The Australian economy is acknowledged to be the first major economy to officially come out of recession. Lower unemployment figures and increased interest rates are a testament to this fact. While the domestic economy alone is enough to provide a platform for a sustained recovery, Australia has one major advantage over other economies in the world — its close relationship with China, the global powerhouse that is resource-hungry and cash-rich.

Australian Economy

	Stable multi party democratic political system Government economic surplus at 5% of GDP Ties to Asian economies for 20% of global imports Robust legal framework
	Strong GDP per Capita at US\$38,500 ¹ Less job losses during economic crisis - unemployment rate at 5.8% in June 2009 ² AUD vs US\$ depreciated by 24% YoY July 2009 - cheaper asset prices ³ Low interest rate with strong wealth accumulation set for inflation
	Sophisticated Stock Exchange, ranked 2 nd in Asia Pacific Solid momentum in the banking and capital markets Minimal toxic assets impact Strong Tier1 Capital Adequacy at 9% ⁴ Healthy banks' balance sheets - Bad Debt Provisions at 0.5% in 2008 ⁴
	Ample natural resources Huge Superannuation Fund at US\$1.2 trillion in 2008 ⁵ Huge Trade Surplus at US\$20 billion per year ⁶ Buoyant Services Sector

The table shows that Australia's AAA rating is well deserved. Its unprecedented economic growth, sound banking and capital markets system and sophisticated and transparent real estate market should ensure that it is on the radar screen of any serious real estate investor wishing to risk diversify out of their historically favored geographic regions.

Add to the equation its significant mutual interests with China and the story becomes even more compelling. Just a few statistics:

- China is the world's largest consumer of minerals.
- China is Australia's largest trading partner, accounting for 19% of imports and 15% exports.
- Australia is the principal supplier of iron ore to China, 40% of total imports.
- Australia accounts for 33% of global iron ore exports.
- Natural resources account for 20% of the Australian Securities Exchange's (ASX) market capitalization.

From these, it is not difficult to see why the Australian economy will be one of the main beneficiaries of China's fiscal stimulus package, especially given how much of this is aimed at infrastructure products.

"Gulf investors normally have unique investment requirements, in particular related to the need to invest in compliance with Shariah guidelines"

A closer look at the Australian real estate market paints a picture of prolonged, sustainable health. It accounts for US\$120 billion, representing 11% of the market capitalization of global public real estate. It is supported by high ethical and professional standards — clear taxation and secure regulation along with reliable performance benchmarks — and it is supported directly by the government.

This is through the Superannuation Fund which has increased investment into real estate — 10% of fund is allocated to real estate each year. If this is not enough to convince investors, then the high yields, housing shortages, low vacancy rates, high affordability ratios and low mortgage delinquency ratios should.

Once convinced that Australian real estate should form part of your investment portfolio, where should you turn to find such an opportunity and what happens if you are an Islamic investor who needs to invest in accordance with Shariah principles?

Gulf investors normally have unique investment requirements, in particular related to the need to invest in compliance with Shariah guidelines. Most serious investors agree that the move towards Islamic

continued...

Drawing Islamic Investment to Australia's Real Estate (continued)

investing is not a fad that will quickly lose its fascination; rather it is a serious asset class that needs to be catered to. Even the drop-off in demand for Sukuk issues this year should not be seen as a lack of confidence in Islamic investing; rather this is more a function of the assets, or lack of them, underpinning recent Sukuk issues, predominantly real estate, with a lot of this being in Dubai.

The desire to create a unique investment product that ticks all the right boxes – where the investment manager is open to suggestions as to how the fund should be structured and managed – is not easy. A lot of established managers are simply not interested in being told how a product should be structured. Even if they have never set foot in the Gulf they still believe they know best, that they can force their own investment methodologies and structures on Islamic investors without listening to what the investor actually wants.

"It is important that any such investment partner commits to its role in writing beforehand so that there is no ambiguity come the launch of the fund"

While it may have been possible to get away with this 10 years ago, it simply does not work anymore. Gulf investors have become more sophisticated, venturing outside their normal safe havens of GCC equities and real estate into hedge funds, private equity, venture capital and other structured products. They know what they want.

Any real estate fund will benefit from having an investment partner that can provide brand recognition for the fund. DTZ in the Gulf was an easy choice as its association with the Bahrain Financial Harbor alone provided the credibility needed to go alongside the financial acumen of a traditional asset manager.

It is important that any such investment partner commits to its role in writing beforehand so that there is no ambiguity come the launch of the fund. Offering exclusive access to investment opportunities it sources in Australia, carrying out rigorous deal evaluation, providing a proactive asset and property management service and, most importantly for any real estate fund, assistance with investment divestment, that is, an exit strategy, would be paramount.

Obviously the most important component to any fund that holds itself out to being Shariah compliant is to ensure that the constitutive documents, in particular the private placement memorandum (PPM), from which all other documents such as investment management agreement, custody and administration agreements emanate, receive the necessary fatwa. This means finding the right Shariah scholars that understand what it is you are trying to achieve and who will be able to respond in a timely manner to ensure that the whole process is kept to an agreed launch timetable.

The Shariyah Review Bureau (SRB) based in Bahrain and led by Yasser Dahlawi, fits the bill perfectly. SRB does not rely on just a few scholars, who may or may not be inundated with numerous similar roles and

would therefore not have the time needed to review the documentation. Rather it has put together a very impressive platform of scholars for specific advice at any time.

Shariah compliance restrictions are broken down into two main aspects – “prohibited investments” and “financial restrictions”. The former would require that any properties the fund purchases are not involved in activities such as gambling, alcohol, weapons and pornography. The latter imposes certain financial ratio restrictions such as ensuring limits on the amount of investment income the fund could acquire or the amount of cash held in the fund. These financial restrictions are relatively easy to comply with but the prohibited investments restrictions need some thought.

Any fund will need to look at the types of properties it may be purchasing and ask itself if it could find enough opportunities that would not breach this particular restriction. Once decided that it can, then it would need to face the reality that to ensure continued compliance it would probably need to buy whole buildings, rather than by strata title, so that it could ensure total control over the tenant mix going forward.

Having an eminent line up of scholars is one thing, but it does not mean you can provide timely, accurate advice. One area of concern would be whether the scholars have the necessary in depth knowledge of financial products to ask the correct questions, or whether both sides would end up involved in long drawn out time wasting discussions on irrelevant topics.

Again SRB has the bases covered here. Mansoor Ahmed acts as point man between the investment manager and the scholars. Being able to understand the product and more importantly, the time constraints a manager is under, are critical to bringing a product to market successfully and on time. Mansoor manages to achieve a five-day turnaround, bringing questions from the scholars that are pertinent, concise and logical. They are very impressive and a signed fatwa can be obtained in a matter of weeks, rather than months, as has been the experience of some funds.

When launching new products, especially in the Gulf and in particular if the product is going to be Shariah compliant, an Asset Manager has to understand that they need to give investors what they want, not what the Manager thinks they want. (1)

OP Calypso Capital

For more information on OP Calypso Capital's Shariah compliant Australia Real Estate Fund, please contact:

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What benefits, if any, are Islamic financial institutions gaining from participating in Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Islamic Financial Services Board (IFSB) or International Islamic Financial Market (IIFM) memberships? Please discuss.



Since its establishment in 1991 AAOIFI has aimed to be the accounting standard setter for the Islamic finance industry. AAOIFI does not challenge the International Financial Reporting Standards, but rather its role is to determine how such standards should be applied to the unique assets and liabilities of Islamic financial organizations. This core work by AAOIFI is useful for its members, who receive annual updates on the standards, as well as having the possibility of having an input into the deliberations on revising standards. AAOIFI has an influential Shariah board that has developed Shariah standards, but some argue that this is beyond the core remit of the organization, and that there are possible conflicts with the fatwa of the OIC Fiqh Academy.

The IFSB has developed guiding principles for the regulation of Islamic financial institutions. Most central banks and other regulatory authorities find these principles very useful, and the IFSB maintains an excellent website from which all its guiding principles can be freely downloaded. AAOIFI would do well to follow its example and enhance its website. The IFSB guiding principles on Basel II implementation, collective investment schemes and Shariah governance are especially comprehensive.

The concept of an IIFM is appealing as such a market could facilitate Sukuk trading and treasury management by Islamic financial institutions. In practice, however, the IIFM largely organizes conferences and workshops, and despite its name does not function as a market. Instead, national markets predominate, Malaysia being the most active Sukuk market and Islamic money market. As there are many commercial companies organizing Islamic finance and capital market conferences, the need for the IIFM to play this role is less clear.

PROFESSOR RODNEY WILSON: Director of postgraduate studies, Durham University



Standardization and consistency are key issues for the Islamic financial services industry. While it may not be possible to achieve full standardization given the diverse Shariah views and opinions, membership to agencies such as AAOIFI and IFSB provide a facilitating tool to achieve a degree of consistency in common practices.

