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Sukuk reigns supreme

Infrastructure projects are by definition long term, so Sukuk is the most viable vehicle to raise funds for them. If there are no long-term projects the issuance is unjustified.

So it is no surprise that the Asian Development Bank is now considering the instrument as an avenue to raise long-term funds. (The bank was founded to promote economic and social development in Asian and Pacific countries and needs an annual fund of at least US$300 billion to fund infrastructure projects.)

On that very note, RAM unfortunately sees a drop in Sukuk issuance in Malaysia. There simply are not enough long-term projects to sustain the exercise.

In contrast, after much speculation, Lebanon's central bank finally decided not to issue sovereign Sukuk. With a GDP of US$29 billion in 2009 the country's central bank is right to choose not to allow an abundance of cash that would inevitably lead to inflation.

In 2005, Dubai Multi Commodities Centre issued a US$200 million Islamic bond which recently reached its maturity. Its investors from all across Asia and Europe have the choice to receive payments in the form of US$ or gold bars, sending reassuring signals to the community on the trustworthiness of the Sukuk.

It is evident that non-Islamic countries and leading global non-governmental organizations by and large endorse the financial instrument as a viable and effective method of raising funds.

Sweden, which is not an Islamic country, is trying to raise funds for its own development and may issue Shariah financial instruments including Sukuk to boost trade with Saudi Arabia.

In other news, Hong Kong is falling back on its centuries old strategy of capitalizing on its geography as a financial and trading hub. They are looking into modifying existing legal and tax frameworks to accommodate Islamic finance and the potential role of a -special purpose vehicle (SPV) to bridge the gap between middle east investors and mainland China.

This week we showcase Canada and its Islamic finance hotspots as well as how technology is supporting Islamic banking and financial systems.

We also speak with Andrew Petry, partner and head of Islamic finance at London's Addleshaw Goddard about his role in the industry.

In light of Greece's disastrous exposure to the European economic crisis, it leaves the country with little alternative but to turn to Islamic bonds in particular to save it from bankruptcy. Unless of course the European central bank comes to the rescue in 9 days.

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AFRICA

Opening its doors

ALGERIA: Currency and Credit Council, the country's monetary authority is amending its legislation to allow banks to combine Islamic and conventional finance by 2011, said Banks and Financial Institutions Association general commissioner Adderrahmane Ben Khalfa.

Under the new legislation, banks will be able to offer Islamic banking products and services to their customers.

They can also establish Shariah supervisory boards to watch and approve financial and banking transactions.

Double offer

TANZANIA: Stanbic Bank Tanzania, a member of the Standard Bank Group, has launched two Islamic products.

One is a transactional product called 'TransactPlus' and the other is a current account which is Shariah compliant and provides the same features offered by conventional accounts.

Its managing director Bashir Awale said: "Tanzania is an important market for the banking group being the gateway to East Africa, where 50% of the population is Muslim."

Spread the word

TANZANIA: Finance and economic affairs minister Mustafa Mkulo has urged commercial banks in the country to educate Tanzanians on the availability of Islamic banking products.

Mkulo said this will increase the size of bankable population in the country. It is estimated that only 10% of Tanzanians hold bank accounts.

Narrow mindset

KENYA: Africa's Islamic finance industry needs to overcome negative views among non-Muslims to successfully expand into predominantly Christian sub-Saharan Africa, according to an industry leader.

Gulf African Bank chairman Suleiman Shahbal who acknowledged that Islamic finance is often seen as exclusive to Muslims only, said that: "This is a business and frankly we are indifferent to whether you are Muslim, Christian, Hindu or a non-believer."

Northern Africa is predominantly a Muslim territory, where countries such as Egypt and Sudan have offered Islamic banking for decades. Now some lenders are looking to expand into sub-Saharan nations, such as Uganda which is 80% Christian.

AMERICAS

Pioneer Shariah mortgage

CANADA: Assiniboine Credit Union (ACU) has launched the country's first Islamic mortgage. The new mortgage product is based on the Diminishing Musharakah principle (a declining balance partnership).

ACU vice-president of corporate social responsibility Priscilla Boucher, said the product has been in the works for four years, since the company was approached by members of the Muslim community.

ASIA

Financing deal

MALAYSIA: SILK Holdings has secured an eight-year Musharakah mutanaqisah

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financing facility worth RM85.5 million (US$27 million) from Maybank Islamic.

The financing facility was given to its 70% owned subsidiary Jasa Merin (Malaysia) to partly finance the construction of two units of anchor handling tug supply vessels.

Shariah banks see growth

INDONESIA: The Islamic banking sector is on a growth trajectory. Data from Bank Indonesia (BI) show that assets of Shariah banks have risen from IDR1.79 trillion (US$197 million) in 2000 to IDR66.089 trillion (US$7.28 million) at the end of 2009, maintaining an average growth of 53% per year over the past eight years.

BI is optimistic that the industry will grow more impressively in the future as a result of the country's favorable regulatory conditions.

Sukuk plan

PHILIPPINES: The Asian Development Bank (ADB) plans to issue an Islamic Medium Term Notes program worth several billion dollars to finance infrastructure in Asia, according to an official.

ADB director, Southeast Asia Jaseem Ahmed said: "In Asia, we need at least US$300 billion of investments every year in infrastructure, water, roads and communications."

Ahmed did not provide any details on the Sukuk issuance.

Potential buyers

INDONESIA: Bank Islam Malaysia and Middle Eastern investors are keen to buy a stake in Bank Muamalat, to tap the country's vast but untested Islamic banking market.

The potential investors want to take a stake in Bank Muamalat, the country's biggest Islamic bank, via a planned IDR1 trillion (US$110 million) rights issue in June, said its finance director Andi Buchari Fathoeddin.

Sukuk slowdown

MALAYSIA: RAM Holdings expects corporate bond sales (including Sukuk) to fall this year due to the current lack of infrastructure projects in the country.

According to its subsidiary RAM Rating Services, infrastructure lending accounts for some 20% to 30% of private debt issuances.

According to its annual report, RAM Ratings expects about RM55 billion (US$16.7 billion) to RM60 billion (US$18.3 billion) of gross corporate bonds and Sukuk to be issued this year.

Ambitious plans

HONG KONG: Hong Kong Monetary Authority executive director (monetary management) Edmond Lau has said that the government is committed to developing Islamic finance in the country.

Lau said this in his opening keynote address, during the Hong Kong Islamic Finance news Roadshow.

He said Hong Kong's small Muslim population will not be a deterrent to the government's plans to develop Islamic finance further.

(Also see IFN Report on page 9)

Saving account

INDONESIA: BNI Syariah launched a new Shariah-based saving account, BNI iB Plus, targetting businessmen, professionals and sellers, said the bank's vice president and head of project at the Shariah unit Rizqullah.

This new saving account will provide customers with more transaction details such as transfer and cash withdrawal.

In addition, customers who open this account will be given a BNI Syariah debit card.

Sukuk 1Malaysia

MALAYSIA: The government will be issuing the Sukuk 1Malaysia 2010 amounting to RM3 billion (US$940 million) on the 21st June, targetting Malaysian citizens aged 21 years and above. Bank Negara Malaysia has been appointed to issue the Sukuk on behalf of the government.

The Sukuk has a three-year tenure and offers a return of 5% per annum. It has a resaleable feature which provides flexibility for investors to sell and purchase the Sukuk before the maturity date.

The subscription period for the Sukuk is from the 20th May to the 9th June, 2010. The minimum subscription amount is RM1, 000 (US$313) and the maximum is RM50, 000 (US$15,670) per subscriber.

Sukuk Ijarah

SINGAPORE: Citydev Nahdah has issued a SG$50 million (US$36 million) Ijarah-based Islamic Trust Certificate.

The Sukuk carries a profit rate of 2.34% and will mature on the 11th May 2013.

CIMB-GK Securities is the lead manager for the Sukuk.

Popular destination

MALAYSIA: More Shariah funds are expected to make inroads into overseas markets, especially Asia, in view of the improving economy and investors diversifying their portfolio for better returns, according to experts.

Pacific Mutual Fund CEO and chief investment officer Michael Auyeung said it was inevitable for these funds to invest abroad, as more investors are keen to reduce risk concentration in the local market.

Since the beginning of this year until March, nine Shariah compliant funds (seven foreign and two domestic) have been launched in various markets, notably in the Asia Pacific region.

Double appointment

MALAYSIA: EON Capital has appointed MIMB Investment Bank as its principal advisor in relation to the proposed takeover offer by Hong Leong Bank.

EON Capital has also engaged Credit Suisse Securities (Malaysia) as its independent financial advisor.

EONCap Islamic is a unit of EON Capital.

Staying safe

INDONESIA: The country has trimmed the size of its planned sales of Islamic and yen-denominated debt due to its concern that

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Greece's debt crisis will spread in Europe, according to an Indonesian finance ministry official.

The finance ministry's head of debt management Rahmat Waluyanto said the bonds will be sold at benchmark size. However, he did not reveal the exact size. A benchmark sale typically means US$500 million.

Indonesia has been selling bonds in domestic and international markets to help raise funds to plug a budget deficit estimated to reach 2.1% of gross domestic product this year.

A feather in its cap

MALAYSIA: Kuwait Finance House (Malaysia) (KFH-Malaysia) has become the first foreign and Islamic financial institution to open a currency exchange at the Kuala Lumpur City Air Terminal in KL Sentral.

CEO Jamelah Jamaluddin said KL Sentral was chosen because it is the focal point for both business and leisure travelers.

Its other two currency exchange outlets are located at the Kuala Lumpur International Airport and Pavilion Kuala Lumpur.

Yes to Shariah fund

KOREA: The Financial Supervisory Service has approved the country's first Islamic investment fund, the Yurie Shari'ah Compliance Korea Index, according to a report.

Yurie Asset Management, a subsidiary of Bookook Securities Company, is responsible for the new fund.

The new Shariah fund invests in 78 local Korean blue chips based on Islamic principles.

EUROPE

Chosen one

TURKEY: Nomura International has chosen ABC Islamic Bank as the "initial mandated lead arranger" and bookrunner to arrange a three-year US$50 million Commodity Murabahah Financing Facility.

The Commodity Murabahah-based facility which offers a profit margin of 175 basis points per annum comes with a guarantee by Nomura Holdings. It is scheduled to close in June.

The facility will be used for general liquidity management purposes.

Sukuk plan

SWEDEN: State-run Swedish Export Credit Corporation may issue Islamic bonds or tap other Shariah compliant financial instruments to boost trade with Saudi Arabia, its biggest trade partner in the Middle East and Africa.

To date, a delegation from the corporation has met up with Alinma Bank, Al Rajhi Bank and Banque Saudi Fransi to discuss the plan, said its executive director (corporate and structured finance) Måns Höglund.

Höglund however refused to disclose further details on the matter, except to say that no decision has been reached on the issuance of a Sukuk or other Islamic-based financial instruments.

In the black

TURKEY: Bank Asya posted a 12% increase in its first-quarter profit to reach TRY59.2 million (US$37.7 million).

Bank Asya is a member of the Participation Banks Association of Turkey, along with Albaraka Türk, Kuveyt Türk, and Türkiye Finans.

GLOBAL

Growth hampered

GLOBAL: Asia's relatively illiquid currencies restrict the growth potential of Islamic finance in the region. This is because foreign investors have a limited appetite for holding local currency assets, according to PricewaterhouseCoopers (PwC).

PwC global Islamic finance leader Mohammad Faiz Azmi said: "It is quite unrealistic for us to expect them to come and invest in currencies such as the ringgit or rupiah. At some stage in the game, you'd need to convert it into a currency that they're more comfortable with."

Mohammad Faiz said Arab investors were more keen on investing their money in the US and Europe. "Right now Asia is not that interesting for them," he said.

Morale booster

GLOBAL: In a bid to boost transparency in the Islamic finance industry, Standard & Poor's Ratings Services (S&P) has assigned a 'Aaf'/'S1+' fund credit and volatility rating to a Luxembourg-based, US dollar-dominated

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fund managed by European Finance House, a subsidiary of Qatar Islamic Bank.

The Islamic finance industry came under scrutiny in the aftermath of Dubai World's debt troubles and some high profile defaults from Middle Eastern issuers, which caused investors to question the structure of such Islamic deals and the risks involved.

Huge jump

GLOBAL: Initial Public Offering (IPO) activity in the Middle East saw a five-fold increase in funds to US$420.5 million, in the first-quarter of 2010, according to Ernst & Young.

Five IPOs in Saudi Arabia and one in Qatar made up the geographical composition of the regional IPO market for the first quarter.

Mazaya Qatar Real Estate Development Company with an offer size of US$144.2million was the Middle East's largest IPO, followed by Saudi Arabia's Herfy Food Services (US$110.2 million) and Alsorayai Trading Industrial Group (US$64.8 million).

Solidarity Saudi Takaful Company, Amana for Cooperative Insurance and Wataniya Cooperative Insurance Company were the other three with offer sizes of US$59.2 million, US$34.1 million and US$8 million respectively.

MIDDLE EAST

Value consideration

UAE: Dubai Group may not be keen to sell its 30.5% stake in Bank Islam Malaysia because they see value in the bank, according to a report.

Dubai Group had initially hired investment bank Rothschild to find potential buyers. The sale was to help the Middle Eastern investor to shift its focus closer to home and settle its debt burden.

Both Dubai Group and Bank Islam were not immediately available for comment.

No need for extra cash

LEBANON: The country does not plan to issue a sovereign Islamic bond, as its banking system is flush with cash, said a central bank official.

Its first vice-governor Raed Charafeddine said the central bank has mopped up liquidity and that additional liquidity would only put upward pressure on prices.

Prior to this, there had been speculation that Lebanon considered issuing a Sukuk after it passed a law governing Islamic banks in 2004.

Bank purchase

BAHRAIN: Al Baraka Banking Group expects to buy a stake in Bank Muamalat Malaysia by the end of this year.

Its president and CEO Adnan Ahmed Yousif said it planned to grow its assets to about US$21 billion from US$14 billion currently over the next three years.

Yousif said the group is also planning to spend between US$30 million to US$50 million buying a bank in Indonesia and opening a representative office in Libya this year.

Islamic funding

UAE: Emirates Steel Industries (ESI) expects to seal a US$1.5 billion project finance loan with a seven-year term in the second-quarter of the year, said its chairman Hussain Jasim Al Nuwais.

Al Nuwais said the new loan, which is being arranged by at least ten local and international banks, will have an Islamic and a conventional tranche.

He explained that ESI will use the loan to refinance its two financing facilities, in addition to funding its expansion projects.

Profit slump

UAE: Dubai Islamic Bank (DIB) posted a 46% plunge in its first-quarter net profit to AED200 million (US$55 million).

The bank attributes the drop to the rising loan provisions and lower contribution from group companies.

Provisions weighed in on DIB's earnings in the last quarter, with the company posting a net profit of AED80 million (US$22 million), down 40% from 2008's fourth-quarter.

Special committee

UAE: The Dubai government has formed a committee of Nakheel creditors to deal directly with the developer as part of Dubai World's debt restructuring exercise.

The committee will negotiate independently from the main co-ordinating committee of Dubai World creditors, on which seven key banks to the conglomerate, including Emirates NBD and Standard Chartered Bank, are negotiating on behalf of more than 90 banks.

The move comes as an AED3.6 billion (US$980 million) Sukuk from Nakheel is due to be repaid on 13th May.

Solid feat

YEMEN: The total funding of Islamic and commercial banks reached YER444 billion (US$2.17 billion) in the first-quarter of this year, according to a report by the Central Bank of Yemen.

Deposits of these banks reached YER423 billion (US$2.07 billion) during the same period, while their foreign assets increased by 47% to YER2.2 billion (US$10.8 million).

Back with a force

UAE: Malaysia is expected to issue more international Sukuk and conventional bonds this year as companies look to the capital market to raise funds, according to officials from Standard Chartered Bank Malaysia (StanChart).

StanChart managing director and country head for client relationships, Nirukt Sapru attributed this to the fact that both Islamic and conventional bonds have rebounded from the economic crisis.

"We have seen a lot of international issuances and we ourselves have done quite a few transactions from the Middle East into Malaysia and also from other parts of the world," he said.

Law on debt

UAE: Government officials expect the public debt law to be introduced this year. It will also pave the way for the establishment of a debt management unit by the ministry of finance to closely regulate government debt and oversee all sovereign securities including bond issuances and Sukuk.

Concerns have emerged about the levels of government debt after a rise in Dubai's debt burden, as the emirate attempted to reverse a slowdown in its property and financial services sectors

Utility firm profits

SAUDI ARABIA: Saudi Electricity Company has raised SAR7 billion (US$1.87 billion) in its offering of a seven-year Islamic bond.

The sale was concluded on the 5th May.

HSBC Saudi Arabia and Samba Capital & Investment Management Company were the lead managers for the Sukuk.

Istisna financing

QATAR: Qatar Islamic Bank has signed a MoU with Al-Khor & Dakira Schemes & Services Company, to provide the firm with an Istisna financing facility for the QAR300 million (US$82 million) residential project in Al Khor.

The new development at Al Khor will provide residential accommodation consisting of 145 villas and 252 apartments.

Responsible debtor

UAE: Dubai Multi Commodities Centre (DMCC) has redeemed its five-year US$200 million Islamic bond. The payment was for the final US$20 million on the Sukuk.

The Sukuk, which was issued in May 2005, was subscribed by financial institutions across the Middle East, Asia and Europe who had the option of receiving repayments in either US dollars or gold bars.

The proceeds of the Sukuk were used by DMCC to finance the construction of commercial buildings in Jumeirah Lakes Towers, a 200 hectare mixed-use free zone administered by DMCC.

ASIA

Financial coverage

PAKISTAN: Prime Islami Life Insurance has signed a MoU with ICB Islamic Bank to provide a death and disability coverage to personal finance customers of the bank.

It was initially incorporated under the name of Prime Life Insurance Company in July 2000 and was later converted to an Islamic firm in April 2002.

Upcoming law

MALAYSIA: Perbadanan Insurans Deposit Malaysia (PIDM) will develop a legislation to introduce an explicit insurance compensation scheme for Takaful and insurance policyholders, according to the finance ministry.

The ministry said the move will enable Takaful and insurance policyholders to enjoy a similar level of consumer protection provided by PIDM for depositors in commercial and Islamic banks.

GLOBAL

Selling point

GLOBAL: The unique mutuality principle of Takaful is the key to promoting new business in light of increasing competition from traditional insurers and a difficult operational environment, according to an Islamic financial services consultant.

According to Ernst & Young director of Islamic financial services group Ashar Nazim, this important element is being overlooked as Takaful operators are concentrating more on price competition and market share.

"In this specialized market segment, customers need to know more about the mutuality concept rather than price," said Nazim.

MIDDLE EAST

Profit up

UAE: Abu Dhabi National Takaful Company has more than tripled its first-quarter net profit to AED1.4 million (US$1.2 million).

Its technical profit climbed 18% to AED10.3 million (US$2.8 million), while total cash and cash equivalent rose 3.6% to AED144 million (US$39 million).

ASIA

Strong support

MALAYSIA: RAM Rating Services (RAM) has reaffirmed the 'AA3'/'P1' ratings of Hong Leong Industries' RM500 million (US$156 million) Islamic Commercial Papers/Medium-Term Notes (2008/2015).

The long-term rating has a stable outlook. RAM head of consumer and industrial ratings Kevin Lim attributed the ratings to the solid business fundamentals of its main subsidiaries.

Outstanding feat

MALAYSIA: Malaysian Rating Corporation (MARC) has upgraded CIMB Islamic Bank's long-term financial institution rating to 'AAA' from 'AA+'.

At the same time, MARC has upgraded its rating on CIMB Islamic's Tier 2 Junior Sukuk Program to 'AA+IS' from 'AAIS'.

CIMB Islamic's financial institution rating is equalized to that of its parent, CIMB Bank, due to the strong support provided by the latter and the high degree of operational integration between the two banks and other entities operating under the CIMB Group.

The rating upgrades conclude a rating review for possible upgrades that was initiated by MARC in April on CIMB Islamic and its parent, CIMB Bank.

HKSAR considers Islamic bonds

HONG KONG: The Hong Kong Monetary Authority (HKMA) in its efforts to develop the country as an international Islamic financial center and the premier gateway to mainland China is currently engaged in modifying the existing regulatory and tax framework.

These changes scheduled for 2010 will have a prescriptive and religion-neutral approach providing a level playing field for both Sukuk and conventional bonds.

HKMA executive director of monetary management Edmond Lau disclosed these measures in his opening address at the Islamic Finance *news* roadshow held yesterday in Hong Kong.

"Due to its complex structure, the Sukuk issuance and trading in Hong Kong Special Administrative Region (HKSAR) may attract additional tax implications in terms of profits, property and stamp duty when compared with conventional bonds. It is necessary to align the tax treatment of Sukuk in par with conventional bonds. Therefore, during the initial stage of this legislative exercise, the focus will be on four types of Sukuk — Ijarah, Musharakah, Mudarabah and Murabahah," said Edmond Lau.

As an international financial center, HKSAR considers capitalizing on Islamic finance will position itself as the premier gateway for Middle East investors to access opportunities in the mainland.

"The abundance of oil-driven liquidity in the Middle East has created large investment needs. Since the global financial crisis, investors seeking increased returns have diversified into potentially high-yield assets. These assets are from emerging markets such as Asia and the mainland China, which has a growing demand for funds. So, HKSAR can become a niche market facilitator in the fund flow between the Middle East and China," he explained.

According to estimates made by the Sovereign Wealth Fund Institute, as of March 2010 the combined total assets under management of sovereign wealth funds of the GCC countries amounts to US$1.4 trillion. This represents more than one-third of global sovereign wealth funds and nearly one-fifth of global foreign exchange reserves.

Over the past 20 years, total infrastructure spending on mainland China has also increased by several folds creating the necessary background to attract more investment. Mainland authorities are looking at doubling its venture by increasing the total investment to US$1 trillion during the five-year period ending 2010. It is generally expected that infrastructure spending and the associated funding needs will remain high in mainland China in the course of continuous economic development.

In order to cater to this growing demand, HKSAR has already started putting in considerable efforts on various fronts, including raising its international profile, promoting human capital development and encouraging product development in the course of promoting Islamic finance.

"We have cooperated with other Islamic finance centers knowing that they are our potential competitors. The development of Islamic finance in individual economies is not a zero-sum game. Every economy has its own strengths and niches. Only by leveraging on each other's strengths can we create synergy and grow together," he added.

Brand building for Malaysian Sukuk

MALAYSIA: The national mortgage corporation Cagamas's (Cagamas) proposed international Sukuk issuance scheduled for June this year is expected to correct negative perceptions in the Middle East on Shariah compliance standards followed in Malaysia.

Cagamas recently decided to join hands with Al-Rajhi Bank and Investment Corp for the Malaysian ringgit-denominated issuance with the option to increase its value up to RM2 billion (US$611.5 million) based on the demand. According to analysts, the tie-up with Al-Rajhi will help Cagamas to eliminate the current unfavorable perception in the Middle East towards the Malaysian Sukuk and to standardize the issuance to meet the fundamentals similar to other Islamic countries in the Middle East.

"Some scholars believe that they have higher Shariah compliance levels in the Middle East and maintain better standards compared with Malaysia. This is a drawback for Malaysia, as its Islamic financial growth is hindered," said one analyst.

"Malaysia is first in class when it comes to Islamic finance centers in the world. The country follows the same set of stringent Shariah laws, the regulatory guidelines and does not compromise on any of the Islamic principles. The proposed joint venture is aimed to correct the perception towards Malaysia and to showcase the similarities of Shariah practices. In addition, this attempt will help investors in the Middle East to park their petro-dollars in a secured Shariah compliant market," he said.

Speaking to Islamic Finance *news*, Cagamas senior vice-president Aziz Ali confirmed that Al-Rajhi Bank was chosen to eliminate the wrong perception and to attract excess liquidity in the Middle East. "We chose Al-Rajhi Bank to make this issuance a success. However, it is too early to disclose further details," he said.

According to Bank Negara Malaysia and the Securities Commission Malaysia, the international Sukuk market has experienced an average annual growth rate of 40% in the recent past. This rate is expected to continue with more international issuance expected this year initiated by more local companies while creating the necessary background to encourage more investments from the Middle East. "This is a very good development for Malaysia to overcome the criticism on its Shariah compliance standard. The proposed issuance will pave the way for other financial products and Islamic banking services into the Middle East," said Imam Qazi the head of Islamic finance at Burges Salmon.

In addition to the International issuance, analysts expect RM30 billion (US$9.2 billion) worth of Shariah compliant bonds to reach the domestic market in 2010. These issuances mainly represent Malaysian private sector establishments and will help the country remain the world's largest Sukuk issuer while generating much-needed funds for its development programs.

According to Bank Negara Malaysia, Malaysia's emergence as the world's largest Sukuk market in 2008 in terms of number of issuance followed by a cumulative RM211 billion (US$65.4 billion) or 62% of the world's outstanding Sukuk shows the country's pioneer position and expertise it has in Islamic finance industry.

Reports by Ashwin Hemmathagama

Organizing Islamic Finance in North America

By Blake Goud

The Islamic finance industry is not new to North America. Home finance companies and mutual fund companies have been offering Shariah-compliant financing alternatives for Muslims in the US and Canada for more than 30 years. Unlike many other regions around the world — both majority Muslim countries and those with small Muslim minorities — the Islamic finance industry is incredibly fragmented in North America. A new organization, the Usury-Free Association of North America (UFANA) wants to change that.

There is a stark difference in the demographics of the Islamic finance industry in the US and Canada. The US has a larger absolute Muslim population that is concentrated in a few regions which primarily are Los Angeles, Texas, Chicago, Michigan, and Washington, DC. In these areas with the exception of Texas, there are Islamic financial institutions offering home finance (mortgage) products.

These institutions have partnered with quasi-governmental companies like Freddie Mac to provide capital to finance the underserved Muslim population who want to purchase a house using a Shariah compliant contract.

As these institutions developed, they have expanded their operations state-by-state across much of the US although some have remained focused more on their local markets. This has expanded the availability of Islamic home finance products greatly, particularly over the past decade, but there are few companies focused on capturing the national market.

The demographics in Canada are more concentrated since a majority of Canadian Muslims live in Ontario and many are located in the greater Toronto area. This provides an advantage because it reduces the costs associated with complying with various provincial regulations.

Despite the smaller absolute numbers of Muslims in Canada compared with the US, the problem has not been lack of demand. Canada does not have a comparable source of capital that the US has in Freddie Mac and Fannie Mae. Many Islamic home finance institutions in Canada have a consumer demand greater than their capital can accommodate and are constrained primarily by a shortage of capital to use to meet the existing demand.

Retail mutual funds

Much of the remaining activity within retail Islamic finance in North America has been concentrated in the mutual funds industry. The first mutual fund — the Amana Income Fund — was started in 1987 and was followed several years later by the Amana Growth Fund. Following the launch of the Dow Jones Islamic Market Indexes, two other companies began offering Islamic mutual funds in the US, the Azzad Funds and the Iman Fund (originally called the Dow Jones Islamic Fund).

In Canada, the mutual fund market has been slower to develop with several small players. Recently, the Amana Funds expanded their offering with a Developing World Fund, launched in 2009. Currently, the Amana Funds retain a dominant position in the North American market with 95% of total assets held in Islamic mutual funds being invested in the Amana Funds. The growth and income funds are the two largest Islamic mutual funds in the world according to Failaka, an organization that tracks Islamic mutual funds globally.

The most recent area of growth is in exchange-traded funds (ETFs). The Javelin Funds launched a Dow Jones International Islamic Market Index Fund in 2009. Two other fund companies are planning to offer Shariah compliant ETFs.

In the US, Florentez Investment Management has received the exemptive relief from the Securities & Exchange Commission which is necessary to launch their Shariah Shares ETF family. In Canada, UM Financial is launching an S&P/TSX60 Shariah Index Fund with Jovian Capital Corporation.

> "The Canadian market has seen far less inflow in Shariah compliant investments to date, although it currently has a stronger housing market than the US"

Wholesale real estate

In the wholesale arena, the situation is different. There has been significant inflow of capital into the US to finance Shariah compliant investment projects primarily in real estate, over the past two decades. Much of this money has originated in the Gulf Cooperation Council. In this area, the US has been seen as a good investment destination, in part for the diversification it provides alongside those investors' domestic and regional investments in the Gulf. But with the housing market collapse in the US, the flow of these investment funds dried up and has only just begun to recover.

The Canadian market has seen far less inflow in Shariah compliant investments to date, although it currently has a stronger housing market than the US. Canada also boasts a wealth of natural resources that should provide appeal to Shariah compliant investors looking for North American investment opportunities outside of real estate.

Recently, however, the flow of Shariah compliant investment funds into North American real estate has developed on both sides of the border. Within the US, Kuwait Finance House entered into a US$450 million joint venture with US-based real estate investment trust UDR, Inc The joint venture will invest in multi-family apartment buildings across the US.

In addition, Kuwait Finance House made a US$242 million investment for a 95% ownership stake of a nearly completed 40-storey office, retail and residential tower in Chicago with the remainder owned by Prism Company, a Chicago-based real estate development company.

Kuwait Finance House has also become active north of the border in Canada where it entered into a CA$450 million (US$439 million) joint venture with Killiam Properties Inc. The joint venture will acquire

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Organizing Islamic Finance in North America (continued)

residential real estate across Canada and is the first step in a strategy by Kuwait Finance to enter the Canadian market.

Depending upon market conditions, the company anticipates making further investments in industrial, administrative, rehabilitation or senior care real estate. Despite the emergence of Kuwait Finance House, so far there has been limited other investments from other Shariah compliant investors into North America.

Absence of Sukuk

Currently, Sukuk are a wholesale area of Islamic finance that has not been featured prominently and has been largely absent from the North American market. Only two Sukuk issuers based in North America have issued Sukuk: East Cameron Partners and GE Capital.

The former issued a US$165.67 million Sukuk in 2006 to fund exploration and production for its two fields in the Gulf of Mexico off the coast of Louisiana. The issuer declared bankruptcy in October 2008 and remains in bankruptcy. The Sukuk investors were recently approved to purchase East Cameron's ownership in the leases that were to be the source of oil and gas production necessary to repay investors.

The GE Capital Sukuk was issued in late 2009 to finance aircraft being leased to airlines. The Ijarah Sukuk purchased a portfolio of airplane leases from subsidiaries of GE Capital. At maturity, the GE Capital subsidiary repurchases the leases. The Sukuk was an asset-based Sukuk (an unsecured Sukuk) guaranteed by GE Capital.

Both the East Cameron and GE Capital Sukuk were exempt from registration under Regulation S, which restricts US-based investors from purchasing them which is in contrast to Rule 144A where US-based institutions are able to purchase the securities. This has led the domestic market for Sukuk to remain nonexistent.

There have been no Canadian Sukuk issuers, although in March 2010, UM Financial, an Islamic financial institution in Canada, announced that it is advising on four Sukuk worth a combined nearly US$2 billion. Like the US-based issuers, these issuers are expected to be targeting foreign investors, rather than the domestic market.

One of the areas where the wholesale and retail areas have the potential to combine business lines is by offering a Shariah compliant fixed income alternative fund. Muslim investors currently have only equities, real estate and (non-interest-bearing) cash accounts or Islamic certificate of deposits to choose from. The fixed income allocation, which is a standard part of a conventional investor's portfolio is entirely absent.

In order to create an Islamic fixed income fund, there would need to be significant issuance on the wholesale side. If the retail and wholesale segments of the Islamic financial industry worked together to meet this need, it would be a first. Historically, the retail side has largely focused on the domestic Muslim population while the wholesale side has targeted global (non-North American) investors.

IF services body

One aspect in which the Islamic finance industry in North America has lagged countries like the UK in the development of the industry is in having a financial services body that can advocate for the industry. In the UK, the government has publicly stated its commitment to attracting Islamic financial institutions and industry groups like Islamic Financial Services, London (IFSL) who have worked to provide information on the state of the industry in the country and globally.

In contrast, the institutions within the US and Canada have not had the benefit of an industry group that provides information on the Islamic finance industry. The US and Canadian governments have been diligently working within their regulatory framework to accommodate Islamic finance, but have not provided public guidance, let alone support for attracting Islamic finance.

However, this is beginning to change. UFANA recently held a conference in March 2010 in downtown Toronto shortly following the non-profit organization's launch. UFANA is working to provide information on the Islamic finance industry in the US and Canada as well as work with the country's respective governments to educate them about the Islamic finance industry.

The entrance of the interfaith organization UFANA, which focuses on Islamic finance as well as other usury-free forms of finance, provides a turning point for the industry in North America because it is the first organization to bring together the diverse institutions within the industry in an effort to promote the industry as a whole.

There are still many barriers from demography to government regulation, which have impeded the development of Islamic finance in North America, as well as the residual effects of the global financial crisis. However, within the forum of UFANA, which attracted many industry practitioners as well as academics and policymakers to its conference in Toronto, there should be a more concerted effort to educate the industry in North America, which has been sadly lacking until now.

It is encouraging for the growth of the industry in North America, home to some of the largest and deepest capital markets in the world, that the industry is beginning to develop a forum to spread accurate information about the market. But there are still many hurdles to jump. Financial services organizations and legal associations have yet to focus on attracting Islamic finance to the continent. The lone exception is the American Bar Association, which has an Islamic Finance Committee that has been quietly active for several years, primarily within the legal community.

The Islamic financial industry in North America has been dealing with a widespread domestic Muslim population and regulations that are designed for conventional financial products and has been slow to grow from just a few institutions operating in the 1980s, to many institutions offering products across much of North America market today. There, regulatory hurdles were created by a framework developed without Islamic finance in mind. It is through cooperation between individual Islamic financial institutions and regulators Islamic finance can flourish.

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Multicultural vs Islamic Banks – A Canadian Experience

By Omar Kalair and Dr Aznan Hassan

Islamic banking was initially intended to cater for the needs of Muslims. It has now been accepted to a large extent as an alternative to conventional banking. Its practices are now embraced by both Muslim and non-Muslim alike. In some countries Islamic finance has even moved from being a niche area of finance to mainstream finance.

But there are situations where the practice of Islamic finance, when specifically bearing the name 'Islamic finance', is not so well embraced. Secular states like Turkey make the use of the Islamic finance name difficult. Acceptance of the word by governments and societies where the Muslim community is a minority is not easy.

In this scenario, the practice of multicultural banking may be more appealing. This paper intends to examine the concept of multicultural banking and how it can be established without violating the principles of Shariah. Without bearing any Islamic name, the practice can still be bankable by the Muslims.

Islamic finance in Canada

The Toronto Stock Exchange (TSX) is the third largest stock exchange in North America and seventh largest in the world based on market capitalization and the world leader in mining sector listings.