For example, AAOIFI provides a number of valuable practices, such as Shariah standards which provide guidelines on approved Shariah structures, and governance standards which provide useful guidance on how internal Shariah compliance reviews should be conducted to ensure that the very essence of these institutions remains Shariah compliant.

The IFSB also provides a valuable platform to bring Islamic finance in line with international best practice by integrating known standards of governance, conflict management, risk and capital adequacy but reflecting the specific issues in Islamic finance which some of the international agencies do not reflect.

These agencies also provide an invaluable platform to represent the needs of the Islamic financial services industry at international fora and with international agencies such as IOSCO and Basel.

HARI BHAMBRA: Senior Partner, Praesidium

MOHAMED RIDZA & CO

The benefits go back to the function of these organizations, which is inter alia the promotion of standards, and also consistency in decision making in the area of Islamic finance. This enables the financial institutions to look for similarity as well as differences in approach.

MOHAMED RIDZA: Managing partner, Mohamed Ridza & Co

Visibility of commitment to Islamic finance.

DAUD VICARY ABDULLAH: Global leader, Global Islamic Finance Group, Deloitte

continued...



Accounting and (self) regulating bodies such as AAOIFI, IFSB and IIFM are a sign of the development of a market. They enhance infrastructure, transparency and transaction documentation — just a few areas where their presence has been proven to be advantageous.

There are however also some subtle differences between the organizations mentioned here. IFSB is only open for full membership to regulators. Banks can be observer members, but are typically not involved in the standard setting. This is generally how it should be, since the regulated should not be active members within the regulating body, but should purely be there to provide industry feedback on new rules and regulations.

In the absence of organizations such as the British Bankers Association in the UK, membership of the IFSB may offer a bank the opportunity to provide early feedback. Feedback should however be open to all banks, not just to members. From a cost control point of view, IFSB membership is mainly advantageous if a bank plans to attend many IFSB sponsored seminars and conferences.

AAOIFI and IIFM are slightly different from IFSB in this respect. Participating in these organizations ensures that the bank's view points are considered when defining industry standards.

The challenge with determining the benefits for any of these organizations is that their rules and regulations are not recognized in all countries. For (Islamic) banks based in the UK, for instance, whose sole regulator is the Financial Services Authority (FSA) and which have to report using UK General Accepted Accounting Principles (GAAP), membership of industry standard bodies may be less beneficial than for those based in countries where the IFSB and AAOIFI standards are mandatory.

IIFM is looking to fulfil a similar role to ISDA (International Swaps and Derivatives Association), and it may be more beneficial for all institutions in Islamic finance globally if IIFM would be incorporated in ISDA. But that is a completely different question.

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



The recent financial crisis has once again highlighted the need for uniformity in Islamic finance. The roles and objectives of AAOIFI, IFSB and IIFM are well defined and they complement each other. IIFM always strives for closer coordination between the three standard setting bodies and their true potential to the Islamic finance services industry (IFSI) can only be achieved if all market participants, be they jurisdictions, regulatory bodies, financial institutions, legal firms, accounting firms and other market participants, work collectively.

IIFM's value to the industry is the standardization of documentation, products and processes in the Islamic capital and money market. It is the only organization to have introduced standardized documentation at a universal level through the Master Agreements for Treasury Placement (MATP), in 2008.

Seeing the benefits of standard products and documentation, other jurisdictions are now initiating similar work in their jurisdictions which clearly highlights the importance of IIFM's work. In the conventional market, the benefits can be assessed by looking at the work and importance of similar bodies such as the International Swaps and Derivatives Association, International Capital Markets Association, the Loan Markets Association and such.

It is very easy to criticize but the industry needs to come forward onto the IIFM platform and work collectively to achieve the objective of a robust, transparent and unified IFSI. Support from within the industry is the most critical ingredient.

IJLAL ALVI: CEO, International Islamic Financial Market



From the fund manager's perspective, it is desirable to have an industry standard derived from the Islamic law interpretation to the accounting treatment of financial products. Uniformity in Shariah interpretations serves as a yardstick to guide the market practitioners, issuers and investors in considering the structures and instruments that best suit their financing needs.

On the other hand, the lack of commonly-accepted standards for products and practices in any industry can be a barrier to development. This has been particularly true for Islamic finance, where the sector has to spend tremendous resources in addressing the standardization challenges facing the rapidly evolving industry on the backdrop of the dynamic nature of Shariah interpretation.

continued...

Greater standardization in the Islamic finance industry could have many benefits, including:

- Reducing the burden on Shariah scholars, of which there is currently a pressing shortage.
- Improving documentation standards and mitigating the risk of legal challenges.
- Improving confidence in the Islamic finance industry.
- Reducing transaction costs for fund managers, and subsequently enabling the possibility of transferring the lower cost to the investors via lower investment price.
- Reducing the time to market for developing and distributing new products, both locally and internationally.

With more cross-border transactions taking place, we believe naturally there will be a trend towards convergence as the frequent need for meeting international standards and requirements of a broader segment of market will become even more manifest.

AAOIFI, IFSB and IIFM all serve to provide a channel to help the industry players in moving towards such convergence to achieve greater agreement in the standardization of interpretations and accounting standards pertaining to the Islamic finance industry.

ZULKIFLI ISHAK: CEO, Prudential Al-Wara' Asset Management



Only a fraction of the benefits gained by IFIs participating in the memberships of these three infrastructure institutions is apparent now. To build a house, you must have earth. To build 100 houses, you must transform the earth into uniform brick pieces. By standardizing the foundations of Islamic finance, these institutions are assisting the industry to achieve economies of scale and scope and thereby expand the breadth and depth of the industry.

Although much more needs to be done in the future, the work of the AAOIFI has been most profound in this case, since it provides for a uniform base upon which to decide on Shariah, accounting and governance issues.

However, the AAOIFI standards lack the depth required with respect to legal documentation, while it offers little guidance on broader prudential/supervisory issues, although efforts have been made to this end. In this context, institutions like the IIFM can play a significant role in enhancing depth in product documentation for most frequently utilized capital markets contracts.

Nevertheless, the IIFM can only do so much since its mandate only covers capital markets and the AAOIFI can also step up in terms of developing deeper standards for legal documentation in retail products while improving the clarity of existing standards.

The IFSB offers a broader supervisory framework with which regulators can establish an effective governance and oversight mechanism for Islamic financial institutions in their jurisdiction. This is crucial to enhance confidence of market players while at the same time, having adequate provisions to protect against the systemic risks associated with the industry.

Subject to these bodies playing a more proactive role where they initiate the development of standards before the industry is begging at their doorstep, the role of these three infrastructure institutions will only be more significant in the years to come.

DR. SAYD FAROOK : Senior Consultant, structuring and legal, Dar Al Istithmar

Next Forum Question

Lately, more GCC banks are operating in Southeast Asia. This signals a higher level of cross-border initiatives. However, the flow is seemingly not equal, that is, we do not see as many Asian banks operating in the GCC. What are the reasons for the imbalance in presence? And will this trend continue for the foreseeable future?

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, 9th December 2009.

Islamic Finance news talks to leading players in the industry



Name: **Noripah Kamso**
Position: **Chief Executive**
Company: **CIMB-Principal Islamic Asset Management**
Based: **Malaysia**
Age: **52**
Nationality: **Malaysian**

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

Joining CIMB in 1991, I was lucky to have had total holistic exposure in capital markets. In 2004 I joined the asset management fraternity, and as chief executive in 2005 I merged CAFM (Commerce Asset Fund Managers) and CTB (Commerce Trust Berhad) into one entity and re-branded it as CIMB-Principal Asset Management. During my four years as chief executive, the firm evolved from a Malaysian firm to a regional asset management house with offices in Malaysia, Indonesia and Singapore. In October 2008 I took up my current position as chief executive of CIMB-Principal Islamic Asset Management (CIMB-Principal Islamic).

What does your role involve?

It is to establish this company as a globally recognized brand for Islamic investment management. My primary function is to market and grow the firm by capturing global clients and offering global capabilities.

What is your greatest achievement to date?

When I led CIMB-Principal Asset Management, assets under management grew 347% from end-September 2004 to end-June 2008. This was due to the great teamwork with my bosses and amongst the staff. We were the first asset manager to offer true offshore unit trust funds to the Malaysian investing public, roll out a full spectrum of Islamic unit trust funds, list the world's first Asean exchange-traded fund (ETF) on the Singapore Exchange, and expand the business to Singapore and Indonesia.

Which of your products/services deliver the best results?

CIMB-Principal Islamic, a partnership between Principal Global Investors and CIMB Group, is an offshoot of CIMB-Principal Asset Management. We have four investment capabilities: Islamic global equities, global Sukuk, Islamic Asia-Pacific ex-Japan equities, and Asia Sukuk. The capability with the most established investment track record is the Islamic Asia-Pacific ex-Japan selective composite.

What are the strengths of your business?