> "With Canada being a destination for investments from many countries, there have been governmental discussions to look at the feasibility of offering a sovereign Sukuk in the near future"

In May 2009, Standard & Poor's launched the S&P/TSX 60 Shariah Index (Index), which consists of 25 constituent member companies, minus the non-Shariah compliant companies. For example, interest-charging companies, such as certain large Canadian banks are not part of the Index while companies like Research in Motion, Canadian Oil Sands Trust and Barrick Gold are.

A sizeable chunk of the Canadian Islamic financial market is served by UM Financial. The company services close to US$120 million home financing portfolios provided by Canadian financial institutions through a Mudarabah facility. Most of the company's growth is in its investment division UM Investment which launched the UM Real Estate Investment Fund. The company expects the fund to reach US$100 million. UM Realty provides real estate brokerage services for real estate properties bought across Canada.

With Canada being a destination for investments from many countries, there have been governmental discussions to look at the feasibility of offering a sovereign Sukuk in the near future. UM Advisory, a division of UM Financial, has made presentations to government agencies who have been exploring this opportunity.

At the moment, government lawyers are looking at amending a number of provisions in certain legislation and identifying unencumbered assets for the purpose of issuing a sovereign Sukuk. Asset identification is important since in certain types of Sukuk structures, such as an Ijarah Sukuk, the sovereign has to transfer the assets (such as a government building) to the Sukuk.

Most if not all sovereign Sukuk to date involve the transfer of real estate by the sovereign to the special purpose vehicle or SPV that constitutes the Sukuk structure for a certain period of time, after which it is sold back to the sovereign. Such transfers are not always simple and involve taxation issues such as withholding taxes which need to be worked out. These are standard issues for any sovereign Sukuk but the good news is that a team is already working on them. Having a sovereign Sukuk in Canada would open the doors for many more structured Sukuk, such as corporate Sukuk, which could further enhance Toronto's role as a hub for Islamic finance in North America.

In late 2009, UM Financial launched the iFreedom Plus MasterCard in a joint venture with Mint Technology to fill the need for a payment solution. The card is a prepaid MasterCard that functions like a credit card but without interest charges since the balance is pre-paid. The company now retains a new three member Shariah Ethics Board which include Sheikh Nizam Yaqoobi, Dr Aznan Hassan and Dr Mufti Zubair Usmani.

Multicultural banking: The concept

The concept of multicultural banking is not new in Canada. Its practices can be found in many Canadian banks where multicultural banking divisions are set up with the task of bringing in new immigrants by offering retail-banking services to help their financial integration into Canada.

This offers the banks access to new deposits and allows immigrants a more convenient way to manage their financial needs like deposits, financing and other facilities including money transfers abroad, without violating their principles and values.

In some circumstances, other considerations will be given to attract certain target groups in society. Notwithstanding all the different features that it may have, the common feature being shared by this concept is that, it does not employ any term that can be associated with any particular ethnic group or religion, like Muslim, Chinese, Indian, Jewish and such.

The concept of the multicultural bank as envisaged in this proposal will have these basic features.

- **Name**
  The bank would not be using any name that connotes direct affiliation to any particular ethnic group, religion or segment of Canadian society:

- **Foundation**
  It is anticipated that this multicultural bank shall not, in any way contradict the principles of Shariah. In this sense, it is equal to other Islamic banks where the practice of banking shall follow the guidelines and standards issued by the Shariah

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Multicultural vs Islamic Banks – A Canadian Experience (continued)

Muslim population in Canada, 2001 and 2011 (Estimates)

Region	2001	2011 (Estimates)	Share of Population	Share of Canadian Muslim Population
Canada	579,640	1,103,300	2.0%	100.0%
Ontario	352,525	698,800	3.1%	60.8%
Quebec	108,620	194,800	1.5%	18.7%
British Columbia	56,215	102,600	1.5%	9.7%
Toronto, Ontario	254,110	505,700	5.5%	43.8%
Vancouver	52,590	92,100	2.7%	9.1%
Calgary, Alberta	25,920	43,700	2.7%	4.5%
Montreal, Quebec	100,185	179,400	3.0%	17.3%
Ottawa	41,725	74,400	4.0%	7.2%

Source: Statistics Canada. 2001 Census, "Religions in Canada". Data available from www12.statcan.ca/english/census01/home/index.cfm. Estimates for 2010 are from Belanger, A. and E. Caron Malefant, 2005. Population projections of visible minority groups, Canada, provinces and regions. Ottawa, Ontario: statistic Canada, Table A2, page 53.

Courtesy: Yasaar Media.

Supervisory Board of the bank.

- **Supervisory bank**
  This is the unique feature of a multicultural bank. Instead of having a Shariah Supervisory Board, multicultural banking will have a Multicultural Supervisory Board that consists of representatives from various religions, like Judaism, Christianity, Hinduism and such.

- **Target market**
  Even though the target market is wide and encompassing for all Islamic banks, it will take a longer time for them to make inroads to non-Muslim communities. On the other hand, due to its universal appeal, the multicultural bank immediately holds a bigger target market as it caters for every ethnic group in society.

- **More inclusive**
  Since the multicultural bank does not employ any particular name nor is affiliated to any particular ethnic group or religion, its practice is more inclusive and receptive to the Canadian society.

- **Ethical filters and values**
  Since the multicultural bank is inclusive, it is anticipated that various ethical values and filters will also be upheld by the bank. This is not something new in Islamic finance. Having studied many of these ethical principles, one will simply appreciate it and realize that these ethical values are very Islamic.

Other multicultural clientele

Globally, multicultural banking is also not new and has in fact been practiced throughout the world:

- **Dharmic finance**
  Although Islamic finance may currently be the most prominent example of faith-based finance, other faiths have also been making inroads around the world. In early 2008, Dow Jones and Dharma Investments, a private Indian faith-based investment firm, announced the launch of the Dow Jones Dharma Indexes. The indexes measure the performance of companies that conform to the value systems and principles of Dharmic religions such as Hinduism and Buddhism .

- **Christian and Catholic finance**
  On the same day the creation of the Dow Jones Dharmic Indexes was announced, IW Financial, a provider of custom indexes, rolled out the IWF Catholic Values Index and the IWF Conservative Christian Values Index. Working on a similar model as the Dow Jones faith-based indexes, IW Financial used filters based on Christian and Catholic teachings. The indexes are available to exchange-traded funds, separate-managed accounts as well as advisors creating their own portfolios.

- **Kosher finance**
  Currently, strictly observant Jews avoid placing their money because of prohibitions in Halakha (Jewish law). For instance, investment in corporate bonds are not allowed because charging interest on loans is forbidden, except when the company has been given special permission to do so. Investments are also avoided in companies that work on the Jewish Sabbath or sell non-kosher foods.

Conclusion

After five years of operations and serving members of different faiths, UM Financial concludes that while Islamic finance works in Muslim majority countries, the ideal setup for Muslim minority countries is a multicultural bank operation. The features and benefits of Islamic financial standards can be applied in a generic way to highlight the products to all society.

This would result in a bank being more open and inclusive than a dedicated Islamic finance bank. It is hoped that by having a multicultural bank, the principles of Shariah can be more appreciated and accepted by the multicultural society of Canada, even though the word Islam is not used.

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Canada: Islamic Finance's Missed Opportunity?

By Guy David

Despite all the talk of Islamic finance (IF) transformation from exotic niche market to mainstream investment, IF continues on the side lines of the world's greatest and safest investment destinations — the economic marvel that is Canada.

The Canadian economic and cultural landscape

Canada truly does have an enviable economic record. It has among the world's highest per capital income levels, lowest debt to GDP ratios, and federal budgets that have been in surplus or balanced for many years (excepting 2009 stimulus measures). Canada's inflation has also remained stable in the 2% range for the past 15 years or so.

The Canadian banking system fared best in the world during the economic recession, with six of the country's seven largest banks and credit organisations being ranked in the top 50 of the world's safest banks by Global Finance in 2009. For the second year in a row, the World Economic Forum has ranked the Canadian financial system the safest in the world.

Canadian sovereign and provincial bonds are a top holding of conventional institutional investors world wide. In fact, Government of Canada bonds are considered so low risk that a credit default swap market for them does not even exist. The 3.88% coupon on the 30-year Government of Canada bond in the midst of the European debt crisis speaks to the value and economic stability investors attribute to Canada.

The Canadian corporate bond market offers spreads over Canada's that are among the lowest in the world. The "Maple" bond market — Canadian dollar issuances in Canada by international institutional and corporate issuers — is vibrant, liquid and deep.

Canada is also home to one of the world's greatest oil reserves. Canada sits above the biggest petroleum deposit outside the Arabian peninsula — 180 billion barrels in proven reserves and an estimated 300 billion "recoverable" barrels.

More importantly however, the Canadian oil sands contain another trillion-plus barrels that will one day be within reach as the price of oil rises and technology improves retrieval methods and efficiency. By contrast, the entire Middle East holds only an estimated 685 billion proven barrels, spread among a number of separate states with varying degrees of political and economic stability.

Yet despite all this, Canada has been largely ignored by the Islamic fixed income investor. Muslims constitute Canada's single largest religious minority and are also the fastest growing religious group in the country, with the Muslim population estimated to attain almost 4% of the total Canadian population by 2011 and 5% by 2017.

Toronto is home to the vast majority of Canadian Muslims. Toronto is also the most ethnically diverse city in the world and the safest large city in North America. Toronto is the nation's financial center and has the potential to become one of the world's top 10 financial centers and second over-all in North America after New York, according to a recent report by the Boston Consulting Group.

Canada has one of the most open economies in the world as regards foreign investment and one of the lowest corporate tax rates in the developed world. There is a great deal of interest in Islamic finance in Canada mainly centered in Toronto — but very little activity be it retail financial products, inbound Shariah compliant Sukuk investment or other institutional Islamic finance.

The Islamic investor: Points to ponder

Why then - with all these riches, blessings and openness that Canada offers to the outside world — has Islamic finance failed to establish a toehold? It is not on account of lack of interest on the part of Canadians — whether financier or financial authority.

There have been as many Islamic finance conferences in Canada as in other parts of the world. They always feature the usual well-known group of highly esteemed international speakers and scholars preaching to open-minded listeners of the coming of age about Islamic finance, its virtues and the success of their own Islamic institutions. But unfortunately, to date it has largely been much talk with very little transactional or investment activity.

One reason may well be a failure on the part of the foreign Islamic investor to fully appreciate the Canadian market and its particular risk profile. When investing in one of the world's safest economies and most highly developed banking and capital markets, one cannot expect to achieve the same short-term rates of return as might be earned in the middle east or emerging markets.

There is plenty of anecdotal evidence from Canadian IF practitioners suggesting that Islamic financiers who are offered Canadian opportunities are often widely off-market in their expectations, expecting fixed income security but equity type yields.

Canadian debt or other fixed income investments offer yields that are among the lowest in the world, commensurate with their low level of associated risk. However, returns on equity are among the most consistent in the world in both the short and longer term and hence among the highest in the longer term.

Tenor is a significant impediment to the development of Canadian Sukuk. At the short end of the market, Sukuk simply cannot compete with existing capital markets and bank financing choices available to Canadian borrowers. The shorter term of Sukuk as opposed to conventional bonds is surely linked to the inflation risk and political instability in the developing countries and emerging markets for which this financing instrument was first developed.

However, it is unsuited to a financing environment with a stable government, a stable currency and virtually no inflation risk. Three year Canadian Sukuk would simply fail to optimize the advantages of investing in Canada — consistent long term returns and stability. It would price in risk mitigation that is unnecessary and hence would be uneconomical as a financing instrument.

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Canada: Islamic Finance's Missed Opportunity? (continued)

Currency is another impediment. Investors to date have insisted on US dollar denominated instruments. The Canadian borrower will not assume CA$/US$ foreign exchange risk unless the over-all cost of funds, including hedging costs, is less than the cost of financing in CAD. Given the strong economic fundamentals of Canada, Islamic investors should reconsider their requirement for US dollar only denominated assets.

Recently the Canadian dollar has been close to par with the US dollar and is expected to maintain its value within a manageable range in the coming years. Given the risk of the US inflating its way out of impending financial reckoning, the CA$ may provide a very efficient means for mitigating foreign exchange risk and storing value, while earning a return very similar to returns on similar US$ investments.

Liquidity (or rather lack thereof) has always been and remains a preoccupation of Islamic investors. When one considers the underlying quality and assets of most corporate and real estate based Sukuk that have been offered to date, the lack of liquidity is not surprising.

Liquidity will come with significant investment grade offerings in developed, efficient and well-regulated markets. While both Kuala Lumpur and Dubai offer vibrant markets, they lack the depth, liquidity and regulatory infrastructure that is found in Canada.

Another factor affecting the liquidity of Sukuk is the difficulty in meeting listing criteria in markets such as New York or London — and even if such criteria were met the typical large Sukuk would be lost in the background in no time and still be illiquid.

Canada offers a more suitable alternative in terms of the public markets — with smaller issues both in terms of debt (US$150 million is very feasible) and equity (US$50 million market cap is feasible on the senior equity market — the Toronto Stock Exchange (TSX)). This would provide an ideal playing field for the development of Sukuk.

The opportunity

The ideal Canadian Sukuk would have a term of six or seven years above the maximum five-year financing commitments offered by the Canadian banking industry and below the preferred 10 year or longer term bond most preferred by the Canadian debt capital markets.

This should be the sweet spot sought by the middle east investor, and happens to be a portion of the market that is underserved as far as senior debt and quasi-equity instruments go. It would maximize the benefits offered by the Canadian macro-economic environment without extending the risk beyond the foreseeable future.

It would also permit a return on the equity component of the investment far in excess of what can be achieved in a shorter term instrument that more acutely reflects short term market and economic fluctuations. Such a Sukuk would compete with private equity, venture capital financing and subordinated debt.

It could offer borrowers a cost of funds much lower than the aforementioned instruments and offer the Sukuk investor returns over-all rates of return in excess of what is currently being earned in the existing Sukuk market, with significantly less risk over-all when the term of the investment is taken into account.

In a recent Islamic Finance *news* editorial "Today's peacock is tomorrow's feather duster" [Vol 7 Issue 17] the writer concludes with a statement that "Islamic finance practitioners should continue [emphasis added] to focus on innovation and thinking out of the box". This message could be extended to Islamic investors as well. Personally, I am not convinced the evidence demonstrates much innovation or thinking outside the box to date.

From a Canadian perspective, it would be more accurate to say that Islamic finance practitioners and investors have expected to shoe horn borrowers and issuers into one-size-fits-all financial products designed for informal financial systems and emerging markets. To that extent, the myth that Islamic finance is more formalistic than substantive and innovative has simply been perpetuated.

Canada offers a unique opportunity for Islamic financiers to develop a high quality corporate Sukuk in a vibrant and liquid market — and perhaps one day entice the Canadian Federal Government or one of its agencies to offer that much sought after but elusive 'AAA' benchmark Sukuk.

The views in this article are those of the author and not his law firm. Nothing in this article should be considered to be legal or financial advice. Potential investors are cautioned to consult their own advisors.

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Bringing the Middle East to the West

By Dr Mohamed Goneid

For the last three years, London's importance as a premier international centre for structuring and arranging Islamic finance has steadily increased. London is also rated as having the appropriate framework in place to accommodate forthcoming regulation and legislation which will govern financial markets in the future.

Islamic finance in action

British Islamic banks continue to grow steadily despite the worst financial crisis in almost 80 years, in response to increasing demand for financial products that avoid paying interest. Financial woes have prompted the British central bank policymakers to cut interest rates unexpectedly amid fears of recession, and toxic assets and derivatives have seen losses mount to above US$650 billion (GBP415 billion) at the latest count among conventional banks. However, Islamic banks have not been affected to the same extent that conventional banks have.

UK High Street banking giant Lloyds TSB's corporate markets division has provided a Murabahah facility "in excess of GBP100 million" to refinance the purchase of the Grosvenor House Apartments by Park Lane Properties, co-owned by Kuwait-based ADEEM Investment Company (ADEEM) and The Investment Dar (TID). Lloyds TSB said this is the "second largest Islamic finance deal in the UK" to date and is structured in accordance with Shariah principles using a series of sequential Murabahah transactions.

> "IT vendors need to demonstrate that an incorporated Islamic banking functionality has moved beyond simply offering an Islamic banking module"

In April 2009, the UK's first Islamic fixed rate mortgage was launched with the aim of offering ethical property finance in direct competition with conventional lenders. The new product from the Islamic Bank of Britain was a direct bid to win a bigger share of the UK's mainstream mortgage markets.

Benefits and challenges

Islamic finance and Islamic banking principles are set for strong growth within mainstream conventional banking in the coming years. The advantages of this form of banking have become even more evident in the aftermath of the economic crisis. It is clear that one of the key lessons learned from the crisis is that the financial industry can no longer function or rely on initiating debt instruments or financing transactions whereby greed and profit maximization are the prime considerations, regardless of the purpose or consequences of such instruments or transactions.

This is the most important aspect of Islamic finance: it avoids interest rate-based lending and hence provides more sustainability to the financial industry. Conventional debt has certain characteristics which may place debtors in difficulty if circumstances do not allow them to repay in time. Interest is compounded and often debtors are subjected to all sorts of financial penalties.

Debt incurred through Islamic instruments is less likely to put the debtor under excessive financial pressure. On the contrary, relief and debt payment rescheduling would be considered. Evidently, such a characteristic of Islamic finance would leave very little room for a credit crunch to occur.

Islamic finance can also have a stabilising affect on the banking system, since both assets and liabilities are subject to almost the same amount of risk sharing. In certain Islamic countries however, under-developed credit laws affect profit margins, making it necessary to develop alternative risk management strategies. Risk management capabilities will therefore be an issue that Islamic banks will have to address to cope with additional challenges dictated by the current global financial crisis.

Islamic banks are in fact already set to implement more sophisticated risk management systems. Islamic banking controls excessive credit creation and speculation as it never provides 'present' money in return of 'future' money. It reduces moral hazard and adverse selection problems, and is always used to finance real assets and projects thus removing the dichotomy between finance and real development activities. This will obviously leave very little room for excessive credit expansion.

Investment in the right technology

Across Islamic entrant types, the initial focus of information technology (IT) investment to support Islamic banking will focus on core systems, particularly around product processing, accounting and reporting. Enhancing or developing core systems to support Islamic products is a prerequisite for banks to be able to launch an Islamic banking proposition, although development strategies will vary by entrant type.

Conventional banks are likely to enhance existing systems initially in order to minimize capital expenditure outlay. In contrast, standalone banks are more likely to deploy new Islamic-specific core systems as part of their market entry strategies, offering a wider range of products, a greater focus on product innovation and time-to-market.

After establishing core system and compliance capability, IT investment priority tends to shift to distribution. With Islamic windows — whereby a conventional bank is offering Islamic banking to a group of customers who are willing to bank under Islamic Shariah laws — this focus is largely centered on supporting the roll-out of products across the branch network, establishing sales training and origination processes.

With standalone banks, branch expansion strategies tend to be relatively limited (with focus concentrated on metropolitan areas with high Muslim population densities). Online banking and supporting broker distribution therefore tends to be at the top of next stage IT investment priorities.

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Bringing the Middle East to the West (continued)

IT vendors need to demonstrate that an incorporated Islamic banking functionality has moved beyond simply offering an Islamic banking 'module'. Shariah law requirements have implications across core banking systems, even if much of the underlying process and modules can be shared.

Additionally, vendors need to demonstrate a long-term commitment to Islamic finance as it is still a relatively young sector, a sector with significant product innovation occurring across the Islamic world, driving the demand from vendors to support this growth. Similarly, vendors need to ensure that sufficient Islamic expertise and understanding can be demonstrated and provided for implementation and support on Islamic banking projects.

Overall IT spend in UK to support Islamic banking growth ambitions is set for significant growth, increasing from just under US$30 million in 2009 to over US$60 million in 2013. Spend will be focused on core systems for most of this period, given that much of this growth will result from expansion by new entrants into Islamic banking provision.

East in the West

To create a 'level playing field' between the conventional banking market and the rapidly developing Islamic market, the UK government passed legislation specifically aimed at accommodating Islamic instruments and introduced attractive tax concessions. The March 2007 Budget announced changes to accommodate 'alternative finance investment bonds' specifically intended for the Sukuk, otherwise known as Islamic bonds - a fixed income debt instrument used to finance large infrastructure projects and is considered as one the more popular Islamic financial instruments.

Currently, there are around 25 to 30 regulated firms in the UK that are authorized to offer Islamic products, with many more applications from banks in the pipeline. Having a UK base enables firms to operate in any EU country.

> "Overall IT spend in UK to support Islamic banking growth ambitions is set for significant growth, increasing from just under US$30 million in 2009 to over US$60 million in 2013"

Conclusion

Islamic banking as a proposition is on the increase, particularly evidenced by the number of commercial banks moving into the market. Banks are witnessing increased customer demand for purely Islamic finance products all of which need to be Shariah compliant. They appear to finally be waking up to the fact that as the benefits of Islamic banking seek to outweigh the costs, it is fast becoming a more effective option than those instruments which caused the credit crunch in the first place.

If Islamic banking is conducive with the new regulatory regime, then it's simply a no brainer. Investment in the appropriate technology to support the benefits of the Islamic banking model can allow it to be more widely embraced by the western world.

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A Glimpse into Islamic Banking Software Systems

By Muath Mubarak

The evolution and development of Information Systems (IS) in the banking sector can be traced back to the 1800s, from the introduction of the telegraphic system in the US. Today, sophisticated systems and state of the art technology are widely used in the banking sector, and multi-channel banking makes it much easier and less rushed for us all.

The emerging and niche Islamic finance market has to stay highly technology driven in order to maintain a competitive edge over others and deliver fast and quality customer service within Shariah parameters.

There are more than 300 Islamic Financial Institutions (IFIs) globally managing more than US$1 trillion, a figure expected to reach US$4 trillion by 2012. Industry experts maintain that the industry is growing at a rate of 10% to 15% per annum across borders even in non-Muslims countries.

> "There are more than 300 Islamic Financial Institutions (IFIs) globally managing more than US$1 trillion, a figure expected to reach US$4 trillion by 2012"

IFIs must create a robust IT platform of solutions to deliver technology-driven innovative products and services to their clientele. There are more than 35 global and regional vendors that offer Islamic Banking System (IBS) services for Islamic banks & IFIs. Efforts to computerize the IT system in accordance with Shariah tends to be developed in-house in the initial stages, directly under the supervision of Shariah scholars and Islamic banking experts.

Alternatively, global vendors can build a competitive edge by getting their software endorsed by independent Islamic finance institutions namely Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and such. Islamic banking IT solutions can be resolved either by implementing a new system or installing only the relevant functional system or modules from existing core banking systems.

This system implementation is a pivotal transition which comes with some major risks. To date, a number of banks have gone through this transition since there is no complete 'off the shelf' product. It will not be an easy task to implement the system successfully without an excellent project management process, and without a team inclusive of technical experts, Shariah scholars and banking specialists, consultants and such.

The IT team especially cannot enjoy the liberty of implementing IT systems like in conventional banks. In IBS each and every matter has to go through a Shariah Supervisory Board (SSB) to obtain the necessary approvals. Furthermore, Islamic banking systems require more information disclosure. This transition or system implementation in an Islamic bank will easily consume a minimum of six months and above depending on the complexity of the implementation project.

Constant growth in the number of IFIs and Islamic banks require that IT systems are in place to compete with both new entrants and existing market players, whether conventional or Islamic. Advanced technology will reduce cost significantly, as well as manual workload, inefficiencies, transaction processing time and so on while enhancing customer satisfaction with sophisticated facilities.

This Shariah compliant system involves an out-of-the-box implementation which disturbs the existing IT system by requiring various customizations to the traditional core banking solution. Sometimes this layer sits on top of this Islamic finance functional application layer or else integration will not support other applications. Hence there may be a need for another middle ware. Flexibility, timing and affordability become a question mark at this point.

The acquisition of ready-made, plug and play modern components can be integrated smoothly either by interfacing directly to the core

continued...

Universal banking - Information system strategy

Retail Banking	Corporate Banking	Private Banking	Investment Banking
	Core Banking System General Ledger RIM/CIF/CID Deposit(CUR/SAV/TID) Financing Payments/Settlements Limits/Commitments MIS Report/EOD Branch Automation Teller & CSR Islamic Banking Applications (Mudarabah, Musharakah etc) Signature verification Profit Calculation Module Trade Finance (LC,LG, etc)		
Central Bank reporting treasury & Money System Mutual Fund, syndicated loans Electronic Cheque Clearing (ECC) Inter Bank Transactions SWIFT Alliance Remittance/TT Audit, Credit & Risk Management			Internal Banking Mobile and SMS Banking 24/7 Call Centre Tele banking & IVR Credit Card, Debit Card, ATM Card Charge cards and top ups Payment gateways ATM Network/E Switch Database management Preventive maintainance

A Glimpse into Islamic Banking Software Systems (continued)

banking software (or through an establishment of middle ware). Today, Information System Strategy is at the heart of the banking sector and it will determine the success of the business.

> "From a technical point of view, Islamic banking IT solutions and software must be flexible, user friendly, accessible, scalable, compatible, highly secure with preventive features and have automated implementation with modern and reliable database technology"

Core issues

Conventional core banking software have been developed based on interest which is fixed and defined calculation methods. Once the formula is fixed the interest rates will be credited into the relevant accounts as per the command. But in the case of IFIs and IBs, the profit is unknown until the maturity date of the business contract / investment made. In addition, the sharing of profit can vary according to Mudarib — Rab al Mal sharing percentages, types of accounts, tenor period, risk ratios, utilization percentages and profit equalization ratios. This may vary in different jurisdictions and between banks too.

Since profit distribution is one of the main differences between Islamic banks and conventional banks, profit distribution methodology should be thoroughly tested from Shariah to Accounting. IFIs require much matured profit distribution system, despite the increase in the number of global core banking system vendors incorporating the Islamic banking support to their product offerings.

From a technical point of view, Islamic banking IT solutions and software must be flexible, user friendly, accessible, scalable, compatible (able to run in different platforms and operating systems), highly secure with preventive features and have automated implementation with modern and reliable database technology.

With the latest developments in technology, Islamic banking software should be able to swiftly migrate or adapt to the advanced technology as and when necessary while constantly taking into consideration global best practices and processes. The system can be developed and installed as a browser platform / web based system or MS platform / desktop platform with advance programming languages. Even now the interest has been shifting to open source system for implementation.

Many software systems for the banks were developed with heavy development costs, after a number of years of research and development with equal amounts of testing. The Islamic finance industry is seeing everyday a new IFI. New start-up institutions will find it difficult to afford this strategic investment at the initial stages in order to build a robust IT platform with rich functionality.

On the other hand, the Islamic finance industry requires trained professionals with in-depth knowledge about Islamic finance and field expertise in this emerging sector in order to provide quality, uninterrupted service to clients.

Another important area to focus on is IBS training to bank staff, as well as translating the Islamic banking concepts, workflows and consequences to the technical experts so that they can develop and strategically fit a system to the IBs business strategy requirements.

Finally, customization of conventional banking software have been overshadowed by the demand from IBs for IT platforms to develop their own competitive edge over others. Many software systems were developed for conventional banks. When Islamic banks request for a software system, conventional ones are generally customized to suit some of the IB's needs. Many are either customized to suit the IB's requirements, or come with worked solutions to expel in-built conventional parameters, including terminology and such.

Still, the Islamic finance industry is yet to see a fully fledged standalone Islamic banking software solution with advanced technology and functionality.

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Leveraging IT in Islamic Finance and Banking

By Ali M Shervani

Information technology (IT) has revolutionized the way we perform our day-to-day tasks, enabling us to execute complex tasks in a simple manner. The increase in the usage of IT has resulted in a flat world and has contributed in the development of MNC's by increasing transparency in business.

IT applications leverage the efforts of organizations to be more transparent with customers. Applications have become more sophisticated and enable companies to roll out customer centric products and services. The applications developed are based on certain pre-defined parameters, within which the applications execute the work. IT applications therefore make the conduct of business more transparent and efficient, by providing information and streamlining of the same.

Islamic finance and IT are similar in that both are process-driven and both work on certain set parameters, with pre-defined tasks to perform. The programming language sets the code and standards upon which the applications run and execute specific tasks assigned. Similarly, Islamic finance sources from the Quran, Sunnah, Ijmah and Qiyas to draw up codes and standards for practice.

Islamic finance is now spreading its wings and reaching out to new markets especially after the global economic crisis. With the crisis, demand for transparency in financial industry has gained much support. Islamic finance clearly states that all business activities should be well defined and transparent.

As we can see in the Table 1 there are lot of similarities between IT and Islamic finance.

Table 1

Islamic finance	Information Technology
Pre-defined contracts	Pre-defined tasks to be performed by application
Financial transparency	Transparent as the features of application are known
Fair price concept	IT applications helps companies in economical operations
Wealth distribution	IT applications enables this effort by providing opportunity to the remotely located clients to carry out business transaction
Islamic finance has an inclusive approach	IT applications takes care of the needs of a wide variety of users
Customer needs addressed	Customized application help in addressing specific requirement
Ethical approach	Human centric application maintain ethics
Shariah laws provision are in the form of 'IF this is the issue, then do this' and so on	Programming language is also designed on the same principle 'IF THIS then DO THIS' OR so on
No provision of uncertainty (Gharar)	IT applications are also designed to remove uncertainty in the business processes

IT has its share of contribution towards the growth of all industries, including Islamic finance. It would not be wrong to say that both Islamic finance and IT started to gain prominence and increase their reach around the late nineties. Islamic banks started to increase their operational sizes. The need to make Islamic banking available at the mass level led to the usage of IT applications.

The growth in the Islamic finance industry has provided ample opportunity for the IT service providers to merge the two concepts and roll out applications catering to the specific needs of the industry. The IT industry's quick response to the needs of Islamic finance was possible due to the fact that both have transparent and ethical approaches and each has business acumen complementing the other. The alliance between both the industries have resulted in products for end users which are transparent, have mass level reach and are trustworthy.

> "Islamic finance and IT are similar in that both are process-driven and both work on certain set parameters, with pre-defined tasks to perform"

IT company Infosys offers banking solutions through their Finacle, which is customized as per the requirements of the Islamic banks. TCS BaNCS Islamic banking solutions covers all aspects of business, making 'anytime-anywhere' banking a reality. Other players of the IT industry include Misys, Path Solutions, and Nucleus Software and such.

As both the IT and Islamic finance industries still complement each others' growth and still hold much business potential. The assets of Islamic financial institutions see double digit growth on an annual basis. Currently the industry stands at US$400 billion and is expected to touch US$1 trillion by 2013. In the coming years, dependability on the Islamic finance industry will increase in tandem with IT solutions to cater for increasing demand.

IT has enabled Islamic banking to reach a large base of customers which in the earlier regime of branch based banking was not possible. We have seen how e-banking has transformed the customer-bank relations, making the banking operation more customer-centric. In short, Islamic finance provides customized solutions and IT has enabled the process by providing customized software solutions.

The usage of IT applications in the Islamic finance industry is not only done by Islamic banks but by investment advisors and Shariah compliant stock screening companies. These applications help in screening of the stocks as per the provisions of Shariah. The final decision is of the scholars but the application work as an aide in the process. This segment is catered to mostly by the in-house software developed by the screening companies IT departments.

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Leveraging IT in Islamic Finance and Banking (continued)

Companies like FIGLO have come out with an advisor platform HAWANEDO for investment advisors, and it can be customized as per the requirements of the Islamic finance industry.

Another segment is providing information on companies and their products via IT. Information providers like Thomson Reuters have taken the lead and launched Thomson Reuters Islamic Finance Gateway which provides information about rating agencies, industry standard bodies, index providers, Shariah scholars and such form across the globe. Thomson Reuters is calling it "Islamic Finance 2.0".

As Islamic finance operates in certain prescribed parameters laid down in Shariah, IT has complemented this by not only digitizing the process but also by providing solutions in handling the complex operations of Islamic banks.

Conclusion

The strategic alliance of IT and Islamic finance products and services will take the industry to new heights. IT application results in better and cost effective products and services for the Islamic finance customers.

This will help Islamic finance industry in going green by depending more on IT and accessing database online saving paper by not printing everything.

Shariah laws teach the companies to do business in fair manner and do their bit in executing corporate social responsibility. As we have seen, IT has helped in this regard.

- *The above article has been prepared to show similarities between IT and IFI*
- *This does not mean that I am trying to equate Sharia Laws with IT codes*
- *The author does not endorse any product mentioned above; they have been quoted for informational purpose only.*
- *The names of the companies mentioned in the article are TRADEMARKS of the companies*
- *The products mentioned also are TRADEMARK of the companies mentioned respectively.*
- *The data provided in the article is approximation available with the various IF bodies.*
- *The views expressed are of authors and does not necessarily means that REDMONEY/IFN subscribe to the views*
- *The author has the right to use the article in any presentations in future*

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The Rise and Fall of Gulf Finance House (Final Part)

By Mohammed Khnifer, Aatef Baig and Frank Winkler

How GFH suffered losses from its private equity model

With the credit crisis GFH was not left unscathed as the Islamic investment bank wrote down US$728 million in the year 2009. After examining these specific provisions, some private equity ventures, despite the lack of transparency from GFH's side, were included in the write-down such as Injazat Capital Limited. In a typical private equity deal the company does not commit its own money into the funds, investors do.

GFH, following industry practice, placed little of its own money into any of the transactions it sponsored. However, unlike common industry practice, GFH normally took a significant amount of cash and shares at the beginning of each investment, or what became widely known as the premium.

It was hard for us to justify how GFH suffered losses from its private equity deals as there was some lack of disclosure on the innovative mechanism used in these deals. Nonetheless, we managed to come out with a logical explanation after discussions with various bankers, including John A Sandwick, a specialist in Islamic finance in Geneva, Switzerland.

GFH committed little or none of its own funds into the private equity SPVs it sponsored over the years, yet it ended up holding significant minority positions in all of them via the premium. Perhaps GFH used these large minority positions to make limited partners (LP) investors confident because the bank had the appearance of being in line with the expectations and objectives of the LP investors, although they may not have known the size and extent of GFH's rewards on entering a transaction, or its "premium". This strategy backfired when the various GFH SPVs collapsed in value, which finally appears to have been fully disclosed in the 2009 financial statements.

While GFH suffered enormous balance sheet losses from writing off large amounts of its previously-earned premium shares, it also began losing money on an operating basis, too.

The chart above shows GFH's core operating expenses. They were a modest US$82 million in 2005, but ballooned around 280% just two years later and almost 350% in three years. One wonders if the GFH management was fully aware of the company's ongoing high and ever-increasing fixed cost structure in light of the fragility of its revenue model — a model designed solely on the company's ability to raise private investor money and buy assets to gain a large premium.

Certainly GFH tried to cut costs. That is evident in the 2009 figures, where staff costs were cut almost 80%. If this was not due to staff reductions then it was due to huge shrinkages in the pay packages received by employees.

But having built a machine that fed on the premium, GFH was unable to stave off the credit crisis any longer. The nearly US$730 million losses in 2009 for a firm that had unreasonably high profits in all previous years indicates the party was over. GFH had finally come down to earth.