- Internationally renowned Shariah investment advisory: The panel comprises Islamic finance scholars from diverse backgrounds.
- Disciplined investment process: We are closely aligned to Principal Global Investors' investment philosophy, particularly in the global equity space.
- Shariah compliant portfolio construction expertise: The company is able to holistically advise and construct portfolios to meet institutional global investors' objectives.

- Islamic capital markets experience: We also leverage on CIMB Islamic's award-winning franchise and excellent international track record in Islamic capital markets.

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

Our key success factors are derived from the support of our two shareholders, Principal Global Investors and the CIMB Group. Additionally, CIMB-Principal Islamic is strategically located in Malaysia, allowing us to leverage on Malaysia's comprehensive Islamic financial infrastructure and its adopted regulatory, legal and Shariah best practices.

What are the obstacles faced in running your business today?

The main obstacle is one of mindset. Much of what I do involves a lot of educating and clarifying the misconceptions the mainstream investment community tends to have when it comes to Islamic investing. The most common misconceptions:

- Islamic investments are only appropriate or available for Muslims.
- Islamic products are too complicated, and that because the Islamic investment screening process limits the investment universe, it is not diversified enough.
- Because of its limited investment universe there is a performance drag when compared to mainstream investing.

Sometimes there are cultural barriers as well. For instance, in the Middle East, where the bulk of the assets are located, it has been challenging for me to make inroads as a woman. The final obstacle is the relative lack of investment track record for Islamic investments compared to mainstream investments.

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

I would expect there to be a co-existence of Islamic finance along with mainstream finance in the majority of products. Additionally, I picture more financial centers besides Malaysia, London, Dubai and Bahrain. Countries like Singapore, Hong Kong and the US will be much more prominent in this field as they start to notice the potential in this industry. I also expect to see countries in Africa such as Gambia, Nigeria and Sudan as well as certain parts of Russia, Kazakhstan and Bosnia participating in Islamic finance.

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

I would expect the industry to have more Islamic financial institutions listed in global bourses. Then, we can have firstly an Islamic Index and secondly include banks into Islamic portfolios. This is important, especially in today's recovering market where bank stocks traditionally run up nine months ahead of the broader economy and portfolios that invest in banks will generally outperform. As a result, if Islamic banks can be included in Islamic portfolios at all times it will be easier for investment managers like CIMB-Principal Islamic to have comparable risk-returns against conventional portfolios. I would also like to see the mindset of Shariah scholars and secretariats evolve. They need to become professionals with deep Islamic capital market experience, not simply experts in Islamic jurisprudence. (✉)



Pengurusan Aset Air's ICP Program

ISSUER	Pengurusan Air SPV
OBLIGOR	Pengurusan Aset Air Berhad (PAAB)
PRINCIPAL ACTIVITIES	PAAB or Water Asset Management Company is a government-owned company responsible for developing the sector's infrastructure in peninsular Malaysia and Labuan
LEAD ARRANGER, LEAD MANAGER AND BOOKRUNNER	CIMB Investment Bank
SOLICITORS	Albar & Partners
SHARIAH ADVISER	CIMB Investment Bank
REPORTING ACCOUNTANT	Hanafiah Raslan & Mohamad
FACILITY DESCRIPTION	Islamic Commercial Papers (ICP) program of up to RM20 billion (US\$5.92 billion) in nominal value
ISLAMIC CONCEPT	Ijarah and Musharakah
PROGRAM TENOR	Seven years from the date of first issue
RATING	Short term rating of 'P1' by RAM Rating Services
MODE OF ISSUE	The ICPs will be issued on a bought deal or via a competitive tender on FAST or book-building or private placement on a best effort basis
UTILIZATION OF PROCEEDS	<p>For the following Shariah compliant purposes:</p> <ol style="list-style-type: none"> 1. For any general funding and working capital requirements of PAAB 2. To fund the fees, costs, expenses and all other amounts payable under or in relation to the Sukuk program

For more termsheets, visit www.islamicfinancenews.com

EMIRATES NBD

UAE: Shariah compliant bank Emirates NBD has appointed Khalid Juma Al Majid as director replacing Omar Abdulla Al Futtaim. The bank said it considered Al Futtaim as having resigned after he failed to attend three consecutive board meetings without a valid reason. No further details were given.

Emirates NBD has an Islamic unit, Emirates Islamic Bank.⁽³⁾

DIFC

UAE: Former cabinet minister Ahmed Humaid Al Tayer is the new governor of the Dubai International Financial Centre (DIFC), succeeding Omar Sulaiman.

The move is described as part of efforts to improve the performance in the Dubai government and semi-governmental departments as well as to boost the emirate's position as a global financial, trade and tourism center, said the director of the Dubai Ruler's court, Mohamed Shaibani.

Al Tayer holds a number of positions in other companies including as chairman of Emirates NBD, chairman of Commercial Bank of Dubai, vice-chairman of Dubai Aluminium Company, chairman of the Emirates Nationals Development Program and chairman of the Emirates Institute for Banking & Financial Studies.⁽³⁾

IFSB

MALAYSIA: The Council of the Islamic Financial Services Board (IFSB) has appointed the governor of the Central Bank of Sudan, Dr Sabir Mohamed Hassan, as its chairman while the governor of the Central Bank of Jordan, Dr Umaya Toukan, will serve as his deputy. Their term is the whole of 2010.

Hassan has vast international experience and has served as a senior financial advisor in Washington DC and Sudan. As governor of the central bank, he has overseen a major process of reform and evolution.

Toukan managed a period of gradual fiscal liberalization within Jordan, characterized by floating interest rates and a loosening of credit restrictions.

IFSB is an international standard-setting body of regulatory and supervisory agencies aimed at ensuring the soundness and stability of the Islamic financial services industry.⁽³⁾

ADIB

UAE: Abu Dhabi Islamic Bank (ADIB) has appointed Amir Riad as global head of its corporate finance and investment banking. He will be responsible for developing key strategic initiatives to synergize cross selling of ADIB's products and services.

Riad has more than 15 years of experience in corporate finance, capital markets, private equity and mergers and acquisitions, both regionally and globally.

Before joining ADIB, he was the regional head of corporate finance and advisory for the Middle East and North Africa regions at Standard Chartered Bank UAE. Prior to that, he spent over 12 years at Citigroup, where he held several leadership positions in corporate finance and private equity.⁽³⁾

HERBERT SMITH

SAUDI ARABIA: London-based law firm Herbert Smith has hired the former executive vice-president and general counsel at Shariah compliant Gatehouse Bank, Adil Hussain, as senior associate for its finance practice in Saudi Arabia.

He will relocate to Riyadh, where the firm operates through an association with another law firm, Al-Ghazzawi Professional Association, to act for Saudi and regional clients. "Herbert Smith's got a market-leading reputation for Islamic finance in the region, that's the reason I'm here," Hussain said.

Hussain joined Gatehouse in April 2008 as head of legal. He previously worked at law firm Norton Rose-Bahrain as a senior member of the Islamic finance team for about three years.⁽³⁾

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ISLAMIC BONDS OCT 2009		
	Manager or Group	Amt US\$ m Iss
1	CIMB	2,824 20
2	HSBC	2,509 1
3	AmlInvestment	2,047
4	Standard Chartered	1,159
5	Samba Financial Group	1,033
6	Maybank Investment Bank	717
7	JPMorgan	545
8	Morgan Stanley	499
9	Citigroup	499
10	Deutsche Bank	463
11	BNP Paribas	416
12	Abu Dhabi Commercial Bank	333
13	Calyon	25
14	Barclays Capital	2
15	Saudi Hollandi Bank	1
16	RHB Capital	
17	Dubai Islamic Bank Pakistan	
18	Malaysian Industrial Development Finance	
19	BIMB Holdings	
20	EON Bank	

Deal tracker

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

Another **Islamic Finance news** exclusive

ISSUER	SIZE	INSTRUMENT
Bahrain	US\$100 million and US\$500 million	Sukuk
Mitra Adiperkasa (Indonesia)	US\$40 million, US\$21 million and US\$32 million	Sukuk and Conventional bonds
Pakistan	US\$500 million and US\$1 billion	Sukuk and Eurobonds
South Korea	Between US\$500 million and US\$1 billion	Medium-term notes, involving the sale of US\$2.5 billion in Sukuk and US\$4 billion in conventional bonds
Sharjah Investment and Development Authority	US\$2.7 billion	Sukuk
Salim Ivomas	US\$130 million	Sukuk Ijarah worth IDR250 billion (US\$26 million) and IDR1 trillion (US\$104 million) of conventional bonds
General Electric Capital	Up to US\$1 billion	Benchmark Sukuk
Ithmaar Bank	Between US\$400 million and US\$500 million	A five-year mandatory convertible Sukuk, a rights issue and a credit call option
Jordan	TBA	Sukuk
Dubai Civil Aviation Authority	US\$1 billion	Sukuk and conventional bonds
Cagamas	US\$884.6 million	Sukuk
HSBC Bank Middle East	US\$5 billion	Trust Certificates
Saudi Aramco & Total	US\$500 million	Sukuk
Port of Tanjung Pelepas	US\$292 million	Sukuk
Khazanah Nasional	TBA	US dollar denominated exchangeable Sukuk
Republic of Indonesia	US\$1 billion	Global Sukuk
France	US\$1.5 billion	Sukuk
Guoco Land	US\$34 million	Commodity Murabahah
Pupuk Kaltim	US\$145 million	Sukuk
Dubai Department of Finance	US\$10 billion	Sukuk
Sakana Holistic Housing Solutions	US\$50 million	Sukuk
Dar-Al Dhabi Holding	US\$346.4 million	Sukuk
Unicorn Investment Bank	US\$425 million	Sukuk Ijarah