Lack of investment diversification

Probably one of the most important lessons in the GFH case is the fact that the bank could not manage to diversify its business model prudently. "With GFH, they don't have a business model at this point and their revenue streams have dried up. The balance sheet is a mess and they don't have sufficient liquidity to meet near-term refinancing," said Karthik Sankaran, an analyst at Bank of America Merrill Lynch who covers the company's stock. The bank mainly relies on the intermediation of greenfield real estate and investments in infrastructure projects.

The figures for 2005 to 2009 show that there was no real diversification in the business income sources. In each of the years under review, revenue from investment advisory service/investment banking services and "Income from receiving shares in companies in which the bank invested, in lieu of cash" vastly greater than the revenues received in any other line of business. This lack of diversification, and the heavy reliance on the premium, was finally GFH's undoing.

Maturity mismatching

Retail banks differ from investment banks as they rely on depositors to fund them, whereas the latter depends on first and foremost a pool of eager LP investors, and later on wholesale deposits and term loans or bonds.

This is identical in Islamic banking, where retail Islamic banks rely on customer deposits and Islamic investment banks rely on LP investors, wholesale deposits and term Islamic credits or Sukuk to fund their activities.

GFH's management failure was evident in the rollover of term Islamic credits. We suspect LP investors simply stopped investing in GFH transactions sometime in 2007, and had significantly slowed the flow of new money much earlier. To feed its expense machine and make new investments GFH seems to have begun relying on wholesale markets, Islamic term credits and Sukuk to finance its business.

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Chart: GFH core operating expenses

Staff costs	2005	2006	2007	2008	2009
Investment	40,103,000	67,248,000	103,798,000	134,542,000	29,381,000
Advisory expenses Murabahah	29,402,000	25,055,000	48,351,000	48,524,000	26,571,000
Expense/financing cost	8,022,000	24,322,000	56,482,000	63,507,000	39,578,000
Other expenses	5,015,000	10,767,000	20,732,000	39,416,000	39,426,000
Total expenses	US$82,542,000	US$127,392,000	US$229,363,000	US$285,989,000	US$134,956,000

The Rise and Fall of Gulf Finance House (Final Part) (continued)

We saw the extreme difficulty GFH had to go through to refinance these debts when they became due, where it was nearly impossible to simply rollover existing facilities. This is because lenders saw that GFH had most of its assets in very long-term investments, none or few of which could be sold to meet cash requirements. The company was completely illiquid.

GFH was caught off-guard when the credit crisis hit as it was difficult to refinance debts coming to maturity and difficult or impossible to exit from investments to unlock liquidity, all during a market where liquidity had dried up and asset valuations had collapsed.

Indeed, GFH would need longer-term funding sources and new business activity because its debt structure is short-term and operating cash flow is minimal.

> "GFH suffered from what appeared to be a reputational risk in 2008 and most certainly in 2009, as investors came to realize the full extent of their losses after property markets crashed"

Reputational risk and money markets

In the fourth quarter of 2008 GFH began to feel the heat of the financial crisis as they witnessed a plunge in income from placement fees. For nine years, high-net-worth individuals were pouring funds into GFH's private equity deals. Suddenly these funds came to a standstill.

GFH suffered from what appeared to be a reputational risk in 2008 and most certainly in 2009, as investors came to realize the full extent of their losses after property markets crashed.

Furthermore, GFH was good in buying assets, not from managing or exiting assets. Huge portions of its private client funds are still tied up in these totally illiquid private equity ventures.

Clearly LP investors had had enough, as GFH did not manage to sponsor a single major deal in 2009, and where its investment banking income (which we presume still mostly comprised of the fabled "premium") was only US$48 million compared with US$323 million the previous year and US$355 million two years earlier.

When private equity asset purchases represent the large majority of one's business as was the case with GFH, then one's revenue stream will definitely be disrupted at the first hint of recession.

As mentioned above, when fresh funds stop flowing in from private investors and a large fixed cost base exists, there is little choice for an investment bank like GFH but to borrow from the markets. GFH seems to have replaced private investor funding with a US$200 million Sukuk and two Islamic loans (reverse Murabahah and Wakalah) from other lenders in the 2008 and 2009 fiscal years.

Financial distress

Beginning in 2010, and coupled with its inability to raise fresh funds, GFH was clearly in a financial distress situation. GFH's Capital Adequacy Ratio (CAR) dropped to 12.9% as of December 2009 (16.1% at December 2008), marginally higher than the Central Bank of Bahrain (CBB)'s 12% requirement.

The bank's auditors KPMG have also pointed out the low CAR level in their audit report. A low CAR restricts GFH's ability to absorb possible future losses or take additional exposure, unless capital is increased.

After registering the biggest loss ever for an Islamic financial institution last year, GFH knew that the wholesale loan and Sukuk markets would remain largely closed to Bahrain's offshore investment houses.

In September 2009, it sponsored a US$300 million recapitalization, but the cash was quickly disbursed. By the year's end, GFH was again known to have almost no cash left. GFH then announced it replaced a US$300 million Murabahah loan that matured in February 2010 with a new US$100 million facility with a maturity of six months, having repaid the other US$200 million.

But for a financial distress institution, the newly renegotiated terms were quite high. It was reported then that GFH was paying a profit rate of 500 basis points over LIBOR and an extension fee of 100 bps for its US$100 million, six-month syndicated loan.

Sub-investment grade rating

In a region that sits on the world's largest oil reserves, it was uncommon to have a sub-investment rating (such as lower than 'BBB-') for a banking entity, but GFH came to define that concept. In a move that might be interpreted as misleading for retail investors, GFH's public relations department was marketing the completed renegotiation of US$300 million Murabahah loan as a "success".

However, Standard & Poor's (S&P) had another view. Right after hailing the renegotiations as a success on the 10th February 2010, the international rating agency lowered its long- and short-term counterparty credit ratings on GFH to 'SD/SD' (selective default) from 'CC/C'.

"Under our criteria, we consider GFH's maturity extension to be a 'distressed exchange' and therefore tantamount to a default, because the new maturity represents a change to the facility's originally scheduled payment terms," said S&P credit analyst Emmanuel Volland. A 'SD' rating is assigned when S&P believes that the obligor has selectively defaulted on a specific issue or class of obligations.

For a business model that relies on raising funds from clients and placing them in its ventures, this represents an enormous blow to reputations and credibility, as well as the ability to raise fresh capital.

In February 2010 GFH was in a critical financial position as it was one notch away from 'D' (Default), but not for long. On the 3rd March 2010 S&P raised its GFH rating to 'CCC-/C' from 'SD/SD' with negative outlook.

"The rating action follows GFH's completion of the partial extension of maturity of a US$100 million facility which is set to be repaid in five

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The Rise and Fall of Gulf Finance House (Final Part) (continued)

installments over the next two years," said S&P credit analyst Goeksenin Karagoez. This was barely a move in the right direction, but once again GFH's public relations department declared the modest improvement a success.

S&P was more pessimistic, having deemed the bank to have a very weak liquidity position from a rating standpoint because it still faces challenges to meet debt repayments coming due in the very near term.

Looming threat of D rating

It is commonly known that one of the indirect costs of being in a financial distress situation is laying off staff. GFH was no exception. Recently statements say that GFH aims to cut expenses by between 40% and 45%, and has already laid off nearly 100 people, consolidated its nine floors of office space in the Bahrain Financial Harbour and cancelled last year's bonuses.

In an attempt to survive, GFH officials have outlined an aggressive plan to sell off assets, cut costs and move into new business areas. However, it is unlikely for the bank to get optimal prices for selling its assets which may result in driving the institution to further impairments and losses.

S&P, on the other hand, remains uncertain regarding GFH's ability to implement its plan for improving its liquidity position and boosting its revenues. S&P went on to give a direct threat by saying that "failure to meet any of the upcoming existing or restructured payments would lead us to lower the ratings to 'D'".

Conclusion

GFH was once a household name in the Islamic Investment sphere, before falling from grace. They were a pioneer in bringing Islamic investment banking to legions of investors in the GCC region. But they also were a pioneer in developing a highly questionable private equity business model that hugely rewarded GFH before investments matured, in other words reversing the order of the success fee from the end to the beginning of a transaction.

GFH shrewdly made alliances with the GCC media, which resulted in private clients rallying behind GFH projects for several of the boom years, when asset prices were inflating everywhere. That trust was broken when investors discovered flaws in the GFH business model, and finally the financial media disclosed GFH's inability to raise new funds or rollover existing debts, not to mention collapsing valuations of their investments.

Everything changed when the credit crisis reached the Gulf's shores. After damaging its reputation, GFH learned a hard lesson: always diversify your business activities. For now, GFH is trying to stand up on its feet by implementing aggressive restructuring plans from within.

Nonetheless, we think it is imperative for GFH to sell its prized assets if it wants to recover from its financial distress. We should also note that further provisions equal or exceeding last year's magnitudes are likely, which might mean the bank is on the brink of bankruptcy. But that remains to be seen in the coming months.

This is the final part of a three part series. Parts 1 and 2 were published in Vol 7 Issue 17 and 18 respectively.

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In five years what products, that are active in the Islamic finance industry today, will we be ruing? And what will be the key changes in the products being offered?

I feel that one of the key areas that will see changes is mutual funds. They will be replaced by ETF's which are fast catching up.

ALI SHERVANI: Partner, Consigliori Consultants, India

To look forward we also have to look back. The reality is there has been little change in Islamic financial product offerings during the last five years. Although the future can never be accurately predicted, it is unlikely that there will be another major financial crisis in the next five years. But it is notable that the last did not affect the product mix.

Of greater significance is the re-evaluation of some products from a Shariah perspective. Tawarruq, for example, has been prohibited by the OIC Fiqh Academy and may no longer exist in five years. It won't be missed. The questioning of Mudarabah and Musharakah Sukuk structures has resulted in few new issuances of this type, but they have a future if the Shariah issues on repayment guarantees can be resolved.

Hopefully in five years better product structures will be used for Shariah compliant private equity and Islamic microfinance. There are promising applications of Musharakah to these types of financing, but few examples of their use.

Expect to see increased Shariah innovation, with more stress on product fundamentals rather than complex structures. Financial engineering has been discredited by the crisis, and should be treated warily by the Islamic finance industry.

PROFESSOR RODNEY WILSON: Faculty of Islamic Studies, Qatar Foundation

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The Islamic financial industry is still growing and instruments are continuously subject to review and amendments. Improvements in Shariah compliance and standardization, and potentially a shift away from commodity Murabahah are all likely to occur. To what extent we might regret seeing these changes will be dependent on the industry's and the individual players' attitude to change as much as anything else.

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

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I do not think we will be unhappy with any current product structures that are available today. The areas where negative attention has been focused (such as Tawarruq, Arbun-based short selling) may be controversial, but are not on their face a significant problem area where in hindsight there will be regret.

As the near default of the Nakheel Sukuk and the Sukuk defaults have shown, the problem lies not with the structure of a product, but with its application. Largely, the surprise at the default of several Sukuk should not have happened. Islamic financial products — like conventional products — are dependent on the economy and the specific financial situation of the individual or financial company receiving the financing.

In the future, the greatest risk lies not in a product, but in the risk and liquidity management of Islamic financial institutions. There will be new products that will offer a way for institutions to manage short-term liquidity instead of holding large reserves in cash.

Because these products will be on the cutting edge — they will be hailed as an innovation--there is a potential for them to become overused without their risks fully analyzed. The next time there is a liquidity crisis or crisis of confidence in counterparties in the financial markets, these products could unravel and threaten the solvency of a larger number of Islamic financial institutions.

BLAKE GOUD: Principal, SharingRisk.org

Next Forum Question

Industry experts attribute the recent plunge in global financial markets to the financial troubles in Greece where the country is in urgent need of funds to make debt payments. While the risk of defaults remain, is Sukuk a viable option for the country? If so, why?

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 Monday, 24th May 2010.

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

Name: Andrew Petry

Position: Partner/Head of Islamic finance

Company: Addleshaw Goddard

Based: London

Age: 44

Nationality: British

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

Over the last twenty years I have worked as a lawyer in private practice in Asia, Continental Europe and London. I advise lenders and borrowers on a wide range of finance transactions from secured and unsecured lending through project, structured, asset and leveraged acquisition finance. When I returned to London from establishing a finance practice in the Netherlands for Freshfields, I seized the role of heading their Islamic finance capability. I worked closely with the firm's Shariah specialists based in London and the GCC. I then joined Addleshaw Goddard in February 2008 as an infrastructure and energy finance lawyer with a brief to build an international banking and project finance practice. The firm was also looking to develop an Islamic finance capacity

What does your role involve?

My role involves building an Islamic finance practice. I do this through capturing the opportunities which our many existing banking and borrower clients have, as well as attracting new clients for Addleshaw Goddard through our Islamic finance expertise.

What is your greatest achievement to date?

In the first quarter of this year we have greatly expanded our Islamic finance capability through the recruitment of Dominic O'Brien and Asmeen Ibrahim. Dominic joined us from Herbert Smith and is a highly regarded banking lawyer with first rate Islamic finance credentials including advising on Shariah compliant project finance transactions (including Rabigh), leveraged acquisitions and more general lending transactions. Asmeen joined us from Norton Rose and has comprehensive Islamic finance credentials built up during her time practicing in Malaysia and in London. Dominic and Ash's arrivals have signaled the transformation of our Islamic finance capability from a passive capability into an area of excellence in our full service banking practice.

Which of your products/services deliver the best results?

A transaction my partner Andrew Maskill worked on was awarded Islamic Finance *news*' Best Islamic Leasing Deal of the Year 2009. This has helped us to be instructed on high profile transactions involving feeding assets into an existing Sukuk Issuance platform and advising the arranger on the issue of an Ijarah-based Sukuk for a household name corporate.

What are the strengths of your business?

As an on-the-ground Islamic finance team based in London providing sophisticated advice, we perceive we have an advantage over many of our competitors whose Islamic finance capabilities are increasingly based in the GCC or elsewhere. There is also great strength and depth in Addleshaw Goddard's client base which includes all the major UK banks and building societies, one of the largest FTSE 350 client bases among law firms and great strength in the real estate finance sector.

With almost 700 lawyers and a full service practice we also have an international best friends network of the most prominent independent practices. This allows us to provide the highest quality of legal services anywhere in the world. We maintain our network through regular dialogue and sharing of opportunities and best practices with our best friends which naturally include firms in the Gulf, Maghreb and Southeast Asia.

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

Addleshaw Goddard is a very entrepreneurial law firm with an unrivalled UK regional presence in Leeds and Manchester, and a commitment to further invest in and raise its City and international profiles.

What are the obstacles faced in running your business today?

The main obstacle is that many clients believe it is not possible to provide a seamless competitive international service unless a law firm has offices in every major jurisdiction. Clients do not realise that a high quality non-exclusive law firm network solution often delivers superior results.

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

The Islamic finance industry will undoubtedly continue to gain ground and develop. But, we also see that it stands at a crossroads.

The ever greater sophistication of financial products being developed, which in substance imitate conventional finance products, are seen by the finance industry as a positive development. They place Islamic finance on a level playing field with conventional finance.

Whether this is an altogether positive development from an Islamic point of view is a moot point. Professionals engaged in the Islamic finance industry would do well to remind themselves of this from time to time and ensure they do not lose sight of the underlying purpose of an alternative ethics based financial system.

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

To create some form of greater Shariah Board clarity over what is Shariah compliant and what is not.

SUMMARY OF TERMS & CONDITIONS

Emirates Global Sukuk Fund

US$20 million (launch value)

21st April 2010

Obligor/Issuer	Emirates NBD Fund Managers (Jersey) Limited
Tenor	Open ended investment fund, domiciled in Jersey
Return	Target return: Three-month US$ Libor + 300 basis points per annum Model portfolio yield: 5.9% as at the 7th February 2010
Payment	Income is paid six monthly
Arranger/Dealer	Standard Bank Fund Administration (Jersey) Limited
Trustee	Standard Bank Jersey Limited
Legal Counsel	Voisin & Co Jersey
Governing Law	Jersey Law regulated by the Jersey Financial Services Commission
Purpose of issuance	The primary investment objective of the fund is to achieve high income as well as capital growth. Certain share classes of the fund will make income distributions on a semi-annual basis, derived from income generated by the underlying Sukuk or maturity proceeds of Sukuk.
Principal activities	The fund will achieve diversification by investing in a basket of Sukuk with various maturities, from a variety of issuers locally and globally. The fund is suitable for investors with a medium to long term investment horizon and should be viewed as a medium risk product.
Rating	Medium risk
Shariah Advisor	Fatwa & Shari'a Supervisory Board of Emirates NBD Asset Management Limited, a company regulated by the Dubai Financial Services Authority

The Q&A was conducted with Emirates NBD:

1. **Why did you use this particular Islamic structure? What other structures were considered?**
   This fund is the eighth Shariah compliant fund to be launched through Emirates Funds Limited, our Jersey Islamic fund company structure. The structure has been used as our platform for Shariah funds since 2005 and provides high levels of investor protection and strong governance – both from a regulatory and fund management perspective.

2. **What were the challenges faced and how were they resolved?**
   The key to the fund is its liquidity and the split between regional and global assets. Unlike many of our competitors the fund deals daily. We expect this to be a strong selling point. Approximately 60% of the fund's assets are likely to be specific to issuers in the MENA region with the remaining 40% from global issuers.

3. **Geographically speaking, where did the investors come from?**
   Initially the investor base is set to be from the Middle East. However, we are shortly hoping to attract investors from East Asia.

4. **Was this deal rated? If not, explain why.**
   The fund itself is not rated. Securities held by the fund may be but it is not a pre-requisite. If the fund were restricted only to rated issues, it might push up the concentration risk significantly.

LOGIE-SMITH LANYON LAWYERS

AUSTRALIA: Law firm Logie-Smith Lanyon Lawyers has appointed Sheikh Mohamadu Nawas Saleem as its Shariah consultant.

Nawas Saleem currently serves on the executive committee of the Australian National Imams Council.

Logie-Smith Lanyon Lawyers specializes in Islamic finance.

CITI

US: Citi has appointed Zubaid Ahmad as vice-chairman of Citi's institutional clients group.

Ahmad will be a member of Citi's senior strategic advisory group and lead its global sovereign wealth fund coverage initiatives.

SHARJAH ISLAMIC BANK

UAE: Sharjah Islamic Bank (SIB) has named Rahma Mohammed Al Shamsi as head of the bank's corporate banking group.

He will oversee all SIB's corporate banking services and products, and develop these services in compliance with the principles of Shariah.

Al Shamsi, who joined SIB in 2004, was previously the deputy head of the credit group.

MAYBANK INVESTMENT BANK

MALAYSIA: Maybank Investment Bank has appointed Tengku Zafrul Tengku Aziz as its new chief operating officer.

Tengku Zafrul is currently the group director of K & N Kenanga Holdings, and a board member of Kenanga Investment Bank, Kenanga Capital and Capital Investment Bank (Labuan).

KPMG INTERNATIONAL

GLOBAL: KPMG International (KPMG) has appointed Jeremy Anderson as its new chairman.

Anderson succeeds Brendan Nelson, who retired from KPMG last March to become a non-executive director at Royal Bank of Scotland Group.

He was previously KPMG's head of financial services for Europe, the Middle East and Africa.

KPMG provides assurance and advisory services to Islamic financial institutions.

Deal tracker

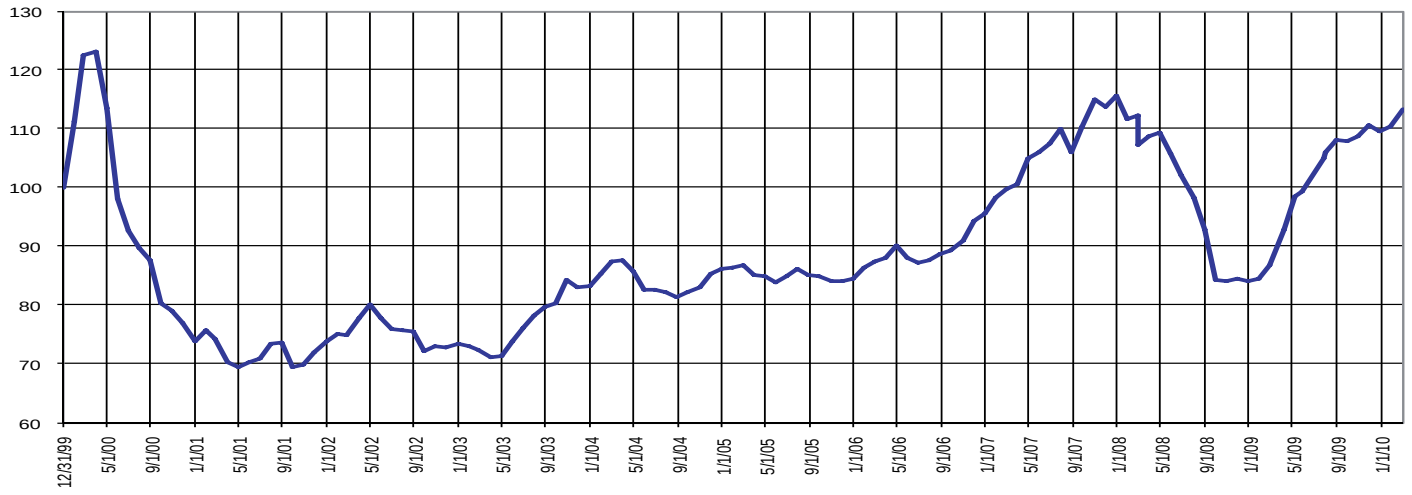
Keeping you abreast of the world's upcoming Shariah compliant deals

Another **Islamic Finance** *news* exclusive

ISSUER	SIZE	INSTRUMENT
Swedish Export Credit Corporation	TBA	Sukuk
Asian Development Bank, Philippines	TBA	Sukuk
Central Bank of Kenya	TBA	Sukuk
Government of UK	TBA	London Olympic Sukuk
Kencana Petroleum, Malaysia	RM250 million	Sukuk
First Investment Company, Kuwait	KWD45 million	Sukuk
VTB Bank, Russia	RUB5.8 billion	Sukuk
Sudan, Africa	TBA	Sukuk
Bank Muamalat, Indonesia	TBA	Sukuk
Saudi Electricity Company	SAR5 billion	Sukuk
Qatar Islamic Bank	US$500 million	Sukuk
Bank Asya, Turkey	US$250 million	Sukuk
Pakistan	PKR100 billion	Sukuk
Nakheel, UAE	TBA	Sukuk
Waha Capital, UAE	US$272 million	Sukuk and conventional bonds
Nakheel, UAE	TBA	Sukuk
Waha Capital, UAE	US$272 million	Sukuk
Perusahaan Listrik Negara, Indonesia	IDR3 trillion	Sukuk and conventional bonds
Indonesia	TBA	Sukuk
BNM Sukuk, Malaysia	TBA	Sukuk Murabahah
Kazakhstan	TBA	Sukuk
Finance Ministry, Jordan	TBA	Sukuk
Private Healthcare, London	TBA	Sukuk
The Philippines	US$500 million	Sukuk
Deutsche Bank	US$500 million	Sukuk
Saudi Aramco-Total	US$1 billion	Sukuk
Titan Kimia Nusantara	IDR200 billion	Sukuk
Prime Rate Capital	US$250 million	Islamic Liquidity Fund
Jubail Refining & Petrochemical, Saudi Arabia	SAR3.7 billion	Sukuk
Qatar Islamic Bank	TBA	Sukuk
Al Aqeeq Real Estate Development, Saudi Arabia	SAR700 million	Sukuk
Islamic Development Bank	SAR3.8 billion	Sukuk

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

Eurekahedge Asia Pacific Islamic Fund Index



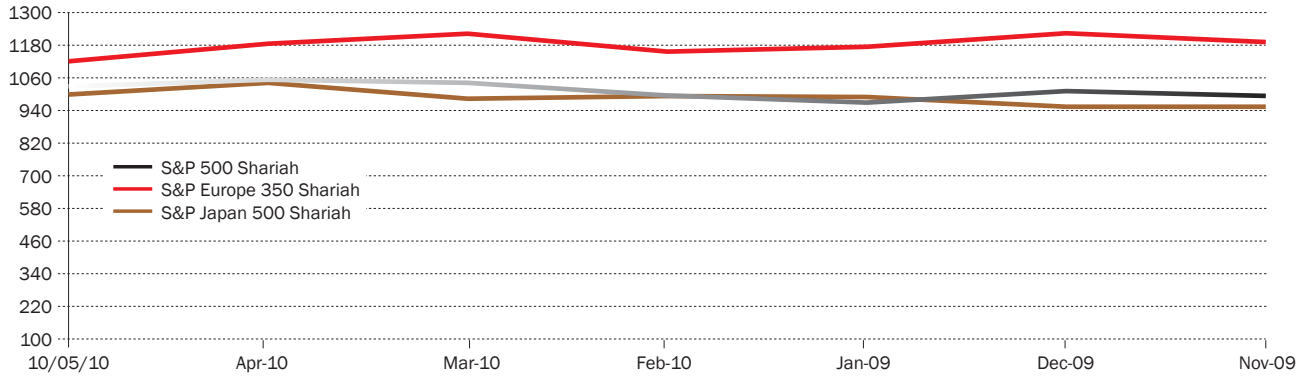
Monthly returns for Asia Pacific funds (as of the 11th May 2010)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	ETFS Physical Palladium	ETFS Metal Securities	11.35	Jersey
2	AlAhli Islamic Europe Equitybuilder Certificates	The National Commercial Bank	8.76	Germany
3	ETFS Physical Silver	ETFS Metal Securities	8.52	Jersey
4	Jadwa Aggressive Allocation	Jadwa Investment	7.27	Saudi Arabia
5	ETFS Physical Platinum	ETFS Metal Securities	7.26	Jersey
6	Azzad Ethical Mid Cap	Azzad Asset Management	7.04	US
7	AlAhli Islamic Global Equitybuilder Certificates	The National Commercial Bank	7.04	Germany
8	AlAhli Global Real Estate	The National Commercial Bank	7.04	Saudi Arabia
9	Global Equity Fund - Musharaka	Riyad Bank	6.71	Saudi Arabia
10	JPM Islamic Global Dynamic Equity (USD) A (acc)	JP Morgan International Bank	6.61	Luxembourg
	Eurekahedge Developed Markets Islamic Fund Index *		**2.94**	

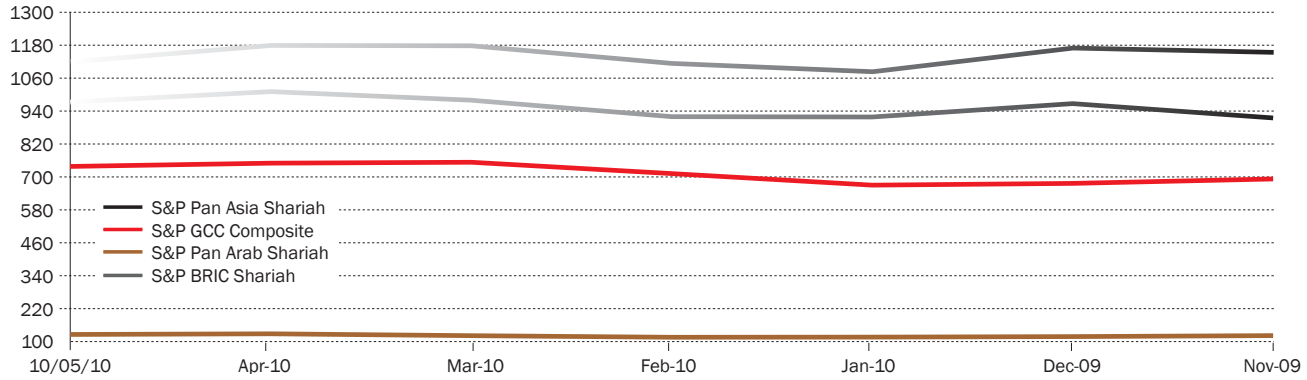
Monthly returns for Middle East/Africa funds (as of the 11th May 2010)

	FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1	NBAD UAE Islamic (Al Nae'em)	National Bank of Abu Dhabi	11.96	UAE
2	Jadwa Africa Equity Freestyle	Jadwa Investment	9.87	Saudi Arabia
3	Al Naqaa Asia Growth	Banque Saudi Fransi	9.74	Saudi Arabia
4	Islamic Certificate on the LLB Top 20 Middle East TR Index (EUR)	ABN AMRO Bank	9.62	Netherlands
5	Gulf Islamic	Gulf Investment Corporation	9.44	Bahrain
6	Islamic Emerging Markets Equity Certificate	ABN AMRO Bank	9.26	Not disclosed
7	TRIM Syariah Saham	Trimegah Securities	8.71	Indonesia
8	Al Fursan	Banque Saudi Fransi	8.67	Saudi Arabia
9	Jadwa Arab Markets Equity	Jadwa Investment	8.65	Saudi Arabia
10	Amanah Saudi Industrial	SABB	8.47	Saudi Arabia
	Eurekahedge Emerging Markets Islamic Fund Index*		**3.28**	

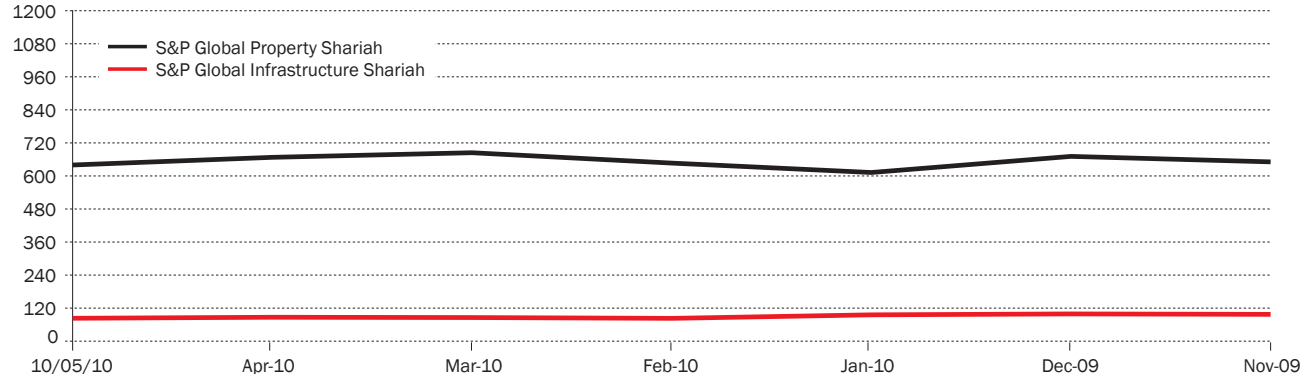
S&P Shariah Indices Price Index Levels



Index Code	Index Name	10/05/10	Apr-10	Mar-10	Feb-10	Jan-10	Dec-09	Nov-09
SPSHX	S&P 500 Shariah	1028.413	1053.050	1041.681	995.080	968.978	1011.317	993.630
SPSHEU	S&P Europe 350 Shariah	1120.823	1185.474	1222.354	1156.441	1174.161	1223.984	1191.590
SPSHJU	S&P Japan 500 Shariah	998.747	1041.497	983.363	993.055	989.581	953.814	953.814



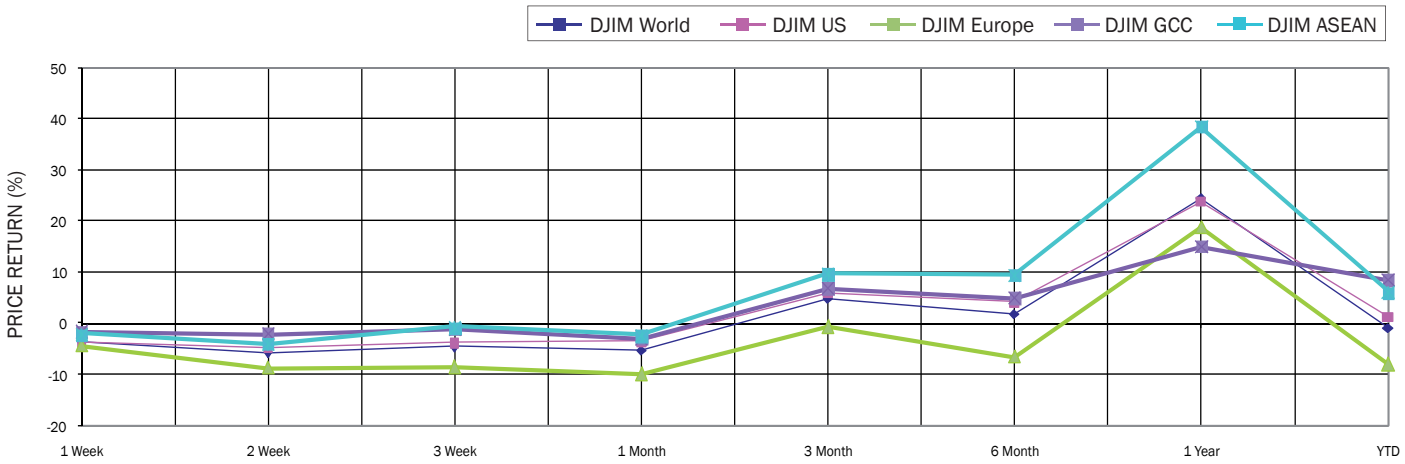
Index Code	Index Name	10/05/10	Apr-10	Mar-10	Feb-10	Jan-10	Dec-09	Nov-09
SPSHAS	S&P Pan Asia Shariah	972.842	1010.900	979.563	919.609	918.391	967.112	914.903
SPSHG	S&P GCC Composite Shariah	738.223	750.159	753.479	712.179	670.074	676.445	692.555
SPSHPA	S&P Pan Arab Shariah	125.920	128.302	121.503	115.703	116.267	118.162	121.749
SPSHBR	S&P BRIC Shariah	1123.644	1183.561	1182.207	1117.929	1087.775	1173.998	1158.319



Index Code	Index Name	10/05/10	Apr-10	Mar-10	Feb-10	Jan-10	Dec-09	Nov-09
SPSHGU	S&P Global Property Shariah	639.701	667.560	684.290	646.637	612.470	670.976	651.064
SPSHIF	S&P Global Infrastructure Shariah	83.128	86.827	85.743	82.828	95.596	98.914	97.319

Data as of the 10th May 2010

PERFORMANCE OF DJ INDEXES



INDEX	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	-3.85	-5.75	-4.63	-5.40	4.71	1.75	24.45	-1.03
DJIM US	-3.74	-4.72	-3.76	-3.43	5.99	4.24	23.78	1.27
DJIM Europe	-4.61	-8.99	-8.78	-9.92	-0.87	-6.67	18.80	-8.18
DJIM GCC	-1.96	-2.34	-1.36	-3.02	6.65	4.79	14.96	8.31
DJIM ASEAN	-2.24	-4.02	-0.96	-2.41	9.63	9.39	38.41	6.00