For more details and the full list of deals visit
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Chief Executive Officer
Dar Al Sharia Legal & Financial
Consultancy

Eurekahedge North America Islamic Fund Index

Monthly returns for Global funds (as of the 24th November 2009)

FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1 Shariah Benchmark Exchange Traded Scheme (Shariah BeES)	Benchmark Asset Management	113.10	India
2 Public Islamic Select Enterprises	Public Mutual	20.84	Malaysia
3 ETFS Physical Gold	ETFS Metal Securities	16.87	Jersey
4 Saudi Equity Fund (Al Raed)	Samba	16.59	Saudi Arabia
5 AlAhli Saudi Trading Equity	The National Commercial Bank	16.35	Saudi Arabia
6 Atlas Islamic	Atlas Asset Management	16.06	Pakistan
7 Public Islamic Opportunites	Public Mutual	15.01	Malaysia
8 Mandiri Investa Syariah Berimbang	Mandiri Manajemen Investasi	14.21	Indonesia
9 Riyad Equity 2	Riyad Bank	13.31	Saudi Arabia
10 Global Sukuk Plus	European Finance House	13.12	Luxembourg
Eurekahedge Islamic Fund Index*		1.91	

Monthly Returns for ALL funds (as of the 24th November 2009)

FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1 Public Islamic Money Market	Public Mutual	0.18	Malaysia
2 CIMB Islamic Money Market	CIMB-Principal Asset Management	0.19	Malaysia
3 PB Islamic Cash Management	Public Mutual	0.19	Malaysia
4 Al Rajhi Commodity Mudarabah - EUR	Al Rajhi Bank	0.22	Saudi Arabia
5 AlAhli Euro Murabahat	The National Commercial Bank	0.26	Saudi Arabia
6 CMS Islamic Money Market	CMS Trust Management	0.29	Malaysia
7 FALCOM SAR Murabahah	FALCOM Financial Services	0.34	Saudi Arabia
8 Euro International Trade Finance - Al Sunbula	Samba	0.34	Saudi Arabia
9 PB Islamic Cash Plus	Public Mutual	0.36	Malaysia
10 Al Rajhi Commodity Mudarabah - SAR	Al Rajhi Bank	0.39	Saudi Arabia
Eurekahedge Islamic Fund Index*		9.40	

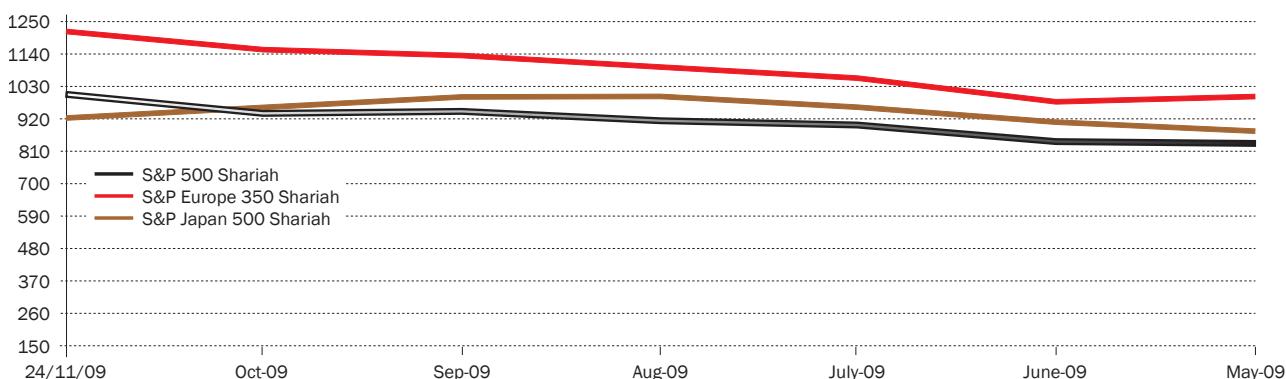


Contact Eurekahedge
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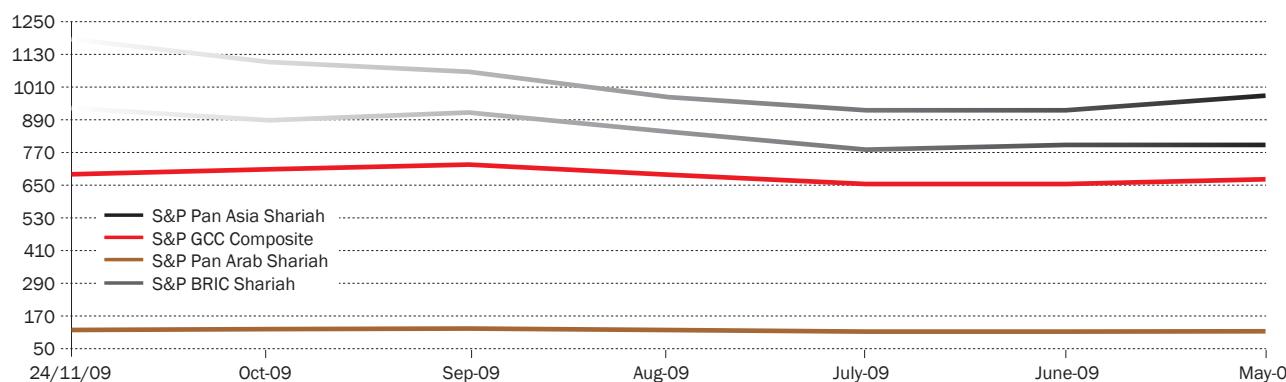

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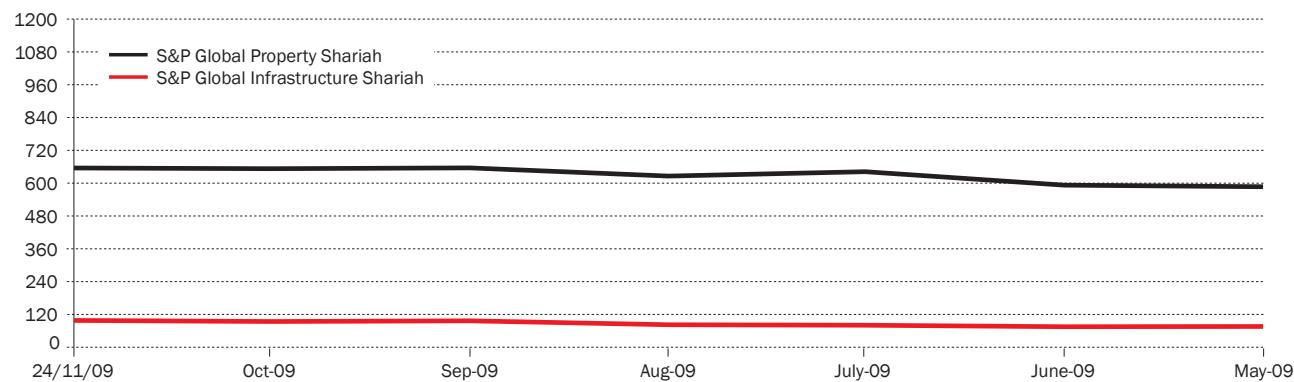
S&P Shariah Indices Price Index Levels



Index Code	Index Name	24/11/09	Oct-09	Sep-09	Aug-09	July-09	June-09	May-09
SPSHX	S&P 500 Shariah	1002.921	938.522	945.321	913.542	899.016	842.797	836.573
SPSHEU	S&P Europe 350 Shariah	1216.325	1154.847	1134.881	1095.741	1058.270	977.823	995.630
SPSHJU	S&P Japan 500 Shariah	922.909	958.793	994.367	996.042	959.584	908.760	878.263



Index Code	Index Name	24/11/09	Oct-09	Sep-09	Aug-09	July-09	June-09	May-09
SPSHAS	S&P Pan Asia Shariah	932.828	888.072	916.579	846.106	867.704	780.340	797.647
SPSHG	S&P GCC Composite Shariah	689.920	708.224	725.528	688.379	669.202	654.208	671.614
SPSHPA	S&P Pan Arab Shariah	118.625	121.749	123.831	118.463	115.322	112.643	113.860
SPSHBR	S&P BRIC Shariah	1186.068	1101.842	1066.062	973.014	996.242	924.814	978.497