*all performance is cumulative, based on price return and US$

DESCRIPTIVE STATISTICS	Market Capitalization (US$ billion)							Component Weight (%)	
INDEX	Component number	Full	Float adjusted	Mean	Median	Largest	Smallest	Large	Small
DJIM World	2407	15039.51	11853.85	4.92	1.04	309.67	0.01	2.61	0.00
DJIM US	589	6632.45	6222.33	10.56	2.73	309.67	0.22	4.98	0.00
DJIM Europe	272	2690.79	2148.21	7.90	1.95	154.49	0.17	7.19	0.01
DJIM GCC	116	224.65	94.60	0.82	0.3	12.35	0.03	13.05	0.03
DJIM MENA	161	383.60	105.97	0.66	0.19	13.58	0.02	12.81	0.02
DJIM ASEAN	198	391.15	159.46	0.81	0.19	14.82	0.01	9.30	0.00
DJIM Titans 100	100	6588.59	5839.72	58.40	38.33	309.67	11.56	5.30	0.20
DJIM Asia/Pacific Titans 25	25	988.32	646.38	25.86	19.01	69.07	11.56	10.69	1.79

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

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DOWJONES

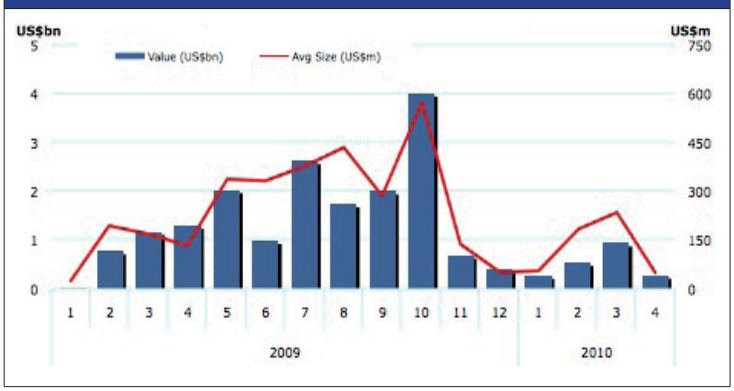
TOP 30 ISSUERS OF ISLAMIC BONDS *12 Months*

	Issuer	Nationality	Instrument	Market	Amt US$	Iss	%	Managers
1	Government of Dubai	UAE	Sukuk	Euro market public issue	1,931,000,000	1	11.8	Standard Chartered, UBS National Bank of Abu Dhabi, Dubai Islamic Bank, Bahrain Islamic Bank Mitsubishi UFJ Financial, Emirates NBD, Al Hilal Bank
2	Saudi Electricity	Saudi Arabia	Sukuk Istithmar	Domestic market public issue	1,867,000,000	1	11.4	HSBC, Samba Financial Group
3	Petronas Global Sukuk	Malaysia	Sukuk Ijarah	Euro market public issue	1,498,000,000	1	9.1	Morgan Stanley, CIMB, Citigroup
4	Terengganu Investment Authority	Malaysia	Sukuk Murabahah	Domestic market private placement	1,422,000,000	1	8.7	AmInvestment
5	TDIC Sukuk	UAE	Sukuk Ijarah	Euro market public issue	1,000,000,000	1	6.1	Standard Chartered, HSBC, Abu Dhabi Commercial Bank
6	Cagamas	Malaysia	Sukuk	Domestic market public issue; Domestic market private placement	878,000,000	7	5.4	HSBC, CIMB, RHB Capital, Maybank Investment Bank, Cagamas, AmInvestment
7	Islamic Development Bank	Saudi Arabia	Sukuk Wakalah	Euro market public issue	850,000,000	1	5.2	Deutsche Bank, BNP Paribas, HSBC, CIMB
8	Kingdom of Bahrain	Bahrain	Sukuk Ijarah	Euro market public issue	750,000,000	1	4.6	Deutsche Bank, HSBC, Credit Agricole CIB
9	Danga Capital	Malaysia	Sukuk Musharakah	Domestic market public issue	612,000,000	1	3.7	Standard Chartered, HSBC, OCBC, RHB Capital, CIMB
10	Sime Darby	Malaysia	Sukuk Musharakah	Domestic market public issue	590,000,000	1	3.6	Public Bank, CIMB, Maybank Investment Bank
11	Syarikat Prasarana Negara	Malaysia	Sukuk Ijarah	Domestic market private placement	573,000,000	1	3.5	CIMB, Group Maybank Investment Bank
12	GE Capital Sukuk	US	Sukuk	Euro market public issue	498,000,000	1	3.0	Goldman Sachs, KFH National Bank of Abu Dhabi, Citigroup
13	Dar Al-Arkan International Sukuk	Saudi Arabia	Sukuk	Euro market public issue	446,000,000	1	2.7	Goldman Sachs, Deutsche Bank, Unicorn Investment Bank
14	Khazanah Nasional	Malaysia	Sukuk Musharakah	Domestic market private placement	442,000,000	2	2.7	CIMB, Standard Chartered
15	Government of Ras Al Khaimah	UAE	Sukuk	Euro market public issue	407,000,000	1	2.5	Standard Chartered, BNP Paribas
16	MISC	Malaysia	Sukuk Murabahah	Domestic market public issue	368,000,000	2	2.2	HSBC, CIMB, AmInvestment
17	Pengurusan Aset Air	Malaysia	Sukuk Ijarah	Domestic market private placement	341,000,000	1	2.1	CIMB
18	Seafield Capital	Malaysia	Sukuk Musharakah	Domestic market private placement	269,000,000	1	1.6	CIMB
19	Saudi Hollandi Bank	Saudi Arabia	Sukuk	Domestic market public issue	193,000,000	1	1.2	Saudi Hollandi, Bank Riyad Bank
20	Islamic Republic of Pakistan	Pakistan	Sukuk	Domestic government debt	174,000,000	1	1.1	Standard Chartered
21	Penerbangan Malaysia	Malaysia	Sukuk Murabahah	Domestic market public issue	148,000,000	2	0.9	Bank Muamalat Malaysia, CIMB, HSBC, AmInvestment
22	UMW Holdings	Malaysia	Sukuk Musharakah	Domestic market private placement	141,000,000	1	0.9	Maybank Investment Bank
23	International Finance	US	Sukuk	Euro market public issue	100,000,000	1	0.6	HSBC, KFH Dubai Islamic Bank, Liquidity Management Centre
24	Gamuda	Malaysia	Sukuk Musharakah and Sukuk Murabahah	Domestic market private placement	97,000,000	1	0.6	CIMB
25	CIMB Islamic Bank	Malaysia	Sukuk Musharakah	Domestic market public issue	86,000,000	1	0.5	CIMB
26	Projek Lebuhraya Utara Selatan	Malaysia	Sukuk Musharakah	Domestic market private placement	75,000,000	1	0.5	CIMB
27	Citydev Nahdah	Singapore	Sukuk Ijarah	Domestic market private placement	72,000,000	2	0.4	CIMB
28	Jimah Energy Ventures Holdings	Malaysia	Sukuk Istisna	Domestic market private placement	60,000,000	1	0.4	RHB Capital, EON Bank, Bank Muamalat Malaysia, AmInvestment
29	Syarikat Borcos Shipping	Malaysia	Sukuk Ijarah	Domestic market private placement	48,000,000	1	0.3	Bank Muamalat Malaysia
30	Talam	Malaysia	Sukuk	Domestic market public issue	38,000,000	1	0.2	RHB Capital
	Total				**16,408,000,000**	**65**	**100**	

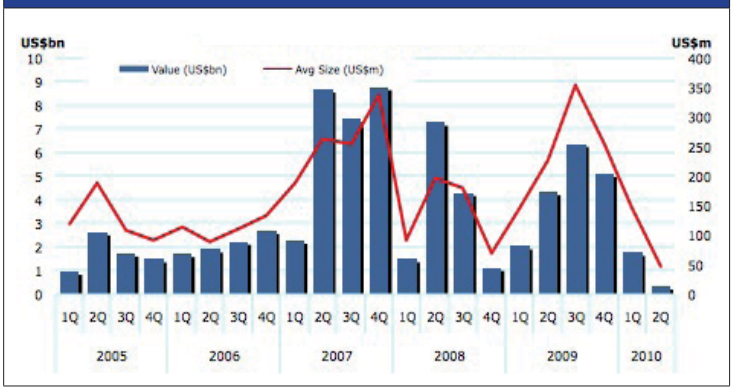
20 MOST RECENT GLOBAL ISLAMIC BONDS

Priced	Issuer	Nationality	Instrument	Market	Value US$	Managers
22nd Apr 2010	Cagamas	Malaysia	Sukuk	Domestic market private placement	156,000,000	Cagamas, HSBC, CIMB, Maybank Investment Bank
31st Mar 2010	Danga Capital	Malaysia	Sukuk Musharakah	Domestic market public issue	612,000,000	Standard Chartered, HSBC, OCBC, RHB Capital, CIMB
10th Mar 2010	Khazanah Nasional	Malaysia	Sukuk Musharakah	Domestic market private placement	359,000,000	Standard Chartered, CIMB
11th Feb 2010	Dar Al-Arkan International Sukuk	Saudi Arabia	Sukuk	Euro market public issue	450,000,000	Goldman Sachs, Deutsche Bank, Unicorn Investment Bank
6th Jan 2010	Saudi Hollandi Bank	Saudi Arabia	Sukuk	Domestic market public issue	193,000,000	Saudi Hollandi Bank, Riyad Bank
21st Dec 2009	Cagamas	Malaysia	Sukuk	Domestic market private placement	148,000,000	Cagamas
19th Nov 2009	GE Capital Sukuk	US	Sukuk	Euro market public issue	500,000,000	Goldman Sachs, KFH, National Bank of Abu Dhabi, Citigroup
16th Nov 2009	Cagamas	Malaysia	Sukuk	Domestic market private placement	142,000,000	CIMB, Maybank Investment Bank
28th Oct 2009	Government of Dubai	UAE	Sukuk	Euro market public issue	1,931,000,000	Standard Chartered, UBS, National Bank of Abu Dhabi, Dubai Islamic Bank, Bahrain Islamic Bank, Mitsubishi UFJ Financial Group, Emirates NBD, Al Hilal Bank
22nd Oct 2009	Pengurusan Aset Air	Malaysia	Sukuk Ijarah	Domestic market private placement	741,000,000	CIMB
14th Oct 2009	Sime Darby	Malaysia	Sukuk Musharakah	Domestic market public issue	590,000,000	Public Bank, CIMB, Maybank Investment Bank
13th Oct 2009	TDIC Sukuk	UAE	Sukuk Ijarah	Euro market public issue	1,000,000,000	Standard Chartered, HSBC, Abu Dhabi Commercial Bank
16th Sep 2009	Islamic Republic of Pakistan	Pakistan	Sukuk	Domestic government debt	174,000,000	Standard Chartered
11th Sep 2009	UMW Holdings	Malaysia	Sukuk Musharakah	Domestic market private placement	141,000,000	Maybank Investment Bank
11th Sep 2009	Syarikat Prasarana Negara	Malaysia	Sukuk Ijarah	Domestic market private placement	573,000,000	CIMB, Group Maybank Investment Bank
11th Sep 2009	MISC	Malaysia	Sukuk Musharakah	Domestic market public issue	286,000,000	HSBC, CIMB
9th Sep 2009	Islamic Development Bank	Saudi Arabia	Sukuk Wakalah	Euro market public issue	850,000,000	Deutsche Bank, BNP Paribas, HSBC, CIMB
19th Aug 2009	Khazanah Nasional	Malaysia	Sukuk Musharakah	Domestic market private placement	368,000,000	CIMB
5th Aug 2009	Petronas Global Sukuk	Malaysia	Sukuk Ijarah	Euro market public issue	1,500,000,000	Morgan Stanley, CIMB, Citigroup
22nd Jul 2009	Government of Ras Al Khaimah	UAE	Sukuk	Euro market public issue	400,000,000	Standard Chartered, BNP Paribas

GLOBAL ISLAMIC BOND VOLUME BY MONTH



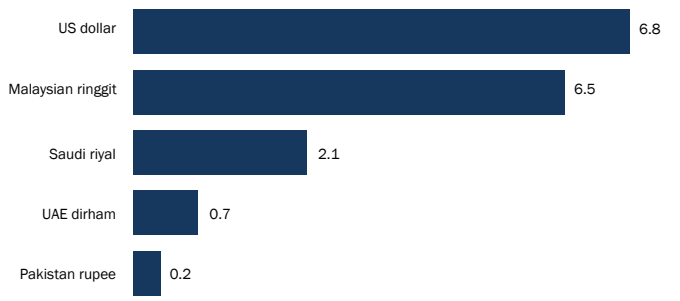
GLOBAL ISLAMIC BOND VOLUME BY QUARTER



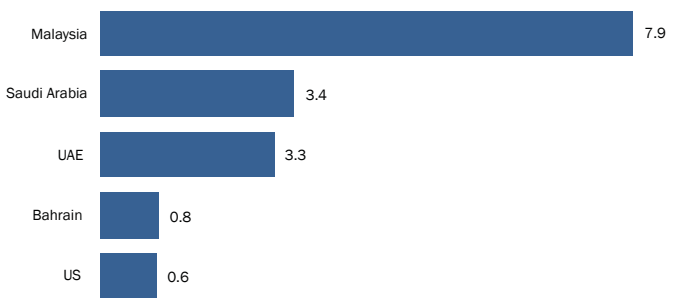
TOP 30 MANAGERS OF ISLAMIC BONDS *12 Months*

	Manager	Amt US$	Iss	%
1	CIMB	3,231,000,000	31	19.7
2	HSBC	2,218,000,000	13	13.5
3	AmInvestment	1,581,000,000	7	9.6
4	Standard Chartered	1,274,000,000	9	7.8
5	Samba Financial Group	933,000,000	1	5.7
6	Maybank Investment Bank	795,000,000	7	4.9
7	Deutsche Bank	611,000,000	3	3.7
8	Citigroup	599,000,000	2	3.7
9	Morgan Stanley	499,000,000	1	3.0
10	BNP Paribas	416,000,000	2	2.5
11	Abu Dhabi Commercial Bank	333,000,000	1	2.0
12	Dubai Islamic Bank	331,000,000	2	2.0
13	Mitsubishi UFJ Financial Group	324,000,000	2	2.0
14	UBS	306,000,000	1	1.9
14	Emirates NBD	306,000,000	1	1.9
16	RHB Capital	277,000,000	5	1.7
17	Credit Agricole CIB	250,000,000	1	1.5
18	Goldman Sachs	248,000,000	2	1.5
19	KFH	224,000,000	2	1.4
20	Bahrain Islamic Bank	208,000,000	1	1.3
21	National Bank of Abu Dhabi	197,000,000	2	1.2
22	Public Bank	197,000,000	1	1.2
23	Unicorn Investment Bank	149,000,000	1	0.9
24	Cagamas	140,000,000	2	0.9
25	OCBC	137,000,000	2	0.8
26	Bank Muamalat Malaysia	100,000,000	3	0.6
27	Al Hilal Bank	97,000,000	1	0.6
27	Saudi Hollandi Bank	97,000,000	1	0.6
29	Riyad Bank	97,000,000	1	0.6
30	Danareksa	41,000,000	5	0.3
	Total	**16,408,000,000**	**65**	**100**

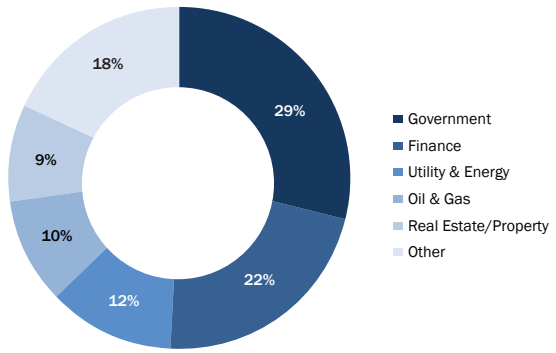
ISLAMIC BOND VOLUME BY CURRENCY US$ (BILLION)



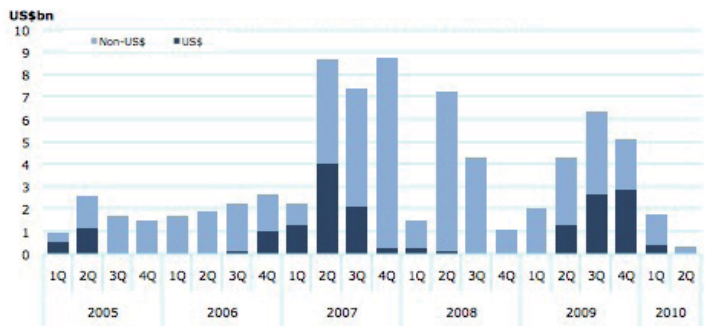
ISLAMIC BOND VOLUME BY ISSUER NATION US$ (BILLION) - *12 Months*



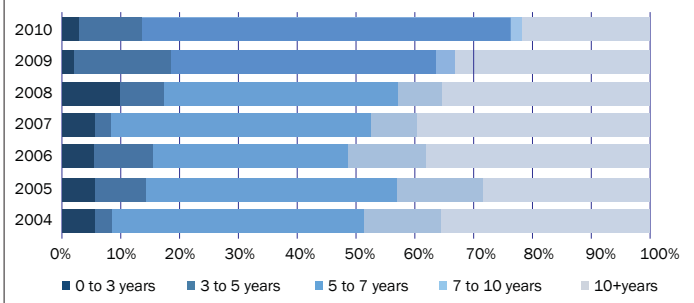
GLOBAL ISLAMIC BOND VOLUME BY SECTOR - *12 Months*