Index Code	Index Name	24/11/09	Oct-09	Sep-09	Aug-09	July-09	June-09	May-09
SPSHGU	S&P Global Property Shariah	655.422	652.897	655.839	625.881	641.907	592.683	586.922
SPSHIF	S&P Global Infrastructure Shariah	97.986	94.056	96.587	82.238	80.488	75.034	75.918

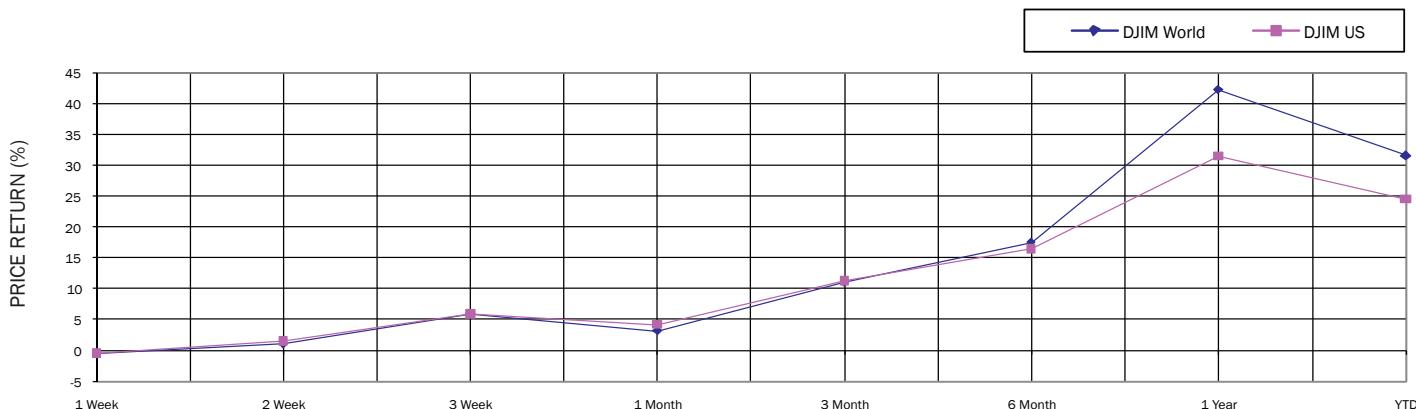
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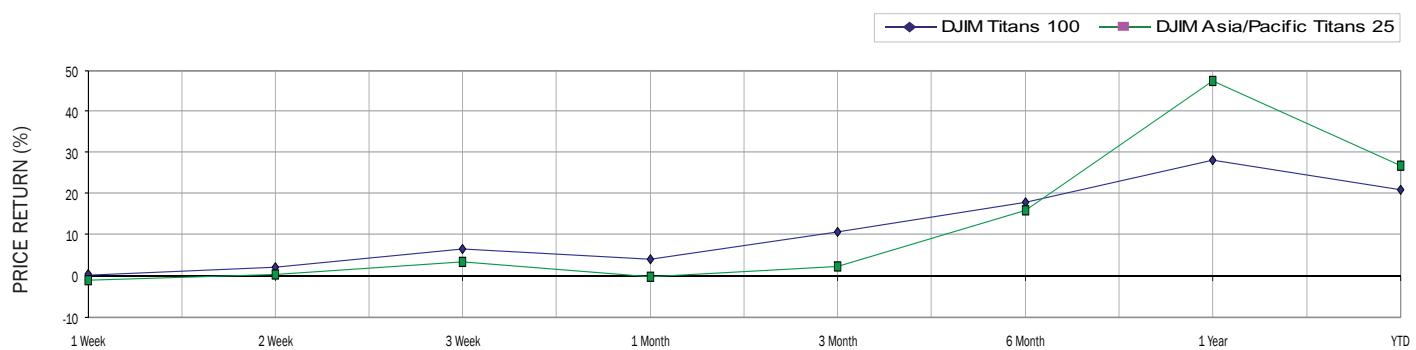
Data as of the 24th November 2009

PERFORMANCE OF DJ INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	-0.45	1.06	5.88	3.17	10.97	17.52	42.25	31.52
DJIM US	-0.42	1.46	5.80	4.17	11.28	16.42	31.50	24.46

PERFORMANCE OF DJ TITANS INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM Titans 100	0.28	1.98	6.45	3.87	10.67	17.71	28.27	20.84
DJIM Asia/Pacific Titans 25	-0.94	0.53	3.41	-0.03	2.27	16.02	47.55	26.87

DESCRIPTIVE STATISTICS		Market Capitalization (US\$ billions)						Component Weight (%)	
Index	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Large	Small
DJIM World	2403	15445.97	12122.10	5.04	0.97	365.10	0.00	3.01	0.00
DJIM US	616	6795.30	6343.21	10.30	2.36	365.10	0.11	5.76	0.00
DJIM Titans 100	100	6950.72	6233.42	62.33	41.50	365.10	12.38	5.86	0.20
DJIM Asia/Pacific Titans 25	25	983.48	662.70	26.51	20.89	75.61	12.38	11.41	1.87

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

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

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TOP ISSUERS OF ISLAMIC BONDS							NOV 2008 - NOV 2009
	Issuer or Group	Nationality	Instrument	Amt US\$ m	Iss.	%	Manager
1	Government of Dubai	UAE	Sukuk	1,931	1	10.7	Standard Chartered, UBS, Dubai Islamic Bank, Bahrain Islamic Bank, Emirates NBD, Mitsubishi UFJ Securities International
2	Saudi Electricity	Saudi Arabia	Sukuk	1,867	1	10.4	HSBC, Samba Financial Group
3	Petronas Global Sukuk	Malaysia	Ijarah Sukuk	1,498	1	8.3	Morgan Stanley, CIMB, Citigroup
4	Terengganu Investment Authority	Malaysia	Murabahah Sukuk	1,422	1	7.9	AmlInvestment
5	TDIC Sukuk	UAE	Sukuk Ijarah	1,000	1	5.6	Standard Chartered, HSBC, Abu Dhabi Commercial Bank
6	Islamic Development Bank	Saudi Arabia	Sukuk Wakalah	850	1	4.7	BNP Paribas, CIMB, Deutsche Bank, HSBC
7	Kingdom of Bahrain	Bahrain	Sukuk Ijarah	750	1	4.2	Deutsche Bank, HSBC, Calyon
8	Republic of Indonesia	Indonesia	Sukuk Ijarah	650	1	3.6	Standard Chartered, HSBC, Barclays Capital, (Persero) Danareksa, Trimegah Securities, Bank Mandiri
9	Khazanah Nasional	Malaysia	Sukuk Musharakah	601	3	3.3	CIMB, AmlInvestment, Maybank Investment Bank
10	Sime Darby	Malaysia	Musharakah MTN	590	1	3.3	CIMB, Maybank Investment Bank, Public Bank
11	Cagamas	Malaysia	Murabahah MTN	589	4	3.3	Standard Chartered, AmlInvestment, Maybank Investment Bank, HSBC, CIMB, RHB Capital
12	Syarikat Prasarana Negara	Malaysia	Ijarah MTN	573	1	3.2	CIMB, Maybank Investment Bank
13	Abu Dhabi Islamic Bank	UAE	Sukuk	545	1	3.0	JPMorgan Securities
14	GE Capital Sukuk	US	Sukuk Ijarah	498	1	2.8	Citigroup, Goldman Sachs KFH, National Bank of Abu Dhabi
15	Danga Capital	Malaysia	Sukuk Musharakah	444	1	2.5	CIMB, AmlInvestment
16	Islamic Republic of Pakistan	Pakistan	Sukuk	441	3	2.5	Standard Chartered, Dubai Islamic Bank Pakistan
17	Penerbangan Malaysia	Malaysia	Murabahah MTN	411	1	2.3	HSBC, CIMB, AmlInvestment
18	Rak Capital	UAE	Sukuk Ijarah	407	1	2.3	BNP Paribas, Standard Chartered
19	MISC	Malaysia	Murabahah MTN	368	2	2.0	HSBC, CIMB, AmlInvestment
20	Pengurusan Aset Air	Malaysia	Ijarah MTN	341	1	1.9	CIMB
Total				18,002	71	100.0	