GLOBAL ISLAMIC BOND VOLUME - US$ ANALYSIS



GLOBAL ISLAMIC LOANS - YEARS TO MATURITY *(YTD Comparison)*



ALL DATA AS OF THE 11th MAY 2010

SUKUK MANAGERS (12 months) MAY 2009 – MAY 2010

	Manager	Manager Commitment (in US$)	Issues	Market Share %
1	Malaysia (Government)	19,988,415,922	98	49.4
2	CIMB	4,461,195,765	85	10.3
3	AMMB Holdings	2,403,516,272	84	6.0
4	HSBC Banking Group	1,756,247,152	46	4.2
5	Malayan Banking	1,305,019,347	92	3.2
6	Citigroup	1,276,560,949	7	3.0
7	Morgan Stanley	1,215,000,000	5	3.0
8	RHB Banking Group	1,058,886,859	33	2.7
9	Malaysian Industrial Development Finance	987,813,965	237	2.5
10	Samba Financial Group	933,261,000	1	2.3
11	Standard Chartered	754,006,860	16	1.9
12	Dubai Islamic Bank	602,646,875	3	1.5
13=	UBS	482,646,875	2	1.2
13=	Mitsubishi UFJ Financial Group	482,646,875	2	1.2
15	Cagamas	409,631,631	35	0.8
16	Indonesia (Government)	252,336,567	15	0.6
17	Affin Holdings	209,103,666	20	0.5
18	OCBC Bank	190,840,884	29	0.5
19	OSK Holdings	181,528,742	26	0.4
20	EON Capital	160,372,141	83	0.4

SUKUK MANAGERS (3 months) FEB 2010 - MAY 2010

	Manager	Manager Commitment (in US$)	Issues	Market Share %
1	Malaysia (Government)	4,890,978,900	24	60.7
2	CIMB	983,443,862	20	12.2
3	AMMB Holdings	482,716,808	17	6.0
4	Malayan Banking	231,872,413	19	2.9
5	RHB Banking Group	195,486,945	6	2.4
6	Malaysian Industrial Development Finance	193,112,917	42	2.4
7=	Cagamas	153,895,375	8	1.9
7=	HSBC Banking Group	153,895,375	8	1.9
9=	Goldman Sachs & Company	148,500,000	1	1.8
9=	Deutsche Bank	148,500,000	1	1.8
9=	Unicorn Investment Bank	148,500,000	1	1.8
12	OCBC Bank	72,982,085	9	0.9
13	Affin Holdings	71,722,535	6	0.9
14	OSK Holdings	49,364,844	6	0.6
15	EON Capital	42,881,417	17	0.5
16	United Overseas Bank	30,246,232	5	0.4
17	Standard Chartered Bank	18,754,738	2	0.2
18	Hwang-DBS (Malaysia)	17,727,900	1	0.2
19	Hong Leong Financial Group	10,911,915	1	0.1
20	Public Bank	7,539,015	2	0.1

SUKUK ISSUERS (12 months) MAY 2009 – MAY 2010

	Issuer	Issuer Commitment (in US$)	Issues	Market Share %
1	BNM Sukuk	9,410,881,700	45	20.3
2	Malaysia (Government)	7,597,476,417	25	16.9
3	Bank Indonesia	3,939,084,561	51	9.1
4	Petronas Global Sukuk	3,000,000,000	2	6.7
5	Dubai DOF Sukuk	1,930,587,500	2	4.3
6	Saudi Electricity	1,866,522,000	1	4.2
7	Perusahaan Penerbit SBSN Indonesia	1,561,775,920	10	3.8
8	Bank Negara Malaysia	1,481,825,280	35	3.5
9	Terengganu Investment Authority	1,419,647,927	8	3.2
10	Bank Negara Malaysia	1,362,026,605	24	2.6
11	Khazanah Nasional	1,073,562,800	3	2.4
12	TDIC Sukuk	1,000,000,000	1	2.2
13	Pengurusan Air SPV	952,165,760	4	1.9
14	ESSO Malaysia	788,986,438	11	1.6
15	Sime Darby	636,963,100	4	1.4
16	Danga Capital	621,408,000	1	1.4
17	Syarikat Prasarana Negara	577,872,000	2	1.3
18	MISC	572,905,000	6	1.3
19	Dar Al-Arkan International Sukuk	450,000,000	1	1.0
20	Malakoff	331,466,000	2	0.7

SUKUK ISSUERS (3 months) FEB 2010 - MAY 2010

	Issuer	Issuer Commitment (in US$)	Issues	Market Share %
1	BNM Sukuk	3,254,376,700	16	35.6
2	Malaysia (Government)	1,269,349,400	7	13.9
3	Bank Indonesia	641,884,991	11	7.0
4	Danga Capital	621,408,000	1	6.8
5	Cagamas	615,581,500	8	6.7
6	Dar Al-Arkan International Sukuk	450,000,000	1	4.9
7	Perusahaan Penerbit SBSN Indonesia	375,307,064	2	4.1
8	Khazanah Nasional	367,252,800	1	4.0
9	Pengurusan Air SPV	212,300,760	1	2.3
10	ESSO Malaysia	183,878,400	3	2.0
11	Malakoff	155,642,000	1	1.7
12	Gamuda	99,324,800	1	1.1
13	Hubline	71,722,535	6	0.8
14	Hytex Integrated	66,401,993	8	0.7
15	Toyota Capital Malaysia	65,681,455	2	0.7
16	Sunrise	58,794,800	2	0.6
17	Haluan Gigih	55,870,200	5	0.6
18	Perbadanan Kemajuan Negeri Selangor	42,115,180	3	0.5
19	Muhibbah Engineering (M)	40,466,920	2	0.4
20	MM Vitaoils	35,266,327	17	0.4

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.

THOMSON REUTERS

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ALL DATA AS OF THE 11th MAY 2010

LOAN MANDATED LEAD ARRANGERS — MAY 2009 – MAY 2010

	Lender	Pro Rata (US$)	Full Credit (US$)	Deals	Market Share %
1	HSBC	1,530,319,392	5,645,789,334	6	14.61
2	SCB	1,203,669,230	4,251,106,140	8	11.49
3	Qatar Islamic Bank	1,098,538,943	1,098,538,943	1	10.49
4	Samba Financial Group	921,188,778	3,169,622,223	3	8.79
5	Credit Agricole Corporate & Investment	835,322,059	4,520,800,000	4	7.97
6	National Commercial Bank	821,191,445	2,769,632,890	2	7.84
7	Al Rajhi Banking & Investment Corp	791,722,059	4,302,800,000	3	7.56
8	Arab Bank	492,447,059	2,242,800,000	3	4.70
9	Noor Islamic Bank	318,518,806	796,685,803	3	3.04
10=	Alinma Bank	187,875,000	1,503,000,000	1	1.79
10=	Bank of China	187,875,000	1,503,000,000	1	1.79
12	Al Hilal Bank	172,870,616	359,741,233	2	1.65
13=	Gulf Bank of Kuwait	155,000,000	775,000,000	1	1.48
13=	Standard Bank	155,000,000	775,000,000	1	1.48
13=	National Bank of Kuwait	155,000,000	775,000,000	1	1.48
16	WestLB	135,879,373	491,161,570	3	1.29
17	Citigroup	130,500,000	130,500,000	3	1.24
18	Riyad Bank	117,644,392	699,989,334	2	1.12
19	National Bank	99,997,333	399,989,334	1	0.95
20	Arab Banking	84,648,190	253,944,570	1	0.80
21	RBS	75,000,000	225,000,000	1	0.71
22	DBS	67,222,222	400,000,000	3	0.64
23	Societe Generale	61,247,059	518,000,000	2	0.58
24	BNP Paribas	56,647,059	467,000,000	3	0.54
25	BTMU	42,647,059	400,000,000	2	0.40
26	Liquidity Management House for Investment	40,555,556	265,000,000	2	0.38
27	Kuwait Finance House	33,787,870	231,161,570	2	0.32
28=	Bank Islam Malaysia	26,666,667	160,000,000	1	0.25
28=	Malayan Banking	26,666,667	160,000,000	1	0.25
28=	Masraf Al Rayan	26,666,667	160,000,000	1	0.25
28=	SMBC	26,666,667	160,000,000	1	0.25
32=	Boubyan Bank	25,000,000	125,000,000	1	0.23
32=	Bumiputra-Commerce Holdings	25,000,000	100,000,000	1	0.23
32=	Ahli United Bank	25,000,000	125,000,000	1	0.23
32=	Gatehouse Bank	25,000,000	125,000,000	1	0.23

LOAN BOOKRUNNERS (12 Months) — MAY 2009 – MAY 2010

	Lender	Pro Rata (US$)	Full Credit (US$)	Deals	Market Share %
1=	Al Rajhi Banking & Investment Corp	1,249,900,000	2,499,800,000	1	27.62
1=	Credit Agricole Corporate & Investment Bank	1,249,900,000	2,499,800,000	1	27.62
3	Qatar Islamic Bank	1,098,538,943	1,098,538,943	1	24.28
4	WestLB	191,161,570	191,161,570	2	4.22
5=	Standard Chartered	159,648,190	478,944,570	2	3.52
5=	Noor Islamic Bank	159,648,190	478,944,570	2	3.52
7	Citigroup	130,500,000	130,500,000	3	2.88
8	Arab Banking Corp	84,648,190	253,944,570	1	1.87
9	RBS	75,000,000	225,000,000	1	1.65
10=	BNP Paribas	41,666,667	125,000,000	1	0.92
10=	Gatehouse Bank	41,666,667	125,000,000	1	0.92
10=	Liquidity Management House for Investment	41,666,667	125,000,000	1	0.92

ISLAMIC LOANS RAISED (12 Months) — MAY 2009 – MAY 2010

	Borrower	Country	Islamic Loan Amount (US$)
1	Zain	Saudi Arabia	2,499,800,000
2	Rabigh Independent Power Project	Saudi Arabia	1,503,000,000
3	Qatari Diar Real Estate Investment	Qatar	1,500,000,000
4	Saudi Binladen Group	Saudi Arabia	1,266,632,890
5	Qatari Diar Real Estate Investment	Qatar	1,098,538,943
6	Etihad Etisalat	Saudi Arabia	399,989,334
7	International Petroleum Investment	UAE	317,741,233
8	Al Dur Power & Water	Bahrain	300,000,000
9	Asya Katilim Bankasi	Turkey	253,944,570
10	Dubai International Capital	UAE	225,000,000
11	Dolphin Energy	UAE	218,000,000
12	Qatar Airways	Qatar	160,000,000
13	Bahrain Mumtalakat Holding	Bahrain	140,000,000
14	Burgan Co for Well Drilling Trading & Maintenance	Kuwait	125,000,000
15	Gulf Finance House	Bahrain	100,000,000
16	Olam International	Singapore	100,000,000
17	Global Investment House	Kuwait	91,161,570
18	Lana Development	Kuwait	77,500,000

ALL DATA AS OF THE 11th MAY 2010

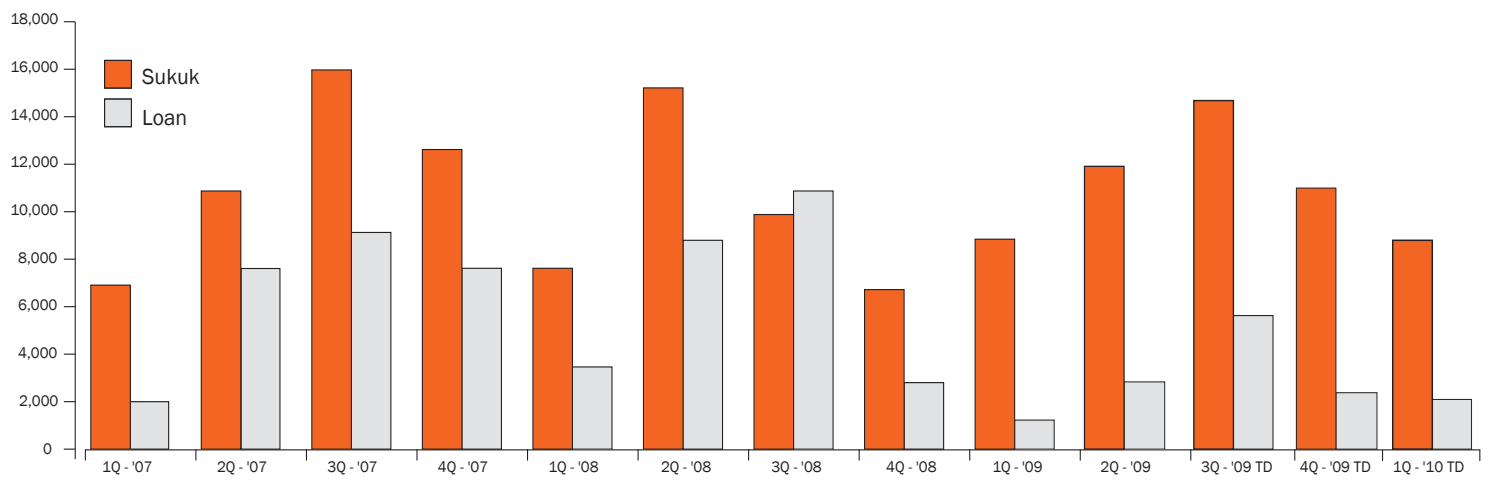
SUKUK BY COUNTRY	(12 Months)	MAY 2009 – MAY 2010
Country	Volume Issued	Volume Outstanding
Malaysia	30,707,804,958	20,111,921,718
Indonesia	5,678,094,010	1,971,835,097
Eurobond	4,430,587,500	4,430,587,500
Saudi Arabia	2,059,850,500	2,059,850,500
US	1,950,000,000	1,950,000,000
Pakistan	174,265,020	174,265,020
Bahrain	63,367,198	-
Singapore	56,757,284	56,757,284
Cayman Islands	-	-
UAE	-	-
Jersey	-	-

LOANS BY COUNTRY	(12 Months)	MAY 2009 – MAY 2010
Country	Volume (US$)	Market Share (%)
Saudi Arabia	5,669,422,223	54.6
Qatar	2,758,538,943	26.6
UAE	802,741,233	7.7
Bahrain	540,000,000	5.2
Turkey	306,944,570	3.0
Kuwait	293,661,570	2.0
Singapore	100,000,000	1.0

SUKUK BY INDUSTRY	(12 Months)	MAY 2009 – MAY 2010
Industry	Volume Issued	Volume Outstanding
Other financial	21,990,337,053	14,844,998,307
Sovereign	13,072,852,603	8,058,401,171
Agency	2,755,149,700	2,618,574,995
Electric power	2,230,183,097	2,054,359,097
Manufacturing	1,926,100,891	1,146,272,795
Transportation	1,403,414,126	1,242,985,250
Energy company	883,551,733	147,828,630
Service company	392,831,427	232,202,564
Banks	280,009,300	280,009,300
Consumer goods	165,098,940	108,387,410
Telephone	21,197,600	21,197,600

LOANS BY INDUSTRY	(12 Months)	MAY 2009 – MAY 2010
Industry	Volume (US$)	Market Share(%)
Telecommunications	2,977,289,334	28.7
Real estate	2,598,538,943	25.0
Utilities	1,803,000,000	17.4
Construction	1,266,632,890	12.2
Financial services	810106140.19	6.9
Oil and gas	343,000,000	3.3
Chemicals, plastics and rubber	330,741,233	3.2
Transportation	160,000,000	1.5
Wholesale	100,000,000	1.0

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



EVENTS DIARY

DATE	EVENT	VENUE	ORGANIZER
May			
24th – 25th	The World Islamic Funds & Capital Markets Conference	Bahrain	MEGA Events
26th – 27th	Moscow Forum - Islamic Finance & Investments	Moscow	Business Conferences
26th – 27th	Annual Shari'a Conference	Manama	AAOIFI
June			
9th	IFN Roadshow Egypt	Egypt	Islamic Finance *events*
10th	London 2010 Sukuk Summit	London	ICG Events
11th	IFN Roadshow Turkey	Turkey	Islamic Finance *events*
14th – 15th	1st World Islamic Bank Conference	Singapore	MEGA Events
22nd	IFN Roadshow Thailand	Thailand	Islamic Finance *events*
July			
13th	IFN Roadshow Japan	Japan	Islamic Finance *events*
14th – 15th	The International Takaful Summit	UK	Afkar Consulting
15th	IFN Roadshow Korea	Korea	Islamic Finance *events*
22nd – 24th	1st World Dinar Conference 2010 – The Global Economic Crisis: An Islamic Response	Kuala Lumpur	Qafilah Qey
August			
3rd	IFN Roadshow India	India	Islamic Finance *events*
5th	IFN Roadshow Pakistan	Pakistan	Islamic Finance *events*
October			
4th – 7th	Islamic Finance World Africa 2010	Johannesburg	Terrappin
6th	IFN Roadshow Saudi Arabia	Saudi Arabia	Islamic Finance *events*
18th – 22nd	25th East Asian Insurance Congress	Bali, Indonesia	EAIC Organizing Committee
25th – 28th	GIFF 2010	Kuala Lumpur	REDmoney
25th – 28th	IFN Asia Forum 2010	Kuala Lumpur	Islamic Finance *events*
November			
10th – 11th	Middle East Life & Family Takaful Summit	Dubai	Asia Insurance Review
18th	IFN Roadshow Canada	Canada	Islamic Finance *events*
23rd	IFN Roadshow UK	UK	Islamic Finance *events*
25th	IFN Roadshow France	France	Islamic Finance *events*
December			
1st – 2nd	Annual Conference on Islamic Banking & Finance	Manama	AAOIFI
13th	IFN Roadshow Brunei	Brunei	Islamic Finance *events*

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