Dealogic is a leading supplier of relationship and transaction management software and information systems for the investment banking industry
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TOP ISSUERS OF ISLAMIC BONDS							AUG 2009 - NOV 2009
	Issuer or Group	Nationality	Instrument	Amt US\$ m	Iss.	%	Manager
1	Government of Dubai	UAE	Sukuk	1,931	1	29.26	Standard Chartered, UBS, Dubai Islamic Bank, Bahrain Islamic Bank, Emirates NBD, Mitsubishi UFJ Securities International
2	TDIC Sukuk	UAE	Sukuk Ijarah	1,000	1	15.15	Standard Chartered, HSBC, Abu Dhabi Commercial Bank
3	Islamic Development Bank	Saudi Arabia	Sukuk Wakalah	850	1	12.88	BNP Paribas, CIMB, Deutsche Bank, HSBC
4	Sime Darby	Malaysia	Musharakah MTN	590	1	8.94	CIMB, Maybank Investment Bank, Public Bank
5	Syarikat Prasarana Negara	Malaysia	Ijarah MTN	573	1	8.68	CIMB, Maybank Investment Bank
6	GE Capital Sukuk	US	Sukuk Ijarah	498	1	7.55	Citigroup, Goldman Sachs KFH, National Bank of Abu Dhabi
7	Pengurusan Aset Air	Malaysia	Ijarah MTN	341	1	5.16	CIMB
8	Islamic Republic of Pakistan	Pakistan	Sukuk	174	1	2.64	Standard Chartered
9	MISC	Malaysia	Murabahah MTN	172	1	2.60	HSBC, CIMB, Amlnvestment
10	UMW Holdings	Malaysia	Musharakah MTN	141	1	2.13	Maybank Investment Bank
11	International Finance Corp	US	Sukuk	100	1	1.52	HSBC, KFH, Dubai Islamic Bank, Liquidity Management Centre
12	CIMB Islamic Bank	Malaysia	Sukuk Musharakah	86	1	1.30	Maybank Investment Bank
13	Projek Lintasan Shah Alam	Malaysia	Ijarah MTN	37	1	0.55	RHB Capital
14	Pupuk Kalimantan Timur	Indonesia	Sukuk Ijarah	32	1	0.49	Danareksa Sekuritas
15	Salim Ivomas Pratama	Indonesia	Sukuk Ijarah	26	1	0.40	Bank Mandiri, CIMB, Kim Eng Securities, OSK, (Persero) Danareksa
16	Majlis Ugama Islam Singapura	Singapore	Ijarah MTN	21	1	0.32	CIMB
17	TSH Sukuk Ijarah	Malaysia	Ijarah MTN	15	1	0.22	OSK Investment Bank
18	Offshoreworks Capital	Malaysia	Musharakah MTN	11	1	0.17	MIDF Amanah Investment Bank
19	Serrisa Sinar	Malaysia	Murabahah MTN	3	1	0.04	MIDF Amanah Investment Bank
Total				6,599	19	100.00	

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ISLAMIC BONDS				NOV 2008 – NOV 2009					
Manager or Group		Amt US\$ m	Iss	%	Manager or Group		Amt US\$ m	Iss	%
1	CIMB	3,383	29	18.8	1	CIMB	1234	8	18.7
2	HSBC	2,509	14	13.9	2	Standard Chartered	813	3	12.3
3	AmInvestment	2,025	9	11.3	3	HSBC	657	4	10.0
4	Standard Chartered	1,465	10	8.1	4	Maybank Investment Bank	624	3	9.5
5	Samba Financial Group	1,033	2	5.7	4	Abu Dhabi Commercial Bank	333	1	5.1
6	Maybank Investment Bank	909	11	5.1	6	Dubai Islamic Bank	331	2	5.0
7	Citigroup	624	2	3.5	7	UBS	306	1	4.6
8	JPMorgan	545	1	3.0	8	Mitsubishi UFJ Securities	306	1	4.6
9	Morgan Stanley	499	1	2.8	8	Emirates NBD	306	1	4.6
10	Deutsche Bank	463	2	2.6	10	National Bank of Abu Dhabi	222	2	3.4
11	BNP Paribas	416	2	2.3	11	Deutsche Bank	213	1	3.2
12	Abu Dhabi Commercial Bank	333	1	1.9	12	BNP Paribas	213	1	3.2
13	Dubai Islamic Bank	331	2	1.8	13	Bahrain Islamic Bank	208	1	3.2
14	UBS	306	1	1.7	14	Public Bank	197	1	3.0
15	Mitsubishi UFJ Securities	306	1	1.7	15	KFH	150	2	2.3
16	Emirates NBD	306	1	1.7	16	Goldman Sachs	125	1	1.9
17	Calyon	250	1	1.4	17	Citigroup	125	1	1.9
18	National Bank of Abu Dhabi	222	2	1.2	18	Al Hilal Bank	97	1	1.5
19	Barclays Capital	217	1	1.2	19	(Persero) Danareksa	37	2	0.6
20	Bahrain Islamic Bank	208	1	1.2	20	RHB Capital	37	1	0.6
Total		18,002	71	100.0	Total		6,599	19	100.0

ISLAMIC BONDS				AUG 2009 – NOV 2009					
Manager or Group		Amt US\$ m	Iss	%	Manager or Group		Amt US\$ m	Iss	%
1	CIMB	1234	8	18.7	1	CIMB	1234	8	18.7
2	Standard Chartered	813	3	12.3	2	Standard Chartered	813	3	12.3
3	HSBC	657	4	10.0	3	HSBC	657	4	10.0
4	Maybank Investment Bank	624	3	9.5	4	Maybank Investment Bank	624	3	9.5
4	Abu Dhabi Commercial Bank	333	1	5.1	4	Abu Dhabi Commercial Bank	333	1	5.1
6	Dubai Islamic Bank	331	2	5.0	6	Dubai Islamic Bank	331	2	5.0
7	UBS	306	1	4.6	7	UBS	306	1	4.6
8	Mitsubishi UFJ Securities	306	1	4.6	8	Mitsubishi UFJ Securities	306	1	4.6
8	Emirates NBD	306	1	4.6	8	Emirates NBD	306	1	4.6
10	National Bank of Abu Dhabi	222	2	3.4	10	National Bank of Abu Dhabi	222	2	3.4
11	Deutsche Bank	213	1	3.2	11	Deutsche Bank	213	1	3.2
12	BNP Paribas	213	1	3.2	12	BNP Paribas	213	1	3.2
13	Bahrain Islamic Bank	208	1	3.2	13	Bahrain Islamic Bank	208	1	3.2
14	Public Bank	197	1	3.0	14	Public Bank	197	1	3.0
15	KFH	150	2	2.3	15	KFH	150	2	2.3
16	Goldman Sachs	125	1	1.9	16	Goldman Sachs	125	1	1.9
17	Citigroup	125	1	1.9	17	Citigroup	125	1	1.9
18	Al Hilal Bank	97	1	1.5	18	Al Hilal Bank	97	1	1.5
19	(Persero) Danareksa	37	2	0.6	19	(Persero) Danareksa	37	2	0.6
20	RHB Capital	37	1	0.6	20	RHB Capital	37	1	0.6
Total		6,599	19	100.0	Total		6,599	19	100.0

ISLAMIC BONDS BY COUNTRY				NOV 2008 – NOV 2009					
		Amt US\$ m	Iss	%			Amt US\$ m	Iss	%
Malaysia		8,366	49	46.5	UAE		2,931	2	44.4
UAE		3,882	4	21.6	Malaysia		1,966	10	29.8
Saudi Arabia		3,123	4	17.4	Saudi Arabia		850	1	12.9
Indonesia		820	7	4.6	Total		6,599	19	100.0
Bahrain		750	1	4.2					
Total		18,002	71	100.0					

ISLAMIC BONDS BY COUNTRY				AUG 2009 – NOV 2009					
		Amt US\$ m	Iss	%			Amt US\$ m	Iss	%
UAE		2,931	2	44.4	UAE		2,931	2	44.4
Malaysia		1,966	10	29.8	Malaysia		1,966	10	29.8
Saudi Arabia		850	1	12.9	Saudi Arabia		850	1	12.9
Total		6,599	19	100.0	Total		6,599	19	100.0

ISLAMIC BONDS BY CURRENCY				NOV 2008 – NOV 2009					
		Amt US\$ m	Iss	%			Amt US\$ m	Iss	%
US dollar		7,003	9	38.9	US dollar		3,698	5	56.0
Malaysian ringgit		6,868	48	38.2	Malaysian ringgit		1,966	10	29.8
Saudi Arabian riyal		2,273	3	12.6	UAE dirham		681	1	10.3
UAE dirham		1,225	2	6.8	Total		6,599	19	100.0
Pakistan rupee		441	3	2.5					
Total		18,002	71	100.0					

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ALL DATA AS OF THE 24th NOVEMBER 2009

SUKUK MANAGERS		(12 months)		NOV 2008 - NOV 2009	
	Manager	Manager Commitment (in US\$)	Issues	Market Share %	
1	Malaysia (Government)	21,158,113,975	158	49.2	
2	CIMB	4,629,077,425	118	10.8	
3	AMMB Holdings	2,372,888,643	94	5.5	
4	HSBC Banking Group	2,041,950,554	39	4.7	
5	Malayan Banking	1,297,190,514	103	3.0	
6	Citigroup	1,267,746,162	7	2.9	
7	Malaysian Industrial Development Finance	1,225,671,692	305	2.9	
8	Morgan Stanley	1,215,000,000	5	2.8	
9	Standard Chartered	1,163,545,489	18	2.7	
10	RHB Banking Group	1,111,447,811	56	2.6	
11=	Samba Financial Group	933,261,000	1	2.2	
11=	Dubai Islamic Bank	602,646,875	3	1.4	
13	UBS	482,646,875	2	1.1	
14	Mitsubishi UFJ Financial Group	482,646,875	2	1.1	
15	Barclays Bank	435,500,000	3	1.0	
16	Cagamas	330,276,280	26	0.8	
17	Affin Holdings	292,831,089	37	0.7	
18	OSK Holdings	217,566,771	29	0.5	
19	EON Capital	194,110,118	94	0.5	
20	Indonesia (Government)	186,708,865	7	0.4	

SUKUK MANAGERS		(3 months)		AUG 2008 - NOV 2009	
	Manager	Manager Commitment (in US\$)	Issues	Market Share %	
1	Malaysia (Government)	6,043,290,300	24	47.7	
2	CIMB	2,035,052,634	13	16.1	
3	Malayan Banking	648,198,560	15	5.1	
3	Standard Chartered Bank	625,120,517	5	4.9	
5	Dubai Islamic Bank	602,646,875	3	4.8	
6=	Mitsubishi UFJ Financial Group	482,646,875	2	3.8	
6=	UBS	482,646,875	2	3.8	
8	RHB Banking Group	307,047,576	21	2.4	
9	Malaysian Industrial Development Finance	305,945,569	80	2.4	
10	HSBC Banking Group	264,468,000	4	2.1	
11=	UAE (Government)	120,000,000	1	0.9	
11=	Far Eastern International Bank	120,000,000	1	0.9	
11=	Islamic Development Bank	120,000,000	1	0.9	
11=	Abu Dhabi Islamic Bank	120,000,000	1	0.9	
11=	Qatar International Islamic Bank	120,000,000	1	0.9	
16	AMMB Holdings	56,263,923	11	0.4	
17	OSK Holdings	48,189,382	6	0.4	
18	EON Capital	45,849,687	19	0.4	
19	Affin Holdings	45,321,230	5	0.4	
20	United Overseas Bank	29,101,705	4	0.2	

SUKUK ISSUERS		(12 months)		NOV 2008 - NOV 2009	
	Issuer	Issuer Commitment (in US\$)	Issues	Market Share %	
1	Malaysia (Government)	8,376,950,140	23	17.7	
2	Bank Negara Malaysia	6,188,829,558	109	13.1	
3	BNM Sukuk	4,347,802,334	20	9.2	
4	Bank Indonesia	3,923,103,936	53	8.3	
5	Petronas Global Sukuk	3,000,000,000	2	6.3	
6	Dubai DOF Sukuk	1,930,587,500	2	4.1	
7	Saudi Electricity	1,866,522,000	1	3.9	
8	Khazanah Nasional	1,700,063,549	5	3.6	
9	Terengganu Investment Authority	1,419,647,927	8	3.0	
10	Indonesia (Government)	1,300,000,000	2	2.7	
11	TDIC Sukuk	1,000,000,000	1	2.1	
12	Perusahaan Penerbit SBSN Indonesia	874,630,134	6	1.8	
13	Cagamas	866,277,815	26	1.8	
14	ESSO Malaysia	787,701,644	14	1.7	
15	Pengurusan Air SPV	739,865,000	3	1.6	
16	Sime Darby	679,552,538	5	1.4	
17	Syarikat Prasarana Negara	577,872,000	2	1.2	
18	MISC	572,905,000	6	1.2	
19	Danga Capital	454,287,337	2	1.0	
20	Pakistan (Government)	440,994,225	3	0.9	

SUKUK ISSUERS		(3 months)		AUG 2009 - NOV 2009	
	Issuer	Issuer Commitment (in US\$)	Issues	Market Share %	
1	BNM Sukuk	2,956,977,500	13	21.1	
2	Malaysia (Government)	2,380,002,800	9	17.0	
3	Dubai DOF Sukuk	1,930,587,500	2	13.8	
4	Bank Indonesia	1,081,452,113	13	7.7	
5	TDIC Sukuk	1,000,000,000	1	7.1	
6	Pengurusan Air SPV	739,865,000	3	5.3	
7	Khazanah Nasional	706,310,000	2	5.0	
8	Sime Darby	594,088,000	3	4.2	
9	Syarikat Prasarana Negara	577,872,000	2	4.1	
10	MISC	288,936,000	3	2.1	
11	Rantau Abang Capital	287,900,000	1	2.1	
12	ESSO Malaysia	263,637,000	3	1.9	
13	Malakoff	175,824,000	1	1.3	
14	Pakistan (Government)	174,265,020	1	1.2	
15	CIMB Islamic Bank	86,680,800	1	0.6	
16	Perusahaan Penerbit SBSN Indonesia	79,677,100	2	0.6	
17	Hytex Integrated	49,115,596	14	0.4	
18	Hubline	43,842,380	4	0.3	
19	Projek Lintasan Shah Alam	36,630,000	8	0.3	
20	Goodway Integrated Industries	32,150,155	7	0.2	

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 24th NOVEMBER 2009

LOAN MANDATED LEAD ARRANGERS					NOV 2008 – NOV 2009		LOAN BOOKRUNNERS		(12 Months)		NOV 2008 - NOV 2009	
	Lender	Pro Rata (\$)	Full Credit (\$)	Deals	Market Share %	Lender	Pro Rata (US\$)	Full Credit (US\$)	Deals	Market Share %		
1	Dubai Islamic Bank	1,365,903,212.63	3,283,225,701.00	4	15.18	1	Qatar Islamic Bank	1,100,000,000.00	1,100,000,000.00	1	23.88	
2	Samba Financial Group	1,216,530,730.61	4,243,632,889.79	3	13.52	2	Standard Chartered	542,112,850.50	1,821,225,701.00	2	11.76	
3	Qatar Islamic Bank	1,100,000,000.00	1,100,000,000.00	1	12.22	3	Dubai Islamic Bank	495,500,000.00	2,109,000,000.00	2	10.75	
4	National Commercial Bank	848,030,730.61	2,769,632,889.79	2	9.42	4=	Al Rajhi Banking & Investment	387,500,000.00	775,000,000.00	1	8.41	
5	Standard Chartered	687,864,557.16	3,842,225,701.00	5	7.64	4=	Calyon Corporate & Investment Bank	387,500,000.00	775,000,000.00	1	8.41	
6	Calyon Corporate & Investment Bank	430,961,344.54	2,796,000,000.00	4	4.79	6=	Al Hilal Bank	368,500,000.00	1,474,000,000.00	1	8.00	
7	Al Hilal Bank	368,500,000.00	1,474,000,000.00	1	4.09	6=	Samba Financial	368,500,000.00	1,474,000,000.00	1	8.00	
8	HSBC	275,961,344.54	2,021,000,000.00	3	3.06	8	Mashreqbank	173,612,850.50	347,225,701.00	1	3.76	
9=	Alinma Bank	214,714,285.71	1,503,000,000.00	1	2.38	9	Barclays Bank	150,000,000.00	150,000,000.00	1	3.25	
9=	Bank of China	214,714,285.71	1,503,000,000.00	1	2.38	10=	Noor Islamic Bank	127,000,000.00	635,000,000.00	1	2.75	
11	Al Rajhi Banking & Investment	172,647,058.82	1,075,000,000.00	2	1.91	10=	Industrial & Commercial Bank of China	127,000,000.00	635,000,000.00	1	2.75	
12	Emirates Bank	170,403,212.63	982,225,701.00	2	1.89	10=	WestLB	127,000,000.00	635,000,000.00	1	2.75	
13=	National Bank of Kuwait	155,000,000.00	775,000,000.00	1	1.72	10=	Emirates Bank	127,000,000.00	635,000,000.00	1	2.75	
13=	Standard Bank Group	155,000,000.00	775,000,000.00	1	1.72	14=	Gatehouse Bank	41,666,666.67	125,000,000.00	1	0.90	
13=	Gulf Bank of Kuwait	155,000,000.00	775,000,000.00	1	1.72	14=	BNP Paribas	41,666,666.67	125,000,000.00	1	0.90	
16	Barclays Bank	150,000,000.00	150,000,000.00	1	1.66	14=	Liquidity Management House for Investment	41,666,666.67	125,000,000.00	1	0.90	
17	WestLB	144,647,058.82	935,000,000.00	2	1.60							
18=	Qatar International Islamic Bank	137,500,000.00	275,000,000.00	1	1.52							
18=	Qatar National Bank	137,500,000.00	275,000,000.00	1	1.52							
20=	Noor Islamic Bank	127,000,000.00	635,000,000.00	1	1.41							
20=	Industrial & Commercial Bank of China	127,000,000.00	635,000,000.00	1	1.41							
22=	Arab Bank Group	61,247,058.82	518,000,000.00	2	0.68							
22=	Societe Generale	61,247,058.82	518,000,000.00	2	0.68							
24	Mashreqbank	61,050,271.45	647,225,701.00	2	0.67							
25=	Arab African International Bank	43,403,212.63	347,225,701.00	1	0.48							
25=	Abu Dhabi Islamic Bank	43,403,212.63	347,225,701.00	1	0.48							
25=	First Gulf Bank	43,403,212.63	347,225,701.00	1	0.48							
25=	Ajman Bank	43,403,212.63	347,225,701.00	1	0.48							
29	BNP Paribas	42,647,058.82	425,000,000.00	2	0.47							
30=	Liquidity Management House for Investment	25,000,000.00	125,000,000.00	1	0.27							
30=	Ahli United Bank	25,000,000.00	125,000,000.00	1	0.27							
30=	Boubyan Bank	25,000,000.00	125,000,000.00	1	0.27							
30=	Gatehouse Bank	25,000,000.00	125,000,000.00	1	0.27							

ISLAMIC LOANS RAISED					(12 Months)		NOV 2008 – NOV 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	Saudi Binladen Group	Saudi Arabia		1,266,632,890								
4	Qatari Diar Real Estate Investment	Qatar		1,100,000,000								
5	Borse Dubai	UAE		827,000,000								
6	Zain	Saudi Arabia		775,000,000								
7	Dubai Department of Civil Aviation	UAE		635,000,000								
8	Al Ghurair Centre	UAE		347,225,701								
9	Al Dur Power & Water	Bahrain		300,000,000								
10	Qatar Real Estate Investment	Qatar		275,000,000								
11	Dolphin Energy	UAE		218,000,000								
12	PODS Enterprises	US		150,000,000								
13	Burgan Co for Well Drilling Trading & Maintenance	Kuwait		125,000,000								

ALL DATA AS OF THE 24th NOVEMBER 2009

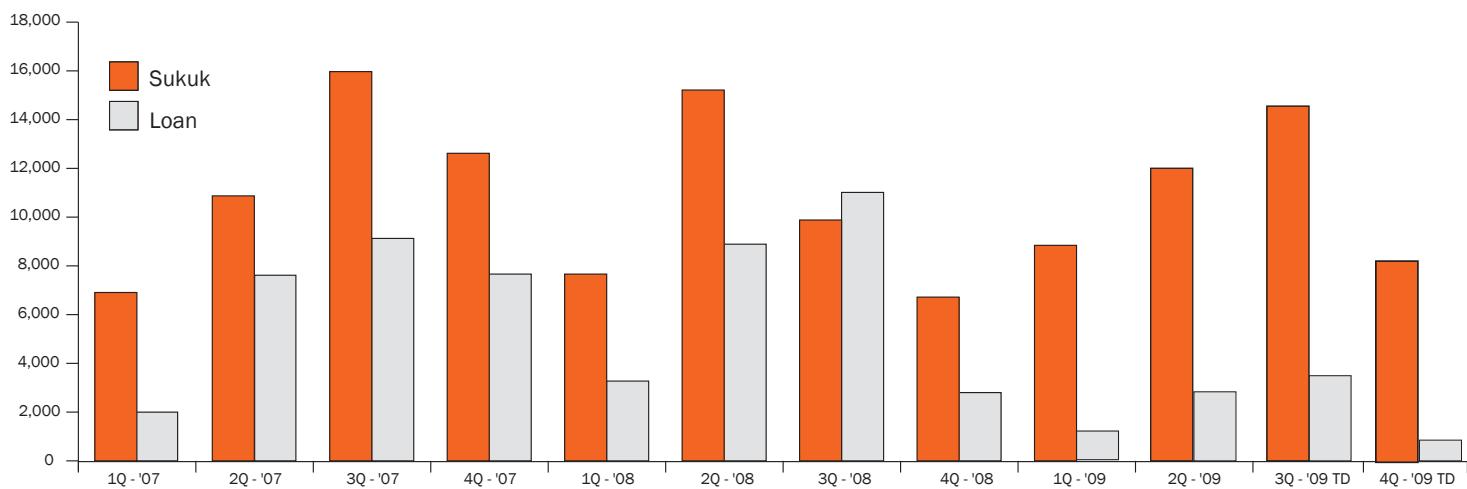
SUKUK BY COUNTRY	(12 Months)	NOV 2008 – NOV 2009
Country	Volume Issued	Volume Outstanding
Malaysia	32,352,457,270	21,569,270,106
Eurobond	5,080,587,500	5,080,587,500
Indonesia	4,941,236,764	1,354,225,736
US	2,150,000,000	2,150,000,000
Saudi Arabia	2,073,188,667	2,073,188,667
Pakistan	440,994,225	440,994,225
Bahrain	209,298,722	18,269,400
Singapore	88,907,998	88,907,998
Cayman Islands	-	-
UAE	-	-
Jersey	-	-

LOANS BY COUNTRY	(12 Months)	NOV 2008 – NOV 2009
Country	Volume (US\$)	Market Share(%)
Saudi Arabia	3,544,632,890	39.4
UAE	3,501,225,701	38.9
Qatar	1,375,000,000	15.3
Bahrain	300,000,000	3.3
US	150,000,000	1.7

SUKUK BY INDUSTRY	(12 Months)	NOV 2008 – NOV 2009
Industry	Volume Issued	Volume Outstanding
Sovereign	20,362,539,043	10,454,037,273
Other financial	16,813,710,624	14,306,896,501
Agency	2,685,827,261	2,629,041,344
Electric power	2,135,484,615	2,135,484,615
Manufacturing	2,083,248,709	1,194,116,130
Transportation	1,389,406,194	1,233,372,105
Energy company	908,913,978	141,985,355
Service company	402,200,637	253,790,326
Banks	350,133,384	350,133,384
Consumer goods	136,211,813	76,586,601
Gas distribution	-	-

LOANS BY INDUSTRY	(12 Months)	NOV 2008 – NOV 2009
Industry	Volume (US\$)	Market Share(%)
Utilities	3,277,000,000	36.4
Real estate	1,375,000,000	15.3
Construction	1,266,632,890	14.1
Financial services	827,000,000	9.2
Telecommunications	775,000,000	8.6
Government	635,000,000	7.1
Retail and supermarkets	347,225,701	3.9
Oil and gas	343,000,000	3.8

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



EVENTS DIARY 2009/2010

DATE	EVENT	VENUE	ORGANIZER
December			
6 th – 8 th	16 th World Islamic Banking Conference	Bahrain	MEGA Events
14 th	Kuala Lumpur Takaful Conference 09	Kuala Lumpur	IBFIM
14 th – 15 th	2 nd Annual MENA Infrastructure Finance Conference	UAE	Fleming Conferences
February 2010			
7 th – 8 th	Middle East Insurance Forum	Bahrain	MEGA Events
8 th	IFN Roadshow Nigeria	Nigeria	Islamic Finance events
11 th – 12 th	The Pan African Islamic Banking & Finance Summit	Nigeria	AIFA
March 2010			
1 st – 4 th	11 th Annual Hedge Funds World Middle East 2010	Dubai	Terrapinn
2 nd – 3 rd	1 st Islamic Finance & Investment Forum for the Middle East	Jordan	IFIF
10 th – 11 th	The World Islamic Restructuring & Risk Management Conference	Bahrain	Advantage Expo
22 nd – 23 rd	5 th Seminar on the Regulation of Takaful	Dubai	IFSB
22 nd – 23 rd	The 5 th Islamic Banks and Financial Institutions conference	Syria	Al Salam
April 2010			
11 th – 12 th	World Takaful Conference	Dubai	MEGA Events
13 th	IFN Roadshow Singapore	Singapore	Islamic Finance events
14 th – 15 th	The International Conference on Islamic Banking & Finance	Africa	AlHuda CIBE
15 th	IFN Roadshow Indonesia	Indonesia	Islamic Finance events
26 th	IFN Roadshow Thailand	Thailand	Islamic Finance events
May 2010			
11 th – 12 th	7 th Islamic Financial Services Board Summit	Bahrain	IFSB
11 th	IFN Roadshow Hong Kong	Hong Kong	Islamic Finance events
14 th	IFN Roadshow Australia	Australia	Islamic Finance events
18 th – 20 th	World Islamic Economic Forum Foundation	Kuala Lumpur	WIEF Conference
June 2010			
7 th	IFN Roadshow Kazakhstan	Kazakhstan	Islamic Finance events
9 th	IFN Roadshow Egypt	Egypt	Islamic Finance events
11 th	IFN Roadshow Turkey	Turkey	Islamic Finance events
July 2010			
13 th	IFN Roadshow Japan	Japan	Islamic Finance events
15 th	IFN Roadshow Korea	Korea	Islamic Finance events
October 2010			
21 st	IFN Roadshow Canada	Canada	Islamic Finance events
25 th	IFN Roadshow UK	UK	Islamic Finance events

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